



Climate Bonds Standard and Certification Scheme

Assurance Roundtable – 17 March 2017

AGENDA

As the Climate Bonds Standard and Certification Scheme continues to expand its reach and influence into new markets and sectors, and strengthens where it already has a presence, there is a further need for streamlined, robust practices and transparent and robust governance arrangements.

In this context, the Climate Bonds Secretariat is seeking to formalise existing governance practices and build for the future – both to manage the workload of existing verifiers, and to stand up to the increased scrutiny that the CBS & CS will face from a variety of external stakeholders.

The Assurance Roundtable in 2017

The Climate Bonds Initiative will hold quarterly Assurance Roundtable discussions over the course of 2017 (and beyond) to provide a collaborative platform for Climate Bonds Approved Verifiers to share their experience as third party auditors under the Climate Bonds Standard. The Roundtable represents a valuable opportunity to discuss the principles, approaches and practicalities for assurance under the Climate Bonds Standard & Certification Scheme.

Over the last six months, the list of Climate Bonds Approved Verifiers has expanded to include new members. Currently, the total number of Approved Verifiers is 21 with more expected to be approved over the coming months.

This Agenda document is for the Assurance Roundtable session to be held on the 17th of March in Beijing at the Oriental Plaza premises of Ernst & Young (Level 16, EY Tower).

Topics on today's agenda

We will cover three topics in this session of the Assurance Roundtable:

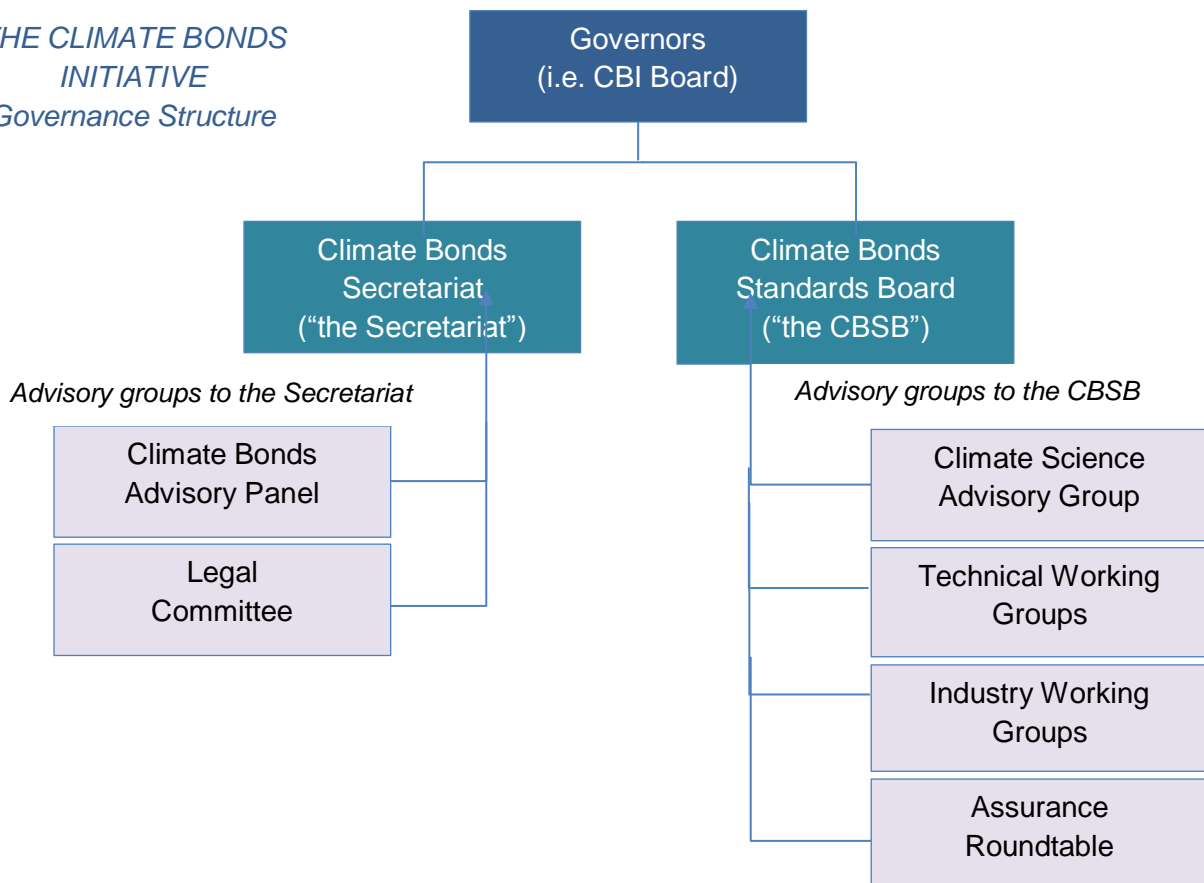
1. Role of the Assurance Roundtable in the broader governance structure of the Climate Bonds Standard & Certification Scheme
2. Updated verifier eligibility rules and the oversight regime which is being implemented as per the Assurance Framework
3. Interaction with other relevant organisations, such as ISAE, ISO, ISEAL, the GBP, China regulators, GB Market Development Committees in emerging markets, etc.

