

# Climate Bonds Standard

CLIMATE BONDS STANDARD | VERSION 2.0

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## Foreword

The **Climate Bonds Initiative** is an investor-focused not-for-profit organisation, promoting large-scale investments that will deliver a global low carbon and climate resilient economy. The Initiative seeks to develop mechanisms to better align the interests of investors, industry and government so as to catalyse investments at a speed and scale sufficient to avoid dangerous climate change.

A key component of the Initiative is the **Climate Bonds Standard & Certification Scheme (“Certification Scheme”)**. The Certification Scheme allows investors, governments and other stakeholders to prioritise ‘low carbon and climate resilient’ investments with confidence that the funds are being used to deliver a low carbon and climate resilient economy. A Scientific Framework underpins the definitions of which projects and assets are consistent with a low carbon and climate resilient economy and therefore eligible for inclusion in a Certified Climate Bond.

The Certification Scheme includes robust frameworks for monitoring, reporting and assurance of conformance with the Climate Bonds Standard. An international **Climate Bonds Standard Board** comprised of large institutional investors and leading environmental NGOs provides ongoing oversight of the Certification Scheme as well as decisions on Certifications. Day-to-day operations and decision making is delegated to the **Climate Bonds Standard Secretariat**.

The Climate Bonds Standard is not a financial standard and does not imply any impact on the credit ratings of specific bonds—the obligation to perform financial due-diligence remains with investors, just as it does for other investments.

The **Climate Bond Certified Mark (“Certification Mark”)** is registered in multiple countries and is used to designate Certified Climate Bonds.



More information on the Certification Scheme is available on [www.climatebonds.net/standards](http://www.climatebonds.net/standards)

### This Document

This document consists of this Introduction to the Climate Bond Standards & Certification Scheme, as well as sections on Definitions, Pre-Issuance Requirements, Post-Issuance Requirements, and Rules for Certification, together with supporting Annexes. The Climate Bonds Standard sits within a broader suite of supporting documents, as set out in Figure 3.

## Introducing the Climate Bonds Standard & Certification Scheme

The green bond market has been growing rapidly. Confidence in the climate objectives and the use of funds intended to address climate change is fundamental to the credibility of the role that green bonds play in a low carbon and climate resilient economy. Trust in the green label and transparency to the underlying assets are essential for this market to reach scale but investor capacity to assess green credentials is limited, especially in the fast-paced bond market.

The Climate Bonds Standard & Certification Scheme aims to provide the green bond market with the trust and assurance that it needs to achieve scale. Activating the mainstream debt capital markets to finance and refinance climate-aligned projects and assets is critical to achieving international climate goals, and robust labelling of green bonds is a key requirement for that mainstream participation.

### 1. What is the Climate Bonds Standard & Certification Scheme

The Climate Bonds Standard sets out clear criteria to verify certain green credentials of a bond. It aims to provide a robust approach to verifying that the funds are being used to finance projects and assets that are consistent with delivering a low carbon and climate resilient economy.

Specifically, this includes projects or assets that directly contribute to:

- Developing low carbon industries, technologies and practices that mitigate greenhouse gas (GHG) emissions consistent with avoiding dangerous climate change;
- Essential adaptation to the consequences of climate change.

The **Climate Bonds Standard & Certification Scheme** represents an important step, moving from broad integrity principles to a robust and effective certification system. Key features include:

- Clear mandatory requirements (use of proceeds, tracking, reporting)
- Specific eligibility criteria for low carbon and climate resilient projects and assets
- Assurance framework with independent verifiers and clear procedures
- Certification by an independent **Climate Bonds Standard Board**.

The Certification against the Climate Bonds Standard allows investors, governments and other stakeholders to prioritise green bonds with confidence that the funds are being used to deliver a low carbon and climate resilient economy.

For investors, the Certification Scheme is a screening tool that labels bonds as Climate Bond Certified. It avoids investors having to make subjective judgements or do expensive due diligence on the green attributes of bonds.

For issuers, the Certification Scheme is a voluntary verification initiative, which allows them to clearly demonstrate to the market that their bond meets industry standards for climate integrity, management of proceeds, and transparency.

The Certification Scheme targets corporate issuers, but it is also very important for other issuers who may already have robust internal processes (such as development banks or government treasury organisations). It verifies the green credentials of bonds using a common approach, allowing investors to compare the environmental performance of bonds via a like-for-like methodology.

The Climate Bonds Standard is an environmental standard. It is not a substitute for financial due diligence. It is an authoritative standard that eases decision-making and focuses attention on credible climate change solutions.

The Climate Bonds Standard supports environmental, social, and governance or ESG due diligence, mitigation, management, and reporting of ESG risks by issuers, separate from the due diligence required for issuers to become certified under the Climate Bond Standard. The process of ESG due diligence, mitigation, management and reporting should be undertaken by issuers in conformity with internationally accepted standards and practices, which are elaborated in the *Guidance for Issuers* document; however, the scope of certification under the Climate Bonds Standard & Certification Scheme is limited to the climate change solution opportunities to be funded by the green bond.

## 2. What are the benefits of certification under the Climate Bonds Standard?

The benefits of Certification depend on the specific circumstances of the issuer and investor, but may include:

- Signalling the issuer's support for climate change solution investments.
- Verifying that the projects and assets funded by the bond proceeds are compatible with a rapid transition to a low carbon and climate resilient economy.
- Attracting a broader range of investors by clearly labelling the bond as climate-aligned.
- Providing issuers and investors with an independent and science based confirmation of the climate-alignment of the bond which can also help to manage reputational risk.
- Reducing the need for investor due diligence on the climate-alignment of the projects and assets associated with the bond.
- Allowing investors to make quick decisions about whether an investment is "green", including easier inclusion in published indices.
- Demonstrating full alignment with the *Green Bond Principles* (published March 2015).
- Demonstrating consistency with the *Statement of Investor Expectation for the Green Bond Market* prepared by the Investor Network on Climate Risk (published February 2015).
- Allowing standardization of labelled green/climate bonds across sectors and geographies, helping to create a more consistent and uniform green bond market.

A robust and credible standard eases decision-making and focuses attention on credible climate change solution opportunities. The easier it is to use, the faster the market will grow.

## 3. How does the Climate Bond Standards & Certification Scheme work?

The Certification Scheme is made up of the overarching Climate Bonds Standard Version 2.0 and a number of Sector-Specific Standards that provide detailed eligibility criteria for different sectors, such as solar energy, wind energy, low carbon buildings, low carbon transport, water, and energy efficiency. Technical Working Groups and Industry Working Groups provide the expertise for the development of these Sector-Specific Standards.

### Pre-issuance and post-issuance requirements

The requirements of the Climate Bonds Standard are separated into *pre-issuance* requirements, which need to be met for issuers seeking certification ahead of issuance, and *post-issuance requirements*, which need to be met by issuers seeking continued certification following the issuance of the bond and the allocation of the bond proceeds.

Pre-issuance requirements focus on selection of eligible projects and assets, as well as the issuer's stated internal processes to track and report on use of proceeds. Pre-issuance certification enables the issuer to use the Climate Bond Certification in marketing efforts and investor road shows. On the investor side, it allows bonds with robust environmental performance to be prioritised.

Post-issuance requirements focus on the actual use of proceeds, ongoing eligibility of the projects and assets, use of funds not yet allocated and the adequacy of and output from the issuer's internal systems. To maintain the Climate Bond Certification, post-issuance certification must be confirmed within one year after issuance of the bond.

