



Climate Bonds INITIATIVE

# Climate Bonds Standard & Certification Scheme

# Guidance for Verifiers

Version 2.0

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# 1. Introducing the Climate Bonds Standard & Certification Scheme

The **Climate Bonds Initiative** 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 government to catalyse green investments at the speed and scale required to avoid dangerous climate change and meet the goals of the Paris Climate Agreement.

A key component of the Initiative 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 'greenwash'.

## What does the Certification mark mean?

Certification under the Climate Bonds Standard confirms that the bond, loan or other debt instrument is:



1

**Fully aligned with the Green Bond Principles and/or the Green Loan Principles**



2

**Using best practice for internal controls, tracking, reporting and verification**



3

**Financing assets consistent with achieving the goals of the Paris Climate Agreement**

The Climate Bonds Standard & Certification Scheme aims to provide the green bond market with the trust and assurance that it needs to achieve scale. Activating the mainstream debt capital markets to finance and refinance climate-aligned projects and assets is critical to achieving international climate goals and robust labelling of green bonds and green loans is a key requirement for that mainstream participation.

While the green finance market continues to grow at pace, future growth relies on maintaining the value of the green label. The green label is underpinned by trust and confidence that the use of funds will be directed to projects and assets that are in line with the Paris Climate Agreement. Investor capacity to assess green credentials is, however, limited, especially in the fast-paced bond/loan market.

A Scientific Framework underpins the definitions of which projects and assets are consistent with achieving the goals of the Paris Climate Agreement and therefore eligible for inclusion in a **Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument**. The Certification Scheme includes robust approach for monitoring, reporting and assurance of conformance with the Climate Bonds Standard.

An international **Climate Bonds Standard Board** comprised of large institutional investors and leading environmental NGOs provides ongoing oversight of the Climate Bonds Standard, Approved Verifiers, the Certification Scheme as well as decisions on Certifications. Day-to-day operations and decision making is delegated to the **Climate Bonds Standard Secretariat**.

Certification under the Climate Bond Standard relates exclusively to the climate attributes of the bond, loan or other debt instrument, and does not address any other aspect of investment decision-making such as compliance with national or international laws and/or regulations, broader Environment, Social and Governance (ESG) attributes, or creditworthiness.

The **Climate Bond Certified Mark “Certification Mark”** is used to designate **Certified Climate Bonds, Certified Climate Loans** and **Certified Climate Debt Instruments**.

The Climate Bonds Standard & Certification Scheme builds on the broad integrity principles contained in the Green Bond Principles<sup>2</sup> to create a robust, flexible and effective certification system. Key features include:

- Full alignment with the Green Bond Principles, Green Loan Principles,<sup>3</sup> the proposed EU Green Bond Standard, ASEAN Green Bond Standards,<sup>4</sup> Japan’s Green Bond Guidelines<sup>5</sup> and India’s Disclosure & Listing Requirements for Green Bonds<sup>6</sup>
- Clear mandatory requirements for use of proceeds, selection of projects & assets, management of proceeds and reporting
- Sector criteria for determining the low-carbon and climate resilient credentials of projects and assets
- An assurance framework with independent verifiers and consistent procedures
- Certification awarded by the Climate Bonds Standard Board
- Certification is confirmed after issuance of the bond or loan with mandatory independent verification and annual reporting for the term of the investment



**For investors**, Certification is a screening tool that labels bonds or loans as Certified Climate Bonds, Certified Climate Loans or Certified Climate Debt Instruments respectively. It reduces the burden for investors having to make subjective judgements during their due diligence on the green attributes of green-labelled investments.

**For issuers**, Certification is a voluntary initiative, which allows them to clearly demonstrate to the market that their bond or loan meets science-based standards for climate integrity, and best practice standards for management of proceeds and transparency.

## Key Components

The Climate Bonds Standard & Certification Scheme comprises of the overarching Climate Bonds Standard Version 3.0, the **Climate Bonds Taxonomy, Sector Eligibility Criteria**, guidance material and certification documents.

The **Climate Bonds Taxonomy**<sup>7</sup> is the high-level roadmap for the relevant sectors. It forms the basis of the Climate Bonds green bond database methodology, used by Climate Bonds to assess the climate alignment of all green bonds (certified or uncertified) for inclusion in the database, which is then used by index providers, analysts and other market players.

The **Sector Eligibility Criteria** are science-based and provide detailed definitions for the eligibility of specific projects and assets. The criteria ensure that projects & assets 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 Eligibility Criteria. The Climate Bonds Standard Board provides governance and oversight of the Standard and the Certification process.

**Approved Verifiers** provide independent assurance that issuers and their certified bonds or loans have met the requirements of the Standard.

## Ongoing Reporting

All issuers are required to report annually to maintain the Certification of the bond, loan or other debt instrument. The exact nature of the reporting is dependent on the range of underlying projects and assets, and on the issuer's choices.

Reporting to maintain Certification is split into three types: **Allocation reporting, Eligibility reporting, and Impact reporting.**

- **Allocation reporting** is confirming the allocation of bond proceeds to eligible projects and assets, and is mandatory for all Certified debt instruments;
- **Eligibility reporting** is confirming the characteristics or performance of projects and assets to demonstrate their eligibility under the Taxonomy and relevant Sector Eligibility Criteria and is mandatory for all Certified debt instruments.
- **Impact reporting** is disclosure of metrics or indicators which reflect the expected or actual impact of eligible projects and assets, and is encouraged for all Certified debt instruments, but is not mandatory.
- The three different types of reporting can be included in a single **Update Report** which must be provided annually while the bond, loan or other debt instrument remains outstanding.

We note that alignment with Sector Eligibility Criteria already provides investors with confidence that the investment is aligned with goals of the Paris Climate Agreement. Given this feature of the standard, the need for detailed and quantitative impact reporting is reduced and often is not necessary. Specific recommendations on impact reporting are provided in a document developed by the Green Bond Principles (GBP) working group on impact reporting, available from the GBP website.<sup>8</sup>

## How Certification works

The requirements of the Climate Bonds Standard are separated into the two distinct phases of issuing a bond or closing a loan or other debt instrument:

- 1. Pre-Issuance Requirements** which need to be met for issuers seeking certification ahead of issuance,
- 2. Post-Issuance Requirements** which need to be met by issuers seeking ongoing certification following the issuance.

Certification is also available for bonds, loans or other debt instruments which have already been issued or closed. In these cases, issuers only need to meet the Post-Issuance Requirements of the Standard. Issuers can apply for Certification at any time while the debt instrument is outstanding.

Programmatic Certification is available for frequent issuers of Certified deals. This option increases the flexibility and reduces the verification burden for issuers with large scale or longer term green bond or sustainable finance programs.

Verification by an **Approved Verifier** is mandatory in the Certification process. Ongoing Certification includes requirements for annual reporting with public disclosure.

The Climate Bonds Standard is a climate change standard. It is an authoritative standard that eases decision-making and focuses attention on credible climate change solutions in the debt capital markets.

