

**Climate Bonds Standard &
Certification Scheme**

**Guidance to Verifiers
and External Reviewers**

October 2024

*To be used in conjunction with the Climate Bonds Standard
v4.2 and subsequent versions*

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1. Introducing the Climate Bonds Standard & Certification Scheme

The **Climate Bonds Initiative (Climate Bonds)** is an international investor-focused not-for-profit organisation. It was founded in 2010 to promote large-scale investments that will deliver a low-carbon and climate-resilient global economy. Climate Bonds seeks to mobilise investors, industry and governments to catalyse green investments at the speed and scale required to avoid irreversible climate change and meet the goals of the Paris Climate Agreement.

A key part of Climate Bonds is the **Climate Bonds Standard & Certification Scheme (“Certification Scheme”)**. The Certification Scheme allows investors, governments and other stakeholders to identify and prioritise low-carbon and climate resilient investments and avoid greenwashing. The Certification Scheme aims to provide the green finance market with the trust and assurance that it needs to achieve scale.

Activating the mainstream loan and debt capital markets to finance climate-aligned projects and assets, and incentivising investment in transitioning entities is critical to achieving international climate goals. Robust labelling plays a key role in this effort. The Climate Bonds Certification mark is underpinned by trust and confidence that funds will be directed to projects, assets and activities that are in line with the Paris Climate Agreement.

Transparently developed science-based criteria underpin the Standard, and a network of **Climate Bonds Approved Verifiers** provides independent assessment. An international, independent Climate Bonds Standard Board, comprised of institutional investor representatives and appointed by the Trustees of the Climate Bonds Initiative, provides robust governance and oversight of the Scheme. The administration of the scheme and executive powers are delegated to the **Climate Bonds Standard Secretariat**.

The criteria for defining projects, assets and activities which are eligible for certification under the Climate Bonds Standard are based on science and developed through a rigorous process of convening Technical Working Groups of experts and Industry Working Groups comprised of market participants.

Certification under the Climate Bonds Standard relates exclusively to the climate attributes of debt instruments, assets or activities, and does not address any other aspect of investment decision-making such as credit worthiness, compliance with national or laws or regulations, or broader Environment, Social and Governance (ESG) attributes.

The Climate Bonds Certified Mark (Certification Mark) is used to designate Certified Debt Instruments, Certified Assets and Certified Entities. Investor capacity to assess green credentials is limited in the fast-paced loan and capital markets. For investors, Certification is a screening tool that can be used to reduce the burden of having to make subjective judgements during their due diligence on the green attributes of their investments.

For issuers and applicant entities, Certification is a voluntary initiative which allows them to clearly demonstrate to the market that their debt instrument, asset or entity meets science-based standards for climate integrity, best practice standards for management of proceeds, credibility and transparency.

All relevant resource documents for the use of the Standard are available on the website link: <https://www.climatebonds.net/certification>
Climate Bonds Initiative website: <https://www.climatebonds.net>
Contact Certification team at: certification@climatebonds.net

Key Components

The Certification Scheme comprises of the overarching Climate Bonds Standard, the Sector Criteria, and related guidance materials, checklists and templates.

The Climate Bonds Standard defines the rules, the process of applying for Certification and the requirements for maintaining the Certification Mark. The Standard consists of different parts depending on the Certification type:

A. Use of Proceeds (UoPs) debt Instruments

The proceeds of such instruments are allocated to specific projects, assets, activities, or expenditures which align with the Climate Bonds Standard and relevant Climate Bonds sector-specific criteria.

B. Assets

This involves certification of the environmental credentials of specific projects, assets, or portfolios thereof, which meet the Climate Bonds sector-specific eligibility criteria.

C. Non-Financial Entities

This certification is available to legal entities that provide non-financial goods and services. This certification covers:

- a. Entities** that have ambitious Climate Mitigation Performance Targets that are aligned with the Climate Bonds Sector Criteria at the time of Certification, or that will align by 2030, and that meet the requirements of Section C of the Climate Bonds Standard; or
- b. General-purpose debt instruments** issued by Certified Entities that meet the requirements of Section C of the Climate Bonds Standard.

D. Sustainability-Linked Debt instruments issued by non-financial legal entities

These instruments are eligible for Certification if the Climate Mitigation Performance Targets linked to them are aligned with the Climate Bonds Sector Criteria and supported by a Transition Plan and disclosure requirements that meet the requirements of Section D of the Climate Bonds Standard.

Sector Criteria for eligible projects, assets or activities can be found on the Climate Bonds website, under “Sector Criteria Available for Certification” <https://www.climatebonds.net/standard/available>

The criteria are science-based and provide detailed definitions for the eligibility of specific projects, assets and entities, ensuring that they are consistent with achieving the goals of the Paris Climate Agreement and the rapid transition to a low-carbon & climate resilient future. Technical Working Groups and Industry Working Groups provide the expertise for the development of the Sector Criteria. The Climate Bonds Standard Board provides governance and oversight of the Standard and the Certification process.

Approved Verifiers or Approved External Review Providers (Approved Verifiers) provide an independent opinion that issuers and applicant entities, and their certified bonds, loans, assets and the entities themselves, as appropriate, have met the requirements of the Standard.

The Approved Verifier does not decide on Certification of the debt instrument, asset or entity. All certification decisions under the Climate Bonds Standard & Certification Scheme are made by the Climate Bonds Standard Secretariat based on the information provided by the Applicant and the verification report.

The Standard, Sector Criteria and list of Approved Verifiers are fully transparent and are disclosed on the Climate Bonds website. All issuers and applicant entities are required to report at least annually to maintain the Certification Mark. The content of the reporting is dependent on the type of certification, range of underlying projects and assets, and on the issuer's choices and is defined in the Standard.

The timing of reporting under the Standard can be aligned with the Issuer's regular reporting schedule.

This **Guidance** sets out the framework to be followed by Approved Verifiers when undertaking engagements under the Climate Bonds Standard.

2. Terminology

Applicant: A legal Entity applying for Entity Certification or an issuer of a debt instrument applying for Use of Proceeds or SLD Certification or an asset owner applying for Asset Certification, under the Climate Bonds Standard.

Approved Verifier (Verifier): An independent third-party assurance or external review provider approved by the Climate Bonds Standard Board and listed on the Climate Bonds Initiative website as an Approved Verifier. Only Approved Verifiers are authorised to issue verification opinions in relation to a certification application in accordance with the Climate Bonds Standard. The term Approved Verifier in this Standard is understood to include Approved External Review Providers.

Certification Agreement: A legal agreement must be executed by the Issuer and submitted to the Climate Bonds Standard Secretariat as part of the Certification Process. The Certification Agreement is available from the Climate Bonds website and includes terms and conditions for using the Certification Mark.

Certified Entity: The entity or part thereof which is being certified under the Climate Bonds Standard. Currently, Entity Certification is limited to non-financial Entities or segregated segments thereof, for which the Climate Bonds Initiative has Climate Bonds Standard Sector Criteria for Entity Certification.

Certification Mark: The certification logo designates a Certified Climate Debt Instrument, Entity or asset that issuers or Applicants may use once they have obtained Certification from the Climate Bonds Standard Secretariat. The use of the logo is specified within the terms and conditions of the Certification Agreement.

Certification Scheme: A scheme developed by Climate Bonds for awarding the Climate Bonds Certification label/mark to finance instruments, assets, and entities. The Scheme consists of the Climate Bonds Standard and the Sector Criteria.

Certified debt Instrument Any debt instrument certified by the Climate Bonds Standard Secretariat that meets the Climate Bonds Standard requirements. A certified bond or certified loan may take the form of one or more tranches of a bond or loan facility. The accredited tranche(s) must be clearly designated in such cases.

Climate Bonds Information Form: A template document to be completed by the Issuer and submitted to the Climate Bonds Standard Secretariat as part of the certification process. The Climate Bonds Information Form is available from the Climate Bonds Initiative website. The form is used and updated throughout the Certification Process.

Climate Bonds Initiative (Climate Bonds): Climate Bonds is a company limited by guarantee and a charity registered in England. It is an independent not-for-profit organisation dedicated to mobilising global capital to deliver climate action.

Climate Bonds Standard (CBS): A robust framework based on international best practice in green finance which defines the processes to be followed and Sector Criteria that must be met to achieve certification under the Climate Bonds Standard. The current version of the Climate Bonds Standard is published on the Climate Bonds website.

Climate Bonds Standard Board: An advisory committee set up to review the Standard, Sector Criteria, applications for certification under the Standard and applications by prospective verifiers and to make recommendations to the Trustees and the executive management of the Climate Bonds Initiative.

Climate Bonds Standard Secretariat: Consists of the Climate Bonds Certification Team and the Climate Bonds Standards Team. The Certification Team manages the day-to-day interaction with issuers, verifiers, and other stakeholders. Enquiries can be sent via email to

certification@climatebonds.net. The Standards Team drives the process for developing and maintaining Sector Criteria.