Post-issuance certification allows the issuer to demonstrate to investors that their bond meets the requirements of the Climate Bond Standard following its issuance. Post-issuance certification is valid for the term of the Climate Bond, as long as mandatory annual reporting requirements are met.

Climate Bond Certification may also be refreshed periodically if the issuer chooses to repeat the post-issuance certification process, but this is not mandatory. Issuers that have already issued their bond and not achieved pre-issuance certification can complete the post-issuance certification process to confirm the Climate Bond Certification of the existing bond.

## General and Specific Requirements

The Climate Bonds Standard V2.0 is divided into three parts:

- Part A: sets out clauses to be applied for all Climate Bonds (use of proceeds, tracking, reporting)
- Part B: sets out the eligible physical asset-types (e.g. wind farms, solar facilities) that may be linked to a Climate Bond and refers to Technical Eligibility Criteria and tracking requirements for specific asset-types across the different sectors
- Part C: sets out clauses applicable to certain bond structures such as corporate bonds or asset-backed securities.

### *Part A: General Requirements*

This section of the Climate Bonds Standard sets out the requirements that apply to all Climate Bonds seeking post-issuance certification. It provides assurance on the use and management of proceeds during the term of the bond and the specifics on annual reporting. The general requirements are designed to ensure uniformity and consistency across the Climate Bonds asset class.

### *Part B: Climate Bonds Taxonomy and Sector-Specific Standards*

The Climate Bonds Taxonomy is a multi-stakeholder project that uses the current climate science and internationally agreed objectives (e.g. 2 degree trajectories from IPCC; IEA roadmaps; Climate Bonds Scientific Framework- see Annex A) to provide clear guidelines on the mitigation and adaptation investment opportunities across the key sectors of the global economy. The Taxonomy is a public good resource that provides an overview for prospective green bond issuers and investors on what key investments are aligned with a rapid shift to a low carbon and climate resilient global economy.

The Taxonomy identifies broad areas of inclusion that are subject to further eligibility criteria and screening. It serves as an entry point for the development of Sector-Specific Standards.

The Sector-Specific Standards are developed by experts in the Technical Working Groups and are approved by the Climate Bonds Standard Board. Some 80+ organisations are involved. The Sector-Specific Standards provide more detailed technical criteria for the eligibility of projects and assets as well as guidance on the tracking of eligibility status during the term of the bond.

### *Part C: Specific Requirements for Different Bond Structures*

The Certification Scheme allows for certification of any bonds backed by, or linked to, low carbon and climate resilient assets. This includes; use of proceeds bonds, use of proceeds revenue bonds, project bonds and securitised bonds.

Any type of bonds can be certified, as long as the projects and assets fit into the Sector-specific eligibility criteria. However, there may also be some specific requirements related to the type of bond. These specific requirements only apply to certain bond types according to the table at the beginning of Part C.

## **4. What is the governance structure for the Climate Bonds Standard & Certification Scheme?**

The governance of the Climate Bonds Standard & Certification Scheme is made up of the Climate Bonds Standard Board, the Climate Science Reference Group, a number of Technical Working Groups, the Industry Working Group, and the Climate Bonds Standard Secretariat. See Figure 1.

## **5. What are the steps for Climate Bonds Certification?**

The diagram below illustrates the steps to achieve certification under the Climate Bonds Standard. Further detail on these steps is provided in the section called Climate Bonds Certification. See Figure 2.

Figure 1: Governance structure for the Climate Bonds Standard & Certification Scheme

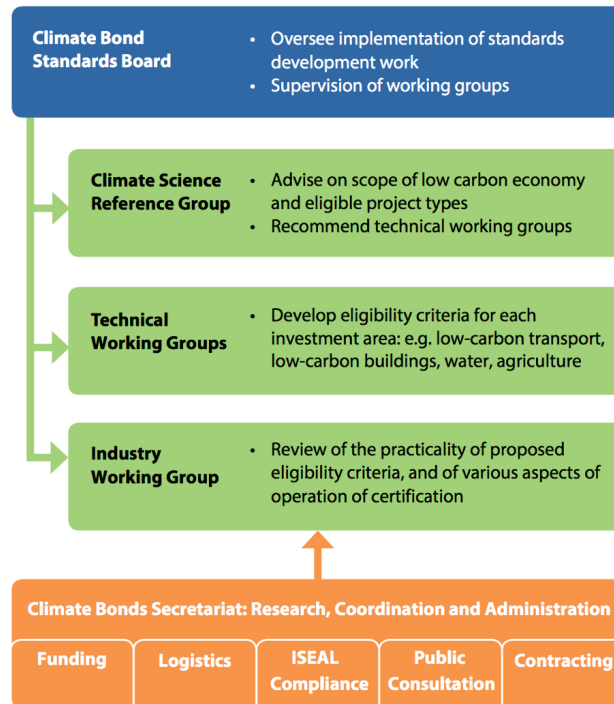
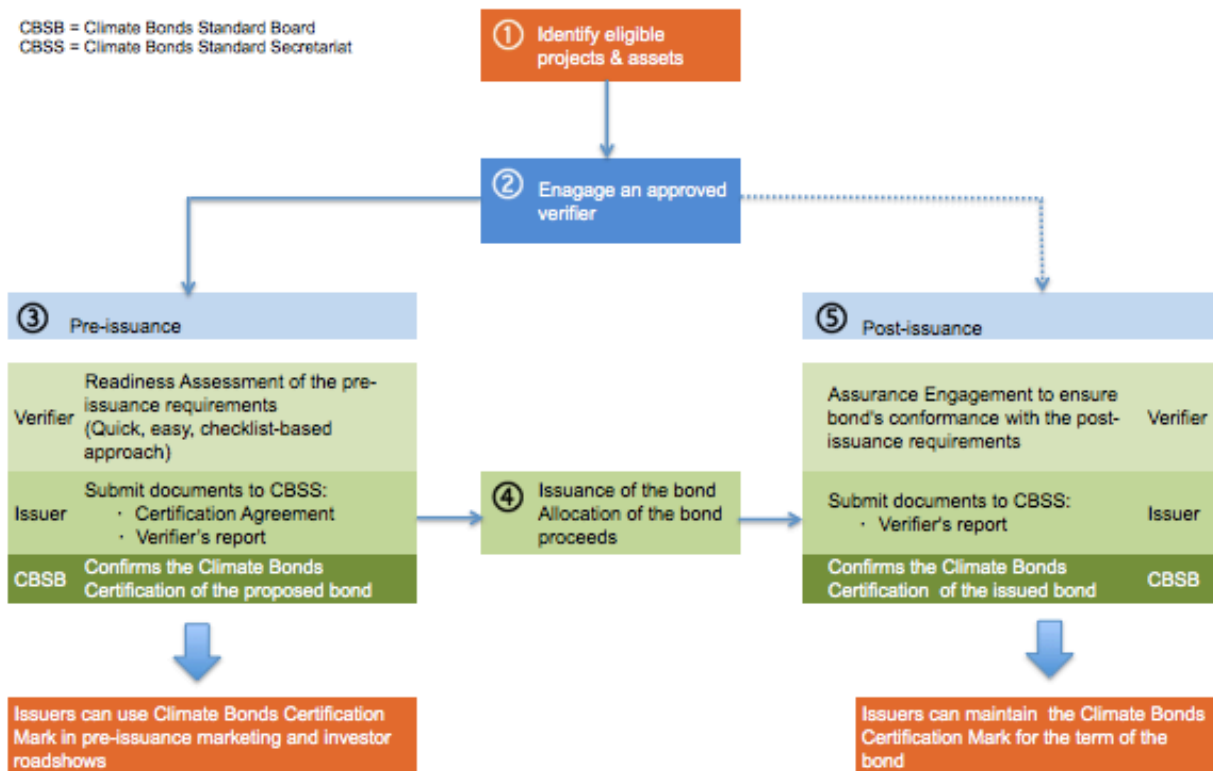