## Resources for the user of the Standard

All relevant resource documents for the use of the Standard are available on the website link: <https://www.climatebonds.net/certification/resources>

Climate Bonds Initiative website: <https://www.climatebonds.net>

Contact Certification team at: [certification@climatebonds.net](mailto:certification@climatebonds.net)

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1. The Paris Climate Agreement is an international agreement within the United Nations Framework Convention on Climate Change which entered into effect in November 2016 and will commence in 2020. The goals of the agreement include: "(a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels; (b) Increasing the ability to adapt to the adverse impacts of climate change; (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."
  2. Green Bond Principles (GBP) are voluntary process guidelines intended for broad use by the market that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market. The latest edition of the GBP is available from the International Capital Markets Association website ([www.icmagroup.org/greenbonds](http://www.icmagroup.org/greenbonds)).
  3. Published by the Loan Market Association ([www.lma.eu.com](http://www.lma.eu.com))
  4. Developed by the ASEAN Capital Markets Forum ([www.theacmf.org](http://www.theacmf.org))
  5. Published by The Ministry of the Environment, Japan and can be retrieved at: <http://www.env.go.jp/en/policy/economy/gb/guidelines.html>
  6. Published by the Securities & Exchange Board of India ([www.sebi.gov.in](http://www.sebi.gov.in)) and can be retrieved at: [https://www.sebi.gov.in/sebi\\_data/meetingfiles/1453349548574-a.pdf](https://www.sebi.gov.in/sebi_data/meetingfiles/1453349548574-a.pdf)
  7. <https://www.climatebonds.net/standard/taxonomy>
  8. <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>

Requirements are split in this way to align with the phases of the capital markets such as preparation, marketing, issuance, allocation of funds and statutory reporting.

It is important to note that the Approved Verifier does not decide on Certification of the bond, loan or debt instrument. **All certification decisions under the Climate Bonds Standard & Certification Scheme are made by the Climate Bonds Standard Board** based on the information provided by the issuer, including the *Verifiers Report* which the issuer has received from the Approved Verifier.

The Issuer must engage an Approved Verifier on commercial terms<sup>9</sup> to undertake two assessments:

- Assess the eligibility of assets and the readiness of the issuer at the *Pre-Issuance* stage; **and**
- Provide assurance over the actual use of proceeds and internal systems & controls at the *Post-Issuance* stage.

At each of the two stages the Approved Verifier provides its *Verifier's Report* to the issuer as per the terms of their commercial engagement. The issuer then provides the Verifier's Report along with other documents to the Climate Bonds Standard Secretariat for consideration by the Climate Bonds Standard Board.

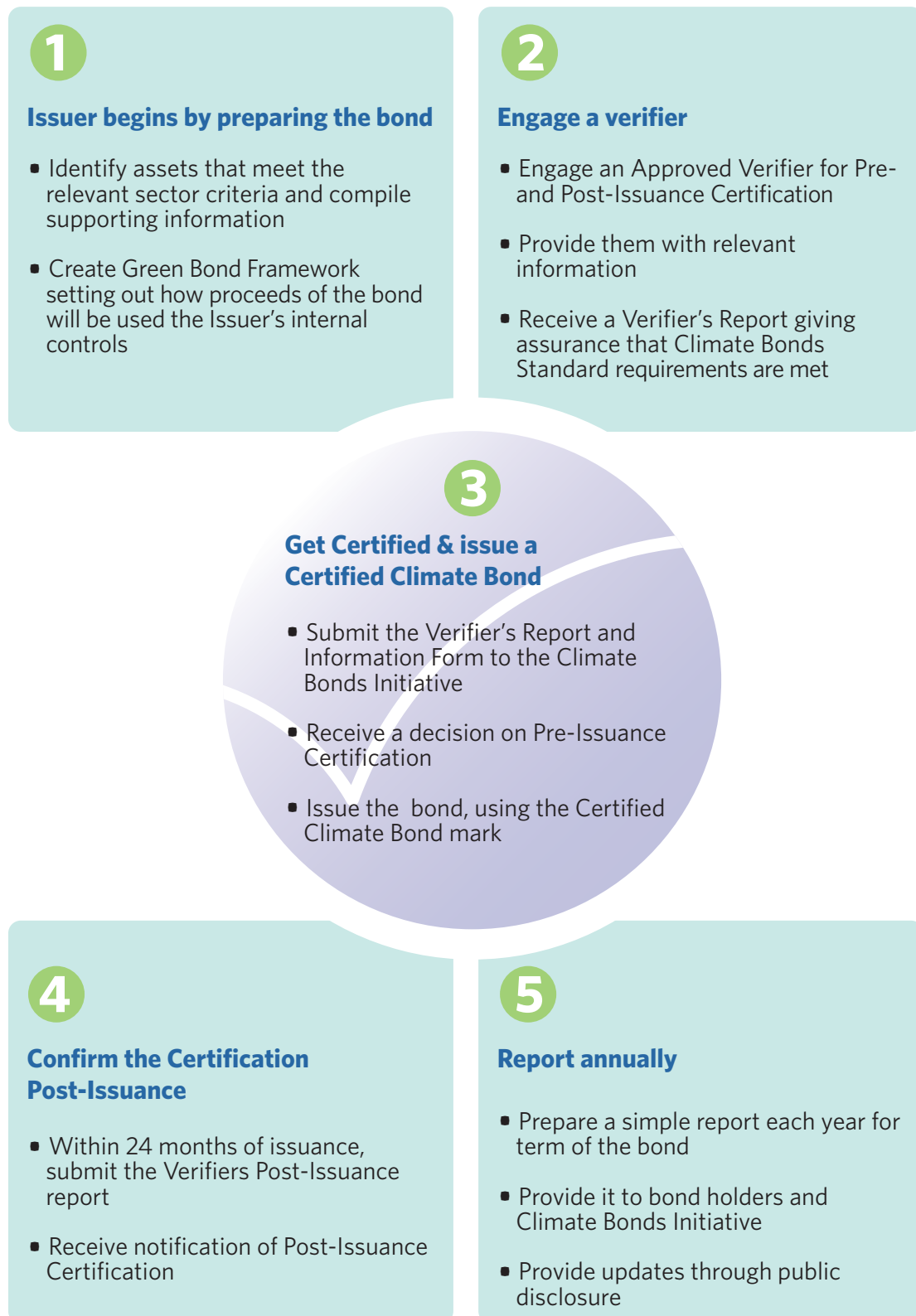
Pre-Issuance Certification is valid for 24 months from the date of the bond issuance. Post-Issuance Certification must be confirmed within that 24 month period and can be undertaken prior to all proceeds being allocated.

Post-Issuance Certification is valid for the term of the bond, loan, or other debt instrument met as long as the issuer meets the ongoing reporting and disclosure requirements contained in the Climate Bonds Standard. Annual verification during the term of the bond is not required, but is often used by issuers of Certified Climate Bonds, Loans and Debt Instruments to regularly reaffirm their positive message.

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<sup>9</sup> The Verifier may be engaged by a different entity such as an underwriter or a market development fund which potentially reduced the friction within the labelling of the transaction.

Figure 1. Certification Process for a bond, loan or other debt instrument





## 2. Verification and the Climate Bonds Standard

The Climate Bonds Standard sets out the minimum requirements that must be met for a bond to be eligible for certification by the Climate Bonds Standard Board. A key aspect of this process is the Verification by an Approved Verifier that the requirements of the Standard have been met.

This *Guidance For Verifiers* document has been prepared by the Climate Bonds Initiative to assist Verifiers that are undertaking Assurance Engagements ~~and/or Agreed Upon Procedures Engagements~~ under the Climate Bonds Standard & Certification Scheme.

This Guidance sets out the requirements a Verifier must meet to be engaged by an Issuer to undertake an Assurance Engagement ~~or Agreed Upon Procedures Engagement~~, together with an overview of the Principles and Methods to be followed when conducting a Climate Bonds Standard engagement. Annexes providing further detail on Verifier reporting requirements are also presented.

### **This Guidance for Verifiers fits within the broader suite of guidance material**

The Climate Bonds Standard is complemented by a number of documents, including the library of Sector Eligibility Criteria as well as the Assurance Framework and various guidance documents. This package of documents is outlined below:

#### **Climate Bonds Standard**

- Lays out a set of mandatory requirements consistent with the Green Bond Principles and Green Loan Principles
- Includes a library of sector-based criteria to define what projects and assets are eligible for certification
- Provides the requirements for certification and describes the certification process
- Defines the required process for assurance and procedures for managing non-conformance.

