



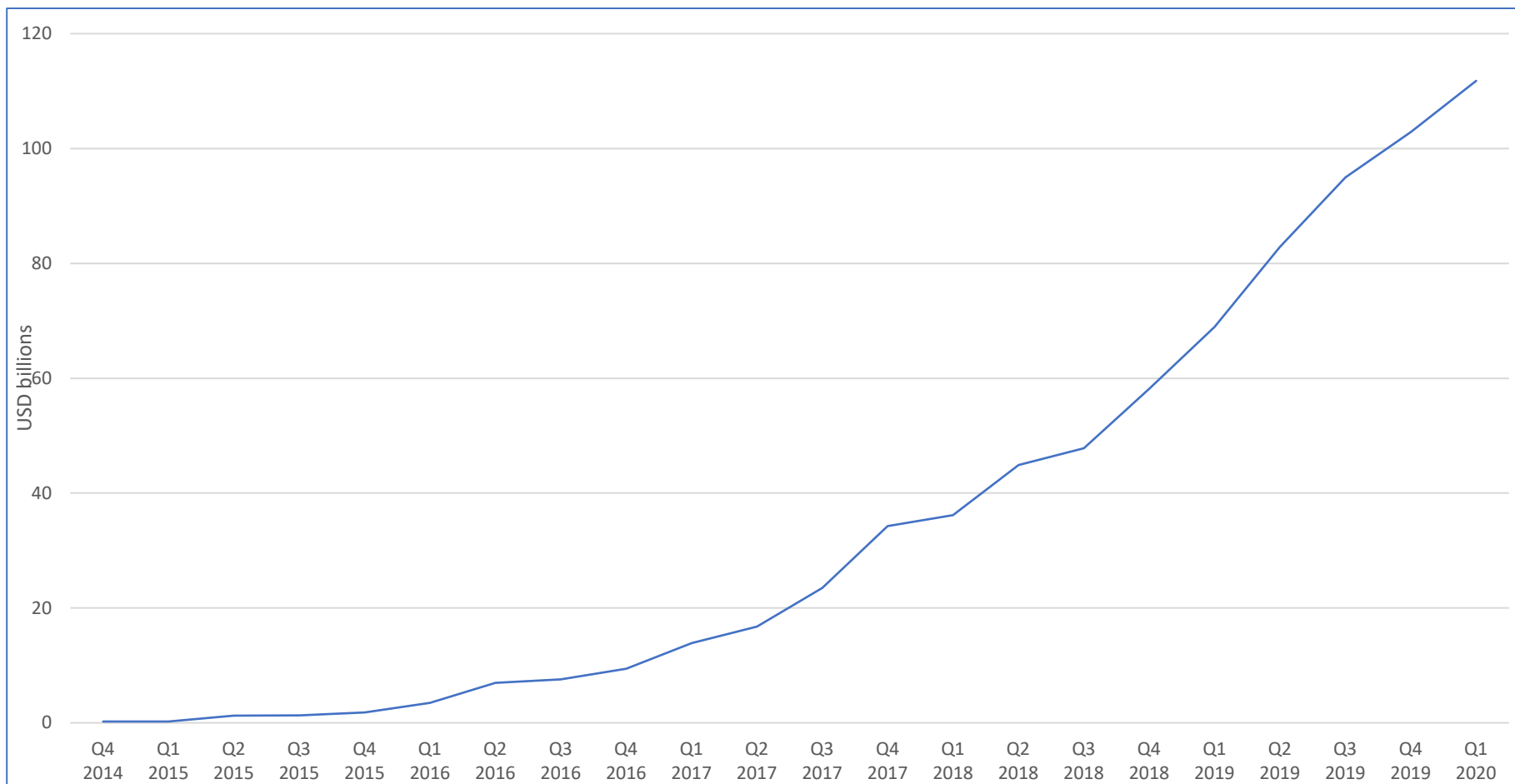
Launch of Climate Bonds Standard Version 3.0

March 2020



CLIMATE BONDS STANDARD V3

Cumulative Certified Climate Bond issuances: US\$ 112 billion (as of 28 February 2020)



Includes loans and other instruments



The Climate Bonds Taxonomy provides high level categories, complemented by Sector Eligibility Criteria for Certification

ENERGY	TRANSPORT	WATER	BUILDINGS	LAND USE & MARINE RESOURCES	INDUSTRY	WASTE	ICT
Solar	Private transport	Water monitoring	Residential	Agriculture	Cement production	Preparation	Broadband networks
Wind	Public passenger transport	Water storage	Commercial	Commercial Forestry	Steel, iron & aluminium production	Reuse	Telecommuting software and service
Geothermal	Freight rail	Water treatment	Products & systems for efficiency	Ecosystem conservation & restoration	Glass production	Recycling	Data hubs
Bioenergy	Aviation	Water distribution	Urban development	Fisheries & aquaculture	Chemical production	Biological treatment	Power management
Hydropower	Water-borne	Flood defence		Supply chain management	Fuel production	Waste to energy	
Marine Renewables		Nature-based solutions				Landfill	
Transmission & distribution						Radioactive waste management	
Storage							
Nuclear							