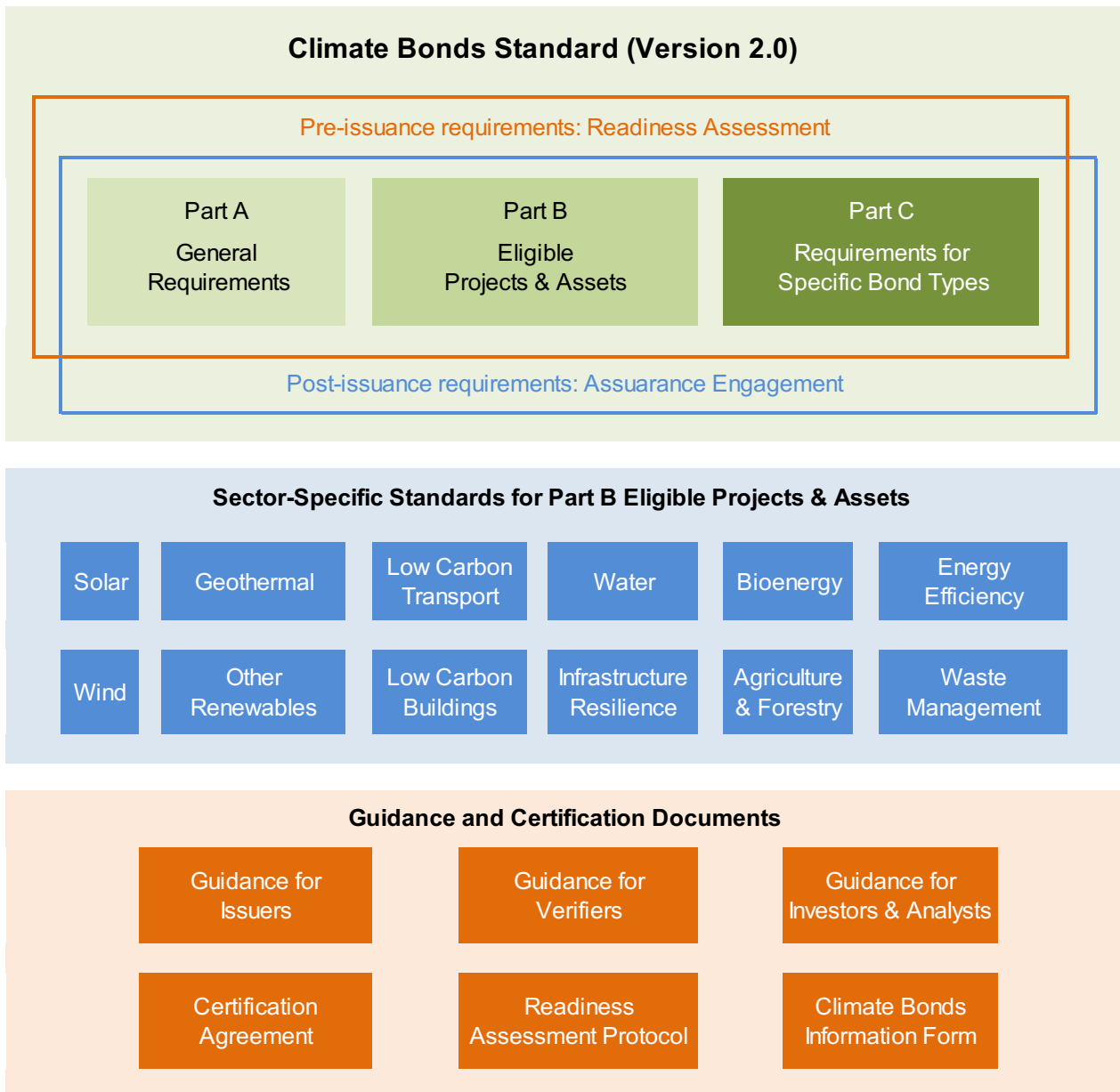
Figure 2: Steps for Certification of a bond under the Climate Bonds Standard & Certification Scheme



## 6. What further guidance is available?

The Climate Bonds Standard is complemented by a number of documents, including the library of Sector-Specific Standards as well as guidance documents for issuers, verifiers, and investors and analysts. All of these make up the suite of documents that support the Climate Bonds Standard & Certification Scheme. See Figure 3.

Figure 3: Suite of documents making up the Climate Bonds Standard & Certification Scheme



## Definitions

### Standard, certification and structures

**Climate Bond:** A bond that is certified by the Climate Bonds Standard Board as meeting the requirements of this Climate Bonds Standard.

**Climate Bonds Standard:** eligibility criteria for Climate Bond Certification, based on the current version as published on the [Climate Bonds Initiative website](#).

**Climate Bonds Standard Board:** a board of independent members that considers applications for Certification of a bond under the Climate Bonds Standard.

*Note: The Climate Bonds Standard Board is constituted, appointed and supported in line with the governance arrangements and processes as published on the Climate Bonds Initiative website.*

**Climate Bonds Standard Secretariat:** manages the day-to-day interaction with issuers, verifiers and other stakeholders.

*Note: Contact details for the Climate Bond Standards Secretariat are available on the Climate Bonds Initiative website.*

**Climate Bond Certification:** allows the issuer to use the Climate Bond Certification Mark in relation to that bond. Climate Bond Certification is provided once the independent Climate Bonds Standard Board is satisfied the bond conforms with the Climate Bonds Standard.

**Climate Bond Certification Mark:** the certification logo that issuers may use once they have obtained Climate Bond Certification from the Climate Bonds Standard Board prior to issuance of the bond, or have received Climate Bond Certification from the Standard Board once the bond has been issued and the bond proceeds have been allocated.

### Issuer, projects & assets

**Issuer:** the organisation issuing the bond.

**Eligible Projects & Assets:** projects, physical assets, or indebtedness incurred to finance physical assets that conform to the eligibility criteria provided in Part B of the Climate Bonds Standard, and the Sector-Specific Standards approved by the Climate Bonds Standard Board.

*Note: Sector-Specific Standards are available on the Climate Bonds Initiative website.*

**Nominated Projects & Assets:** Eligible Projects & Assets, or indebtedness incurred to finance Eligible Projects & Assets that are associated with the bond.

**Net Proceeds:** the value of the bond's principal minus issuance costs.

**Fair Market Value:** the price at which an asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

### Documentation

**Bond Disclosure Documentation:** Documentation associated with the issuance of a bond, and that is prepared before a bond is issued.

*Note: This information is required by the relevant financial regulatory body in the jurisdiction of issuance, and may include items such as a prospectus, indenture contract or official bond statement.*

**Climate Bond Information Form:** a template document to be completed by the issuer and submitted to the Climate Bonds Standard Secretariat.