#### **Assurance Framework**

- Provides the principles for assurance and lays out the governance and decision making structures for the Scheme
- Describes the role of the Approved Verifier in the Certification process
- Defines the criteria used in the approval of verifiers and the maintenance of approval
- Describes the approach to the ongoing oversight of Approved Verifiers.

#### **Guidance for Verifiers**

- 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 Directory<sup>10</sup>**

- Provides the geographic scope, technical scope and contact details for each of the Approved Verifiers under the Climate Bonds Standard & Certification Scheme.

#### **The Certified Bonds Database<sup>11</sup>**

- Provides details of each Certified Climate Bond, Loan or other Debt Instrument (once it has been issued)
- Includes the verifier's reports and other information for each bond, loan or debt instrument.

#### **Complaints and Appeals Procedure (under development)**

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

<sup>10</sup>. Further information on the Approved Verifiers Directory is available at [www.climatebonds.net/certification/approved-verifiers](http://www.climatebonds.net/certification/approved-verifiers)

<sup>11</sup>. Further information on the Certified Bonds Database is available at [www.climatebonds.net/certification/certified-bonds](http://www.climatebonds.net/certification/certified-bonds)

## 3. Definitions

### D1. Bonds, loans and other debt instruments

**D1.1 Green Bond, Green Loan or Green Debt Instrument:** A bond, loan or other debt instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects, and which is aligned with the four core components of the Green Bond Principles or the Green Loan Principles.

A Green Bond, Green Loan or Green Debt Instrument should not be considered fungible or interchangeable with bonds, loans or other debt instruments which are not aligned with those four core components.

**D1.2 Certified Climate Bond or Certified Climate Loan or Certified Climate Debt Instrument:** A green bond, green loan or other green debt instrument that is Certified by the Climate Bonds Standard Board as meeting the requirements of this Climate Bonds Standard.

The term “Bond” is used in this Standard to describe the debt instrument being considered for Certification whether that be structured as a bond or a loan or some other form of debt instrument. Further detail on the types of bonds, loans and other debt instruments which can be Certified under the Climate Bonds Standard is provided in Annex 1.

### D2. Standard, certification and structures

**D2.1 Climate Bonds Standard:** The requirements and eligibility criteria for Climate Bond Certification, based on the current version as published on the Climate Bonds Initiative resources webpage.

**D2.2 Climate Bonds Standard Board:** A board of independent members that approves the Standard, Sector Eligibility Criteria and Verifiers, and considers applications for Certification under the Climate Bonds Standard.

*Note: The Climate Bonds Standard Board is constituted, appointed and supported in line with the governance arrangements and processes as published on the Climate Bonds Initiative website.*

**D2.3 Climate Bonds Standard Secretariat:** Manages the day-to-day interaction with issuers, verifiers and other stakeholders.

*Note: Contact details for the Climate Bonds Standard Secretariat are available on the Climate Bonds Initiative website. Enquiries can be sent via email to [certification@climatebonds.net](mailto:certification@climatebonds.net).*

**D2.4 Certification under the Climate Bonds Standard:** Allows the Issuer to use the Certification Mark in relation to that bond, loan or other debt instrument. Certification is provided once the Climate Bonds Standard Board is satisfied the bond, loan or other debt instrument conforms to the relevant requirements of the Climate Bonds Standard.

**D2.5 Certification Mark:** The certification logo designating a **Certified Climate Bond** or **Certified Climate Loan** or **Certified Climate Debt Instrument** that Issuers may use once they have obtained Certification from the Climate Bonds Standard Board. Use of the logo by an Issuer is specified within the terms and conditions of the Certification Agreement.

### D3. Issuer, projects & assets

**D3.1 Issuer:** The organisation issuing the bond or other debt instrument; or the borrower and other obligors taking out the loan or other debt instrument, or the financial institution receiving designated deposits.

**D3.2 Issuance:** The date of issuance for a bond or closing of a loan or other debt instrument.

**D3.3 Eligible Projects & Assets:** Parts or collections of:

**D3.3.1** Projects or physical assets owned by the Issuer, and/or

**D3.3.2** Indebtedness incurred or other arrangements to finance projects or physical assets, and/or

**D3.3.3** Other related and supporting expenditures for projects or physical assets, where the projects or physical assets meet the relevant Sector Eligibility Criteria provided in Part C of the Climate Bonds Standard.

**D3.3.4** Other arrangements to finance projects or physical assets include:

**D3.3.4.1** the share of working capital that can reasonably be attributed to their operation;

**D3.3.4.2** leasing structures resulting in Right of Use assets and liabilities (for example, using IFRS 16<sup>9</sup>);

**D3.3.5** Other related and supporting expenditures include:

**D3.3.5.1** expenditures related to research and development costs;

**D3.3.5.2** any relevant capital expenditure;

**D3.3.5.3** relevant operating expenditures such as maintenance costs related to green assets that increase either the lifetime or the value of the assets. Operating expenditures shall qualify for refinancing with a maximum three years look-back period before the issuance year of the bond;

**D3.3.5.4** relevant public investments and public subsidies for sovereigns and sub-sovereigns.

**D3.4 Nominated Projects & Assets:** Eligible Projects & Assets that are associated with the bond, loan or other debt instrument. These projects or physical assets may be existing, under construction or yet to be deployed.

**D3.5 Net Proceeds:** The amount equal to the gross proceeds of the bonds, loans or other debt instruments minus issuance costs.

**D3.6 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.

## D4. Issuer documentation

**D4.1 Green Bond Framework:** Information provided by the issuer which describes how the requirements in the Climate Bonds Standard will be met by the issuer for the relevant bond, loan or other debt instrument, or program of bonds, loans or other debt instruments. This information is often presented using the five core components of the Green Bond Principles (use of proceeds, selection of projects & assets, management of proceeds, reporting, and external review). The contents of the Green Bond Framework are further defined in clause 4.1.

*Note 1: The Green Bond Framework is an important part of the Certification Process. It is the primary reference for the verifier when undertaking the verification process and must be provided to the Climate Bonds Standard Board as one of the certification documents. See Part D of the Climate Bonds Standard for further detail on how the Green Bond Framework document is used in the Certification Process.*

*Note 2: Issuers are required to disclose their Green Bond Frameworks or relevant summaries to the market. This is in line with market best practice and also enables Certified Bonds to be eligible for key market indices, green bond funds and regional standards such as the proposed EU Green Bond Standard.*

*Note 3: Examples of Green Bond Framework documents are available on the Climate Bonds Initiative website.*

**D4.2 Disclosure Documentation:** Documentation associated with the issuance of a bond, loan or other debt instrument; that is prepared before a bond, loan or other debt instrument is issued or entered into; and is made available to potential investors.

*Note: 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, indenture contract, official bond statement, or legal documentation. In some jurisdictions this also includes marketing materials for the deal.*

**D4.3 Update Report:** A document prepared by the issuer that confirms the ongoing conformance of the issuer and the relevant bond, loan or other debt instrument, or program of bonds, loans or other debt instruments with the Post-Issuance Requirements of the Climate Bonds Standard. Update Reports contain three different types of reporting:

**D4.3.1 Allocation Reporting** – confirming the allocation of Net Proceeds to Nominated Projects & Assets;

**D4.3.2 Eligibility Reporting** – confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.

**D4.3.3 Impact Reporting** – disclosure of metrics or indicators which reflect the expected or actual impact of Nominated Projects & Assets.

