



Assurance Roundtable – Meeting Notes

7th March 2017, 3pm–5pm BST

Participants:

Organisation	Representative	Title	Participation
Climate Bonds Initiative	Rob Fowler	Head of Certification	In-person
Climate Bonds Initiative	Matteo Bigoni	Certification Manager	In-person
Climate Bonds Initiative	Su-Ching Li	Research Analyst	In-person
Climate Bonds Initiative	Lily Dai	Research Analyst	In-person
Oekom Research	Jaspreet Durha	Senior Manager, Client Relations	In-person
EY UK	Mark Fisher	Director	In-person
TUV NORD	Tahsin Choudhury	Head of Environmental Services	In-person
Atelier Ten	Meredith Davey	Director	In-person
The Carbon Trust	Morgan Jones	Associate Director	In-person
The Carbon Trust	Nick Harris	Financial & Professional Services	In-person
PwC London	Rachel Poole	Sustainability & Third Party Assurance Specialist	In-person
PwC London	Damian Regan	Director	In-person
Vigeo Eiris	Laurie Chesne	Sustainability Consultant	In-person
ERM CVS	Melanie Eddis	Head of Climate Change	In-person
Bureau Veritas	Ashlee McCormick	Assistant Consultant, Assurance & Sustainability Services	Online
Deloitte Luxembourg	Guillaume Brousse	Director	Online
NSF International	John Shideler	Lead Verifier	Online
Deloitte France	Nicolas de Jenlis	Sustainability Manager	Online

Agenda

Four agenda items were covered in this session of the Assurance Roundtable:

1. The role of the Assurance Roundtable in the broader governance structure of the Climate Bonds Standard & Certification
2. Updated verifier eligibility rules and the oversight regime which is being implemented as per the Assurance Framework
3. Interaction with other standard bodies, such as ISAE (for the ISAE3000 assurance standard), ISO (for their work on green finance) and ISEAL (to understand what they require for endorsement of the CBS)
4. Interaction with and contribution to other market bodies, such as the GBP, China regulators, GB Market Development Committees in emerging markets, etc.



Meeting Notes

Agenda Item 1: Role of Assurance Roundtable

Framing

- The main objective of the first agenda item was to present more context for how the Assurance Roundtable fits into the broader Climate Bonds Initiative governance structure.
- More specifically, one of the objectives of this session was to discuss a Terms of Reference for the Assurance Roundtable in order to provide more clarity on what the objectives, functionality and mechanics of the group will be going forward.
- The Terms of reference will be provided to the group as a draft at the next Assurance Roundtable sessions.

Discussion

1. What role should the Assurance Roundtable play in the development of the Climate Bonds Standard & Certification Scheme?

Group: There was broad agreement on the usefulness of training materials.

Group: Verifiers are happy to provide feedback on material that Climate Bonds produces for the public.

Comment: Templates are very useful to set a baseline performance for verifiers – that ensures that the same info is provided in the same way at the same level.

Comment: Would be useful to have some kind of forum to share and understand how others have interpreted the criteria.

Suggestion: Climate Bonds should provide case studies. Verifiers are happy to provide feedback on Climate Bonds-produced training materials but not keen to share their internal training packages.

Suggestion: Before sector criteria are launched, it would be useful to share them with verifiers to allow feedback.

Suggestion: Beginning of roundtable sessions should include broader update on Climate Bonds Standard - new sector criteria, new market development, certifications, etc.

CBI: Updates are also available from the quarterly newsletter on Standard & Certification.

2. Should the Assurance Roundtable make formal decision or recommendations? If so, on what topics?

Group: There was broad agreement that the verifiers should be making recommendations to the Board/Climate Bonds rather than being a decision-making body - from a risk and from a conflict of interest perspective.

Comment: It is necessary to have proper terms of reference for verifiers so that role of the group is clear to anyone outside the group (anti-competition law). For example, some verifiers are not allowed to discuss fees.

3. What value can the Assurance Roundtable add to the decisions being made by the Climate Bonds Standard Board?

CBI: The Standard Board is looking for insights on how to improve the performance of verifiers. For this purpose, CBI is gathering information on verifiers' performance by conducting interviews with issuers of Certified Climate Bonds. Regular reports to the Board on verifier activities and feedback will provide the Board with a clearer picture of how the verifiers are performing as a group as well as better scrutiny on individual verifier organisations.

Comment: Verifiers can recommend equivalents to ISAE 3000, but the decision making on what to use must lie with the Climate Bonds Standard Board.