*Note: The Climate Bond Information Form is available from the Climate Bonds Initiative website. The form includes sections which will be publicly disclosed on the Climate Bonds Initiative website, as well as sections which will be kept confidential. The form is used and updated throughout the certification process.*

**Certification Agreement:** a template agreement available from the Climate Bonds Initiative website which must be executed by the Issuer and submitted to the Climate Bonds Standard Board as part of the Climate Bonds Certification process.

*Note: The Certification Agreement includes terms and conditions for use of the Climate Bond Certification Mark.*



## Assurance, reporting and verifiers

**Verifier:** an independent third party assurance provider or auditor, approved by the Climate Bonds Standard Board.

*Note: A list of approved Verifiers is available on the Climate Bonds Initiative website.*

**Assurance Engagement:** procedures undertaken by a Verifier, presented as an Assurance Report, to form a conclusion or an opinion as to whether the bond has conformed to the relevant requirements of the Climate Bonds Standard. Assurance procedures are to be conducted in accordance with relevant assurance standards, such as the *International Standard on Assurance Engagements 3000 (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The level of assurance can be either reasonable assurance or limited assurance.

**Assurance Report:** a document prepared by the Verifier that conveys the Verifier’s conclusion or opinion as to whether the bond has conformed to the relevant Requirements of the Climate Bond Standard.

**Readiness Assessment:** an assessment undertaken by a Verifier, using Agreed-Upon Procedures, to assess whether the bond has conformed to the relevant Pre-Issuance Requirements of the Climate Bond Standard. Agreed-Upon Procedures are to be conducted in accordance with relevant standards, such as the *International Standards on Related Services 4400 (ISRS 4400): Engagements to Perform Agreed-upon Procedures Regarding Financial Information* or *AT sec 201: Agreed-Upon Procedures Engagements*.

*Note: When agreed-upon procedures are followed, no conclusion or opinion is expressed by the Verifier. Instead, factual findings obtained as a result of the procedures performed are reported. The Guidance for Verifiers document contains a Readiness Assessment Protocol for Issuers and Verifiers to consider.*

**Report of Factual Findings:** a document prepared by the Verifier that reports factual findings obtained as a result of the Readiness Assessment to test whether the bond has conformed to the Pre-Issuance Requirements of the Climate Bonds Standard.

**Verification Report:** an Assurance Report or a Report of Factual Findings provided by the Verifier to the Issuer.

**Force Majeure:** the occurrence of an event or circumstance beyond the control of contracted parties, such as natural disasters, and that could not be avoided through the exercise of due care, which results in or causes the failure of a party to maintain its conformance with the Climate Bonds Standard, provided that such party did not play a substantial role in bringing about the event or circumstance.

## Bond types

**Green Bond Principles (GBP):** voluntary process guidelines intended for broad use by the market that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market.

*Note: The March 2015 edition of the GBP may be found at [www.icmagroup.org/greenbonds](http://www.icmagroup.org/greenbonds).*

**Bond Types:** are the different financial structures of bonds. Specific requirements are included in Part C of the Climate Bonds Standard to enable the assurance of the low carbon and climate resilient nature of each Bond Type and to ensure the integrity of the Climate Bond Certification Mark. Bond Types are similar to those published in Annex A of the GBP (March 2015) and are defined as follows:

- **Use of Proceeds Bond:** a standard recourse-to-the-issuer debt obligation for which the proceeds shall be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Eligible Projects & Assets.
- **Use of Proceeds Revenue Bond:** a non-recourse debt obligation in which the credit exposure in the bond is to the pledged cash flows of the revenue streams, fees, taxes etc., and the use of proceeds of the bond goes to related or unrelated Eligible Projects & Assets. The proceeds shall be credited to a sub-account, moved to a ring fenced security structure sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Eligible Projects and Assets.
- **Project Bond:** a project bond for a single or multiple Eligible Projects & Assets for which the investor has direct exposure to the risk of the project(s) with or without potential recourse to the issuer.
- **Securitized Bond:** a bond collateralized by one or more specific Eligible Projects & Assets, including but not limited to covered bonds, Asset Backed Securities (“ABS”), Mortgage Backed Securities (“MBS”), and other structures. The first source of repayment is generally the cash flows of the assets. This type of bond covers, for example, asset-backed securitizations of rooftop solar PV and/or energy efficiency assets.

# Climate Bonds Standard

The Climate Bonds Standard sets out the requirements to be met for Issuers seeking Climate Bond Certification. The requirements are separated into pre-issuance requirements, which need to be met for Issuers seeking certification ahead of issuance, and post-issuance requirements, which need to be met by Issuers seeking continued certification following the issuance of the bond and allocation of the bond proceeds.

## Pre-Issuance Requirements

This Section of the Climate Bonds Standard sets out the requirements that apply to all Climate Bonds prior to issuance of the bond. These requirements are designed to ensure that the Climate Bond issuer has established appropriate internal processes and controls prior to issuance of the Climate Bond, and that these internal processes and controls are sufficient to enable conformance with the Climate Bonds Standard after the Climate Bond has been issued and allocation of the proceeds is underway.

For Issuers seeking pre-issuance Climate Bond Certification, the requirements set out in this section shall be met.

### 1. Selection of Nominated Projects & Assets

1.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. This includes, without limitation:

1.1.1. a statement on the environmental objectives of the bond;

*Note: A wide variety of environmental objectives are possible for climate bonds. These can vary from a broad objective to increase the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions from displacement of higher emitting power sources on the grid. The environmental objectives of the bond, as stated by the Issuer, have implications for the extent of the reporting requirements under the Standard.*

1.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B of the Climate Bonds Standard.

1.2. The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are likely to conform with the relevant eligibility requirements under Part B of the Climate Bonds Standard.

1.3. The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.

1.4. Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.

1.5. The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.

*Note: The Issuer may choose whether to use its debt obligation to the Nominated Projects & Assets or their Fair Market Value when satisfying Clause 1.5*

### 2. Internal Processes & Controls

2.1. The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:

2.1.1. **Tracking of proceeds:** The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.

2.1.2. **Managing unallocated proceeds:** The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2

2.1.3. **Earmarking funds to Nominated Projects & Assets:** An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.

### 3. Reporting Prior to Issuance

3.1. The Issuer shall disclose in the Bond Disclosure Documentation:

- 3.1.1. The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.
- 3.1.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.
- 3.1.3. The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken)
- 3.1.4. Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance Engagements

*Note: Conducting periodic Assurance Engagements over the term of the bond is at the discretion of the bond Issuer. Any Periodic Assurance Engagements undertaken are in addition to the mandatory post-issuance Assurance Engagement which must be undertaken following issuance of the Climate Bond.*

## Post-Issuance Requirements

This Section of the Climate Bonds Standard sets out the requirements that apply to all Climate Bonds after the issuance of the bond. The requirements in this Section are divided into three Parts:

- **Part A: General Requirements:** All of the requirements in Part A shall be met to be eligible for post-issuance certification.
- **Part B: Eligible Projects & Assets:** Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- **Part C: Requirements for Specific Bond Types:** Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

### Part A: General Requirements

This Part sets out the requirements that apply to all Climate Bonds where Issuers are seeking post-issuance assurance that the bond meets the requirements set in this Part. These requirements are designed to ensure that the bond meets a minimum set of requirements following its issuance.

### 4. Nominated Projects & Assets

- 4.1. The Issuer shall maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:
  - 4.1.1. a statement on the environmental objectives of the bond
  - 4.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B of the Climate Bonds Standard;
- 4.2. All Nominated Projects & Assets funded by the bond's proceeds shall meet the bond's documented objectives as stated under Clause 1.1, and shall be in conformance with the requirements of Part B of the Climate Bonds Standard.
- 4.3. Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.

