Guidance note



Guidance on the Green and Social Loan Principles

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Interpretation of Terms

The following definitions shall provide guidance for understanding and implementing this Guidance on the Green and Social Loan Principles:

- **"Shall": Indicates a mandatory requirement.**
- **"Should": Indicates a recommendation.**
- **"May": Indicates an optional course of action.**
- **"Can": Indicates possibility or capacity, for example, that an organisation or individual is able to act.**

For all other terms, a plain English approach is adopted. The term "GS loan" is used to refer to green or social use of proceeds loans that meet the requirements of the GLP or SLP respectively and is not intended to create a new label. This is distinct from "Sustainability Loans" which support eligible green and social projects.

01 Introduction

The Green Loan Principles (*GLP*) and Social Loan Principles (*SLP*) were originally launched in 2018 and 2021 respectively, each providing a framework articulating the characteristics of a green and social loan. In order to promote the development of these products, and to underpin their strength and integrity, the APLMA, LMA and LSTA considered it appropriate to produce Guidance on the GLP and SLP, to provide market practitioners with additional clarity on their application and promote a harmonised approach to use.

This Guidance should be read alongside the GLP and SLP.

Guidance is also available for the Transition Loan Principles (***TLP***) and Sustainability-Linked Loan Principles (***SLLP***). These sets of Guidance are together intended to highlight the differences between, and suitability of application of, the GLP, the SLP, the TLP and/or the SLLP to any particular deal.

02 Fundamentals

A. Is there a definition of green and social loans?

GS loans are any type of loan instrument where the proceeds will be exclusively applied to eligible environmental or social projects and/or activities, or a combination of both[1].

- **Green loans** are any type of loan instruments and/or contingent facilities where the proceeds – or an equivalent amount – shall be exclusively applied to finance, re-finance or guarantee projects or activities with clear environmental benefits and which are aligned with the four core components of the GLP.

  Eligible Green Project categories include (but are not limited to): renewable energy; energy efficiency; pollution prevention and control; environmentally sustainable management of living natural resources and land use; terrestrial and aquatic biodiversity restoration, conservation and enhancement; clean transportation; green technologies; sustainable water and wastewater management; climate change resilience and adaptation; circular economy adapted products, production technologies, processes and business models; and green buildings.

[1] Loans that intentionally support eligible green and social projects and/or activities can be referred to as "***Sustainability Loans***".

- **Social loans** are any type of loan instruments and/or contingent facilities where the proceeds - or an equivalent amount - shall be exclusively applied to finance, re-finance or guarantee projects with clear social benefits that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes including for, but not limited to, a target population(s), and which are aligned to the four core components of the SLP.

  Eligible Social Project categories include (but are not limited to): affordable basic infrastructure; access to essential services; affordable, social or supported housing; employment generation, re-skilling and programs designed to prevent and/or alleviate unemployment; food security and sustainable food systems; and socioeconomic advancement and empowerment.

  Examples of target populations include (but are not limited to) those who are: living below the poverty line; excluded and/or marginalised populations and/or communities; people with disabilities; migrants and/or displaced persons; undereducated (including illiteracy/digital illiteracy); underserved, owing to a lack of quality access to essential goods and services; unemployed; women and/or sexual and gender minorities; aging populations and/or vulnerable youths; and other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity.

A GS loan could have broader environmental and/or social considerations, but these considerations alone will not qualify the loan for a green/social designation. However, broader environmental and/or social considerations should be included in the impact assessment of the projects – either from a risk management perspective under project selection and evaluation (i.e. negative impacts) or from a positive outcome perspective in the impact reporting.

The definitions of green and social loans will be reviewed on a regular basis in light of the development and growth of the GS loan market.

B. What are the advantages of entering into a GS loan?

Entering into a GS loan offers a range of potential advantages for borrowers, lenders and investors including:

- **Access to a broader pool of sustainability-focused lenders, investors and stakeholders:** aligning financing with institutions and investors that prioritise sustainable finance and investment within their lending and investment strategies.
- **Scalable and efficient financing and refinancing:** facilitating repeat transactions through the establishment of clear Green or Social Loan Framework[2], reducing structuring and execution time for future sustainable financings.
- **Enhanced governance and transparency:** strengthening internal processes through structured sustainable reporting, monitoring, and disclosure obligations.
- **Measurable sustainable impact:** enabling the financing of clearly defined eligible projects that contribute to environmental and/or social objectives.
- **Alignment with sustainability standards and benchmarks:** supporting alignment with the United Nations Sustainable Development Goals (***SDGs***) and broader sustainability frameworks and benchmarks.
- **Signalling credible sustainability credentials:** demonstrating a credible commitment to environmental objectives and sustainability through alignment with recognised green/social loan market standards.
- **Value creation and risk management:** supporting long-term environmental/social resilience, including (but not limited to) climate mitigation and adaptation objectives.

