



Climate Bonds Standard and Certification Scheme

Assurance Roundtable – June 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 continue 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 is holding 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 assurance providers 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.

This Agenda document is for the Assurance Roundtable session to be held on the 16th of June in Paris at the premises of Deloitte France, and the session to be held online on the 19th of June. A separate Agenda document for the Assurance Roundtable session to be held in Beijing on the 22nd of June will be distributed separately.

Topics on today's agenda

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

1. Meeting notes from the March 2017 sessions
2. Draft **Terms of Reference** for the Assurance Roundtable
3. Inputs to the review and updating of the **Guidance for Verifiers**
4. Broadening the scope of Certification through use of an **enhanced Taxonomy** instead of just Sector Criteria for identifying eligible projects and assets
5. Updates to the Climate Bonds Standard to create **version 2.2**

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

The Meeting notes from the March 2017 sessions have been provided as background to the ongoing work of the group. If there are any comments on these meeting notes, please provide them to the Climate Bonds Initiative prior to the Assurance Roundtable session.



Topic 2: Draft Terms of Reference for the Assurance Roundtable

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 Climate Bonds Initiative and the Approved Verifiers.

As discussed during the March 2017 sessions of the Assurance Roundtable, a draft Terms of Reference for the Assurance Roundtable has been prepared. This document provides clarity on:

- Role and key objectives of the Assurance Roundtable
- Responsibilities of roundtable participants
- Responsibilities of the Climate Bonds Initiative
- Participants in the Assurance Roundtable
- Frequency of meetings
- Agenda, papers and meeting notes
- Competition law.

Please review this document in detail prior to the June 2017 session of the Assurance Roundtable. There will be an opportunity after the June 2017 sessions to provide detailed input to the draft. We will use the time during the June 2017 sessions to discuss the following.

Discussion Questions

- 2.1. Does the draft Terms of Reference appropriately cover the various aspects of the Assurance Roundtable and its role in the Climate Bonds Standard & Certification Scheme?
- 2.2. What other elements should be included?
- 2.3. Are participants comfortable to proceed as the Assurance Roundtable under this approach?



Topic 3: Inputs to the review and updating of the Guidance for Verifiers

The **Assurance Framework** codifies the principles and approaches to assurance under the Climate Bonds Standard and Certification Scheme, including verifier eligibility rules and the oversight regime. The **Guidance for Verifiers** provides the assessment methodology and verification procedures which verifiers must use in preparing, undertaking and reporting on verifications.

The Guidance for Verifiers is very detailed and contains a number of sections:

- Introducing the Climate Bonds Standard & Certification Scheme
- Verification and the Climate Bonds Standard
- Definitions
- Climate Bonds Certification Process
- Types of Climate Bond Verification Engagements
- Engagement of Verifiers
- Methodology for Climate Bond Verification Engagements
- Necessary information for Assurance Reports
- Necessary information for Reports of Factual Findings
- Readiness Assessment Protocol & Checklist for Pre-Issuance Verification

With increasing experience among the pool of Approved Verifiers, and other anticipated updates to the Climate Bonds Standard, we are looking to commence a formalized process to identify improvements and clarifications which can be made to the Guidance for Verifiers.

The anticipated timeline would involve:

- Gathering inputs during July-September 2017
- Compiling and drafting updates in October and November 2017
- Presenting a draft *Guidance for Verifiers version 2.0* at the December 2017 sessions of the Assurance Roundtable
- Release version 2.0 of the Guidance for Verifiers at the same time as releasing version 2.2 of the Climate Bonds Standard.

Discussion Questions

- 3.1. Are Verifiers using the Guidance for Verifiers? If so, in what way is it useful?
- 3.2. What potential improvements or clarifications could be made to the document?
 - a. Structure
 - b. Topics covered
 - c. Level of detail
 - d. Additional sections or other documents
- 3.3. What level of detail should be provided in the Annexes which address the necessary information to be included in Verifier's Reports?
 - e. Comparison with the template/form for external reviews provided by the [Green Bond Principles](#)
 - f. Comparison with what Approved Verifiers are producing now
 - g. Differences between the published version of the Verifier's Report and the detailed version provided to the issuer and Climate Bonds Initiative.



