



# Climate Bonds <sup>INITIATIVE</sup>

## Forestry

BEST PRACTICE FOR ISSUING GREEN BONDS

**SPOTLIGHT ON BRAZIL**



# Our Standard

Gold-standard labelling that aims to drive the global financial markets towards investments that are consistent with the goal of limiting global temperature rise to 1.5°C above pre-industrial levels.



## Ambitious

Ambition is defined from a sectoral perspective by the Climate Bonds Eligibility criteria. Performance should be 1.5 degree aligned, or on a pathway to alignment.



## Science-based

Future targets are benchmarked against science-based, technologically feasible pathways, and not against peers.



## Assured

External verification before Certification and annually during period of Certification.



## Transparent

Requirements on disclosure of Certified instruments/entities.

# Show your Credibility

**The Climate Bonds Standard and Certification Scheme is a voluntary labelling scheme for debt instruments, investments and entities that address the challenge of climate change, and are aligned with the goals of the Paris Climate Agreement, limiting global warming to 1.5 degrees celsius.**

Launched in 2012, our Certification Scheme has been applied to hundreds of debt instruments, amounting to USD 260 billion equivalent as of January 2023.

Globally recognised as best practice, we are now expanding our Certification coverage to general purpose instruments, such as Sustainability-Linked Bonds, as well as Entities and Assets.

## Benefits of Certification

1

**Our Certified brand increases visibility to investors.**

4

**An endorsement of the green credentials of the assets/projects.**

2

**A globally recognised symbol of best practice in green finance.**

5

**A demonstration to the market that Certified instruments meet highest standards for climate.**

3

**Higher demand for Certified issuances compared to similar issuances.**

6

**Enhanced reputational benefits for issuers, companies, or asset owners.**

# Ensuring best practice for green bond issuance



**The increased global focus on labelled debt has highlighted the need for definitions, guidelines, taxonomies, and scientific criteria to establish standards and give investors greater confidence in the integrity of their investments.**

The Brazilian green bond market is expanding and the application of international best practices in the issuance of green and thematic bonds is critical to further grow the market. The Climate Bonds Standard and Certification Scheme, launched in 2012, pioneered the world's first quantitative and qualitative scientific standards for the selection of projects and assets financed by green deals. [The Climate Bonds Sector Criteria](#) are applied worldwide, and provide the market, especially investors, greater transparency and comparability.

## Potential for Forestry Bonds

**Forestry is a major sector in the Brazilian green bond market.**

The country has more than 60% of its territory covered by forests presenting significant opportunities to scale up operations.

Several labelled bonds have been issued by forestry sector companies following Suzano's first green bond in 2016. Pulp and paper companies are the leading sub-sector.

# Issuance process for Certified Forestry Bonds

For Certification, the issuer must follow the requirements included in the Climate Bonds Standards, which are as follows:

## Step 1: Pre-Issuance

### Prepare the Certification documents

- A.** Identify eligible uses of proceeds against the [Forestry Criteria](#) and prepare the debt.
- B.** Create a green bond framework.
- C.** Engage an approved verifier to write a verification report.



## Step 2: Issuance

- A.** Obtain verification report.
- B.** Work with underwriter and/or advisor to engage green + thematic bond investors.
- C.** Engage media.
- D.** List bonds on green bonds platforms (IADB, Nasdaq).
- E.** Issue debt.



## Step 3: Post-Issuance

### Follow-up with post-issuance reporting

- A.** Submit a post-issuance verification report from an approved verifier within 12-24 months following the issuance.
- B.** Submit an update report 12 months following the post-issuance verification report, and annually thereafter during the term of the debt. Note that the update report does not require an approved verifier.





# Identifying Eligible Forestry Project and Assets

## Type of certified assets:

Plantation Forestry

Supply chain support and infrastructure

Forest restoration

Sustainable forest management

Forest conservation

Restoration of non-forested land

Production of Non-timber forest products (NTFP)

Conservation of non-forested land

## Forestry Criteria **Screening Indicators**

Check the definition of projects and assets under the Forestry Criteria to determine eligibility (Use of Proceeds).