Climate Mitigation Performance Targets: The performance targets that define the measurable climate mitigation performance to be achieved.

Debt Instrument: Any debt instrument being considered for Certification, whether that be a bond, a loan, or some other type of debt instrument.

Disclosure Documentation: Documentation associated with the issuance of a bond, loan or other debt instrument is prepared before the bond, loan or other debt instrument is issued or entered into and is made available to potential investors. For debt instrument issuance, this documentation is usually required by the relevant financial regulatory body in the jurisdiction where the bond, loan or other debt instrument is being offered and may include items such as a prospectus, term sheet, offering memorandum, indenture contract, official debt instrument statement, or legal documentation. In some jurisdictions, this also includes marketing materials for the transaction.

Entity: A legal entity, duly incorporated and validly existing in the jurisdiction in which it operates, providing non-financial goods and services or a segregated segment thereof. It may or may not include other controlled entities (subsidiaries).

GHG Protocol: The Greenhouse Gas Protocol provides requirements and guidance for companies and organizations preparing a corporate-level GHG emissions inventory. The GHG Protocol covers the accounting and reporting of the seven greenhouse gases covered by the Kyoto Protocol.

Green Finance Framework: Information provided by the issuer describes how the issuer of the relevant bond, loan or other debt instrument, or programme of bonds, loans or other debt instruments will meet the requirements in the Climate Bonds Standard.

Green debt instrument: A green debt instrument where the proceeds will be exclusively applied to finance or re-finance, in part or complete, new or existing eligible green projects, and which align with the four core components of the Green Bond Principles, the Green Loan Principles and the Sustainability-Linked Bond Principles.

Issuer: The organisation issuing the bond or other certified debt instrument; or the borrower and other obligors taking out the loan or other debt instrument; or the financial institution receiving designated deposits. The Issuer of a UoP Instrument can be a special purpose vehicle, a securitisation vehicle, or a trust controlled by the issuing entity.

Investment Exposure: Actual amounts invested/to be invested in eligible projects or assets.

Key Performance Indicator (KPI): External or internal indicators which are under management's control and are material to an Applicant's business strategy.

Market Value: The price at which an asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. This term is usually defined by convention within the relevant jurisdiction. It is sometimes called Fair Market Value, Market Value, or Fair Value, depending on the context. Market Value may be assessed by an independent valuer or by using an internal valuation model.

Materiality of Emissions: The Sector Criteria apply materiality thresholds for Scope 1, 2 and 3 emissions on a sectoral basis.

Net Proceeds: The amount equal to the gross proceeds of the bonds, loans, or other debt instruments minus costs directly linked to the issuance, such as legal fees, accountants' fees, and verification fees. In case the debt instrument is a debt facility with a limit (e.g., a revolving credit facility), the net proceeds in the context of a UoP certification will be equal to the drawn

amount of the facility.

Net Zero Targets: Short-, medium- and long-term targets set by an entity that aims to reduce its Scope 1, 2 and 3 net greenhouse gas emissions to zero by 2050.

Nominated projects and assets: Eligible projects and assets associated with the bond, loan, or other debt instrument. These projects or physical assets may be existing, under construction or yet to be deployed.

Non-Assessed Segment: The part(s) of the Parent Group of the Certified Entity which do not form part of the Certified Entity and those that form part of the Certified Entity but do not contribute to the Certified Entity meeting the Certification Threshold per Clause C.2.3

Parent Company/Group: A company is considered a parent company of another entity (a subsidiary) if it exercises control over the subsidiary. The terms “control” and “subsidiary” have the meaning assigned to them under International Financial Reporting Standard 10 (IFRS 10). A Parent Group consists of the Parent Company and all the companies that the Parent Company exercises control over. Where the Applicant does not belong to a group of companies, the term Parent Company in this Standard applies to the Applicant.

Retroactive Certification: Certification awarded for bonds, loans or other debt instruments which have already been issued or closed.

Safeguards: The exclusions and conditions that the Parent Company and the Parent Group must meet in order for the Certified Entity to be eligible for certification.

Sector Criteria (Climate Bonds Standard Sector Criteria): Sector-specific criteria for the eligibility of specific projects, assets, activities and/ or entities under the Climate Bonds Standard described in the [sector criteria documents](#).

Sustainability-Linked Debt (SLD): Any debt instrument for which the financial and structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. Such objectives are measured through predefined KPIs and assessed against predefined performance targets. Proceeds of SLD are intended to be used for general purposes.

Transition Finance: Any form of financial support to high-carbon companies intended to finance the implementation of their short-, medium- and long-term plans to achieve net zero.

Transition Plans: The delivery strategy and governance implemented / to be implemented to achieve the decarbonisation targets represented by the Climate Mitigation Performance Targets of the Applicant.

Unqualified Opinion: An unqualified assurance or external review opinion by an Approved Verifier indicates that the Verification Report has been issued with no reservations regarding the adherence of the Applicant (for UoP instruments, assets, SLD or Entity certification) with the requirements of the Climate Bonds Standard and Sector Criteria.

Update Report: A document prepared by the issuer that confirms the ongoing conformance of the issuer and the relevant debt instrument, or programme of debt instruments with the post-Issuance requirements of the Climate Bonds Standard.

Use of Proceeds Debt Instruments (UoP Instruments): The proceeds of UoP instruments are allocated to specific projects or purposes. For this Standard, UoP Instruments are for environmentally beneficial projects, assets, activities, or expenditures.

Verification Engagement: The work conducted by an Approved Verifier commissioned by an Applicant for Certification to provide a mandatory Verification Report following the Climate Bonds Standard.

Verification Report: A report prepared by the Approved Verifier, addressed to the Issuer, and provided to the Climate Bonds Standard Secretariat as part of the Certification Process.

3. Verification under the Climate Bonds Standard

The Climate Bonds Standard sets out the minimum requirements that must be met for a debt instrument, asset or entity to be eligible for certification under the Climate Bonds Standard. A key aspect of this process is the Verification by an Approved Verifier that the requirements of the Standard have been met.

This Guidance lays out the principles and approaches to verification under the Climate Bonds Standard & Certification Scheme, including the role of verifiers, the criteria for their approval, and ongoing oversight of their performance. This document is part of a broader package of documents which work together to create a consistent and credible framework for assurance, external review and certification for the labelling of climate bonds debt instruments, assets and entities. The various resources available to Verifiers are as follows:

The Climate Bonds Standard¹

- Must be applied in conjunction with the technical Sector Criteria to define what projects, assets and entities are eligible for certification
- Provides the minimum requirements for obtaining Certification of a debt instrument, asset or entity and describes the certification process
- Defines the required process for verification and procedures for managing non-conformance.

The Guidance to Verifiers (this document)

- Provides the principles for conducting verifications under the Climate Bonds Standard
- Describes the role of the Approved Verifier in the Certification process
- Defines the criteria used in the approval of verifiers and the maintenance of the Approved Verifier status
- Provides the assessment methodology and verification procedures which verifiers must use in preparing, undertaking and reporting on verifications under the Scheme
- Describes the approaches to managing conflicts of interest and impartiality of verifiers.

The Approved Verifiers Directory²

- This is uploaded on the Climate Bonds website and can be used by potential certification applicants and other interested parties to identify which Verifiers are authorised for which verification types and the geographic scope for which they have been approved.

The Certified Bonds, Assets and Entities Database³

- Provides details of each Certified Debt Instrument, Asset or Entity
- Includes the verifier's reports and other information for each bond, loan or debt instrument.

Complaints and Appeals Procedure

- Describes the steps for receiving, investigating and resolving complaints
- Defines the procedure for lodging appeals of Certification decisions with the Climate Bonds Standard Board.

Checklists for each type of Certification (UoP, Asset, Entity, SLD)

- Must be completed by the Verifier and submitted to the Climate Bonds Standard Secretariat either as attachments to the Verification Report or as separate documents.

¹ <https://www.climatebonds.net/standard/the-standard>

² <https://www.climatebonds.net/certification/approved-verifiers>

³ <https://www.climatebonds.net/certification/certified-bonds>

4. Principles, Governance and Decision Making

The Climate Bonds Standard & Certification Scheme and this Guidance have been developed using the following principles: **Consistency, Rigor, Competence, Impartiality, Transparency, and Accessibility**. These principles are drawn from the ISEAL Assurance Code⁴ which has guided the initial design and implementation of the Scheme's approach to verification and certification.

The Climate Bonds Standard Board is an independent advisory body that provides oversight for the development and implementation of the Climate Bonds Standard & Certification Scheme. Their decisions cover:

- Approval of all updates to the Climate Bonds Standard including the Sector Criteria for projects, assets and entities
- Approval of Approved Verifiers
- Handling of complaints and appeals against Certification decisions
- Strategic development of the Scheme

The Climate Bonds Standard Secretariat consists of the Climate Bonds Certification Team and the Climate Bonds Standards Team. The Certification Team manages the day-to-day interaction with issuers, verifiers, and other stakeholders. The Standards Team drives the process of developing and maintaining Sector Criteria and provides technical support to the Certification Team.