[2] See APLMA, LMA and LSTA's 'An Introduction to Green Loan Frameworks', December 2023. https://www.lma.eu.com/application/files/7117/0297/5555/An_Introduction_to_Green_Loan_Frameworks.pdf

- **Regulatory and policy alignment:** aligning with evolving sustainability regulatory expectations, frameworks, taxonomies, and strategic sustainability commitments.
- **Potential commercial benefits:** supporting access to competitive terms over time, subject to market conditions and transaction structure.
- **Stronger stakeholder engagement and commercial benefits:** fostering relationships with internal and external stakeholders including investors, lenders, customers, and communities.

C. Who can borrow a GS loan?

Subject to any applicable law, regulation and credit assessment and any relevant lender internal policies or procedures, any type of borrower can borrow a GS loan, provided the transaction structure can be aligned with the four core components of the GLP/SLP.

D. What is the difference between green loans and transition loans?

There is no universally accepted boundary between "green" and "transition" activities, and the distinction may vary across jurisdictions, taxonomies and market frameworks. Accordingly, whether a loan is categorised as a Green Loan or a Transition Loan should be assessed by reference to the GLP or TLP, the nature of the financed activities and, where relevant, the borrower's credible transition strategy.

E. What is the difference between GS loans and sustainability-linked loans (*SLLs*)?

The fundamental determinant of GS loans is the utilisation of the loan proceeds for Green and/or Social Projects. Whilst use of proceeds is the key determinant, the other core criteria set out in the GLP/SLP shall also be met, i.e. the criteria for project evaluation and selection, management of proceeds and reporting.

Under the SLLP, use of proceeds is not a determinant in its categorisation and SLLs are typically available without such restrictions (for general corporate purposes). The focus is instead on supporting a borrower in improving its sustainability performance, via the achievement of predetermined SPTs. As a result, the proceeds may be used to finance any kind of business activities that the borrower is pursuing, which aligns with the overarching objective of the SLLP to promote positive environmental and social outcomes, be they project based, acquisition based and so on.

F. Can a loan combine a use of proceeds approach with a sustainability-linked approach?

Yes. It is possible to combine a “use of proceeds” approach with a sustainability-linked approach where a borrower chooses to allocate loan proceeds to specific green and/or social projects and, at the same time, incorporates KPIs and SPTs that satisfy the SLLP. In such circumstances, the loan should align simultaneously with the relevant core components of the GLP and/or SLP and the SLLP.

G. Can ‘pure play’ companies enter into GS loans? Are all loans entered into by pure play companies automatically GS loans?

Pure play companies (***PPCs***) – being companies whose operations derive, in aggregate, at least 90% of either its revenue or assets (or appropriate alternate metric) from eligible green or social projects and/or activities – can enter into GS loans. However, a loan entered into by a PPC is not automatically classified as a GS loan solely because of the borrower's status as a PPC. For a loan to be considered a GS Loan, it must explicitly align with the four core components of the GLP/SLP, as outlined above.

For more information on PPCs, see the APLMA, LMA and LSTA’s Practice Note for the Assessment of Pure Play Companies, July 2026[3].

[3] https://www.lma.eu.com/application/files/3517/8453/3299/Practice_Note_for_the_Assessment_of_pure_play_companies.pdf

03 Core Components

I. Use of Proceeds

a) If a tranche of a loan is green or social, is the whole loan deemed green/social?

No, only the green/social tranches shall be designated as green/social. Where a facility includes a green/social tranche, the green/social tranche shall be clearly designated, with proceeds of the green/social tranche credited to a separate account or tracked by the borrower in an appropriate manner.

b) Can a loan be recognised as green/social if the borrower has not specified Green/Social Project(s) at the time of entering into the loan?

Where the borrower does not have specific eligible Green/Social Project(s) at the time of entering into the facility agreement, the parties shall refer to eligible category (or categories) of Green/Social Projects and include relevant green/social eligibility criteria for the purposes of identifying eligible Green/Social Projects and categories in the facility agreement.