Agenda Item 2: Verifier Oversight Arrangements

Framing

- The Climate Bonds Initiative is seeking to create a more structured ongoing oversight of verifier performance.
- Eventually, the objective is to move towards a more formalised accreditation and certification model.
- The oversight arrangements have been designed to monitor the performance of verifiers, to develop the capabilities of verifiers and to enhance the quality and efficiency of verification services.
- The new oversight regime includes four key components:
 - Review of all Verifier Reports
 - Monitoring newly Approved Verifiers for their first 3 - 5 engagements
 - Spot-checks and on-site appraisals to review performance of verifiers
 - Annual review and reporting of verifier competence and performance.
- **Monitoring:** CBI expects to receive documents from verifiers after the verification process is completed to be able assess whether the verifier has followed the approved approach to the verification. If the verifier has followed ISAE 3000 then documentation can be provided to CBI quite easily without any extra burden.
- **Spot-checks:** This is more like the “witnessing” approach which is used by other accreditation systems. These will only be conducted when problems with the verifier are identified and not addressed.

Discussion

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

Comment: There are potential choices the Climate Bonds Standard Board could make about the oversight programme. The updated version of ISO14064 Part 3 could be an equivalent for ISAE 3000. The ISO committee is currently drafting through comment and ballot, which might be available before June. It will be available for public consultation once issued as a draft for national standards bodies to consider over the northern summer.

Comment: It is also important to have alternative assurance standards to ISAE 3000 because there is a geographical limitation to its take-up. For instance, the ISAE framework is not popular amongst Chinese verifiers.

Comment: If CBI plans to apply a 'light touch' on monitoring of verifiers, then the approach needs to be transparent about the rigour that it applies. Also, if challenges are found with a particular verifier's report, is Climate Bonds expecting any kind of corrective action proposal? Some accreditation bodies are used to corrective action systems whereby verifiers need to provide corrective actions requests (with a timeline) when their internal management systems are not up to scratch.

Comment: CBI is taking on a huge burden with spot checks on verifiers. Also, when assessing verifiers CBI should be mindful of staff changes within the verifier's assurance team.

Comment: CBI's approach is unpredictable compared to the UKAS approach which makes it quite difficult to manage from an internal point of view (timing and resources). For instance, UKAS generally provides 6 months' notice before conducting their audit. The verifier's performance is then measured against a clear set of rules, which makes the assessment very structured. UKAS also provides an appeals process. Moreover, the system does not review performance throughout the year but only during the audit process.



Comment: There may be an issue with the confidentiality of client information. Some clients may not want to share certain information with CBI via the monitoring process. For example, a non-conformity issue that is resolved or personal mortgage data in the UK. Such information might filter into some of the working documents being requested in the monitoring process.

Suggestion: Non-Disclosure Agreements (NDAs) and informing the client before the start of the verification process that info may be shared with CBI through verifier monitoring could resolve the confidentiality issue.

Suggestion: Critical review by peers (i.e. other verifiers) could reduce workload on Climate Bonds and can be used to share common experience in terms of quality control. This would be an approach to achieve good calibration and consistency across the groups of verifiers.

CBI Clarifications:

- Verifiers should refer to the Climate Bonds Initiative website, particularly, the Resource Page for the latest versions of the Standard, Sector Criteria, Verification and Assurance Documents.
- Monitoring should not affect the timeframe of verification process as CBI only expects provision of documentation after the verification process is complete.
- Spot-checks are not expected to be regular and will only be performed when problems cause non-compliance with the requirements for verifiers.
- If there is non-conformance and an on-site appraisal is warranted as part of the spot-check, then CBI will cover the costs of the on-site appraisal.
- The report on verifier performance prepared by CBI for the Climate Bonds Standard Board will not be shared with the verifier before it goes to the Board.
- Performance review of verifiers focuses on a company level rather than an individual level.
- CBI will provide structured feedback to individual verifiers.

Agenda Items 3 and 4 (combined): Interaction with other Standards Bodies and market organisations

Framing

- Climate Bonds believes that it is not useful to see a proliferation of different standards in the market, and hence there is value in interacting with other standard bodies with the aspiration of harmonisation and consistency across the market.
- Currently, there are a number of other bodies which are relevant:
 - Green Bonds Principles operated by the International Capital Markets Association (ICMA)
 - Various national and regional entities which are providing guidance and regulations, including the People's Bank of China (PBoC), the Securities Exchange Board of India (SEBI) and the European Commission.
 - International Auditing and Assurance Standards Board, which has produced ISAE3000
 - ISO, which is starting a new standard development process for climate considerations in the finance sector (ISO 14097)
 - ISEAL, which endorses standards and systems such as the Climate Bonds Standard & Certification Scheme and is supported by major international NGOs.

Discussion

Comment: The US is quite likely to submit a new proposal to develop a new standard specifically on green bonds via the ISO process. The US Technical Advisory Group will have to approve the proposal and, if it does, the US will submit the proposal to ISO. The draft will go through the ISO process of first high level review followed by submission to the members bodies on whether or not begin the standardization activity.



This effort will not be part of ISO14097 and will be directed at issuers rather than large financial institutions, which is the focus of ISO 14097. Sub-committee 4 will be involved in the elaboration of the new standard. John Shideler is leading this effort and has already flagged this with CBI.

Comment: ISEAL is more relevant for consumer labels for products, rather than Climate Bonds. The Carbon Trust also considered ISEAL but did not go ahead as the criteria are too strenuous and punitive, creating a lot of costs.