All certification decisions under the Climate Bonds Standard & Certification Scheme are made by the Climate Bonds Standard Secretariat based on information provided by the applicant. All decisions on the approval of verifiers are made by the Climate Bonds Standard Board based on information provided by the verifier as well as the assessment of the Climate Bonds Standard Secretariat.

⁴ <https://www.isealalliance.org/get-involved/resources/iseal-assurance-code-good-practice-version-20>

5. Climate Bonds Certification Process & Role of Approved Verifiers

To attain any type of Climate Bonds Certification, the Applicant for Certification is required to engage an Approved Verifier, on a commercial basis, to conduct the verification engagement. The certification process and exact role of the Verifier varies between the different certification types.

Applicants for Certification may seek quotes from a number of Approved Verifiers authorised to conduct verifications for the specific type of Certification in the Applicant's jurisdiction. Projects and assets are only eligible in any Certification under the Climate Bonds Standard if all applicable regulatory permits, approvals and licences have been obtained by the Applicant and all related legal requirements and obligations have been satisfied.

In any Verification engagement, when assessing eligibility of projects or assets against Sector Criteria, Verifiers are encouraged to pay due regard to the Climate Bonds Resilience Principles⁵. These Principles provide a framework for Climate resilience considerations requiring Applicants for Certification to go beyond just assessing climate risks. Specifically, Applicants must:

- Understand the climate risks faced by the asset, activity or system within the certification boundary;
- Undertake risk-reduction measures that take account of inherent uncertainties around climate change, ensuring that the asset, activity or system is robust and fit-for-purpose; and
- Undertake regular (re)evaluation of the asset and/or system's climate resilience performance, adjusting to risk reduction measures over time as needed.

The above must be incorporated into the assessment of the adequacy of Applicants internal controls and procedures. Specific Adaptation and Resilience requirements applicable to certain sectors and asset types are included in the relevant Sector Criteria.

5.1 Pre-conditions for any Verification Engagement

Before undertaking a Verification Engagement under the Climate Bonds Standard, a Verifier must ensure they meet all of the following criteria:

- a. Maintain the Approved Verifier status;
- b. Meet the professional standards described in section 8;
- c. Have the relevant experience within their verification team to carry out the verification engagement in conformance with the Climate Bonds Standard. The relevant experience must cover the technical aspects of the relevant projects, assets and activities, experience with reviewing financial aspects a debt instrument (where appropriate), competence in assessing forward looking plans (where appropriate) and applying recognised professional standards, work practices, and quality controls (refer to Section 8 for further details);
- d. The Verifier organization must have a current policy for professional indemnity / professional liability insurance which covers the jurisdiction where debt instrument is issued, or where the asset or entity is based;
- e. Approved Verifiers must be independent from and engage with Certification Applicants at an arms' length.
- f. Approved Verifiers must not benefit from the issuance or granting of certification other than from the fee billed for providing the verification services; and

⁵ <https://www.climatebonds.net/climate-resilience-principles>

g. Any potential conflicts of interest must be eliminated or disclosed to the Climate Bonds Standards Board (refer to Section 6).

The Climate Bonds Standard Secretariat will oversee Approved Verifiers on an ongoing basis to ensure that high levels of professional conduct are maintained by the Approved Verifiers (refer to Section 12).

Verification Report Requirements

Verification reports must either include an **unqualified assurance opinion** or an **external review opinion** regarding the compliance of the debt instrument/asset/entity with the provisions of the Climate Bonds Standard. Assurance opinions must additionally specify the level of assurance entailed in the report.

The Applicant must provide all the necessary information about the eligible projects and assets and the internal processes they have in place to the Approved Verifier to support the assessment of conformance with the Climate Bonds Standard. For Entity and SLD certifications, the Applicant must provide the Verifier with detailed Transition Plans, governance processes and other supporting documents.

Approved Verifiers conduct the Verification Engagement and prepare the Verification Reports following this Guidance and other resources provided on the Climate Bonds Initiative website. The subject matter considered by the Approved Verifiers must include a summary of how the Issuer has conformed with the requirements set out in the Standard, including the relevant Sector Criteria.

Disclosure only on authorization of the receiver of the certification

Verification Reports submitted to the Climate Bonds Standard Secretariat will be publicly disclosed on the Climate Bonds website only upon the authorisation of the Issuer, unless the Climate Bonds Standard Secretariat is required by law or national regulators to make such disclosure. The Climate Bonds Standard Secretariat will consult with the Applicant and Approved Verifier prior to any public release of any Verification Report.

The recipient of all Climate Bonds Verification reports is the Certification Team within the Climate Bonds Standard Secretariat. If the Secretariat considers the verification work conducted by the Approved Verifier as insufficient to support the opinion it may request further procedures to be conducted.

A Verification Report is an independent third-party assessment on conformance with the Climate Bonds Standard, but it does not guarantee Climate Bonds Certification. The **Certification decision is solely at the discretion of Climate Bonds.**

The Certification **Brochures** provide further detail on each of our certification offerings⁶.

Verifiers must ensure that the information forms, checklists and templates used in any application for Certification are the latest versions available on the Climate Bonds website.

5.2 Verification engagements for Use of Proceeds Certifications

The requirements of the Climate Bonds Standard involve two distinct phases of the Issuance process: Pre-Issuance Requirements and Post-Issuance Requirements which focus on different aspects.

At pre-issuance, the flow of funds and funding of Nominated Projects & Assets has not yet occurred. This means the scope of the Pre-Issuance Requirements is to check that appropriate systems and processes are in place (or are expected to be in place) to ensure that the bond, loan or other debt instrument will conform with the Climate Bonds Standard once issued. This provides assurance on the readiness of the Issuer to meet the requirements of the Climate Bonds Standard but does not require a conclusion on the operating effectiveness of systems and processes. At post issuance the focus of the

⁶ <https://www.climatebonds.net/certification>

verification is the allocation of the proceeds to eligible assets and projects.

5.2.1 Preparation for UoP Certification

This is the assessment and certification of the bond Issuer's internal processes, including its selection process for projects & assets, internal tracking of proceeds, and the allocation system for funds. The steps involved in Pre-Issuance Certification are described below.

At the preparation stage, the Issuer should have decided on the main characteristics of the issuance, as well as the environmental objective(s) of the bond, loan or other debt instrument and will have drafted the Green (or Sustainable) Finance Framework (GFF). The Verifier explains the requirements of the Climate Bonds Standard and the Certification process as well as the benefits of obtaining the Certification mark to the Applicant issuer.

The Verifier reviews the draft GFF and makes suggestions for improvement where appropriate. It is recommended that Issuer's Green Finance Framework lays out how the requirements of the Climate Bonds Standard have been addressed and clearly describes the projects and assets to be financed by the proceeds and the Sector Criteria to be applied.

It is important to note that Use of Proceeds Certification does not entail the Certification of the Issuer's GFF but rather **the Certification of each instrument issued under the GFF**.

5.2.2 Pre-Issuance Verification

Pre-Issuance Verification Engagements involve the assessment of the extent to which the Pre-Issuance Requirements in the Climate Bonds Standard are met, which Sector Eligibility technical criteria are applicable for the Nominated Project & Assets, and the extent to which these criteria are met. It also requires an assessment of the consistency of the intended Certified Instruments and projects to be financed or re-financed, with the Issuer's Green Finance Framework.

On completion of the Pre-Issuance Verification Engagement, the Verifier provides the Issuer with a Verification Report for submission with the Issuer's application to the Climate Bonds Standard Secretariat for Pre-Issuance Certification.

5.2.3 Post-Issuance Certification

This is the assessment by the Approved Verifier of the allocation of the bond proceeds to eligible projects and assets and the Issuer's compliance with the disclosure requirements of the Climate Bonds Standard. At least one Post-Issuance Certification must be carried out to be in conformance with the Climate Bonds Standard. In case the instrument is certified retroactively, after the bond is issued, the post-issuance engagement must cover all the additional elements of the assessment that is usually conducted before issuance, specifically the processes followed by the issuer for project selection and evaluation and for managing the proceeds.

Allocation of the proceeds to Nominated Projects & Assets usually starts as soon as the Issuer completes the capital raising process and the bond has been issued or the loan has been closed. The Issuer is typically given up to 24 months to complete the allocation process but can apply for an extension of the allocation period to five (and exceptionally ten) years, upon providing relevant justifications. Where an extension to the 24 months is awarded by the Climate Bonds Standard Secretariat, the Issuer is required to produce interim allocation reports until full allocation.