Topic 4: Broadening the scope of certification through use of an enhanced Taxonomy instead of just Sector Criteria for identifying eligible projects and assets

The scientific framework which underpins the existing [Climate Bonds Taxonomy](#) is attractive to corporations, governments and financial institutions as it is aligned with a 2 degree trajectory and the rapid transition to a low carbon and climate resilient economy which is necessary to achieve that target.

Currently the Climate Bonds Standard requires issuers to nominate projects and assets which meet the Climate Bonds Taxonomy (clause 9) and also meet the Sector Criteria which are available at that time (clause 10). There are only a select number of Sector Criteria available right now, and the number is not increasing at an appropriate pace. We recognise that the development of Sector Criteria is a slow and considered process, and is hampering the potential for take-up of Certification by the green bond market.

Therefore, we are looking to enhance the Taxonomy so that it incorporates the Sector Criteria already available, and allows a broader range of projects and assets to be included now, while further Sector Criteria are developed. This would involve adjusting clauses 9 and 10 in the Climate Bonds Standard so that projects and assets only need to meet the 'enhanced' Taxonomy, which incorporates Sector Criteria where available.

Climate Bonds Initiative has initiated a project with the European Investment Bank (EIB) to encourage the European Commission to endorse a Taxonomy for green bonds. That would be based on the alignment between the Climate Bonds Taxonomy, with expanded certification criteria, and the EIB taxonomy. We are inviting EBRD and IFC to join this group as well.

The current plan is to formally launch the new phase of Taxonomy work on 18 July 2017. We are pushing for a 6 month process to create an initial product for release in late 2017 or early 2018. Ongoing work will be necessary beyond the initial launch to continue to enhance the Taxonomy and maintain its relevance to the evolving body of knowledge of climate solutions, particularly as sector-specific scenarios emerge for the 1.5 degree trajectory

Discussion Questions

- 4.1. What impact will this change have on the take-up of Certification by green bond issuers?
- 4.2. Do you foresee any challenges during verification engagements with using the Taxonomy as the basis for establishing the eligibility of projects and assets?
- 4.3. Which parts of the existing Climate Bonds Taxonomy do you think will be challenging in terms of interpretation or clarity when examining real projects and assets for eligibility?



Topic 5: Updates to the Climate Bonds Standard to create version 2.2

Version 2.2 of the Climate Bonds Standard is expected to be released at the start of 2018. Prior to the release of version 2.2, there is a necessary process of consideration, drafting, consultation and decision making.

A number of potential updates have been identified in the first half of 2017:

- Focus on the Taxonomy instead of the Sector Criteria for identifying eligible assets
- Increasing the disclosure requirements to align with market expectations on public reporting by Green Bond issuers
- More flexibility on time limits for full allocation of proceeds
- Clarifying the scope of the Climate Bonds Standard with respect to broader ESG overlays or assessments for issuers and/or assets
- Including a complaints mechanism in the certification process section of the Standard.

Further potential updates are likely to emerge from discussions over the coming weeks and months. This includes ensuring alignment with the updated Green Bond Principles, due for release on 14 June 2017. These further potential updates will be collated, assessed and drafted along with the above list.

Public consultation and targeted consultation will be necessary for the later part of the year, most likely going for 60 days during October and November, and prior to the final meeting of the Climate Bonds Standard Board for 2017.

Discussion Questions

- 5.1. What aspects of version 2.1 of the Climate Bonds Standard are challenging issuers, underwriters and others when they are considering Certification of their green bond?
- 5.2. What updates should be made to improve the clarity of the requirements, particularly when it comes to verification of conformance with the requirements?
- 5.3. What formal process of consideration, drafting, and consultation would be appropriate to maximise useful input from the various stakeholders?