Certification Criteria approved
 Criteria under development
 Due to commence

12/2019

The development process for Version 3.0

Developments in green bond markets worldwide have driven the development process between the releases of Version 2.1 and Version 3.0:

- ICMA GBP new versions (June 2018)
- EU GBS draft (June 2019)
- Further new green bond guidelines and taxonomies around world
- Strong investor demand for improved disclosure

December 2015: Release of Version 2.0 of the Climate Bonds Standard

January 2017: Release of Version 2.1 of the Climate Bonds Standard

December 2019: Launch of Climate Bonds Standard Version 3.0

What's new in Version 3.0?

We have created a standard which prescribes **international best practice** in the labelling of bonds, loans and a wide range debt instruments

1. **Updated structure** for the documents
2. **Aligned** with all **international frameworks**, including the proposed EU GBS
3. **Expanded definitions** for what **expenditures** can be included
4. **Clear requirements** and mandatory disclosure of the **Green Bond Framework** document with details on what information must be included
5. **Improved detail** on what must be **reported and disclosed** during the life of the bond, including a formalized **Update Report** which contains **Allocation, Eligibility and Impact Reporting**
6. **Clarification** on the types of bonds, loans and other debt instruments which can be Certified, including sukuk, commercial paper and deposit products

The focus is on Use-of-Proceeds, rather than the Target-Based approaches which are emerging in the sustainable finance markets

1. Updated structure and layout of the documents

Structure and section headings of V3.0 align with the structure of the Green Bond Principles and Green Loan Principles, using the familiar four “Pillars”:

- Use of proceeds
- Process for evaluation and selection of projects
- Management of proceeds
- Reporting

Consistent design across the package of documents which accompany the Standard, with more reader-friendly formats and layout

More infographics to explain links to the Sustainable Development Goals, the Certification Process and Programmatic Certification

The types of debt instruments which can be Certified has been included in the Standard as an Annex. The language in V3.0 is much clearer on applicability to bonds, loans or other debt instruments

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2. Alignment with international frameworks, including the proposed EU Green Bond Standard

Table 1: Summary of the comparison between the draft EU Green Bond Standard and Climate Bonds Standard Version 3.0

Key Feature	EU Green Bond Standard (draft)	Climate Bonds Standard Version 3.0
Eligibility of projects and assets	<p>Based on the EU Taxonomy which includes detailed criteria for relevant activities.</p> <p>Climate change mitigation criteria are aligned with achieving the goals of the Paris Agreement.</p>	<p>Based on the Climate Bonds Taxonomy plus sector-by-sector Eligibility Criteria.</p> <p>All criteria are aligned with achieving the goals of the Paris Agreement.</p>
Green Bond Framework	<p>Green Bond Framework document must be prepared as per specific re-quirements. Mandatory disclosure of the Framework prior to or at issuance.</p>	<p>Green Bond Framework document must be prepared as per specific requirements. Mandatory disclosure of the Framework prior to or at issuance.</p>
Reporting prior to issuance	<p>Legal documentation must include specific information regarding the environmental objective of the bond and use of proceeds.</p>	<p>Legal documentation must include specific information regarding the use of proceeds, management of proceeds, external reviewer and plans for reporting after issuance.</p>

Table 1: Summary of the comparison between the draft EU Green Bond Standard and Climate Bonds Standard Version 3.0

Key Feature	EU Green Bond Standard (draft)	Climate Bonds Standard Version 3.0
External review prior to issuance	Mandatory verification prior to issuance and disclosure of verifier's report prior to or at issuance.	Mandatory verification prior to issuance and disclosure of verifier's report prior to or at issuance.
Reporting after issuance	Mandatory reporting with specific requirements for contents of the report. Annual reporting and disclosure is mandatory up to full allocation of proceeds and in case of any material change in allocation of proceeds. Defines 2 types of reporting: Allocation and Impact.	Mandatory reporting with specific requirements for contents of the report. Annual reporting and disclosure is mandatory for the entire period the bond remains outstanding. Defines 3 types of reporting: Allocation, Eligibility and Impact.
External review after issuance	Mandatory verification at least once after issuance and must be at or after full allocation of proceeds. Mandatory disclosure of verifier's report.	Mandatory verification at least once after issuance, within two years of issuance. Mandatory disclosure of verifier's report.
Status of external reviewers	Must be Registered under the Voluntary Interim Registration Scheme.	Must be listed as an Approved Verifier on the Climate Bonds Initiative website.
Labelling of existing bonds	Allowed, with mandatory verification and disclosure of key documents.	Allowed, with mandatory verification and disclosure of key documents.