Post-Issuance Certification gives the right to the Issuer to continue using the Certification Mark. Post-Issuance Certification is awarded by the Climate Bonds Standard Secretariat if a verification by an Approved Verifier engaged by the Issuer confirms that the net proceeds of the bond have been allocated to projects and assets eligible with the Sector Criteria as well as all other requirements in the Climate Bonds Standard.

On completion of the Post-Issuance Verification Engagement, the Verifier provides the Issuer with a Verification Report for submission to the Climate Bonds Standard Secretariat for obtaining Post-Issuance Certification.

The Approved Verifier engaged by the Issuer to conduct the Post Issuance Certification need not be the same verifier as the one who conducted the pre-issuance verification.

Beyond full allocation of the bond proceeds, the Issuer may also choose to (but is not required to) engage a Verifier to periodically review and confirm the Certified Debt Instrument's ongoing conformance with all of the Post-Issuance requirements in the Climate Bonds Standard. Such periodic (usually annual) reports are made public by Issuers who wish to provide even greater credibility as to their ongoing conformance with the Climate Bonds Standard.

The process for periodic Verification is the same as in the Post-Issuance Certification process outlined above. The engagement must cover the technical criteria for each Nominated Project & Asset type as well as all other general criteria. The frequency of periodic Verification is up to the discretion of the Issuer. However, the Issuer must not market the bond as being periodically verified at a different frequency to that which is actually undertaken.

5.2.4 Programmatic Certification for Repeat Bond Issuers

Programmatic Certification streamlines the Certification for Issuers who issue multiple Certified instruments against a large pool of assets. An Approved Verifier is engaged by the Issuer at the outset of the process to conduct a pre-issuance verification engagement and produce a Pre-Issuance Verification report. Subsequent to the allocation of the proceeds of the first bond, the Issuer will need to engage an Approved Verifier to conduct a Post-Issuance Verification to be repeated at regular (normally annual) intervals, for as long as the Issuer is issuing new instruments. The process comes to an end once new issuance stops and the proceeds of all instruments in the program have been subject to a Post-Issuance verification assessment.

5.3 Verification engagements for Asset Certifications

Asset owners may apply for Certification of their assets, projects or portfolios. Verification engagements for Asset Certification involve the assessment of the extent to which the designated projects or assets or the portfolio of such assets is eligible under one or more of the Climate Bonds Sector Criteria including any relevant Adaptation and Resilience requirements.

Asset certification may relate to existing or planned fixed assets, projects or portfolios thereof. Asset certification is not available for R&D or other OpenX.

On completion of the Asset Verification Engagement, the Verifier provides the asset owner with a Verification Report for submission with the owner's application to the Climate Bonds Standard Secretariat. Asset certification is valid for 12 months. Where the owner seeks re-certification of the projects or assets, the assessment of eligibility will be conducted against the Standard and Sector Criteria applicable at the point of re-certification.

5.4 Verification engagements for Entity & SLD Certifications

In these types of Certifications, the Approved Verifier is required to ensure that the present and future mitigation actions of a company as well as its overall strategy and business model are compatible with the Climate Bonds Standard and Sector Criteria. It is therefore a more holistic assessment compared to UoP and Asset verifications, requiring the verification teams to have additional skills (refer to section 8).

Verification for climate transition to net zero of entities or issuers of sustainability-linked instruments must include an assessment of the climate transition strategy and governance of the issuer, its business model, whether any forward-looking targets are aligned with the Sector Criteria for transitioning Entities and the transparency of the issuer's implementation plan. In verification engagements relating to Certifications under Sections C (Entity Certification) and D (SLD Certification) of the Climate Bonds Standard, Applicants for Certification are encouraged to have due regard for the ICMA Climate Transition Finance

Handbook(CTFH)⁷.

Unlike Use of Proceeds where the review focuses on the assets to be (re)financed or in development, transition plan assessments are forward looking and focus on the ambition of long-term and short-term targets, the alignment of transition trajectories with Climate Bonds science-based trajectories and the credibility of the detailed action plans.

Climate Bonds has developed detailed guidance to Verifiers to help them navigate the complexities in the assessment of corporate transition plans in Entity Certifications⁸ and Sustainability-Linked instrument Certifications⁹. These documents articulate the verification steps for assessing the credibility of transition plans so as to minimize the element of subjectivity to the extent possible and facilitate the verification process.

Entity and SLD certification entail a holistic assessment of a company's ambitions business, plans and strategies. Inevitably, much greater emphasis must be placed on the adequacy of the Entity's governance procedures compared to the assessment of an Issuer's procedures in a Use of Proceeds Certification.

Additionally, the verifier must have a good understanding of internal factors that are within the company's direct control and are critical to the delivery of the transition plan, including governance, organizational structure and management. A good understanding of external factors such as public policy, legal and economic factors, technological developments, social factors, must also be taken into account during the verification process.

The Entity and SLD Certification frameworks entail detailed disclosures and Verifiers need to have sufficient understanding of the Applicant, its activities and the environment it operates in to assess the completeness and accuracy of these disclosures.

Disclosure and Verification for Entity and SLD Certifications take place at two stages:

- a. Before Certification is awarded; and
- b. At the annual disclosure points.

The detailed guidance under Sections C and D of the Climate Bonds Standard indicate the verification steps to be followed at each of the above stages.

⁷ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook>

⁸ <https://www.climatebonds.net/certification/get-certified/entity-certification>

⁹ <https://www.climatebonds.net/certification/get-certified/sld-certification>

6. Verification Engagements Criteria and Independence

Where Issuers and Applicant entities are seeking Certification of their debt instrument, asset or entity, they will need to support their application with an independent report by an Approved Verifier to test whether the requirements of the Climate Bonds Standard and relevant Sector Criteria are met.

6.1 Criteria of Verification Engagements

The Climate Bonds Standard's verification process includes general eligibility requirements as prescribed by the Climate Bonds Standard, and technical eligibility requirements for each associated project, asset or activity as prescribed by the relevant Sector Criteria. Verification Teams need to be capable of assessing conformance with both general and technical eligibility requirements or they will need to have formed sub-contracting arrangements with independent experts to cover these requirements (refer to Section 8).

6.2 Independence and Managing Conflict of Interests

All Verifiers must have robust organisational and corporate governance arrangements and internal control mechanisms and to comply with specific requirements for managing conflicts of interest. The senior management and governing body of an Approved Verifier must demonstrate all of the following:

- i. Sound and prudent management
- ii. The independence of verification opinions
- iii. That processes are in place so that actual or potential conflicts of interest are properly identified, eliminated or managed, and disclosed in a transparent manner.

Independence safeguards the ability to form an assurance or external review conclusion without being affected by influences that might compromise that conclusion. Verification engagements must be carried out by a Verifier with no conflicts of interest between the Verifier and the Applicant for Certification.

Conflicts of interest may occur when the Approved Verifier's ability to perform the services of the engagement are compromised or biased. Common situations that can cause conflicts of interest include cases where the Approved Verifier has provided advisory services in relation to the subject matter of the verification engagement or where the Approved Verifier receives a material portion of its revenue from the Issuer or applicant entity.

The governance structures can be evidenced by organizational charts, responsibilities and reporting lines. Management must cater for the existence and adequacy of business continuity, disaster recovery, record keeping, information security processes and ensure the quality of accounting and financial reporting procedures.

Approved Verifiers must have an internal process in place to confirm no conflicts of interest could occur before accepting a specific Verification Engagement with an Applicant. Conflicts of interest may provide incentives for a Verifier to favour specific customers applying for Certification. Given the potential for the existence of parallel conflicting businesses (e.g. credit ratings, consulting, advisory or audit services), conflicts of interest must be recognized on a timely basis and those which cannot be totally eliminated must at least be properly disclosed in a transparent manner.

7. Methodology for Climate Bonds Verification Engagements

The subject matter of all Verification Engagements is the eligibility of the debt instrument, asset or entity with the requirements of the Climate Bonds Standard. This entails an assessment of the alignment of the related assets, projects and activities with the relevant Sector Criteria at the time of certification, as well as the adequacy of the applicant entity's internal control systems, governance systems and procedures necessary to meet the requirements of the Climate Bonds Standard.

The type and extent of verification activities will depend on:

- i. The type of verification opinion: limited or reasonable assurance or external review opinion.
- ii. The sectors that the assets, projects and activities fall under
- iii. The type of Certification being sought (Use of Proceeds, Asset, Entity or SLD)
- iv. The complexity of the projects and or the Applicant Entity
- v. The geographical scope of the engagement.

All Climate Bonds Verification Engagements consist of the following stages or equivalent:

1. Engagement
2. Planning
3. Risk Assessment
4. Testing and Fieldwork
5. Evidence Gathering and Documentation
6. Handling Exceptions and Misstatements
7. Reporting

An overview of the expected steps within each stage is explained in this section.