### 5. Use of Proceeds

- 5.1. The Net Proceeds of the bond shall be allocated to the Nominated Projects & Assets.
- 5.2. The Issuer shall allocate funds to Nominated Projects & Assets within 24 months of issuance of the bond. Funds may be reallocated to other Nominated Projects & Assets at any time during the term of the bond.
- 5.3. Where a proportion of the Net Proceeds of the bond are used for refinancing, the Issuer shall provide an estimate of the share of the Net Proceeds used for financing and re-financing, and identify which Nominated Projects & Assets may be refinanced.

- 5.4. The Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process as disclosed to the Verifier by the Issuer under Clause 2.1.
- 5.5. The Net Proceeds of the bond shall be no greater than the investment in the Nominated Projects & Assets or the Fair Market Value of the Nominated Projects & Assets at the time of issuance.

*Note: The Issuer may choose whether to use the investment in the Nominated Projects & Assets or their Fair Market Value when satisfying Clause 5.5*

## 6. Non-Contamination of Proceeds

- 6.1. The Net Proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.
- 6.2. While the bond remains outstanding, the balance of the tracked proceeds shall be reduced by amounts matching eligible investments or loan disbursements made. Pending such investments or disbursements to Nominated Projects & Assets, the balance of unallocated proceeds shall be:
  - 6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or
  - 6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
  - 6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.
- 6.3. In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period. During the extension period the balance of unallocated proceeds shall be deemed to be conforming with Clause 5.2.

## 7. Confidentiality

- 7.1. Information about the Nominated Projects & Assets shall be provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.

*Note: The information disclosed to the Verifier and the Climate Bonds Standard Board may be subject to confidentiality arrangements as required by the owners of the Nominated Projects & Assets in circumstances where such confidentiality is required. The Climate Bond Information Form allows for the identification of confidential information.*

- 7.2. The Issuer should disclose information about the bond and the Nominated Projects & Assets to the market.

*Note: Disclosure should be in line with any existing confidentiality agreements which the Issuer may have in place concerning the Nominated Projects & Assets or other aspects of the bond.*

## 8. Reporting

- 8.1. The Issuer shall provide to bond holders and to the Climate Bonds Standard Secretariat at least annually a report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated (or re-allocated). The report shall include a brief description of the projects and the amounts disbursed, as well as the expected environmental objectives of the Nominated Projects & Assets.
  - 8.1.1. The Issuer shall use qualitative performance indicators and, where feasible, quantitative performance measures of the environmental objectives of the Nominated Projects & Assets;
  - 8.1.2. The Issuer shall disclose the methods and the key underlying assumptions used in preparation of the performance indicators and metrics;
  - 8.1.3. Where confidentiality agreements or competition issues limit the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1.

*Note 1: Some bonds have very stable allocation of proceeds and do not need to track any performance indicators to maintain the eligibility of the projects & assets (such as financing for a single large-scale solar facility). This means that the report provided by the Issuer each year can be very similar to previous years' reports, minimising the effort required by Issuers to prepare the reports for these Climate Bonds.*

*Note 2: The timing of reporting under this clause can be aligned with the schedule of regular reporting of the Issuer, and does not need to follow the anniversary of the certification or issuance of the Climate Bond.*

## Part B: Eligible Projects & Assets

This Part of the Climate Bonds Standard sets out a two-step process to determine the eligibility of specific projects and physical assets that, for the purposes of this Climate Bonds Standard, will be regarded as contributing to the delivery of a low carbon and climate resilient economy.

**Clause 9** refers to the Climate Bonds Taxonomy (see Annex A). The taxonomy provides clear guidelines on the mitigation and adaptation investment opportunities across the major sectors of the global economy. It serves as an initial screen for clear inclusions and exclusions for all sectors based off of the latest climate science and 2 degree scenarios (IPCC, IEA; Climate Science Framework, see Annex B). Each project or asset included in the Taxonomy may then be subject to further eligibility criteria as set out in Clause 10.

**Clause 10** refers to sector-specific technical criteria, contained in the Sector-Specific Standards. The technical criteria contained in these documents must be met for projects and assets to be considered eligible. Sector-Specific Standards for a wide variety of projects and assets are available on the Climate Bonds Initiative website.

At the time of publication of Version 2.0 of the Climate Bonds Standard (this document), five Sector-Specific Standards are available. These cover projects & assets in:

- Wind energy
- Solar energy
- Geothermal energy
- Low Carbon Buildings
- Bus Rapid Transit systems

Further Sector-Specific Standards are in advanced stages of preparation, covering:

- Low Carbon Transport
- Bioenergy
- Water (including hydro energy)
- Agriculture, Forestry & Other Land Use (AFOLU)

The process to prepare Sector-Specific Standards is commencing soon for:

- Industrial energy efficiency
- Fisheries and marine investments
- Co-generation
- Infrastructure adaptation and resilience

## 9. Climate Bonds Taxonomy

9.1. Nominated Projects & Assets, as identified by the Issuer under Clauses 1.3 and 4.2, shall fall into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy (see Annex A).

## 10. Technical Criteria

10.1. Nominated Projects & Assets shall meet the specific eligibility criteria provided in the relevant Sector-Specific Standard

*Note: All Sector-Specific Standards are approved by the Climate Bonds Standard Board following a criteria development process involving Technical Working Groups, Industry Working Groups and stakeholder consultation. Further details on the development process and the specific technical criteria are available from the Climate Bonds Initiative website.*

10.2. Where the proceeds of a bond are allocated to Nominated Projects & Assets that are covered by more than one Sector-Specific Standards (e.g. solar and wind investments in a portfolio), then each of the Nominated Projects & Assets shall meet the specific eligibility criteria provided in the Sector-Specific Standard relevant to that Nominated Project & Asset.

## Part C: Requirements for Specific Bond Types

This Part of the Climate Bonds Standard sets out the requirements that apply to specific types of bonds. Definitions for the Bond Types are provided in the Definitions section of the Climate Bonds Standard. The table below specifies which Requirements are applicable to each Bond Type. The applicable Requirements differ between Bond Types, and address specific risks related to each Bond Type.

Bond Types	Applicable Requirements
<b>Use of Proceeds Bond</b>	11 Project Holding 12 Settlement Period 13 Earmarking
<b>Use of Proceeds Revenue Bond</b>	11 Project Holding 12 Settlement Period 13 Earmarking
<b>Project Bond</b>	
Securitized Bond	11 Project Holding 13 Earmarking

### 11. Project Holding

11.1. The Issuer of the bond shall continue to hold Nominated Projects & Assets which have Fair Market Value at least equal to the original principal amount of the bond at the time of issuance.

11.1.1. Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part B of the Climate Bonds Standard and the bond's environmental objective as set out in Clause 1.1.

*Note: Where there are changes to the market value of the portfolio of Nominated Project & Assets, additional Nominated Project & Assets are not required to be added to the portfolio.*

### 12. Settlement Period

12.1. Issuers shall demonstrate that the Net Proceeds of the bond have been distributed to the Nominated Projects & Assets within 24 months of the issuance of the bond.

12.2. Where full distribution of the Net Proceeds is not achieved within 24 months of the issuance of the bond, the Issuer shall demonstrate that:

12.2.1. The surplus or undistributed funds have been invested in Eligible Projects & Assets not otherwise nominated for a specific Climate Bond.