All amounts drawn under a loan classified as green or social shall be allocated to either specific eligible Green/Social Project(s) and/or projects which comply with an agreed green/social eligibility criteria.

c) Are intangible assets or expenditures (such as training, monitoring, research & development and finance cost) also eligible for GS loan financing?

The proceeds from a GS loan may be used to finance or refinance other expenditures related to or in support of eligible Green and/or Social Projects, as long as those intangible assets and expenditures are associated with clear environmental and/or social benefits.

d) When a loan finances projects that have both social and environmental benefits, such as sustainable social housing, sustainable public transport and access to clean water, how should the loan be designated under the GLP and/or SLP?

Where a loan finances projects that deliver both environmental and social benefits, the borrower should determine the appropriate designation based on the primary intended objectives of the underlying projects and ensure that the loan is aligned with the core components of the GLP and/or SLP.

In determining the appropriate designation, borrowers should consider the overall purpose and intended outcomes of the financing.

- Where the borrower's primary focus is on the intended environmental objectives of the financed projects, the loan should be designated as a green loan and aligned with the GLP.
- Where the borrower's primary focus is on the intended social objectives of the financed projects, the loan should be designated as a social loan and aligned with the SLP.
- Where the loan is aligned with the core components of both the GLP and the SLP, the loan may be designated as a ***Sustainability Loan***.

e) Can borrowers use thematic labels for loans aligned with the GLP and/or SLP?

Yes. Borrowers may use thematic labels to identify a particular environmental or social focus of a loan, provided the loan remains aligned with the applicable core components of the GLP and/or SLP.

A borrower may use a single green and/or social financing framework that covers multiple eligible project categories and allocate the proceeds of a particular loan to one or more categories within that framework. Alternatively, a borrower may establish separate frameworks to reflect different thematic approaches, where appropriate.

Thematic labels (for example blue, climate, energy efficiency, biodiversity, gender or child-lens) do not constitute a separate loan designation. Rather, they identify a specific environmental or social focus within a loan that is otherwise designated as a Green Loan, Social Loan or, where applicable, Sustainability Loan, in accordance with the GLP and/or SLP.

Where a borrower applies a thematic label, it should clearly explain the basis for that designation, including the intended environmental and/or social objectives of the financed projects and, where relevant, any recognised market guidance[4], taxonomy or methodology used to determine project eligibility.

Regardless of the theme or framework structure adopted, loan documentation and related communications should clearly identify the underlying loan designation (Green Loan, Social Loan or Sustainability Loan, as applicable) and state how the loan is aligned with the applicable core components of the GLP and/or SLP. Any thematic label should serve as a supplementary descriptor and should not be presented as a separate loan designation.

f) Can long-dated green or social assets be (re)financed by (multiple) consecutive GS loans?

Yes. Long-dated eligible green and/or social assets, including associated maintenance, refurbishment or upgrade expenditures where eligible, may be (re)financed by multiple consecutive GS loans, provided the assets continue to satisfy the applicable eligibility criteria under the GLP and/or SLP and continue to deliver the intended environmental and/or social benefits.

Borrowers should ensure that the continued eligibility of the refinanced assets is assessed at the time of each refinancing. Portfolio-based management of proceeds may facilitate the refinancing of multiple eligible assets and expenditures over time, provided the borrower maintains appropriate allocation and reporting processes.

g) What disclosures are expected when loan proceeds are used to refinance eligible assets or expenditures?

Where loan proceeds are used to refinance eligible assets or expenditures, borrowers should clearly identify the assets or expenditures being refinanced and explain how they continue to satisfy the applicable eligibility criteria under the GLP and/or SLP.

Borrowers should disclose, where relevant:

- the assets or expenditures being refinanced;
- the proportion or amount of loan proceeds allocated to refinancing;
- the expected look-back period for refinanced expenditures; and
- the basis on which the refinanced assets or expenditures continue to satisfy the applicable eligibility criteria and deliver the intended environmental and/or social benefits.

Borrowers should recognise that lenders may distinguish between the refinancing of capital expenditures and operating expenditures. In particular, operating expenditures would generally be expected to have a shorter look-back period than long-lived capital assets. For long-dated assets, the emphasis should be on demonstrating continued eligibility and ongoing environmental and/or social benefits rather than the age of the original investment.