3. Detailed definitions of Eligible Projects & Assets

The market is looking for further clarity on what types of investments or expenditures can be included in the use-of-proceeds

V3 provides more detailed definitions:

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

- *Physical assets or projects owned by the Issuer, and/or*
- *Debt or **other financing arrangements** provided by the Issuer to finance projects or physical assets, and / or*
- ***Related and supporting expenditures** for projects or physical assets, where the projects or physical assets meet the relevant Sector Eligibility Criteria*

More definitions are provided for “*debt or other financing arrangements*” and “*related and supporting expenditures*”.

“Debt or other Financing Arrangements” and “Related and Supporting Expenditures”.

“D3.3.5 Other arrangements to finance projects or physical assets include:

- Capital expenditure to increase the value and/or lifetime of the physical assets or projects
- Acquisition costs/purchase price for an entity which holds physical assets or projects which corresponds to the Market Value of the physical asset or projects holdings
- Leasing structures resulting in Right of Use assets and liabilities and long leaseholds on land, buildings and infrastructure
- Loans and mortgages
- Subsidies, tax and incentives, credit schemes and grants, provided by public entities and governments

“D3.3.6 Other related and supporting expenditures include:

- Installation and routine maintenance expenditure and upgrades undertaken to maintain the value and/or lifetime of the asset
- Performance monitoring costs for tracking climate credentials (e.g. GHG emissions) and climate information services (e.g. satellite monitoring and emissions testing)
- Research and Development training and program costs and expenditures, where there is a definable future asset, product and/or process that can be linked to climate benefits under the Sector Criteria.

4. Updated disclosure requirements and guidance

The Green Bond Framework document is clearly defined

- Guidance on the role which it plays in labelling and transparency
- Information which must be included in the document
- Guidance on further information which can be included if the issuer chooses

Mandatory disclosure of the Green Bond Framework

- Enables Certified transactions to be eligible for key market indices, green bond funds and exchange listings
- Must be made available to the public **before, or at the time of issuance**
- Includes information on how the climate-related objectives of the bond are positioned within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability

V3.0 **encourages further disclosure** at the pre-issuance stage by requiring the Issuer to include a list of the proposed projects & assets in the bond disclosure documentation unless there are reasons why that detail cannot be provided

5. Simplified reporting after issuance

Standard V3 defines an Update Report which must be prepared at least annually while the bond, loan or other debt instrument remains outstanding.

Update Reports include:

- **Allocation reporting** confirms 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 where required by relevant Sector Eligibility Criteria.
- **Impact reporting** is disclosure of metrics or indicators which reflect the expected or actual impact of eligible projects and assets. Impact reporting is not mandatory.

Update Reports must be made available to the public. This can be through **existing disclosure platforms** such as EMMA in the US Muni Market, or any of the emerging information and **transparency platforms for green bonds**

What's new in Version 3? - Processes mostly the same

Certification Process for a bond, loan or other debt instrument



Instruments eligible for Certification (Annex 1)

- Use of Proceeds Bond
- Revenue Bond
- Project Bond
- Securitised Bond
- Convertible Bonds / Notes
- Sukuk, Schuldschein
- Loan facilities, Bilateral and Syndicated Loans
- Revolving and Export Credit Facilities
- Commercial Paper
- Debt Instruments issued by a Green Bond Fund
- Covered Bond
- Green Deposits

Feedback and transition arrangements

The current **Climate Bonds Standard V2.1** as utilised by issuers & verifiers will **remain operative for new Certifications in parallel with V3.0 until June 30, 2020** subject to Verifier and market readiness

- This provides six months for verifiers to adjust their procedures and checklists
- CBI will continue to monitor the readiness of issuers and verifiers

Transactions already Certified under V2.1 can **continue to use V2.1 for the duration of the bond**, or issuers can choose to adopt Climate Bonds Standard V3.0 for their ongoing reporting

- Issuers of existing Certified deals do not need to adjust their procedures or outputs, and can maintain the Certification using V2.1
- We expect most issuers will choose to adjust their approaches to annual reporting to align with the Update Report format and inclusions

We welcome ongoing input from stakeholders on Standard V3 and we look forward to developing an enhanced V3.1 in the future



Please contact us or check the Climate Bonds Initiative website for further details

Contact the Certification team at: certification@climatebonds.net

All relevant documents for the use of the Standard are available on the Climate Bonds Initiative website: www.climatebonds.net

Certification Resources: www.climatebonds.net/certification/resources

Sign up for the CBI blog for updates, news and key developments