*Note 1: The format and frequency of the Update Report will depend on the specific circumstances of the issuer and the relevant bond, loan or other debt instrument, or program. Further detail on the Update Report is provided in clause 8 of the Climate Bonds Standard. A suggested template for Update Reports is available on the Climate Bonds Initiative website.*

*Note 2: The proposed EU Green Bond Standard identifies two types of reporting; Allocation Reporting and Impact Reporting. The EU GBS definition of Impact Reporting includes the Climate Bonds Standard definitions of Eligibility and Impact Reporting.*

**D4.4 Climate Bond 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.

*Note: The Climate Bond Information Form is available from the Climate Bonds Initiative website. The form is used and updated throughout the Certification Process*

**D4.5 Certification Agreement:** A legal agreement which must be executed by the Issuer and submitted to the Climate Bonds Standard Board as part of the Certification Process.

*Note: The Certification Agreement is available from the Climate Bonds Initiative website and includes terms and conditions for use of the Certification Mark. Adjustments to the template agreement can be negotiated directly with the Climate Bonds Standard Secretariat.*

## D5. Approved Verifiers

**D5.1 Verifier:** An independent third-party assurance provider or auditor, which has been approved by the Climate Bonds Standard Board and is listed on the Climate Bonds Initiative website as an Approved Verifier.

**D5.2 Verifier's Report:** A report prepared by the Verifier and provided by the Verifier to the Issuer. The Verifier's Report is then provided to the Climate Bonds Standard Secretariat as part of the Certification Process. The Verifier's Report must be prepared in line with the Guidance for Verifiers which is available from the Climate Bonds Initiative website.

**D5.3 Assurance Engagement:** Procedures undertaken by a Verifier, presented as an Assurance Report, to form a conclusion or an opinion as to whether the bond has conformed to the relevant requirements of the Climate Bonds Standard. Assurance procedures are to be conducted in accordance with relevant assurance standards, such as the International Standard on Assurance Engagements 3000 (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information. The level of assurance can be either reasonable assurance or limited assurance.

**D5.4 Assurance Report:** A document prepared by the Verifier that conveys the Verifier's conclusion or opinion as to whether the bond has conformed to the relevant Requirements of the Climate Bonds Standard.

~~**D5.5 Readiness Assessment:** An assessment undertaken by a Verifier, using Agreed Upon Procedures, to assess whether the bond or other debt instrument has conformed to the relevant Pre-Issuance Requirements of the Climate Bonds Standard. Agreed Upon Procedures are to be conducted in accordance with relevant standards, such as the International Standards on Related Services 4400 (ISRS 4400): Engagements to Perform Agreed-upon Procedures Regarding Financial Information or AT-sec 201: Agreed Upon Procedures Engagements.~~

~~*Note: When agreed-upon procedures are followed, no conclusion or opinion is expressed by the Verifier. Instead, factual findings obtained as a result of the procedures performed are reported. A Readiness Assessment Protocol for Issuers and Approved Verifiers to consider is available from the Climate Bonds Initiative website.*~~

**D5.6 Report of Factual Findings:** A document prepared by the Verifier that reports factual findings obtained as a result of the Readiness Assessment to test whether the bond, loan or other debt instrument has conformed to the Pre-Issuance Requirements of the Climate Bonds Standard.

**D5.7 Verification Engagements:** engagements undertaken by an Approved Verifier, in accordance with the Climate Bonds Standard, to confirm the credentials of a bond. These engagements include Limited Assurance Engagements, Reasonable Assurance Engagements and ~~Agreed Upon Procedures Engagements~~, where allowed under the Climate Bonds Standard.

**D5.8 Verification Team:** the team of experts that will carry out a Verification Engagement. All team members may be employees of the Verifier or a sub-contracting or joint contracting arrangement may be struck between the Verifier and the independent experts. The Verification Team must have the relevant experience to carry out the scope of the Verification Engagement and the Verification Team must be listed in the terms of the Verification Engagement.

**D5.9 Verification Team Leader:** this is the person that leads the Verification Team and will sign the Assurance Report or Report of Factual Findings for the Verification Engagement.

**D5.10 Verification Plan:** this is the plan that is prepared by the Verification Team at the commencement of a Verification Engagement. It sets out the scope of the engagement, the testing plan and the timing of the Verification Engagement and maybe supplied to the Issuer at the start of the Verification Engagement.

## 4. Climate Bond Certification Process

The Climate Bond Certification Process has two distinct phases:

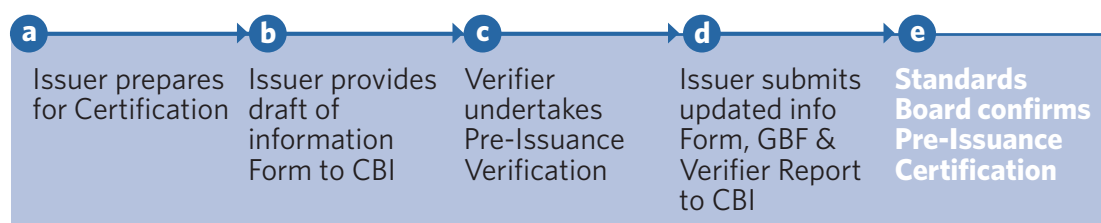
1. Pre-Issuance Certification
2. Post-Issuance Certification.

Both of these phases involve Verification by an Approved Verifier. The specific steps are explained in detail below.

### Pre-Issuance 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.

Figure 2. Pre-Issuance Certification Process



**a. Issuer prepares for Certification** – During this stage an Issuer familiarises themselves with the requirements of the Climate Bonds Standard and the Certification process and prepares their own internal Green Bond Framework. The Issuer's Green Bond Framework lays out how the requirements of the Standard have been addressed and identifies projects and assets to be financed by the proceeds. If assistance is required in preparing their Green Bond Framework, the Issuer can contact the Climate Bonds Initiative via the contact details available on the CBI website. At this stage the Issuer should decide on the main characteristics of the bond, including the approximate size, structure and jurisdiction, as well as the environmental objective(s) of the bond, loan or other debt instrument.

**b. Issuer provides draft of Climate Bond Information Form to the Climate Bonds Initiative** – The Issuer provides a filled-out Climate Bond information form, available [here](#), to the Climate Bonds Standard Secretariat. This form is used to provide contact details of the Issuer and the following basic information:

- i. Structure and details of the expected issuance (timing, size, tenor, etc)
- ii. Outline of the Nominated Projects & Assets
- iii. Ongoing reporting arrangements

The Climate Bonds Standard Secretariat uses this information to ensure that Issuers have the most up-to-date guidance materials relevant to their bond, loan or other debt instrument and also to manage the forthcoming pipeline of Pre-Issuance Certification requests. At this stage of the certification process the Issuer will need to enter "To Be Confirmed" in response to some of the questions in the Information Form.

All of the Nominated Project & Assets in the bond, loan or other debt instrument must meet Climate Bonds Standard technical criteria for that project or asset (e.g. solar or wind projects, low carbon buildings, etc). Technical criteria are being published by the Climate Bonds Standard Secretariat as they are developed by the Technical Working Groups and approved for use by the Standard Board. See the list of published technical criteria on the Climate Bond Standard's website.

**c. Verifier undertakes Pre-Issuance Verification** – To attain Climate Bond Certification, an Issuer is required to engage an Approved Verifier to undertake Pre-Issuance Verification. The engagement should cover both the Pre-Issuance Verification as well as the Post-Issuance Verification, including the provision of a Verifier's Report for each part. The Issuer engages the Verifier on a commercial basis, and this may involve seeking quotes from a number of Verifiers. A list of all Climate Bonds Approved Verifiers can be found on the Climate Bonds Standard's website. An Issuer may engage a Verifier before or after the Climate Bond Information Form is provided to the Climate Bonds Standard Secretariat.