7.1 Engagement

Once an Issuer or applicant entity has selected an Approved Verifier(s) to carry out the Verification Engagement, the Approved Verifier must issue the terms of engagement in an engagement letter or equivalent. The terms of engagement must set out:

- a. The type of Verification Engagement being undertaken;
- b. The scope of the Verification Engagement, including the type of Certification and the relevant criteria;
- c. The legal details of the Issuer or applicant entity (e.g. jurisdiction, registered business number, name and address and contact person's details);
- d. The company details of the Approved Verifier;
- e. The key contacts for the Verification Team and any subcontractors that will take part in the Verification Engagement;
- f. The period during which the Verification Engagements will be carried out;
- g. A statement specifying who will receive a copy of the Verification Report.

The engagement terms must be signed by both the Approved Verifier and Applicant and stored by the Verifier for a minimum of two years beyond the term of the debt instrument, or the asset or entity Certification, subject to legal, regulatory and/or professional obligations. The Approved Verifier may be engaged by a different entity such as an underwriter or market development fund.

7.2 Planning

Once the terms of the engagement are agreed between the Verifier and the Issuer or applicant entity, the Verifier must develop a Verification Plan and provide it to the Applicant at the start of the engagement. The Verification Plan will set out the expected verification processes and

deliverables based on the scope of the Verification Engagement and should include the following elements (where relevant):

- a. Description of the Certification being sought, the specific assets or activities associated with the debt instrument, asset or entity and how the Applicant intends to use the Certification Mark
- b. An outline of the Issuer or applicant entity's systems and processes to monitor compliance with the Climate Bonds Standard
- c. The applicant entity's organisational structure and defined boundary for certification
- d. Identification of the risks involved in the verification process and any limitations in scope.
- e. Proposed testing procedures
- f. Timeline for conducting each procedure
- g. The role of each member of the Verification Team.

A Climate Bonds Verification Engagement must be carried out efficiently and effectively. For this reason, the Verification Plan will differ between engagements based on:

- a. The complexity of the Nominated Projects & Assets, or the nature of the applicant entity's activities, and the relevant Sector Criteria
- b. The structure of the bond, loan, other debt instrument, asset or entity
- c. The knowledge of the Approved Verifier over the Issuer's internal systems and processes used for tracking Climate Bonds

7.3 Risk Assessment

The risk assessment must map out key elements of a debt instrument, asset or entity, and for each element assess all possible types of errors and the probability of each error occurring so as to focus verification activities on the higher risk areas. The assessment will include where appropriate:

- a. Understanding the technical aspects of projects, assets or activities and the potentially material environmental risks associated with them
- b. The environmental benefits of the projects and activities, impact reporting and the coherence with the Issuer's GFF.
- c. The Applicant's systems and processes and the quality of the governance mechanisms and internal control systems.
- d. Aspects of the structure of the bond, loan, other debt instrument or entity which may require further understanding. For SLDs, call options and KPI assessment dates must be well understood and documented.
- e. In the case of Sustainability-linked instruments, particular attention must be paid to the relevance and reliability of selected KPIs and the credibility of the strategy outlined to achieve them.
- f. Whom the verification report is intended for, and for what purpose.

7.4 Testing and fieldwork

The extent of the testing will reflect the results the risk assessment so as to provide the Approved Verifier with the minimum level of confidence required to support the opinion as to whether the debt instrument, asset or entity is in conformance with the relevant requirements of the Climate Bonds Standard. The Approved Verifier must use professional judgement and professional scepticism to determine the level of testing required. The testing process can be iterative and cumulative until the

Approved Verifier is comfortable over the level of testing and evidence collected.

Testing procedures may include but are not limited to the following:

- a. Documentation of internal control processes and governance procedures relevant to the Certification;
- b. Observation of the operation of systems, internal controls and processes relating to the debt instrument, asset or entity;
- c. Assessment of the credentials of any experts, the measurements, reports or opinions of whom have been used to support the verification opinion.
- d. Re-performance of mathematical / engineering calculations in relation to the bond, loan, other debt instrument, asset or entity, following the gathering of the source information;
- e. Analytical procedures and substantive testing over samples of data.
- f. Assessment of the reliability of the data or the Applicant's information systems used in calculating eligibility against the Sector Criteria.
- g. Use of satellite imagery or other open-source resources to support Applicant's assertions.

An assurance conclusion under ISAE3000 is stated in terms of whether the subject matter information has been prepared 'in all material respects' in accordance with the applicable criteria, in this case the requirements of the Climate Bonds Standard. Misstatements, including omissions, are considered material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users of the verification report. Misstatements can be intentional or unintentional, qualitative or quantitative¹⁰.

For the purpose of assessing compliance with Sector Criteria, Verifiers can rely on GHG emission data provided by the company that have been independently confirmed by a third party following recognized international standards such as the GHG Protocol. Where no independent GHG assessment exists, Verifiers must review the GHG accounting followed by the Applicant and assess its reliability in the context of the Climate Bonds Standard and eligibility criteria.

When performing substantive testing over samples of data, sampling should be undertaken only where each item in the population has an equal chance of selection and the sample is representative of the whole population. If a test procedure is not applicable to an item, the procedures should be performed on a replacement item. Sampling should be appropriate for the population size, geographic spread and risk level, and the chosen approach should be clearly justified in the final verification report.

In exceptional cases, it may be necessary for the Verifier to physically view the particular projects, assets or activities to confirm they comply with the technical requirements of the Sector Criteria. However, this is not generally required for an opinion to be formed and most verifications can be conducted on a desktop basis.

An Approved Verifier may rely on the work of an external expert if they conclude that the work of that expert is adequate for the purpose of the engagement. However, the Approved Verifier has sole responsibility for the engagement which is not reduced by reliance on experts. The Approved Verifier must have sufficient subject matter competence, in addition to having extensive assurance or external review competence, to evaluate the expert's work and, to the extent needed, integrate it with the work of the engagement team as a whole and take responsibility for the conclusions reached.

Where the external expert has been commissioned by the Certification Applicant, the Approved Verifier must additionally assess the credentials and independence of the expert.

¹⁰ <https://www.iaasb.org/publications/international-standard-assurance-engagements-isa-3000-revised-assurance-engagements-other-audits-or>
<https://www.iaasb.org/publications/non-authoritative-guidance-applying-isa-3000-revised-sustainability-and-other-extended-external>

7.5 Evidence Gathering and Documentation

The Approved Verifier must obtain sufficient and appropriate evidence to form a conclusion on whether the debt instrument, asset or entity conforms to the Climate Bonds Standard. The results of all testing procedures, evidence collected, and instances where professional judgement, scepticism or assumptions have been used must be documented in sufficient detail to support the verification opinion.

Additionally, the Approved Verifier must seek written management representations by the Issuer or applicant entity to confirm any material matter relied on during the engagement. The Issuer or applicant entity must acknowledge responsibility for the accuracy of such representations.

Evidence gathering and documentation must be conducted in such a manner that the testing process could be repeated and replicated independently if required. All copies of evidence and documentation must be held on record for a minimum of two years beyond the term of the debt instrument, or the asset or entity Certification, or in line with other professional requirements, or requirements imposed by law or regulation that are at least as demanding.

7.5 Handling Misstatements and Limitations

Where misstatements are identified, the Approved Verifier may need to perform procedures in line with the applicable standards under which the Verification Engagement is being undertaken. All misstatements must be accumulated and evaluated to determine by the Approved Verifier whether, individually or in aggregate, they are material when forming the conclusion.

Errors and reliability issues can be additive and if this is the case the total error must be assessed against materiality, not the individual error. Based on the assessment of errors and reliability issues, the Verifier must compile a Verifier's Report.

In any verification engagement there may be inherent uncertainties arising from technical limitations, legal or political uncertainties, unavailability or poor quality of data and other factors. It is important for the Verifier to identify and convey to the intended users of the Verification report any inherent limitations associated with the measurement or evaluation of the underlying subject matter against the requirements of the Climate Bonds Standard and Eligibility Criteria. Where these limitations are material, the Approved Verifier must consider whether to make a specific reference to these limitations in the verification opinion or whether the limitations are so severe that the opinion should be qualified.

The assessment of transition plans in particular includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts. All verification reports relating to Entity and SLD certifications must clearly articulate any limitations and key assumptions on which the opinion has been based.

7.6 Reporting

It is common for Certification to involve a public as well as a confidential version of the verification report. Where the Applicant chooses to only publish a summarised short-hand version, Climate Bonds will keep the long-hand version of the report confidential and publicly disclose only the public version on its website. For confidential Use of Proceeds certifications (usually private placements or loan transactions), the Applicant may choose to make the verification report available only to the lenders or individual bond holders.