12.2.2. The Issuer has made temporary investments of surplus or undistributed funds in conformance with the provisions of Clause 6.

### 13. Earmarking

13.1. The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets as disclosed under Clauses 2.1 and 2.1.3.



## Climate Bond Certification

This section of the Climate Bonds Standard sets out the rules for Climate Bond Certification. Further detail on the process steps and administrative workflow for Certification is provided in Guidance documents available from the Climate Bonds Initiative website.

### Outline of the Climate Bond Certification Process

The Climate Bond Certification Process has two distinct phases that are aligned with the normal process for issuing a bond. This allows the Climate Bond Certification Mark to be used during the pricing and marketing of the bond and ensures that the integrity of the mark is maintained after issuance of the bond and the allocation of bond proceeds.

1. **Pre-Issuance Certification:** Assessment and certification of the bond issuer's internal processes, including its selection process for projects & assets, internal tracking of proceeds, and the allocation system for funds. This includes a Verifier undertaking procedures to assess the readiness of the issuer and the proposed bond to conform with the Standard, and follows an agreed Protocol (or checklist) to assess the conformance with the Pre-Issuance Requirements of the Climate Bonds Standard.
2. **Post-Issuance Certification:** Assessment and certification of the bond, which must be undertaken after the allocation of bond proceeds is underway, and includes assurance from the Verifier that the issuer and the bond conform with all of the Post-Issuance Requirements of the Climate Bonds Standard.

An issuer may also choose to repeat the post-issuance certification process on a periodic basis, if it feels that periodic use of assurance and certification adds value to its use of the Climate Bond Certification Mark. Periodic Certification is not mandatory but is available for issuers if they choose to reaffirm their ongoing conformance with the Climate Bonds Standard during or after the term of the bond.

If a bond has already been issued, the issuer of the bond can seek certification from the Climate Bonds Standard Board that the bond conforms with the Post-Issuance Requirements of the Climate Bonds Standard. Certification of existing bonds follows the Post-Issuance Certification Process.

The rules and the requirements for readiness assessments, assurance and certification are provided in this document under the next section.

## Pre-Issuance Climate Bond Certification

### P1. Initiating the certification process

- P1.1. Issuers seeking Climate Bond Certification and the use of the Climate Bond Certification Mark to a bond prior to its issuance shall complete the Climate Bonds Information Form and submit the completed form to the Climate Bonds Standard Secretariat prior to issuance of the bond.
  - P1.1.1. The Issuer shall identify within the Climate Bonds Information Form what components of the information provided are confidential and what components can be publically disclosed by the Climate Bonds Initiative once Climate Bond Certification has been confirmed.

*Note 1: The Climate Bonds Information Form is available from the Climate Bonds Initiative website.*

*Note 2: The Issuer may submit a draft or incomplete Climate Bonds Information Form to the Climate Bonds Standard Secretariat early in its preparations in order to seek clarification from the Climate Bonds Standards Secretariat on conformance of a potential bond with the Climate Bonds Standard.*

### P2. Use of a Verifier Prior to Issuance

- P2.1. Issuers seeking Climate Bond Certification and the use of the Climate Bond Certification Mark to a bond prior to its issuance shall engage a Verifier to undertake either:
  - P2.1.1. An Assurance Engagement of the Issuer's and the proposed bond's conformance with the Pre-Issuance Requirements of the Climate Bonds Standard. The Verifier shall issue an Assurance Report expressing a conclusion or an opinion as to whether the Issuer and the proposed bond have conformed to the Pre-Issuance requirements of the Climate Bonds Standard; or
  - P2.1.2. An Agreed-Upon Procedures Engagement to assess the Issuer's and the proposed bond's conformance with the Pre-Issuance Requirements of the Climate Bonds Standard. The Verifier shall use the Readiness Assessment Protocol provided in the Guidance for Verifiers and shall issue a Report of

Factual Findings providing the assessment of the Issuer's and the proposed bond's conformance with the Pre-Issuance Requirements of the Climate Bonds Standard.

- P2.2. The subject matter considered by the Verifier shall include those requirements set out in the Pre-Issuance Requirements section of the Climate Bonds Standard.

### P3. Applying for Pre-Issuance Climate Bond Certification

- P3.1. An Issuer that has completed a Pre-Issuance Assurance Engagement or Agreed-Upon Procedures Engagement (as appropriate) may apply to the Climate Bonds Standard Board to receive Certification of the bond's conformance with the Climate Bonds Standard.
- P3.2. The Issuer shall supply the Climate Bonds Standard Board with a completed Climate Bonds Information Form, the Verifier's Assurance Report or Report of Factual Findings, and an executed Certification Agreement through the Climate Bonds Standard Secretariat.

### P4. Pre-Issuance Certification of a Climate Bond

- P4.1. If the Climate Bonds Standard Board is satisfied that the Issuer and proposed bond are in conformance with the Pre-Issuance Requirements, then it shall provide a statement which confirms the Climate Bond Certification of the bond. The Issuer then has the right (subject to the Certification Agreement) to use the Climate Bond Certification Mark in association with the relevant bond until the compulsory post-issuance Assurance Engagement is completed and the associated Assurance Report has been reviewed by the Climate Bonds Standard Board.
- P4.2. An Issuer shall stop using the Climate Bond Certification Mark:
- P4.2.1. Within one year of issuance, unless the Issuer has received confirmation of post issuance certification from the Climate Bonds Standard Board; or
- Note: The Climate Bond Certification at the pre-issuance stage is only valid for one year from the issuance of the Climate Bond. Post-issuance Certification must be confirmed within that timeframe for the continuing use of the Climate Bond Certification Mark*
- P4.2.2. Where the Issuer becomes aware that the bond no longer conforms with the Climate Bonds Standard; or
- P4.2.3. Where an Assurance Engagement commissioned by the Issuer or the Climate Bonds Standard Board finds that the bond no longer conforms with the Climate Bonds Standard.

## Post-Issuance Climate Bond Certification

### P5. Use of a Verifier for Post-Issuance Assurance

- P5.1. The Issuer shall engage a Verifier to undertake an Assurance Engagement after issuance of the bond to confirm that the Issuer and the bond are in conformance with the Post-issuance Requirements of the Climate Bonds Standard. This Assurance Engagement must be undertaken within one year of the bond's issuance.
- P5.1.1. The subject matter considered by the Verifier shall include those requirements set out in the Post-Issuance Requirements section of the Climate Bonds Standard.
- Note 1: The Issuer should engage the same Verifier to undertake both the pre-issuance and post-issuance activities under the one engagement.*
- Note 2: The Issuer may also engage a Verifier to undertake further Assurance Engagements on a periodic basis (such as annually) to confirm that the Issuer and the bond have maintained conformance with the Post Issuance Requirements of the Climate Bonds Standard, but this is not mandatory.*
- P5.2. Assurance Reports submitted to the Climate Bonds Standard Board shall be considered to be confidential unless the Issuer voluntarily discloses the Assurance Report, or the Standards Board is required by law or national regulators to disclose the Assurance Report. The Climate Bonds Standard Board shall consult with the Issuer and Verifier on the presentation of the information prior to any public release of the Assurance Report.
- P5.3. An Issuer using the Climate Bond Certification Mark shall provide further information if requested by the Climate Bonds Standard Board.