[4] Examples include, but are not limited to, Standard Chartered, KPMG and UNDRR's 2024 Guide for Adaptation and Resilience Finance, IFC's 2025 Guidelines for Blue Finance, ICMA's 2025 Sustainable Bonds for Nature: A Practitioner's Guide, 2X Gender-lens Investing Criteria and UNICEF's Child-Lens Investment Framework.

h) Can eligible assets be financed with the proceeds of a GS loan before the original borrowing has matured?

Yes. A borrower may refinance eligible assets before the original borrowing has matured, provided it clearly identifies the original financing and its maturity profile and ensures there is no double counting of the use of proceeds.

During any period in which multiple financings relate to the same eligible assets or expenditures, borrowers should have processes in place to demonstrate that the proceeds of each GS loan are allocated appropriately and are not simultaneously counted as financing the same eligible assets or expenditures beyond what is intended. Borrowers should clearly disclose their approach to managing any overlap in financing until the original borrowing matures.

Green loan considerations

- **Do all green loans have to be climate-related?**

No, the GLP explicitly recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives, such as climate change mitigation, climate change resilience and adaptation, natural resource conservation and management, biodiversity restoration, conservation and enhancement, and pollution prevention and control. The list of eligible Green Project categories, which is indicative only and not exhaustive, can be found in the GLP (See 1. - Use of Proceeds).

- **Is there an eligible Green Project category in the GLP, which would consider carbon offsetting?**

Carbon offsetting has not been envisaged within the GLP list of eligible projects.

Social loan considerations

- **Are Social Projects required to identify a target population?**

Borrowers shall identify the target population(s) for which positive social outcomes are anticipated and include target population(s) in reporting wherever possible. It is acknowledged that a Social Project could benefit people beyond the identified target population. The notion of 'target population(s)' may also be context-specific in that an individual considered underserved in one sector or country context, may not be considered underserved in another. Where applicable, borrowers should provide information on such context.

II. Process for project evaluation and selection

Green and Social Projects should be consistent with the sustainability strategy of the borrower and in line with local policies and lenders' lending criteria/policies.

As stated in the GLP and SLP, borrowers are encouraged to position the information within the context of their overarching objectives, strategy, policy and/or processes relating to sustainability.

a) What standards may be referred to in determining whether a loan is green or social?

Green loans: In the context of green loans, there are a number of well-established national and international initiatives that provide definitions, standards and classification systems (often referred to as

"taxonomies") to support the identification of environmentally sustainable activities. These frameworks also increasingly include mapping exercises to enhance comparability and interoperability across jurisdictions.

While these taxonomies are at varying stages of development, there is a growing degree of convergence around what constitutes "green", particularly in areas such as climate change mitigation and adaptation, energy efficiency, pollution prevention and control, and sustainable resource use.

Borrowers, lenders and other market participants may refer to such initiatives for guidance on the types of activities that may be considered eligible green projects.

Social loans: In contrast, there is currently no universally agreed taxonomy defining what constitutes "social" in the context of social loans. However, a number of recognised standards and thematic frameworks may provide useful guidance in assessing eligibility and impact.

These include the World Bank 'Environmental and Social Standards'[5], which provide a widely used framework for identifying and managing social risks and impacts, and the SDGs, which offer a globally recognised reference point for social outcomes.

There has also been ongoing discussion regarding the potential extension of the European Union Taxonomy to cover socially sustainable activities[6]. However, as at the date of this guide, no international consensus has yet been reached on a comprehensive social taxonomy.

Market-led and thematic initiatives are emerging to support more consistent classification of social activities. For example, 2X Global has developed criteria[7] to support gender-lens investing, helping to identify investments that advance women's economic empowerment and participation, and other social-focused frameworks continue to evolve across areas such as affordable housing, access to essential services, and financial inclusion.

National living income benchmarks may also serve as a reference point when identifying target populations (for example, those living below a poverty line) for the purposes of social loans. In addition, country classifications and income group data published by the World Bank[8] may be used to help define and assess target populations.

b) The GLP and SLP state that a borrower shall clearly communicate "the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project(s)". What is expected of borrowers in this regard?

Borrowers shall seek to clarify any related eligibility and exclusion criteria, as well as any other policies or processes by which the borrower identifies, and manages perceived, actual or potential environmental and social risks associated with the proposed projects.

Borrowers are encouraged to identify, through their processes, mitigants to known and likely risks of material social and environmental impacts from the project(s), which may include minimum standards, governance structures and ongoing monitoring, and clear and relevant trade-off analysis undertaken.

c) Can a GS loan be made to a borrower that has low ESG ratings and/or exposure to controversial sustainability issues or sectors/technologies?