Pre-Issuance Verification Engagements require an Approved Verifier to cover the Pre-Issuance Requirements in the Climate Bonds Standard as well as the technical criteria for each category of Nominated Project & Assets. On completion of the Pre-Issuance Verification Engagement, the Verifier provides the Issuer with a Verifier's Report. The Verifier's Report provides an independent third party perspective on conformance with the Climate Bonds Standard's Pre-Issuance Requirements, but it does not provide Climate Bond Certification. The Certification decision is made by the Climate Bonds Standard Board (see below).

**d. Issuer submits the updated Climate Bonds Information Form, Green Bond Framework, Verifier's Report and Certification Agreement to the Climate Bonds Initiative** – Once the Verification Engagement for Pre-Issuance is complete, the Verifier's Report, Green Bond Framework and an updated Climate Bond Information Form can be submitted by the Issuer to the Climate Bonds Standard Secretariat for Certification by the Climate Bonds Standard Board. The Issuer must also complete and execute the Certification Agreement which is available from the CBI website.

**e. Climate Bonds Standard Board confirms Pre-Issuance Certification** – The Climate Bonds Standard Board will review the information from the Issuer and if no concerns arise, they will certify the bond, loan or other debt instrument with Pre-Issuance Certification. This means that the Issuer can use the Certification mark in their marketing materials for the bond, loan or other debt instrument.

If the Climate Bonds Standard Board does not believe the bond, loan or other debt instrument conforms with the Pre-Issuance Requirements, they will propose further action to be taken by the Issuer, which may also include further work by the Approved Verifier.

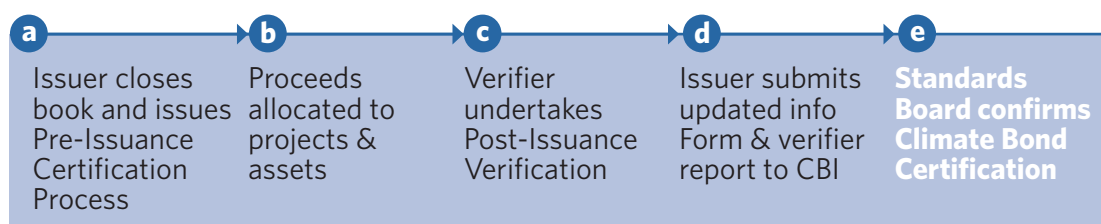
### Post-Issuance Certification

This is the assessment and Certification of the bond, loan or other debt instrument undertaken after the proceeds allocation process is underway, and includes Reasonable or Limited Assurance from the Verifier that the Issuer and the bond, loan or other debt instrument conform with all of the Post-Issuance Requirements in the Climate Bonds Standard. Post-Issuance Certification must be undertaken within two years (24 months) of the Issuance. At least one Post-Issuance Certification must be carried out to be in conformance with the Climate Bonds Standard.

*Note: Pre-Issuance Certification is not a prerequisite for Post-Issuance Certification but is required if the Issuer plans to market the bond, loan or other debt instrument as Certified prior to the Issuance.*



Figure 3. Post-Issuance Certification Process



**a. Issuer closes book and issues bond, loan or other debt instrument** – The Issuer completes the capital raising process.

**b. Proceeds allocated to projects & assets** – Once the bond, loan or other debt instrument has been issued the Issuer is expected to commence the process of allocating funds to Nominated Projects & Assets in line with its Green Bond Framework. The Issuer is given up to 24 months to complete the allocation process but can apply for Post-Issuance Certification from the Climate Bonds Standard Board at any time after issuance.

**c. Verifier undertakes assurance procedures** – To gain Post-Issuance Certification an Issuer must engage an Approved Verifier to undertake Post-Issuance Verification Engagement. This requires an Approved Verifier to cover the technical criteria for each Nominated Project & Asset type as well as all other requirements in the Climate Bonds Standard. The Issuer can engage a Verifier to undertake a Limited Assurance Verification Engagement or a Reasonable Assurance Verification Engagement (if a higher level of certainty is sought by the Issuer). On completion of a Verification Engagement, the Verifier will provide the Issuer with a Verifier’s Report. This report will provide an independent third party opinion on the conformance with the Climate Bonds Standard’s Post-Issuance Requirements, but does not provide Climate Bond Certification itself.

**d. Issuer submits updated Climate Bond Information Form and Verifier’s Report to the Climate Bonds Initiative** – Once the Verification Engagement is complete, the Verifier’s Report and the updated Climate Bonds Information Form can be submitted to the Climate Bonds Standard Secretariat for Certification from the Climate Bonds Standard Board.

**e. Climate Bonds Standard Board confirms Post-Issuance Certification** – The Climate Bonds Standard Board will review the information provided by the Issuer and if no concerns arise, they will confirm Post-Issuance Certification. If the Climate Bonds Standard Board does not believe the bond, loan or other debt instrument conforms with the Post-Issuance Requirements, they will propose further action to be taken by the Issuer, which may also include further work by the Approved Verifier.

The Post-Issuance Certification is valid while the bond, loan or other debt instrument is outstanding, as long as mandatory reporting requirements are met by the Issuer.

Reporting by the Issuer to the bond holders or lenders and the Climate Bonds Standard Secretariat is mandatory for certification to be maintained and must occur at least annually while the bond, loan or other debt instrument remains outstanding.

The Issuer may also choose to engage a Verifier to periodically review and confirm the Certified Bond, Loan or other Debt Instrument’s ongoing conformance with all of the Post-Issuance requirements in the Climate Bonds Standard. *Periodic Verification is not mandatory* but is available for Issuers if they choose to reaffirm their ongoing conformance via assurance and Certification while the bond, loan or other debt instrument remains outstanding.

The process for Periodic Verification is the same as in the Post-Issuance Certification process discussed in detail above. The engagement should 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.

### Programmatic Certification for Repeat Bond Issuers

'Programmatic Certification' streamlines the Certification for Issuers who plan to issue multiple Certified bonds against a large pool of assets. Rather than going through the process of Certification for each bond issuance, the whole pool is Certified at the beginning, at the time of the first bond issuance. Subsequently, when the Issuer issues more bonds against other parts of the same asset pool, each bond only requires post-issuance verification. This method makes the process significantly simpler for the Issuer.

Figure 4. Programmatic Certification for multiple green issuance

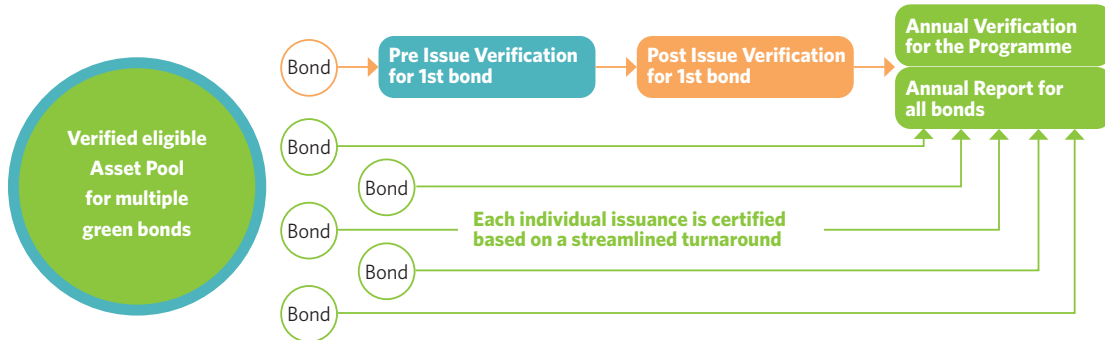
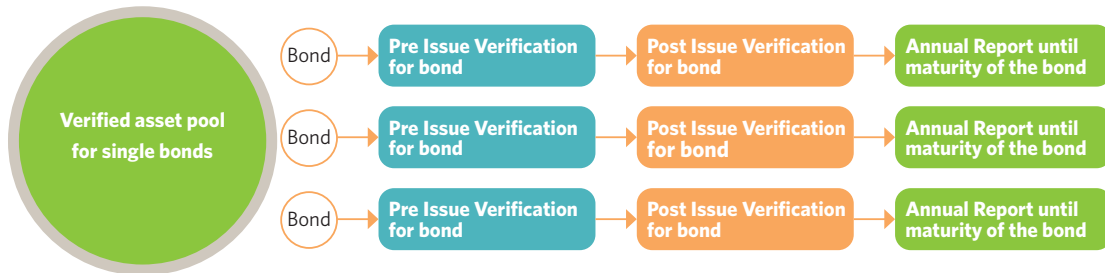