## P6. Post-Issuance Climate Bond Certification

P6.1. An Issuer must complete the Assurance Engagement and submit the Assurance Report to the Climate Bonds Standard Board to maintain the Certification status of the bond awarded at the pre-issuance stage; proving its conformance with the Climate Bonds Standard.

P6.1.1. The Issuer shall supply the Climate Bonds Standard Board with an updated Climate Bonds Information Form and the Assurance Report through the Climate Bonds Standard Secretariat.

## P7. Post-Issuance Certification of a Climate Bond

P7.1. If the Climate Bonds Standard Board is satisfied that the Issuer and the bond are compliant with the Post-Issuance Requirements of the Climate Bonds Standard, then it shall provide a statement that confirms the certification of the bond. The Issuer then has the right to continue using the Climate Bond Certification Mark in association with the relevant bond (but no others) for the duration of the bond term.

P7.2. An Issuer shall stop using the Climate Bond Certification Mark if:

P7.2.1. It becomes aware that the bond and/or the Issuer no longer conform with the Climate Bonds Standard;  
or

P7.2.2. A Reasonable Assurance Engagement commissioned by the Climate Bonds Standard Board finds that the bond and/or the Issuer no longer conform with the Climate Bonds Standard.

## P8. Non-Conformance

P8.1. In cases of claimed breach of conformance with the Climate Bonds Standard, the Climate Bonds Standard Board may request a new Assurance Report be prepared by a different Verifier as a condition of maintaining Certification under the Climate Bonds Standard.

P8.1.1. This Assurance Report shall be submitted to the Climate Bonds Standard Board for review within six months of the initial request.

P8.1.2. No more than one Assurance Report in any 12 month period shall be required to be provided by the Issuer following post-issuance certification.

P8.2. Where a Climate Bond is no longer in conformance with the Climate Bonds Standard, then the Issuer shall disclose that fact to the Climate Bonds Standard Board within one month of becoming aware of the non-conformance.

P8.2.1. The Climate Bonds Standard Board may suggest corrective actions for conformance to be restored.

P8.2.2. If conformance is not restored within a reasonable time frame, the Climate Bonds Standard Board shall consider the revocation of its certification of that bond.

P8.3. Once Climate Bond Certification of a bond has been revoked by the Climate Bonds Standard Board, the Issuer shall:

P8.3.1. Not use the Climate Bond Certification Mark in association with the bond;

P8.3.2. Take all necessary steps to remove that bond from Climate Bond listings; and

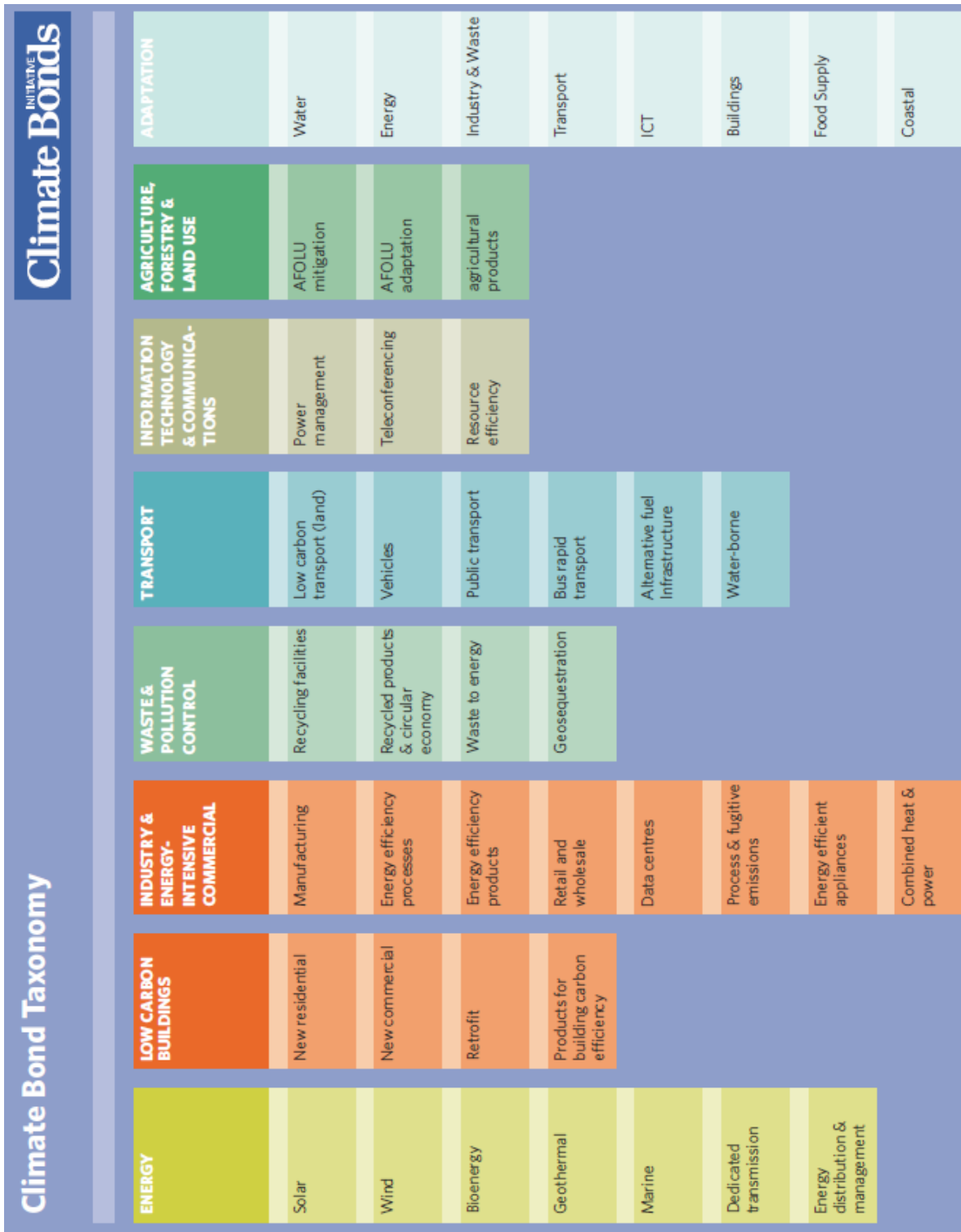
P8.3.3. Inform the bond holders, relevant exchanges, and the Climate Bond market participants of the change in Climate Bond Certification status of the bond.

P8.4. For a bond which has had its Climate Bond Certification revoked to be re-Certified as conforming with the Climate Bonds Standard, the Issuer shall engage a Verifier to undertake an Assurance Engagement and provide the Assurance Report to the Climate Bonds Standard Board for consideration in accordance with clause P4 and clause P5 above.

# Annex A: Climate Bonds Taxonomy

For the most current version of the Taxonomy see the Climate Bonds Initiative website:  
<http://www.climatebonds.net/standards/taxonomy>

The diagram below illustrates the Taxonomy’s approach and the relevant investment areas.