Brief introductions and sets of discussion points for each of the four topics are provided on subsequent pages of this document.

Topic 1: Role of the Assurance Roundtable in the broader governance structure of the Climate Bonds Standard & Certification Scheme

The Assurance Roundtable is the collective name for the representatives of the Approved Verifiers under the Climate Bonds Standard & Certification Scheme – who meet on a regular basis for the purposes of information exchange between CBI and the verifiers. The diagram below shows where the Assurance Roundtable fits within the broader governance structure of the Climate Bonds Initiative.

THE CLIMATE BONDS INITIATIVE Governance Structure



In practice, the role of Verifiers in the Certification Scheme is to provide a formal assurance report on the Certified Climate Bonds that they have been engaged to verify. This is a crucial aspect of the Climate Bond Standard & Certification Scheme, and is highly valued by investor and analysts in the broader green bond market.

The [Assurance Framework](#) for the Climate Bond Standard has been developed to enable:

- Smooth and efficient assurance engagements
- Greater confidence in the consistency of assurance outcomes across the different verifiers and amongst the various Certified Climate Bonds
- Better understanding of what the bond issuer needs to do to be ready for the assurance engagement and what the verifier will be assessing



At the same time, The Verifier Agreement that has recently been signed by (almost) all of the Approved Verifiers represents an important step towards formalizing and strengthening the group, and will enable the certification market for green bonds to grow with a solid foundation.

The Verifier Agreement ratifies the roles and reciprocal responsibilities between the Climate Bonds Initiative and Approved Verifiers. It formalises the process to become a verifier, the rights and responsibilities of verifiers, liability and indemnity, dispute resolution and governing law. It also introduces the requirement for Verifiers to participate in training sessions and regional calibration sessions to maintain the status of Approved Verifier.

Discussion Questions

1. What role should the Assurance Roundtable play in the development of the Climate Bonds Standard & Certification Scheme?
 - a. Training materials
 - b. Guides and templates
 - c. Feedback on the Standard and how it works in practice
 - d. Technical support for specific Green Bond markets, such as China.
2. Should the Assurance Roundtable make formal decisions or recommendations? If so, on what topics?
 - a. Enhancements to the Guidance for Verifiers
 - b. Contributing to FAQ documents and other guides and templates
 - c. Recommending changes to the oversight arrangements
 - d. Other topics?
3. What value can the Assurance Roundtable add to the decisions being made by the Climate Bonds Standard Board?

Topic 2: Updated verifier eligibility rules and the oversight regime which is being implemented as per the Assurance Framework

The Assurance Framework codifies the principles and approaches to assurance under the Climate Bonds Standard and Certification Scheme, including the updated verifier eligibility rules and oversight regime.

The updated eligibility rules included in the Framework state that Approved Verifiers must demonstrate that they have sufficient competence and experience in the following three key areas:

1. Issuance of debt instruments in the capital markets and management of funds within issuing organisations
2. Technical characteristics and performance of low carbon climate resilient projects and assets
3. Assurance procedures and provision of assurance services in line with accepted international standards (ISAE3000 or equivalent).

Verifiers are expected to use Verification Teams of professional staff (and insured contractors) to ensure that they meet these requirements for each engagement under the Climate Bonds Standard. Verification Teams for specific engagements must demonstrate that they possess the appropriate competencies and experience compatible with the features of the issuer and with the assets being financed.

This includes the need for Approved Verifiers to show that they have enough technical experience in the [sector criteria](#) which are relevant for the bond undergoing certification, such as water, geothermal energy, low carbon buildings, low carbon transport, land use, waste management, marine, etc.