Figure 5. Basic Certification for individual green issuance



## 5. Types of Climate Bond Verification Engagements

Where Issuers are seeking Certification of their bond, loan or other debt instrument by the Climate Bonds Standard Board, they will need to support their application with an independent report by an Approved Verifier to test whether the bond, loan or other debt instrument is in conformance with the relevant requirements of the Climate Bonds Standard.

Verification Engagements at different stages of the Certification process are shown in the following table:

Verification Engagement	Mandatory or Optional	Minimum Level of Verification	Other allowable types of Verification	Criteria of Verification Engagement
<b>Pre-Issuance Verification</b>	Mandatory	<del>Agreed Upon Procedures</del>	Limited Assurance Reasonable Assurance	Climate Bonds Standard Pre-Issuance Requirements
<b>Post-Issuance Verification</b>	Mandatory	Limited Assurance	Reasonable Assurance	Climate Bonds Standard Post-Issuance Requirements
<b>Periodic Verification</b>	Optional	Limited Assurance	Reasonable Assurance	Climate Bonds Standard Post-Issuance Requirements
<b>Programmatic Verification</b>	Mandatory	Limited Assurance	Reasonable Assurance	Climate Bonds Standard Post-Issuance Requirements

### Criteria of Verification Engagements

The Climate Bonds Standard's Pre-Issuance and Post-Issuance Requirements both include General Eligibility Requirements and Technical Eligibility Requirements for each type of Nominated Project & associated with the bond, loan or other debt instrument. 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 both the General and Technical Eligibility requirements.

All Nominated Projects & Assets associated with the bond, loan or other debt instrument must meet Climate Bonds Standard Sector Eligibility Criteria for that project type (e.g. solar or wind projects).

### Reasonable Assurance Engagement

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 bond, loan or other debt instrument meets either the Pre-Issuance or Post-Issuance Requirements of Climate Bonds Standard, depending on the relevant phase of the certification process.

Assurance procedures must be conducted in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information, or an equivalent standard for assurance engagements which has been endorsed by the Climate Bonds Standard Board.

## Assurance Reports for Reasonable Assurance Engagements

A written Assurance Report is required to be delivered by the Verifier to the Issuer. This Assurance Report must state one of the following conclusions as to whether the proposed bond, loan or other debt instrument meets, in all material respects, the requirements of the Climate Bonds Standard. The following conclusions are in accordance with ISAE 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

**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.

An example of a reasonable assurance conclusion is as follows: 'In our opinion, the Issuer's 20xx Climate Bond is in conformance, in all material respects, with the Climate Bonds Standard's Pre-Issuance / Post-Issuance Requirements.'

**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 'X' described in the Basis for Qualification section of our report', the Issuer's 20xx Climate Bond is in conformance, in all material respects, with the Climate Bonds Standard's Pre-Issuance / Post-Issuance Requirements.'

In the example qualified limited assurance conclusion, 'X' represents any misstatement that is material but not pervasive enough to affect matters as a whole.

**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 Climate Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance / Post-Issuance Requirements.'

**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 Climate Bond conformance with the Climate Bonds Standard's Pre-Issuance / Post-Issuance Requirements. 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; in this case that the proposed bond, loan or other debt instrument does not, in all material respects, meet the criteria of the Climate Bonds Standard.

Assurance procedures must be conducted in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000): *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, or an equivalent standard for assurance engagements which have been endorsed by the Climate Bonds Standard Board.

### Assurance Reports for Limited Assurance Engagements

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 bond, loan or other debt instrument does not, in all material respects, meet the requirements of the Climate Bonds Standard. The following conclusions are in accordance with ISAE 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

**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 Climate Bond is not in conformance with the Climate Bonds Standard’s Pre-Issuance / Post-Issuance Requirements.’

**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 ‘X’ 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 Climate Bond is not in conformance with the Climate Bonds Standard’s Pre-Issuance / Post-Issuance Requirements.’

In the example qualified limited assurance conclusion, ‘X’ represents any misstatement that is material but not pervasive enough to affect matters as a whole.

**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 Climate Bond is not in conformance with the Climate Bonds Standard’s Pre-Issuance / Post-Issuance Requirements.’

**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 Climate Bond conformance with the Climate Bonds Standard's Pre-Issuance / Post-Issuance Requirements. Accordingly, we do not express a conclusion on that statement.'

#### ~~Agreed Upon Procedures Engagements~~

~~Agreed Upon Procedures Engagements provide scrutiny over certain elements of the subject matter as agreed between the Issuer and Verifier in the Verification Engagement Contract.~~

~~The Agreed Upon Procedures Engagement involves procedures to be undertaken by a Verifier, of an assurance nature, to test whether the bond, loan or other debt instrument is in conformance with the relevant requirements of the Climate Bonds Standard. When agreed upon procedures are followed, no assurance conclusion or opinion is expressed by the Verifier.~~

~~Agreed Upon Procedures are to be conducted in accordance with International Standards on Related Services 4400 (ISRS 4400): Engagements to Perform Agreed upon Procedures Regarding Financial Information.~~

~~A Readiness Assessment Protocol has been prepared to act as a set of agreed upon procedures to guide these engagements. The protocol can be downloaded from the CBI website.~~

~~The Verifier must provide a Report of Factual Findings obtained as a result of the Agreed Upon Procedures to test whether the bond, loan or other debt instrument has conformed to the relevant requirements of the Climate Bonds Standard.~~

#### **Preparation of Verifier's Reports**

Guidance on the contents of Verifier's Reports is provided in Annex A and Annex B to this Guidance for Approved Verifiers.

## 6. Engagement of Verifiers

An Issuer is required to engage an Approved Verifier to perform Pre-Issuance and Post-Issuance Verification Engagements. The Issuer is strongly encouraged to use the same approved Verifier for both engagements but this may not be possible in all cases.

Periodic Verification Engagements may be carried out over the term of the bond, loan or other debt instrument but this is not mandatory. Periodic Verification may be conducted by the same Verifier that has completed the Pre-Issuance and Post-Issuance Verification Engagements, or a different Approved Verifier.