Verification reports must either include or indicate where the following information may be available:

- i. General description of the objective, scope of work, and the external reviewer's credentials. For SLDs, this should include the requisite credentials to evaluate Performance Targets, KPIs and related strategies.
- ii. Statement on the independence of the Verifier and conflict-of-interest policy
- iii. A clear description of the subject matter of the Verification Opinion (Type of certification,

Assurance Standards followed, level of assurance provided where applicable)

- iv. The **Verification opinion with a clear conclusion** (Examples of Verification Opinions under ISAE3000 are provided in Annex 1)
- v. Definitions, analytical approach, and/or methodologies used during the verification.
- vi. Version of the Climate Bonds Standard
- vii. Applicable Sector Criteria
- viii. Signatory of the verification opinion
- ix. Boundary of Certified Entity for Entity Certification
- x. Period over which the Verification was conducted
- xi. Inherent limitations associated with any measurements or evaluations of the underlying subject matter, so that the intended users are able to understand these limitations
- xii. Any material verification findings such as errors or internal control deficiencies discovered during the course of the engagement, which may lead to a material misstatement to the overall subject matter.
- xiii. What information is subject to verification and what is not, so that intended users do not draw inappropriate conclusions.
- xiv. Explanation of how assets, projects or activities meet eligibility requirements (refer to Annex 2).

In addition to the above contents of the verification report, the long-hand version of the report to be confidentially shared with the Climate Bonds Standard Secretariat must contain:

- i. A detailed description of the projects, assets or activities reviewed in the Verification Engagement
- ii. The completed checklists as per the requirements of Pre-Issuance, Post-Issuance, Asset, Entity or SLD Certification (including Adaptation and Resilience Checklists where relevant), and
- iii. A list of testing procedures carried out by the Verification Team to confirm the debt instrument, asset or entity's conformance with each Climate Bonds Standard Requirement.

Climate Bonds will always check with the Applicant before uploading Verification reports on the Climate Bonds website.

7.7 Use of the Verification Report

The Approved Verifier will issue the final Verifier's Reports to the Certification Applicant for the uses agreed in the terms of the engagement between the Verifier and the Applicant. It is understood that Climate Bonds is always a recipient to all Verification Reports (including confidential reports) on which the assessment for Certification will be based. **The Verification Report must not include any provision restricting the use of the Verification report by Climate Bonds.**

8. Professional Standards for Approved Verifiers

This document fully adopts the ICMA Guidelines for external reviewers¹¹ which caters for the different types of firms that can provide external reviews. All firms providing external reviews must be guided by the following five fundamental ethical and professional principles, as prescribed by the ICMA Guidelines:

- i. Integrity
- ii. Objectivity
- iii. Professional Competence and Due Care
- iv. Confidentiality
- v. Professional Behaviour

Some external reviewers may already be subject to existing professional standards (e.g. professional accountants) and/ or be subject to regulatory regimes, (e.g., accredited verifiers, regulated credit rating agencies) the elements of which already address many of the above areas of professional conduct.

Following best practice standards, assurance providers/ external reviewers must ensure that they:

1. Have an organisational structure, working procedures, and other relevant systems for carrying out the external review.
2. Employ appropriate staff with the necessary experience and qualifications for the scope of the external review being provided.
3. Carry the appropriate professional indemnity/ professional liability insurance cover.

Approved Verifiers under the Climate Bonds Standard are professional firms that follow best practice guidelines concerning ethics, independence, management of conflicts of interest, competence, documentation, and quality controls. Members of the verification teams must have appropriate qualifications and professional experience to enable them to conduct their work to a high standard as well as proven competencies in both financial and environmental/technical fields.

All Climate Bonds Approved Verifiers must have a good knowledge and understanding of the Climate Bonds Standard and Sector criteria. Those approved to conduct Entity and SLD verifications must additionally be in apposition to review a company's transition plans and internal coherence with the company's strategy and business model.

Approved Verifiers must conduct the verification engagements in accordance with ISAE3000 or an equivalent assurance standard or assessment framework for conducting verification engagements which has been endorsed by the Climate Bonds Standard Board and must adhere to all applicable legal requirements. The AA1000 Assurance Standard¹² issued by Accountability has been deemed by the Climate Bonds Standard Board as equivalent to ISAE3000.

Certain types of regulated entities, such as Credit Rating Agencies or other regulated organisations which provide external review services, may apply to become **Approved External Review Providers**, provided they are subject to publicly disclosed regulatory frameworks and otherwise meet the professional competence requirements of the Climate Bonds Standard. Such firms may opt to issue **External Review Reports** in accordance with their internal processes and procedures which will have been assessed by the Climate Bonds Initiative and the Climate Bonds Standard Board as equivalent to internationally accepted assurance standards.

¹¹ <https://www.icmagroup.org/sustainable-finance/external-reviews/>

¹² [https://www.accountability.org/standards/aa1000-assurance-standard/#:~:text=The%20AA1000%20Assurance%20Standard%20\(AA1000AS,adheres%20to%20the%20AccountAbility%20Principles.](https://www.accountability.org/standards/aa1000-assurance-standard/#:~:text=The%20AA1000%20Assurance%20Standard%20(AA1000AS,adheres%20to%20the%20AccountAbility%20Principles.)

Approved External Review Providers can issue external review opinions, instead of assurance opinions following international assurance standards such as ISAE3000. These opinions must contain an assessment of alignment of the debt instrument, asset or entity with the Climate Bonds Standard and eligibility criteria. Unlike assurance opinions, they do not entail different levels of assessment such as limited or reasonable. External Review Opinions must include references to the business practices and policies followed in conducting the assessment, including those relevant to ethics and independence.

The senior management and the members of the management boards of Approved Verifiers must be of sufficiently good repute and have the required professional qualifications and skills to ensure that the Verifier firms meet the high levels of professional conduct that enables them to comply with the demanding requirements of the Climate Bonds Standard.

The education, professional qualifications and experience of the members of the management body of the firm, as well as the key members of the verification teams conducting engagements under the Climate Bonds Standard, will be taken into account by Climate Bonds when assessing the ability of firms to acquire or maintain the Approved Verifier status.

Any criminal convictions, penalties or disciplinary action against the firm, its board members or senior management either when applying to become an Approved Verifier or while holding the Approved Verifier status must be brought to the attention of the Climate Bonds Standard Board.

It is important to note that the Approved Verifier status is awarded to the firms themselves and not to the individual members of the applicant firms. Therefore, the firm must have a sufficient number of verifiers, assessors and other employees with sufficient education, qualifications and training to conduct the verification procedures under the Climate Bonds Standard. As a minimum Verifiers should employ at least 4 competent verifiers for UoP and 10 for Entity/SLB Certification. This requirement must be met when applying for the Approved Verifier status and on an ongoing basis thereafter.

Verifiers are expected to use Verification Teams of professional staff and/or insured contractors to ensure that they meet all of these requirements for each engagement under the Climate Bonds Standard. Verification Teams for specific engagements must have appropriate competencies and experience for the particular characteristics of the issuer, the debt instruments and/or the assets being financed. The competence of the individual staff and/or contractors to be used in Verification Teams can be evidenced via detailed resumes, project references, work products and other information relevant to the requirements above.

It is recognised that Approved Verifiers may outsource part of the Verification procedures to experts or other third-party service providers. Approved Verifiers that use outsourcing, must have procedures in place for approving and overseeing the work of any third-party service provider. The assessment of any third parties involved in verification activities must be conducted and documented on a regular, at least annual, basis.

The standards of competence that apply to any external service providers via outsourcing arrangements must be equivalent to those applicable to Approved Verifier staff involved in verification engagements .

Approved Verifiers must demonstrate that they have sufficient competence and experience in three key areas:

1. For debt instrument Certifications: knowledge and understanding of all types of debt instruments and the functioning of the capital markets.
2. Technical characteristics and performance of low carbon, climate resilient projects & assets.
3. The provision of assurance services in line with accepted international standards or of second party or other external review opinions of compliance.
4. for Entity and SLD Certifications: experience and/or credentials in evaluating performance targets, business models, governance and transition plans (and related finance plans).

9. How to become an Approved Verifier

Applications from verifiers wishing to acquire the Approved Verifier status can be submitted at any time during the year. Applications are assessed and screened by the Climate Bonds Standard Secretariat and then presented to the Climate Bonds Standard Board for final approval.

Firms must submit the following documents to the Climate Bonds Standard Secretariat:

1. To initiate the process, a completed **Verifier Information Form** and copies of all relevant supporting documents
2. A signed **Verifier Agreement** will be required before the application can be presented to the Climate Bonds Standard Board for final approval. Applicants are advised to read and accept the terms of this agreement before applying to become an Approved Verifier.

Verifiers must provide details on their company structure, organisational capabilities and financial stability. This includes:

- a. Formal company details including legal status, registration numbers, company officers, and business addresses
- b. Information on the company's ownership structure, business activities, financial history and stability, and competence of the management team
- c. Any regulatory or oversight bodies which the firm reports to and any relevant government licenses or certifications
- d. Membership of the firm and its senior management in professional organisations
- e. Detailed CVs of key members of the verification teams
- f. Information on any lawsuits, claims or government proceedings against the company, its directors or its senior management.