The oversight of Approved Verifiers is performed directly 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, the Assurance Framework and the [Guidance for Verifiers](#).

The oversight arrangements include:

- Review of all Verifier Reports
- Monitoring¹ newly Approved Verifiers for their first 3 to 5 engagements
- Spot-checks and on-site appraisals to review performance of verifiers in the field
- Annual review and reporting of verifier competence and performance.

The oversight arrangements are designed to monitor the performance of Approved Verifiers, accelerate the development of Verifier capabilities and enhance the quality and efficiency of verification services under the Climate Bonds Standard & Certification Scheme.

¹ Monitoring involves the Verifier providing key documents to the Secretariat during or immediately after the verification engagement. These key documents are prescribed in ISAE3000 and include risk assessments, work plans, verification team members, draft findings, draft reports, etc.



Discussion Questions

4. Are Verifiers familiar with these forms of oversight arrangements from other schemes? What other approaches are popular?
5. What potential challenges do you anticipate under this set of oversight arrangements?
6. What forms of training and coaching would Verifiers like to see to support performance improvement for their staff and contractors?



Topic 3: Interaction with other relevant organisations, such as ISAE, ISO, ISEAL, the GBP, China regulators, GB Market Development Committees in emerging markets, etc.

There are various standards bodies who are now working on development and improvement of relevant standards. For example:

ISAE standards from [IFAC](#) and [IAASB](#)

- An updated version of ISAE 3000 was released in December 2013 and is became mandatory in 2016
- The Climate Bonds Standard calls on “ISAE 3000 or equivalent standards”
- The Climate Bonds Standard Board is yet to identify any “equivalent standards”.

International Standards Organisation (ISO)

- ISO had commenced a new process to develop on a new standard on climate and the finance sector: [ISO 14097](#). This new process will create a framework standard for assessing and reporting investments and financing activities related to climate change, including:
 - Alignment of investment and lending portfolios with the objectives of the Paris Agreement, and contribution of financial institutions to achieving them.
 - (potentially) Scenarios used in climate stress-testing and guidance on climate-related financial risks.
- All stakeholders and especially those who are not involved in the standards community (e.g. from financial institutions) are also invited to take part
- The ISO processes are very long, and it is expected that the process to develop ISO 14097 will take around three year from the start of 2017.

International Social and Environmental Accreditation and Labelling Alliance ([ISEAL Alliance](#))

- ISEAL says that it “represents the movement of credible and innovative sustainability standards”
- [Members of ISEAL](#) include many sustainability standards with consumer and B2B focus areas
- Parts of the Climate Bonds Standard & Certification Scheme (such as the Assurance Framework) have been developed based on ISEAL Codes. Other areas need significant enhancement to meet the Code requirements.

The Climate Bonds Initiative aims to catalyze the debt capital markets to support low-carbon and climate relevant industries growing at the maximum growth rates needed to avert catastrophic climate change. Advocacy is an important part of that work, especially on:

- How financial markets regulation can be used to accelerate green development.
- How governments can stretch constrained balance sheets to mobilize private capital.

For this reason, the Climate Bonds Initiative has initiated and is involved in several programs in different parts of the world to spark the of shifting of private finance towards climate investments at the regional level. These programs drive and leverage the policy and market developments in those regions to accelerate the take-up of climate investments.

Further detail on these programs and developments can be found in the recent [Policy Newsletter](#) and on the [policy pages](#) of the CBI website.



At the global level, [ICMA's Green Bond Principles](#) (GBP) initiative continues to mature and solidify its approaches to promoting quality in the green bond markets. A series of [Working Groups](#) has been formed from the GBP Executive Committee and they continue to work on different aspects of the framework.

The most recent version of the GBP was released in June 2016 and the group expects to release another update in the middle of 2017. Submissions made by CBI to the [GBP's consultation period](#) in late 2016 have resulted in healthy dialogue and increased inclusion in the work of the Working Groups.

Discussion Questions

7. What role could the Assurance Roundtable play in CBI's policy and market development programs in the various regions?
8. How can the Assurance Roundtable add value to the efforts of the Green Bond Principles to enhance and clarify their principles and recommendations?
9. What can the Assurance Roundtable do to promote harmonisation across the regional and global initiatives?
 - a. Requirements
 - b. Verification procedures
 - c. Green definitions
 - d. Impact reporting approaches
 - e. Templates for Green Bond Frameworks and other key documents.