### Pre-conditions for a Verification Engagement

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

- a.** Be an Approved Verifier by the Climate Bonds Standard Board;
- b.** Be able to carry out the engagement with independence and without a conflict of interest;
- c.** Have the relevant experience within the Verification Team to carry out a Limited Assurance or Reasonable Assurance Engagement under ISAE 3000 ~~and/or an Agreed Upon Procedures Engagement under ISRS 4400~~ to assess conformance with the Climate Bonds Standard. The relevant experience must cover:
  - The Climate Bonds Standard technical criteria for the categories of Nominated Projects & Assets identified by the Issuer
  - Delivery of client work to the capital raising department within the Issuer organisation and experience with reviewing financial aspects a bond, loan or other debt instrument
  - Verification of Issuer organisations' internal control environment, internal and external reporting arrangements, and tracking of assets financed by the bond, loan or other debt instrument
  - Conduct of Verification Engagements in line with recognised standards, work practices, and quality controls;
- d.** The Verifier organization must have a current policy for professional indemnity / professional liability insurance which covers the jurisdiction where the bond, loan or other debt instrument is being issued and the Verification Team leader who will sign the Verifier's Report;
- e.** Approved Verifiers must not be an owner or subsidiary of the entity issuing the bond, loan or other debt instrument;
- f.** Approved Verifiers must not benefit from the issuance other than from the fee billed for providing the verification services; and
- g.** Any potential conflicts of interest must be disclosed to the Climate Bond Standards Board.

The Climate Bond Standards Board Secretariat will conduct due diligence steps to ensure that high levels of professional conduct are maintained by the Approved Verifiers.

## Showing Independence and Managing Conflict of Interests

For Limited and Reasonable Assurance Engagements reported under ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information ~~or Agreed-Upon-Procedure Engagements reported under ISRS 4400: Engagements to Perform Agreed-upon Procedures Regarding Financial Information~~, Verifiers must comply with the specific requirements for managing conflicts of interest which are provided in those standards.

Independence safeguards the ability to form an assurance 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 Issuer or the subject matter itself; the bond, loan or other debt instrument.

Conflicts of interest occurs 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:

- a.** When an Approved Verifier has provided advisory services over the proposed bond, loan or other debt instrument or the Issuer's Green Bond Framework that is the subject matter of the engagement;
- b.** The Approved Verifier is receiving fees from the Issuer for another engagement at the same time that the Verification Engagement is being carried out; and / or,
- c.** The Approved Verifier receives a material portion of its revenue from the Issuer.

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 Issuer.

### Performance Management of Approved Verifiers

Once a Verifier has been approved by the Climate Bond Standards Board they are required to communicate with the Climate Bond Standards Board when required. Approved Verifiers must:

- a.** Respond promptly to any questions from Climate Bond Standards Board;
- b.** Work with Climate Bond Standards Board's to achieve and maintain high quality verifications for Issuers. This may include improving verification processes where poor performance is identified;
- c.** Participate in training, webinars and workshops conducted by the Climate Bonds Initiative.

Further detail on the ongoing oversight of Approved Verifier's is provided in the Assurance Framework document.



## 7. Methodology for Climate Bond Verification Engagements

The subject matter of all Verification Engagements is the proposed bond, loan or other debt instrument, the related Nominated Project & Assets and the Issuer’s internal systems and procedures. The criteria of a Verification Engagement changes depending on which engagement is being undertaken as highlighted in the table below:

Verification Engagement	Criteria of Verification Engagement
<b>Pre-Issuance Verification</b>	Climate Bond Standard Pre-Issuance Requirements plus relevant Sector Eligibility Criteria
<b>Post-Issuance Verification</b>	Climate Bond Standard Post-Issuance Requirements plus relevant Sector Eligibility Criteria
<b>Periodic Verification</b>	Climate Bond Standard Post-Issuance Requirements plus relevant Sector Eligibility Criteria
<b>Programmatic Verification</b>	Climate Bond Standard Post-Issuance Requirements plus relevant Sector Eligibility Criteria

### Scopes for Pre-Issuance and Post-Issuance Climate Bond Verification Engagements

The requirements of the Climate Bonds Standard align to two distinct phases of the Issuance process: Pre-Issuance Requirements and Post-Issuance Requirements. The scope of Pre-Issuance Verification and Post-Issuance Verification differ accordingly.

The main difference between the two engagement scopes is that 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 likely to be in place) to ensure that the bond, loan or other debt instrument will conform with the Climate Bonds Standard once issued. This is different to providing a conclusion on the operating effectiveness of systems and processes; as is a common component of most assurance engagements.

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

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

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

## Engagement

Once an Issuer 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 Engagements being undertaken (Limited Assurance, Reasonable Assurance ~~or Agreed Upon procedures~~)
- b.** The scope of the Verification Engagements, including the subject matter (e.g. the proposed Climate Bond being verified) and the criteria (e.g. the Climate Bonds Standard's Pre-issuance / Post-Issuance Requirements)
- c.** The legal details of the Issuer (e.g. 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 to complete the Verification Engagements
- f.** The period during which the Verification Engagements will be carried out
- g.** A statement specifying who will receive a copy of the Assurance Report or Report of Factual Findings.

The engagement terms must be signed by both the Approved Verifier and Issuer and stored by the Verifier for a minimum of two years beyond the term of the bond, loan or other debt instrument 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.

## Planning

Once the terms of the engagement are agreed between the Verifier and the Issuer, the Verifier must develop a Verification Plan. The Verification Plan will set out the expected verification processes based on the scope of the Verification Engagement and should include the following elements:

- a.** An understanding of the type of nominated projects associated with the bond, loan or other debt instrument
- b.** An understanding of the Issuer's systems and processes to monitor the flow of funds from the investors to the Nominated Projects & Assets
- c.** An understanding of the structure of the bond, loan or other debt instrument
- d.** Proposed testing procedures
- e.** Timeline for conducting each procedure
- f.** The role of each member of the Verification Team.

A Climate Bond Verification Engagement should 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 and the relevant Sector Eligibility Criteria
- b.** The bond, loan or other debt instrument's structure
- c.** The knowledge of the Approved Verifier over the Issuer's internal systems and processes used for tracking Climate Bonds.

A written Verification Plan should be provided to the Issuer at the start of the engagement.

### **Risk Assessment**

A risk assessment is designed to make sure the Verification Engagement is conducted thoroughly. A risk assessment should map out key elements of a bond, loan or other debt instrument and for each element assess all possible types of errors and the probability of each error occurring. Key elements include:

- a.** Technical aspects of Nominated Projects & Assets that are required to be met under Part C of the Climate Bonds Standard;
- b.** The systems and process implemented by the Issuer to monitor the flow of funds towards the Nominated Projects & Assets or the earmarking approach used to identify Nominated Projects & Assets;
- c.** Aspects of the structure of the bond, loan or other debt instrument which may require further understanding.

The Risk Assessment may consist of internal documents used to guide the testing procedures of the Verifier or the Risk Assessment may be provided to the Issuer.

### **Testing and fieldwork**

Testing should be carried out in line with the engagement terms and to a degree that confirms all risks identified in the risk assessment have been reviewed to a degree that gives the Approved Verifier the confidence to opine on whether the bond, loan or other debt instrument is in conformance with the relevant requirements of the Climate Bonds Standard.

Testing procedures should be appropriately determined based on the risk and materiality assessment performed at planning. Testing procedures can include the following (subject to the context and scope of the engagement):

- a.** Inquiry of systems and processes to understand how the bond, loan or other debt instrument meets the relevant requirements of the Climate Bonds Standard;
- b.** Inspecting the operation of systems and processes and documents relating to the bond, loan or other debt instrument;
- c.** Observation of systems and processes relating to the bond, loan or other debt instrument;
- d.** Confirmation of information by third parties (e.g. GHG emissions assessments from ratings tools for low-carbon buildings);
- e.** Recalculation of mathematical/engineering calculations in relation to the bond, loan or other debt instrument using information already produced and gathered by the Issuer;

- f. Re-performance of mathematical / engineering calculations in relation to the bond, loan or other debt instrument following the gathering of the source information;
- g. Analytical procedures;
- h. Substantive testing over samples of data.