The focus of GS loans is on the eligible projects rather than on the borrower itself. The GLP and SLP require that a borrower clearly communicates to its lenders the environmental/social sustainability

[5] https://projects.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards

[6] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf

[7] https://www.2xchallenge.org/2xcriteria

[8] https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

objectives of the Green/Social Projects, as well as complementary information on the processes by which the borrower identifies and manages perceived, actual or potential social and environmental risks associated with the proposed projects.

In the presence of controversial sustainability issues, or where the project may have an adverse impact on other environmental and/or social objectives, borrowers may be required to provide additional transparency to lenders, particularly around the relationship between the proposed Green/Social Projects and the borrower's broader business activities and sustainability strategies, and/or sustainability benefits from the underlying projects that go beyond established sector norms and business as usual. Lenders and borrowers may also wish to determine on a case-by-case basis whether to agree any conditions around e.g. marketing/publicity of the loan as a GS loan.

III. Management of Proceeds

a) How should you deal with unallocated money arising when GS loan proceeds exceed green or social projects?

The GLP and SLP state that the net proceeds, or an amount equal to these net proceeds, of a loan will be exclusively applied to Green/Social projects. It is nevertheless recognised that there may temporarily be unallocated loan proceeds, and that the borrower should make known the intended types and durations of temporary placement of any unallocated loan proceeds. Borrowers should seek to ensure that, in the selection of such temporary investments, they do not damage the integrity of the sustainable loan markets.

IV. Reporting

a) How are metrics chosen to report on the environmental/social impact or efficiency of projects?

The GLP and SLP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures to report on the environmental or social impact of the relevant projects. Environmental indicators could include, for example, energy capacity, electricity generation, greenhouse gas emissions reduced or avoided and resource efficiency.

Where relevant and feasible, borrowers should use recognised standards, methodologies or sector-specific guidance when selecting and calculating appropriate indicators. Where no relevant or commonly accepted standard or methodology exists, borrowers may apply an appropriate methodology of their own, provided that they make available to lenders sufficient information on the methodology and key assumptions applied to enable the reported information to be understood and, where appropriate, compared. Borrowers should provide full transparency on the applicable accounting methodology and key assumptions used in the quantitative determination of the indicators, including any relevant references to the standards, methodologies or guidance applied.

Parties may wish to refer to market guidance, such as the ICMA's 'Harmonised Framework for Impact Reporting' (June 2026)[9] and 'Harmonised Framework for Impact Reporting for Social Bonds (June 2026)'[10] as well as relevant sector-specific and environmental/social impact guidance, for further guidance on impact reporting for green and social loans respectively, and/or any other relevant market guidance.

b) How often and for how long should a borrower be expected to report on GS loans?

Borrowers shall make and keep readily available up-to-date information on the use of proceeds. This information shall be updated at least annually until the loan is fully allocated (or until the loan maturity in the case of an RCF), and on a timely basis in the event of material developments. The borrower and the lender(s) may agree that reporting should take place more regularly.

[9] https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf

[10] https://www.icmagroup.org/assets/documents/Sustainable-finance/2026-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-June-2026.pdf

Where the proceeds are used to finance more than one eligible Green/Social Project, the borrower's report shall clearly set out the proceeds being applied to each project and each project's resulting environmental/social benefits. Alternatively, where portfolio level reporting is agreed between the borrower and lender(s), information on proceeds allocation and aggregated impact at the portfolio level should be clearly reported.

The expected and, where possible, achieved impact of projects should also be communicated to the lenders. The GLP and SLP recommend the use, where feasible, of quantitative performance measures of expected and achieved impact.

Borrowers should report throughout the life of the loan, although the nature and frequency of reporting may vary depending on the circumstances. Following full allocation, the extent and frequency of any additional reporting should be proportionate to the nature of the financed assets or projects and the basis on which eligibility has been established. For example, where eligibility is supported by recognised certification or other third-party verification provided to lenders, a one-time disclosure may be sufficient. Where eligibility or environmental/social performance may change over time, borrowers should consider whether periodic updates remain appropriate.

To the extent possible, borrowers should make available the latest report either on their website or in another publicly available space, or provide it directly to lenders, together with the date as at which it was prepared.

c) Is there a standard methodology for reporting on the impact of loan proceeds?