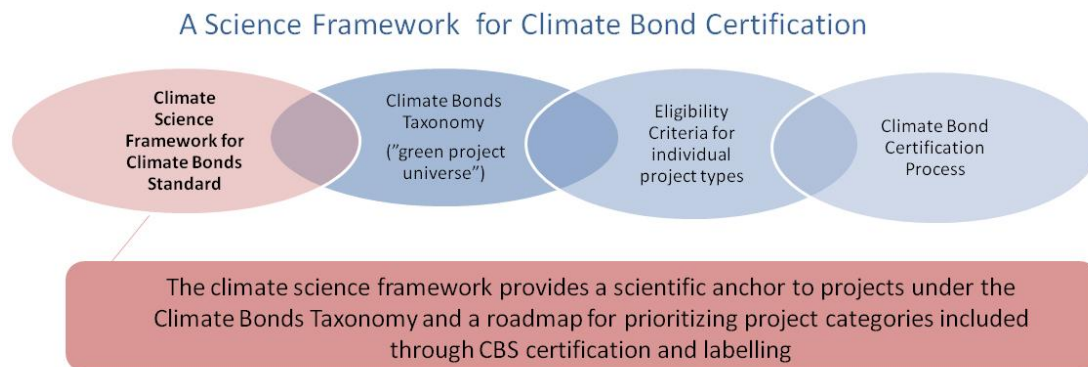


## Annex B: Climate Bonds Scientific Framework

This informative Annex provides details on how the Climate Bonds Scientific Framework drives the Eligibility of Projects & Assets under the Climate Bonds Standard.

The Climate Bonds Standard & Certification Scheme provides assurance for investors about the climate benefit of their investments. A credible standard provides assurance for investors about the environmental integrity of projects. The Scheme is supervised by a coalition of institutional investors and environmental NGOs from around the world.

The Climate Bonds Scientific Framework is a rigorous, scientifically grounded analysis on emission mitigation pathways, technology options and impact that anchor the Climate Bonds Taxonomy and certification criteria of the Climate Bonds Standard to the latest views of the climate science community. It will also provide a coherent foundation for Climate Bonds Initiative's continued development of sector-specific eligibility criteria that prospective debt issuances must meet in order to be certified as a Climate Bond.



The Climate Bonds Scientific Framework is overseen by the Climate Bonds Initiative's Board and implemented by Climate Bonds Initiative staff, its advisor Climate Wedge and a network of climate research institutions led by the Potsdam Institute for Climate Impact Research (PIK). PIK is the world's leading institution in energy-economic modelling of global carbon budgets and mitigation pathways.

The Framework is based on a joint research effort between several institutions: Climate Analytics (lead research), IIASA in Austria, PBL in the Netherlands and FEEM in Italy (co-contributors). The scope of work is based on analysing the existing body of research on emission pathways and related technology alternatives and mitigation impacts which lie behind analyses such as the IPCC's 5th assessment report and the IEA's roadmaps.

The research outcome highlights the importance of different technology categories in achieving a 2°C cap in the growth of global average surface temperatures. Initial findings of the research group are validated among a broader scientific review group including leading institutions in the US and China.

A permanent Climate Bonds Initiative Climate Science Advisory Panel has been established to manage the ongoing development of the Science Framework and act as a close advisor to the Climate Bonds Initiative Board.

## Annex C: Alignment with the Green Bond Principles

This informative Annex provides details on how the Climate Bonds Standard aligns with the version of the Green Bond Principles (GBPs) published in March 2015 (available at [www.icmagroup.org/greenbonds](http://www.icmagroup.org/greenbonds)). The GBPs encourage the development and use of standards for certification of Green Bonds as they are defined in its 2015 edition.

The Climate Bonds Standard sets out to convert the GBPs into a set of requirements and actions that can be assessed, assured and certified in a robust and repeatable way. The Standard also provides a detailed set of technical criteria for low carbon and climate resilient projects and physical assets, with the goal of removing much of the subjectivity necessary to use the GBP eligibility criteria.

The Climate Bonds Standard is fully consistent with the GBP and this Annex provides ‘mapping’ of the requirements in the Standard to the four Green Bond Principles plus the GBP’s assurance recommendations. Certification of a bond under the Climate Bonds Standard provides confidence that the issuer of that bond is adhering to all of the Green Bond Principles as well as fully conforming to the Climate Bonds Standard.

Green Bond Principles	Climate Bonds Standard v2.0 Clauses
<p><b>1. Use of Proceeds</b></p> <p>The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security. All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</p> <p>The GBP explicitly recognize several broad categories of potential eligible Green Projects aiming to address key areas of concern such as climate change, natural resources depletion, biodiversity conservation and/or pollution. These broad categories are including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Renewable energy</li> <li>• Energy efficiency (including efficient buildings)</li> <li>• Sustainable waste management</li> <li>• Sustainable land use (including sustainable forestry and agriculture)</li> <li>• Biodiversity conservation</li> <li>• Clean transportation</li> <li>• Sustainable water management (including clean and/or drinking water)</li> <li>• Climate change adaptation.</li> </ul> <p>In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.</p>	<p>1</p> <p>4</p> <p>9</p> <p>10</p> <p>11</p>
<p><b>2. Process for Project Evaluation and Selection</b></p> <p>The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>• a process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles;</li> <li>• the criteria making the projects eligible for using the Green Bond proceeds; and</li> <li>• the environmental sustainability objectives.</li> </ul> <p>The GBP encourage a high level of transparency; to this end, this process for project evaluation and selection can be supplemented by a review by a second party (see Assurance section).</p> <p>In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer’s overall framework and performance regarding environmental sustainability.</p>	<p>2</p> <p>4</p> <p>9</p> <p>10</p>

<p><b>3. Management of Proceeds</b></p> <p>The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green Projects.</p> <p>So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period. Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.</p> <p>The GBP encourage a high level of transparency that can be supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds (see Assurance section).</p>	<p>5</p> <p>6</p> <p>11</p> <p>12</p> <p>13</p>
<p><b>4. Reporting</b></p> <p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</p> <p>The GBP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures of the expected environmental sustainability impact of the specific investments (e.g. reductions in greenhouse gas emissions, number of people provided with access to clean power, reduction in number of cars required, etc.). Where confidentiality agreements or competition issues limit the amount of detail that can be made available, information can be presented in generic terms.</p> <p>The GBP acknowledge that there are currently no established standards for impact reporting on Green Projects, and welcome and encourage initiatives, including those by leading Green Bond issuers, to help establish a model for impact reporting that others can adopt and/or adapt to their needs. Until more harmonization is achieved, transparency is of particular value, including disclosure of methodologies and key underlying assumptions.</p>	<p>3</p> <p>7</p> <p>8</p>
<p><b>Assurance</b></p> <p>It is recommended that issuers use external assurance to confirm their alignment with the key features of Green Bonds as defined above. There are a variety of ways for issuers to obtain outside input to the formulation of their Green Bond process and there are several levels and types of independent assurance that can be provided to the market. Such guidance and assurance might include:</p> <p>(i) Second party reviews and consultation: for example, an issuer can seek advice from consultants and/or institutions (“second party”) with recognized expertise in environmental sustainability to review or to help in the establishment of its process for project evaluation and selection including project categories eligible for Green Bond financing. The reviews and reports of the second party are private, and may be made publicly available only at the discretion of the issuer.</p> <p>(ii) Audits: Issuers are encouraged to have independently assured or audited certain aspects of their Green Bond process, such as the internal tracking method and the allocation of funds from proceeds. The assurance can be provided by qualified third parties, or by internal and/or external auditors. These independent reports and audits may be put in the public domain at the discretion of the issuer.</p> <p>(iii) Third-party certifications: Second-party standards intended for use by qualified third parties to certify Green Bonds are in use or in development.</p>	<p>Pre-Issuance Certification:</p> <p>P1</p> <p>P2</p> <p>P3</p> <p>P4</p> <p>Post-Issuance Certification:</p> <p>P5</p> <p>P6</p> <p>P7</p>



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