When performing substantive testing over samples of data, sampling should be undertaken in such a way that each item in the population has a chance of selection and if a test procedure is not applicable to an item, the procedures should be performed on a replacement item.

In some cases it may be necessary for the Verifier to physically view the operation of particular Nominated Projects & Assets to confirm they comply with the technical requirements under Part C of the Climate Bonds Standard, however this is not generally required for an opinion to be formed.

Professional judgement and professional scepticism should be used by the Approved Verifier 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.

The Approved Verifier should obtain sufficient and appropriate evidence to form a conclusion on whether the bond, loan or other debt instrument conforms to the Climate Bonds Standard for an assurance Verification Engagement ~~or to be able to provide a Report of Factual Findings on the conformance of the bond, loan or other debt instrument with the Climate Bonds Standard for an Agreed Upon Procedures Engagement.~~

## Exceptions

Where misstatements are identified, the Approved Verifier should perform procedures in line with the applicable standards under which the Verification Engagement is being undertaken. For qualitative disclosures, where sufficient and appropriate evidence cannot be obtained, it may not be possible to perform additional procedures and where this is the case, these would be reported as uncorrected misstatements. All uncorrected misstatements, whether qualitative or quantitative, should be accumulated and evaluated to determine by the Approved Verifier whether, individually or in aggregate, they are material when forming the conclusion.

Misstatements identified during test procedures which are either corrected or uncorrected, may help establish recommendations provided by the Approved Verifier to the Issuer.

## Evidence Gathering and documentation

The Approved Verifier should document the results of all testing procedures, evidence collected and where professional judgement, scepticism or assumptions have been used.

The Approved Verifier should seek written representation by the Issuer to confirm any matter relied on in the testing procedures. The Issuer should acknowledge responsibility for the accuracy of such representations.

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

## Reporting

The Approved Verifier will be required to issue two versions of their Verifier's Report:

### **a. The final version of the Verifier's Report for publication on the CBI website**

This Report will be provided to the bond Issuer. The Issuer will be subsequently required to share this report with the Climate Bonds Standard Board and this report will be made public through the Climate Bonds Initiative's website.

If the Climate Bond Verification Engagement is Limited or Reasonable Assurance then one of the following conclusions must be selected by the Verifier and included in the Assurance report:

- i.** Limited or Reasonable Assurance Conclusion
- ii.** Qualified Reasonable Assurance Conclusion
- iii.** An Adverse Conclusion
- iv.** A Disclaimer of Conclusion

When a Verifier is assessing the results of the testing procedures in order to report an opinion in an Assurance Statement or in a Report of Factual Findings, any:

- i.** Errors discovered during the course of the engagement must be assessed against their materiality to the misstatement of the overall subject matter against the Climate Bonds Standard.
- ii.** System reliability issues should be assessed for their pervasiveness and potential to cause a material misstatement to the overall subject matter against the Climate Bonds Standard.

Errors and reliability issues can be additive and if this is the case the total error should 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.

If the Verification Engagement is ~~Agreed Upon Procedures~~, then all testing procedures, factual findings and errors or reliable issues must be disclosed in the Report of Factual Findings.

Details that must be included in a final Verifier's Report are provided in Annexes A and B.

### **(b) Long-hand version of the final Verifier's Report**

This version of the Verifier's Report will be provided to the Issuer and *the Issuer will be required to confidentially share it with the Climate Bonds Standard Board*. This long-hand version of the final Verifier's Report will usually contain two extra Annexes not included in the public report:

- i.** A complete detailed list of Nominated Projects & Asset reviewed in the Verification Engagement, and
- ii.** A list of testing procedures carried out by the Verification Team to confirm the bond, loan or other debt instrument's conformance with each Climate Bonds Standard Requirement.

## Use of a Verifier's Report

The Approved Verifier will issue the final Verifier's Report to the Issuer for the uses agreed in the terms of the engagement.

If the Issuer submits two versions of the final Verifier's Report to the Climate Bonds Standard Board, the Climate Bonds Initiative will keep the long-hand version of the report confidential and publically disclose only the version for publication on its website.

Once the Approved Verifier has issued the reports to the Issuer for the purposes specified in the terms of the engagement, the Approved Verifier should be aware that the Issuer may publically disclose or refer to the report in the prospectus or in other marketing documents for the bond, loan or other debt instrument. These provisions should be included in the Approved Verifier's terms of engagement.

## Annex A: Necessary Information for a Verifier's Report with Limited or Reasonable Assurance

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

- 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

### Summary of findings

- A summary of how the Issuer and the proposed bond, loan, or other debt instrument have conformed with each of the four components of the Requirements of the Climate Bonds Standard:
  - Use of Proceeds, including the relevant Sector Eligibility Criteria
  - Process for Evaluation and Selection of Projects & Assets
  - Management of Proceeds
  - Reporting
- Assurance conclusion including a Basis for Qualification section or a Basis for Adverse Conclusion section as appropriate if a Qualification Limited Assurance Conclusion or Adverse Conclusion is to be provided.

### Engagement summary

- Scope of work completed including the level of assurance, any professional standards complied with 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 Responsibilities
- Verifier's Responsibilities
- Distribution and Use of the Verifier's Report

### Assurance statement

- Assurance statements and conclusions
- Signature of authorised person within the Approved Verifier
- Date of the assurance report
- Verifier's location

### Annexes (where detail is available)

- A complete detailed list of Nominated Projects & Asset reviewed in the Verification Engagement
- A list of testing procedures carried out by the Verification Team to confirm the bond's conformance with each Climate Bonds Standard Requirement.

## ~~Annex B: Necessary Information for a Verifier's Report using Agreed Upon Procedures (Pre Issuance only)~~

~~Verifier's Reports prepared by Approved Verifiers under the Climate Bonds Standard must contain the following items when using Agreed Upon Procedures and preparing a Report of Factual Findings:~~

### ~~Basic information~~

- ~~▪ 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~~

### ~~Summary of findings~~

- ~~▪ A summary of how the Issuer and the proposed bond, loan, or other debt instrument have conformed with each of the four components of the Requirements of the Climate Bonds Standard:~~
  - ~~▪ Use of Proceeds, including the relevant Sector Eligibility Criteria~~
  - ~~▪ Process for Evaluation and Selection of Projects & Assets~~
  - ~~▪ Management of Proceeds~~
  - ~~▪ Reporting~~

### ~~Engagement summary~~

- ~~▪ Scope of work completed including any professional standards complied with and the time period which the Verification Engagement covers~~
- ~~▪ Independence and Quality Control: Details of ethical and independence standards complied with.~~
- ~~▪ Summary of work performed to assess conformance with the Climate Bonds Standard as per the terms of the engagement contract, with references to detailed findings in an Annex to the Verifier's Report~~
- ~~▪ Issuer's Responsibilities~~
- ~~▪ Verifier's Responsibilities~~
- ~~▪ Distribution and Use of the Verifier's Report~~

### ~~Statements~~

- ~~▪ Other matters to be reported~~
- ~~▪ Signature of authorised person within the Approved Verifier~~
- ~~▪ Date of the report~~
- ~~▪ Verifier's location~~

### ~~Annexes~~

- ~~▪ A complete detailed list of Nominated Projects & Asset reviewed in the Verification Engagement~~
- ~~▪ A list of testing procedures carried out by the Verification Team to confirm the bond's conformance with each Climate Bonds Standard Requirement.~~



Procedures Performed	Factual Findings	Errors or Exceptions Identified
Insert procedure	Insert findings	None/detail the exceptions
Insert procedure	Insert findings	None/detail the exceptions
Insert procedure	Insert findings	None/detail the exceptions