There is no single methodology that applies to all Green and Social Projects. The appropriate methodology will depend on the nature of the relevant project, the applicable environmental or social objectives and the indicators selected.

Transparency is of particular value in communicating the expected and/or achieved impact of Green and Social Projects, including through the use of qualitative performance indicators and, where feasible, quantitative performance measures. In the bond market, ICMA has produced the 'Harmonised Framework for Impact Reporting for Social Bonds' (updated in June 2026)[10], which highlights recommended disclosures of the key underlying methodology and/or assumptions used in the quantitative determination, and which may be useful for loan market participants. Parties may also wish to refer to relevant sector-specific and environmental/social impact guidance, where available and appropriate.

Additionally see the 'Form of Green Loan Report', incorporated respectively into the APLMA, LMA and LSTA's template green loan provisions[11], which can be modified to accommodate for social loan reporting.

d) Reporting on broad social issues impacting the general population

In instances where there may be broad social issues that impact the general population, for example public health issues, polluted water supply, etc. the target population could be the entire population rather than a particular segment of the population.

In such cases, borrowers shall provide:

- an explanation of how the social issue is expected to be addressed by the project and the impact on the general population;
- any safeguards and measures to ensure that especially vulnerable parts of the population are not excluded from the project benefits due to cost aspects, project location or general access, etc.; and
- to the extent possible, identifying any segments of the general population that are expected to especially benefit from the project.

[11] APLMA's Model Provisions for Green Loans (June 2024), the LMA's Draft Provisions for Green Loans (November 2024), and the LSTA's Drafting Guidance for Green Loans (March 2025).

04 Review

I. What is an external review, and is it required for GS loans?

Where appropriate, borrowers should appoint an external review provider(s) to assess, through pre-origination external review, the alignment of their GS loan (or GS loan programme[12]) and/or GS loan/finance framework with the four core components of the GLP or SLP.

Post-origination, a borrower's management of proceeds may be supplemented by the use of an external auditor, or other third party, to verify the underlying data and internal tracking processes and the allocation of funds from the green and/or social loan proceeds.

Alternatively, given that the loan market is traditionally a relationship-driven market and therefore lenders are likely to have a broad working knowledge of the borrower and its activities, self-certification by a borrower, which has demonstrated or developed the internal expertise to confirm alignment of the GS loan with the key features of the GLP/SLP, may be sufficient.

Borrowers should document thoroughly such expertise, including the related internal processes and expertise of their staff. This documentation should be communicated to financial institutions participating in the loan on the basis agreed between the parties in the legal documentation. When appropriate, and taking into account confidentiality and competitive considerations, borrowers should make publicly available, via their website or otherwise, the parameters on which they assess Green and/or Social Projects, and the internal expertise they have to assess such parameters.

For more information, see the APLMA, LMA and LSTA Guidance for 'Green, Social and Sustainability-Linked Loans External Reviews'[13].

II. Does a new external review need to be issued on refinancing?

When refinancing an existing GS loan, parties should consider whether it may be appropriate to obtain a new external review. This may assist, in particular, where minimum qualitative and/or quantitative thresholds have been set so as to ensure that the eligibility criteria are in line with the best practices prevailing at the time of the refinancing. It will also help to ensure that the integrity of the product is maintained.

III. Do self-certified loans need to be externally reviewed before they are compared/ranked against other loans (e.g. league tables)?

None of the APLMA, LMA or LSTA can determine which loans can be included in green and/or social loan league tables, nor whether they need be externally reviewed. We are aware that the GLP and SLP are often used as screening criteria by data providers.

[12] A "GS loan programme" refers to a programme or financing arrangement under which a borrower may raise one or more Green Loans and/or Social Loans over time pursuant to a common GS loan/finance framework and aligned processes for project evaluation and selection, management of proceeds and reporting.

[13] https://www.lma.eu.com/application/files/8317/0611/1386/External_Review_Guidance_January_2024.pdf

05 Documentation

For green loans, see APLMA's 'Model Provisions for Green Loans' (June 2024)[14], the LMA's 'Draft Provisions for Green Loans' (November 2024)[15] and the LSTA's 'Drafting Guidance for Green Loans' (March 2025)[16] (together the "Provisions").

These Provisions are intended to provide a starting point for green loans based on market practice at the time of publication; they are not intended to be a comprehensive analysis of green loan transactions and intentionally omit several features which are commonly negotiated between parties from time to time and/or may be relevant for a particular sector or asset class. These Provisions should therefore be subject to case-specific and sector-specific customisation and subsequent negotiation.