Verifiers must have **Professional Indemnity** / Professional Liability insurance in place which covers their verification work under the Climate Bonds Standard & Certification Scheme. The insurance policy must specify the geographic and operational scope of the coverage. Applicants with activities in developed markets are required to maintain a higher level of cover than those with activities in emerging markets.

Approval of verifiers by the Climate Bonds Standard Board is based on specific scopes in terms of geographic coverage and technical competence:

- **Geographic coverage** of the approval is aligned with the coverage provided by the verifier's insurance policies for professional indemnity / professional liability.
- **Technical scope** of the approval is determined by the applicant firm's levels of experience and expertise in the various asset classes covered by the Climate Bonds Standard.

Approved Climate Bonds Verifiers are listed on the Climate Bonds website along with their geographic scope, technical scope and relevant contact details. Approved verifiers must receive the formal Letter of Approval and associated Verifier Certificate before they can commence their first verification engagement under the Climate Bonds Standard & Certification Scheme.

Training, support and oversight of Approved Verifiers are undertaken directly by the Climate Bonds Standard Secretariat using in-house and contracted expertise and resources.

Considering the substantial differences in the Certification requirements for Use of Proceeds instruments and assets compared to entity and SLD certifications, there are additional requirements to be met for Verifiers approved for Entity and SLD verifications, mainly in the minimum levels of Professional Indemnity Insurance, and the credentials for evaluating performance targets, business models, governance and transition plans.

Applications to become an Approved Verifier under the Climate Bonds Standard must satisfy the requirements listed in the **Verifier Information Form and Screening Criteria**¹³.

The requirements depend on the Certification types that the firm is applying for and include both quantitative and qualitative criteria, for example minimum professional indemnity levels, adequate experience in external reviews, understanding of debt instruments and the capital markets, technical understanding of low carbon projects, adequate credentials for assessing transition plans and adequacy of management structures and internal control systems.

¹³ <https://www.climatebonds.net/certification/approved-verifier>

10. Legal obligations of Approved Verifiers

Approved Verifiers must meet their ongoing obligations under the Verifier Agreement with Climate Bonds.

- i. Approved Verifiers may only conduct verification engagements in relation to the types of Certifications and geographical regions for which approval has been granted
- ii. All verification reports issued in the context of the Climate Bonds Standard must include Climate Bonds as a recipient and be sent to Climate Bonds promptly on issuance.
- iii. Approved Verifiers must use the resources (Standard, Guidance, Checklists, Templates) available on the Climate Bonds website.
- iv. Approved Verifiers must submit any checklists and other documentation as required by the Climate Bonds Standard for the purpose of issuing and maintaining Certification of debt instruments, assets and entities.
- v. Approved Verifiers must procure and maintain adequate professional insurance policy cover.
- vi. Approved Verifiers must remain familiar with and comply with the entirety of the Standard, including any updates to the Standard as published on the Climate Bonds website.
- vii. To maintain Approved Verifier status, a subscription fee must be paid to the Climate Bonds Initiative annually in advance. The amount of the fee is disclosed on the Climate Bonds website and is subject to periodic revisions.

Approved Verifiers issuing assurance opinions must use recognised standards in undertaking assurance engagements (ISAE3000 or equivalent).

Approved External Review Providers have provided sufficient evidence to the Climate Bonds Standard Board that they are subject to publicly disclosed regulatory frameworks and have internal processes and procedures that are equivalent to internationally accepted assurance standards. Such firms can issue external review opinions rather than assurance opinions.

In the context of the Standard, the term Approved Verifier will be understood to include Approved External Review Provider and the term Verification Report will be understood to include an External Review Report issued by an External Review Provider. Existing Climate Bonds Approved Verifiers who meet the relevant criteria may apply to change their status to Approved External Review Provider.

Verifier agreements are automatically renewed unless either party sends a notice of termination or either party has breached any term of the agreement. When an Approved Verifier chooses to terminate the agreement with Climate Bonds before the end of the subscription period, the annual fee for the remaining period is non-refundable.

11. Requirements for Maintaining Approved Verifier Status

Approved Verifiers must follow the guidance provided in this document in preparing, undertaking and reporting on their verification engagements under the Climate Bonds Standard and the legal obligations listed in Section 10.

Additionally, Approved Verifiers must collaborate closely with the Climate Bonds Standard Secretariat whenever required, for example by responding promptly to any questions relating to a verification report or by taking action to improve the quality verification processes.

Approved Verifiers must retain the levels of expertise and experience which were the basis for their approval, or apply for their approval to be modified to reflect the changes.

Approved Verifiers are expected to have an excellent understanding of the Climate Bonds Standard and sector criteria and maintain high levels of expertise and experience in the verification teams.

Approved Verifiers are expected to pursue continuous improvement in their verification activities. This includes providing appropriate attention and resources for training of staff, coaching and overseeing verification team members and performance assessments of verification engagements.

Approved Verifiers must ensure that verification team members participate in relevant training webinars, updates and workshops provided by Climate Bonds. Group training for Approved Verifiers is complemented with individual coaching from the Climate Bonds Standard Secretariat via video call and email, and the provision of sector-specific guidance to verifiers as new Sector Criteria are released.

Furthermore, Approved Verifiers are expected to engage in business development activities to promote Climate Bonds Certification and to actively support Climate Bonds activities and maintain the Certification label as the global best practice standard in the green finance capital markets.

Failure to meet these requirements will be discussed with the Verifier to agree steps and timelines to rectify the failure. Ongoing failure to comply with the requirements may result in the Climate Bonds Standard Board revoking the verifier's approval and removing them from the list of Approved Verifiers.

12. Oversight Arrangements for Approved Verifiers

Oversight of Approved Verifiers is undertaken by the Climate Bonds Standard Secretariat and is intended to ensure the competent and consistent performance of the verifiers as per the requirements of the Climate Bonds Standard and this Guidance.

Oversight arrangements include, but are not limited to, the following:

- i.** Review of all verification reports submitted to the Secretariat by issuers (public and confidential versions). Where a verification report fails to meet the requirements of the Climate Bonds Standard, the Climate Bonds Standard Secretariat may request that corrections or improvements are made and the report resubmitted.
- ii.** Monitoring of the first few engagements for newly approved verifiers or in new sectors, including review of verification teams, risk assessments, draft reports and findings and sample sizes. Monitoring involves the Approved Verifier providing key documents in the verification process to the Climate Bonds Standard Secretariat, such as the risk assessment, engagement plan, verification team, draft findings, draft report, etc. These documents must be provided by the Approved Verifier upon request by the Climate Bonds Standard Secretariat during or after the verification engagement on an information-only basis.
- iii.** Immediate feedback to the Verifier on any performance issues that arise during verification engagements.
- iv.** Requesting additional information or copies of documents used during the verification engagement.
- v.** Regular review of verifier competence and performance based on information gathered across the year, compiled by the Secretariat and provided to the Climate Bonds Standard Board.
- vi.** Updating of corporate documents, CVs of key verification team members, copies of financial statements, copies of Professional Indemnity cover, at least every 3 years or whenever a new Verifier agreement is signed,

The oversight arrangements are designed to assess the performance of the Approved Verifiers and to improve the quality and efficiency of verification services under the Climate Bonds Standard.

Persistent problems with the performance of an Approved Verifier may result in the Climate Bonds Standard Board revoking the verifier's approval.

Annex 1: Types of Assurance Opinions under ISAE3000

The International Standard on Assurance Engagements (ISAE) 3000 (Revised) establishes the basic principles and procedures to support the performance of assurance engagements other than audits or reviews of historical information. It can be applied to a broad range of underlying subject matters and can give rise to either a reasonable or limited assurance.

Under **reasonable assurance**, the assurance provider designs and executes procedures to reduce the engagement risk to an acceptably low level. The conclusion is reported in a positive form of expression such as “Based upon the procedures performed, in our opinion the [subject matter] is reasonably stated”. Reasonable assurance is the highest level of assurance provided, similar to a statutory audit opinion.

For a **limited assurance** engagement, the assurance provider’s conclusion is based upon less evidence than for reasonable assurance but is sufficient to provide a negative form of expression within the report e.g. “Based upon the procedures performed, nothing has come to our attention to indicate that the [subject matter] is materially misstated”. This is achieved through performing fewer tests than those required for reasonable assurance, however the risk basis for planning the engagement and level of materiality remain the same across both limited and reasonable assurance.

Limited assurance engagements allow the assurance provider to tackle subject matter which is less well defined and for which the control environment is less mature and robust. However, because there could be a range in level of comfort given under limited assurance, it is important that the assurance provider:

- Ensures there is a shared understanding of the scope of the work agreed with the client and the users of the report;
- Documents the scope of work at an appropriate level of detail and sufficiently describes the work performed within the assurance report.