Check the Forestry Criteria screening indicators for project evaluation and selection. Eligibility is conditioned to the following criteria.

**Mitigation:** No natural landscape conversion since 2010 & carbon stocks are maintained through good management practices

**Resilience:** climate change impacts are understood, and mitigated & general health condition of the forest is maintained through good management practices.

**FPIC:** Application for Free, Prior and Informed Consent

### HOW TO EVIDENCE

#### Mitigation Components:

- FSC or PEFC certification.
- In Brazil, the Brazilian Forest Certification Programme (Cerflor) is an example of PEFC certification, therefore eligible to prove compliance.

#### Resilience Components:

- FSC and PEFC certification.
- Management or adaptation plan, including evidence on environmental impact assessment and fire management;
- Periodic reassessment of these plans
- For conservation and restoration of forestry and non-forested land, compliance with the Ecoregion approach.

#### Mitigation Components:

- ILO 169;
- FSC;
- Climate, community and biodiversity standard;
- PEFC;
- United Nations Declaration on the Rights of Indigenous Peoples;
- FAO's FPIC Manual for Practitioners;
- High Carbon Stock Approach / HCV-HCSA

For the adaptation and resilience component, the bond needs to comply with the A&R checklist because it requires a vulnerability and risk assessment, which is not necessarily included in all forest management plans. The assessment is key to understanding the vulnerability of a forestry project.

# Create a Green Bond Framework

The development of a Green Bond Framework is mandatory for the Climate Bonds Certification. It is a public document, produced by the issuer, that aims to inform the market and investors about the key environmental credentials of the Green Bond.

1  
Introduction to Issuer, Strategy and Target

2  
Use of Proceeds

3  
Project Evaluation & Selection

4  
Management of Proceeds

5  
Annual Report

6  
External Review

## Engage an approved verifier

The issuer should engage with an approved verifier to verify compliance with the Climate Bonds Criteria and prepare the report, which will be submitted to the Climate Bonds Initiative. In Brazil, these are:



## Forestry Bond Issuance

### The process of taking the bond to the capital market

Structuring the security, preparing the offering document, and registering the offering. The issuer must use the Climate Bonds Certified logo until the maturity of the bond.

## Post Issuance Reporting

**Annual reporting:** once the post-issuance requirements are met, the issuer shall prepare an update report at least annually during the life of the bond. The annual report must confirm that the resources are being allocated to the appropriate projects/ assets and that they continue to meet the eligibility criteria.

### Examples of impacts for the forestry sector are:

- Areas under conservation or preservation.
- Certified areas (FSC, PEFC).
- Biological diversity.
- Air quality.
- Reduction of greenhouse gases.

# Certified Bond Case Study

Certification on behalf of the issuer Eco Securitizadora (Ecoagro) for the company Umgraumeio, whose main activity is the early detection of forest fires.

1



## Use of proceeds

- Cost of installing and maintaining protection measures (e.g forest guards and monitoring equipment).
- GIS (Geographic information system) analysis, satellite data collection and data analysis.

2



## Scope and activity

- Forest conservation non-commercial forestry activities aimed at maintaining existing forest habitat in terms of area and quality.
- Activities range from minimal interventions to active management and may include protection against deforestation risks, placing arable land on voluntary and mandatory rest and active conservation efforts.

3



## Requirements to be met by the asset/project

REQUIREMENTS  
(Mitigation M and Resilience R)

Met and demonstrated  
in the certification?

Use of proceeds, scope and activity bring a green circle in the mitigation and adaptation and resilience requirements fields, indicating that the use of proceeds, when fully described and documented, automatically meet the requirements without submitting additional documentation.





# Interested in the Climate Bonds Standard & Certification Scheme? Get in touch!



## Begin the Certification process

[Fast-track Certification](#)  
[Certification how-to videos](#)  
[List of Approved verifiers](#)



## Online resources

[Forestry criteria overview](#)  
[Forestry Criteria](#)  
[Certified Bond Database](#)

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