Whilst there is currently no template wording available for use in social loan documentation, the Provisions may be adapted for use.

06 Application to Revolving Credit Facilities

I. Fundamentals

a) Can a revolving credit facility (RCF) be classified as a GS loan?

Yes, an RCF can be classified as a GS loan provided that the RCF aligns with the four core components of the GLP/SLP. Appendix 1 of the GLP/SLP provides an overview of the application of the GLP/SLP to RCFs.

RCFs can be used in a range of contexts (e.g. as working capital facilities, liquidity facilities, project financing) and it will ultimately be for the parties to decide, on a case-by-case basis (taking into account the nature, structure and specific purpose of the RCF) whether the relevant revolving loan can be classified and marketed as a GS loan.

Where an RCF is available for general corporate purposes, only those proceeds which comply with the core components of the GLP/SLP (including utilisation of proceeds for Green/Social Projects) may be classified as GS loans.[17] In this case, the parties should carefully consider the structure of the RCF including, for example, the use of separate tranches. Where a facility includes both a GS tranche and a non-GS tranche, only the tranche which complies with the core components of the GLP/SLP should be classified as a GS loan.

b) Do all four core components of the GLP/SLP need to be satisfied for an RCF to be classified as a Green/Social Loan including in the case of a pure play borrower?

Yes, all four core components of the GLP/SLP shall be satisfied in the case of an RCF (and any other financing structure) in order for it to be classified as a Green/Social loan.

[14] APLMA – Green and Sustainable Lending Microsite. Available to members only.

[15] https://www.lma.eu.com/sustainable-lending/documents# Available to members only.

[16] https://www.lsta.org/content/green-loan-drafting-guidance-march-17-2025/ Available to members only.

[17] See paragraph 3.I above (Core Component - Use of Proceeds)

In the case of a pure play borrower, it is likely that the information and data used to assess pure play status[18] can also be used to streamline the process for consideration and analysis of the GLP/SLP. However, in all cases, the lenders shall satisfy themselves that the core components of the GLP/SLP have been complied with.

II. Use of Proceeds

a) Can an undrawn RCF be classified as a Green or Social Loan?

An undrawn RCF (including a liquidity facility or a facility for general corporate purposes) may be classified as a GS loan provided that the parties structure and manage the facility to comply with the core components of the GLP/SLP.

Before classifying the RCF as a GS Loan parties to a transaction must carefully consider such RCF structures on a case-by-case basis in order to assess compliance with the core components of the GLP/SLP taking into account whether, and to what extent, the relevant RCF is intended to be drawn to finance eligible Green/Social Projects, the anticipated timing of drawdowns, the overall structure of the RCF (see above), and eligibility of relevant projects.

Parties should also agree an appropriate review period or other mechanism to reconsider the classification of the loan in circumstances where an RCF remains undrawn for a prolonged period or no Green/Social allocation or impact can be demonstrated.

b) How should a change in the expected use of proceeds of an RCF be treated?

A material change to the expected use of proceeds should trigger a review of whether the RCF continues to satisfy the GLP/SLP. Where the change results in the facility no longer meeting the applicable requirements, the parties should consider the implications under the relevant loan documentation and take any steps required in accordance with its terms.

III. Management of Proceeds

a) How should Management of Proceeds requirement apply to RCFs?

The GLP/SLP requirement relating to management of proceeds applies equally to RCFs, however parties may agree to an approach that reflects the revolving nature and structure of the facility.

In all cases, the parties shall satisfy themselves that any relevant process complies with core component three of the GLP/SLP and that green/social proceeds of the RCF have either been credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner.

IV. Reporting

a) How should reporting requirements apply to RCFs where utilisation is intermittent or short-term?

Where an RCF has been utilised for financing of eligible Green/Social Projects, borrowers should provide reporting in accordance with the GLP/SLP reporting requirements, generally at least annually and otherwise following material developments.

For intermittent or short-term utilisations, reporting may cover multiple utilisations during the relevant reporting period and provide sufficient information as required by the GLP/SLP.

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[18] See Practice Note for the Assessment of Pure Play Companies for further information;
https://www.lma.eu.com/application/files/3517/8453/3299/Practice_Note_for_the_Assessment_of_pure_play_companies.pdf.

Guidance note

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