Verifiers Issuing opinions in accordance with ISAE 3000 are advised to use the Non-Authoritative Guidance on applying ISAE 3000 (Revised) to Sustainability and other External Reporting Assurance Requirements¹⁴ issued by the IAASB (International Auditing and Assurance Standards Board).

Reasonable Assurance Engagements

Reasonable Assurance Engagements offer a high level of scrutiny over the subject matter and allows the Verifier to be able to positively conclude whether, based on the procedures performed and evidence obtained, the subject matter, in all material respects, meets the criteria of the engagement; in this case that the debt instrument, asset or entity meets the verification of the Climate Bonds Standard, depending on the type of certification and the relevant phase of the certification process.

A written Assurance Report is required to be delivered by the Verifier to the Applicant for Certification. This Assurance Report must state one of the following conclusions as to whether the proposed debt instrument, asset or entity meets, in all material respects, the requirements of the Climate Bonds Standard. The following conclusions are in accordance with ISAE 3000:

a. Reasonable Assurance Conclusion – The Verifier gives a conclusion of their opinion, expressed in the positive, that there is no material misstatement in the subject matter being assured.

¹⁴ <https://www.iaasb.org/publications/non-authoritative-guidance-applying-isaie-3000-revised-sustainability-and-other-extended-external>

An example of a reasonable assurance conclusion is as follows: ‘In our opinion, the Issuer’s 20xx Debt Instrument [*Defined by name or ISIN*] is in conformance, in all material respects, with the Climate Bonds Standard and relevant Sector Criteria [to be listed].’

b. Qualified Reasonable Assurance Conclusion – The Verifier gives a conclusion of their opinion, expressed in the positive, that there is a misstatement(s) in the matter being assured or there is insufficient evidence in relation to an aspect(s) of the subject matter being assured that is material but not pervasive enough to affect the whole subject matter being assured.

An example of a qualified reasonable assurance conclusion is as follows: ‘In our opinion, except for ‘[the material issue] described in the Basis for Qualification section of our report’, the Issuer’s 20xx Debt Instrument is in conformance, in all material respects, with the Climate Bonds Standard requirements.’

c. An Adverse Conclusion - The Verifier concludes that the subject matter includes a misstatement(s) that is material and pervasive enough to affect the whole subject matter being assured and because of that misstatement(s), the Verifier is unable to give a reasonable assurance conclusion or a qualified reasonable assurance conclusion.

An example of an adverse limited assurance conclusion is as follows: ‘Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the Issuer’s 20xx Debt Instrument is not in conformance with the Climate Bonds Standard’

d. A Disclaimer of Conclusion - The Verifier is unable to form an opinion about the subject matter because they were unable to reasonably gather sufficient information and evidence leading to a material and pervasive limitation of scope, and therefore the Verifier is unable to give a reasonable assurance conclusion, a qualified reasonable assurance conclusion or an adverse conclusion.

An example of a disclaimer of conclusion is as follows: ‘Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the Issuer’s 20xx Debt Instrument conformance with the Climate Bonds Standard. Accordingly, we do not express a conclusion on that statement.’

Limited Assurance Engagements

Limited Assurance Engagements offer a lower level of scrutiny over the subject matter compared to Reasonable Assurance Engagements. With limited assurance, the Verifier can only conclude whether, based on the procedures performed and evidence obtained, any matters have come to their attention that would make them believe the subject matter is materially misstated, i.e. that the proposed debt instrument, asset or entity does not, in all material respects, meet the criteria of the Climate Bonds Standard.

A written Assurance Report is required to be provided by the Verifier to the Issuer. This Assurance Report must state one of the following conclusions as to whether the proposed debt instrument, asset or entity does not, in all material respects, meet the requirements of the Climate Bonds Standard. The following conclusions are in accordance with ISAE 3000:

a. Limited Assurance Conclusion –The Verifier gives a conclusion of their opinion, expressed in the negative, that there is no material misstatement in the subject matter being assured.

An example of a limited assurance conclusion is as follows: ‘Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects, the Issuer’s 20xx Debt Instrument is not in conformance with the Climate Bonds Standard and relevant eligibility criteria [to be listed].’

b. Qualified Limited Assurance Conclusion – The Verifier gives a conclusion of their opinion, expressed in the negative, that there is a misstatement(s) in the matter being assured or there is insufficient evidence in relation to an aspect(s) of the subject matter being assured that is material but not pervasive enough to affect the whole subject matter being assured.

An example of a qualified limited assurance conclusion is as follows: ‘Based on the limited assurance procedures conducted and evidence obtained, apart from [the material issue] described in the Basis for Qualification section of our report, nothing has come to our attention that causes us to believe that, in all material respects the Issuer’s 20xx Debt Instrument is not in conformance with the Climate Bonds Standard and relevant eligibility criteria.’

c. An Adverse Conclusion - The Verifier concludes that the subject matter includes a misstatement(s) that is material and pervasive enough to affect the whole subject matter being assured and because of that misstatement(s), the Verifier is unable to give a limited assurance conclusion or a qualified limited assurance conclusion.

An example of an adverse limited assurance conclusion is as follows: ‘Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the Issuer’s 20xx Debt Instrument is not in conformance with the Climate Bonds Standard’s and relevant eligibility criteria [to be listed].’

d. A Disclaimer of Conclusion - The Verifier is unable to form an opinion about the subject matter because they were unable to reasonably gather sufficient information and evidence leading to a material and pervasive limitation of scope, and therefore the Verifier is unable to give a limited assurance conclusion, a qualified limited assurance conclusion or an adverse conclusion.

An example of a disclaimer of conclusion is as follows: ‘Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the Issuer’s 20xx Debt Instrument conformance with the Climate Bonds Standard. Accordingly, we do not express a conclusion on that statement.’

For the purpose of awarding Certification under the Climate Bonds Standard, both Limited and Reasonable assurance opinions are acceptable.

No Certification can be awarded based on an Adverse Conclusion or a Disclaimer of Conclusion. In the case of a Qualified Conclusion, the Climate Bonds Standard Secretariat will examine the nature of the qualification and its effect on the eligibility for Certification and may deem the report as unacceptable under the Climate Bonds Standard.

Annex 2: Necessary Information for a Verification Report

Verifier's Reports prepared by Approved Verifiers under the Climate Bonds Standard must contain the following items when providing Limited or Reasonable Assurance:

Basic information

- Type of Certification (UoP, Entity, Asset, SLD)
- Legal name of the Issuer, or the Entity/Entities to who the Verifier's Report is addressed
- Unique name of the bond, loan or other debt instrument or program
- Identifier(s) for bond(s), loan(s) or other debt instrument(s) if available
- Verifier company name
- Period covered by the Verifier's Report
- A short description of the Applicant, covering their background and main activities
- A list of all acronyms used with full definitions

Summary of findings

A summary of how the Issuer or applicant entity and the proposed debt instrument, asset or entity has conformed with the components of the Requirements of the Climate Bonds Standard.

For **Use of Proceeds Certification**, this includes:

- Use of Proceeds, including the relevant Sector Criteria
- Process for Evaluation and Selection of Projects & Assets
- Management of Proceeds
- Reporting

For **Asset Certification**, this includes:

- Eligibility of the Asset or project under the Climate Bonds eligibility criteria
- Confirmation that the asset owner has the internal processes to ensure that the specific asset/portfolio will remain eligible in the 12-month period following the certification.

For **Entity & SLD Certification**, this includes:

- A summary of how the structure, boundary, activities, and governance of the applicant entity allows it to comply with the requirements of the Standard, along with details of any relevant Transition Plan.
- Verification conclusion including a Basis for Qualification section.
- Engagement summary
- Scope of work completed, professional standards followed and the time period which the Verification Engagement covers
- Independence and Quality Control: Details of ethical and independence standards complied with.
- Details of work performed to assess conformance with the Climate Bonds Standard as per the terms of the engagement contract
- Issuer's/applicant Entity's Responsibilities
- Verifier's Responsibilities
- Distribution and Use of the Verifier's Report (not limiting the use by Climate Bonds)

Verification Opinion

- Verification statements and conclusions
- Signature of authorised person within the Approved Verifier and name of all signatory(ies)
- Date of the verification report
- Verifier's location

Annexes (where relevant and where detail is available)

- A complete detailed list of Nominated Projects & Asset reviewed in the Verification Engagement
- The full, completed checklist as per the requirements of Pre-Issuance, Post-Issuance, Asset, Entity or SLD Certification
- The full, completed Adaptation & Resilience checklist from the relevant Sector Criteria and conclusion on whether the requirements of the Sector Criteria have been met
- A list of testing procedures carried out by the Verification Team to confirm the bond's conformance with each Climate Bonds Standard Requirement.
- A list of Nominated Projects & Assets with their respective allocation size