

Climate Bonds Standard Version 3.0



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The structure of the Climate Bonds Standard had been adjusted to better reflect its consistency and alignment with the Green Bond Principles four pillars.

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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. Certification under the Climate Bonds Standard confirms that the projects & assets associated with the bond are consistent with the rapid transition to a low carbon & climate resilient future. 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 worthiness of specific investments — the obligation to perform financial due-diligence remains with investors, just as it does for other investments.

Certification under the Climate Bond Standard exclusively relates to the climate attributes of the use of proceeds of a designated debt instrument in accordance with the applicable Climate Bonds Standard. For the avoidance of doubt, certification does not address any other aspect of the designated debt instrument or the nominated projects & assets which is not covered by the Climate Bonds Standard, such as compliance with national or international laws, broader Environment-Social-Governance attributes, or credit worthiness.

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



Climate Bond Certified

More information on the Certification Scheme is available on www.climatebonds.net/standards

Clarifying that the Climate Bonds Standard only addresses the climate attributes of projects & assets, and does not include broader assessments of ESG attributes, credit worthiness or compliance with relevant laws.

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.

The Climate Bonds Standard sets out clear criteria to verify certain green credentials of a bond or other debt instrument. It aims to provide a robust approach to certifying that the proceeds are being used to finance and refinance projects & assets that are consistent with the rapid transition to a low carbon & climate resilient future.

Specifically, this includes projects or assets that directly contribute to mitigation of greenhouse gas (GHG) emissions consistent with avoiding dangerous climate change and essential adaptation to the consequences of climate change.

The Climate Bonds Standard & Certification Scheme represents an important step, building on the broad integrity principles contained in the Green Bond Principles¹ to create a robust and effective certification system. Key features include:

- Full alignment with the latest version of the Green Bond Principles
- Clear mandatory requirements for use of proceeds, tracking, and reporting
- Specific eligibility criteria for low carbon and climate resilient projects and assets
- An assurance framework with independent verifiers and clear procedures
- Certification awarded by the Climate Bonds Standard Board.

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, Certification is a screening tool that labels bonds as Climate Bond Certified. It reduces the burden for investors having to make subjective judgements or do expensive due diligence on the green attributes of certified investments.

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

The Climate Bonds Standard & Certification Scheme is made up of the overarching Climate Bonds Standard Version 3.0, a Taxonomy of Green Definitions, detailed eligibility criteria for relevant sectors (such as solar energy, wind energy, low carbon buildings, low carbon transport, water, and waste), guidance material and certification documents. Approved Verifiers provide assurance that issuers and bonds have met the requirements of the Standard. Technical Working Groups and Industry Working Groups

1. Green Bond Principles (GBP) are 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. The latest edition of the GBP is available from the International Capital Markets Association website (www.icmagroup.org/greenbonds).

provide the expertise for the development of the eligibility criteria. The Climate Bonds Standard Board provides governance and oversight of the Standard and the Certification process.

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. Issuers seeking certification of bonds which have already been issued only need to meet the *post-issuance requirements*.

The Climate Bonds Standard is a climate change standard. It is an authoritative standard that eases decision-making and focuses attention on credible climate change solutions in the debt capital markets.

However, the Climate Bonds Standard is not a financial standard and does not imply any impact on the credit worthiness of specific investments. Certification under the Climate Bond Standard exclusively relates to the climate attributes of the bond and does not address any other aspect such as compliance with national or international laws, broader Environment-Social-Governance attributes, or credit worthiness.

Clarifying the situation for certification of existing bonds.

Clarifying that the Climate Bonds Standard only addresses the climate attributes of projects & assets

Definitions

Standard, certification and structures

Certified Climate Bond: A bond or other debt instrument that is certified by the Climate Bonds Standard Board as meeting the requirements of this Climate Bonds Standard.

Climate Bonds Standard: The requirements and eligibility criteria for Climate Bond Certification, based on the current version as published on the Climate Bonds Initiative website (<https://www.climatebonds.net/standards>).

Climate Bonds Standard Board: A board of independent members that approves the Standard, Sector-Specific Criteria and Verifiers, and 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 Bonds Standard 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 to 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. Use of the logo by an Issuer is specified within the terms and conditions of the Certification Agreement.

Issuer, projects & assets

Issuer: The organisation issuing the bond or other debt instrument.

Eligible Projects & Assets: Projects, physical assets, indebtedness incurred to finance physical assets, **or other related and supporting expenditures for physical assets** that conform to the eligibility criteria provided in Part C of the Climate Bonds Standard.

Nominated Projects & Assets: Eligible Projects & Assets owned by the Issuer, indebtedness incurred to finance, **or other related and supporting expenditures for** Eligible Projects & Assets that are associated with the bond or other debt instrument.

Net Proceeds: The amount equal to the bond's or other debt instrument'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.

Expanded definition
as per GBP 2017

Documentation

Green Bond Framework: Information provided by the issuer which describes how each of the requirements in the Climate Bonds Standard will be met by the issuer for the relevant bond.

Note: This document is the primary reference for the verification process. Issuers are encouraged to publish their Green Bond Frameworks. Examples are available on the Climate Bonds Initiative website.

Bond Disclosure Documentation: Documentation associated with the issuance of a bond or other debt instrument, and that is prepared before a bond or other debt instrument 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 as part of the certification process.

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 legal agreement which must be executed by the Issuer and submitted to the Climate Bonds Standard Board as part of the certification process.

Note: The Certification Agreement is available from the Climate Bonds Initiative website and includes terms and conditions for use of the Climate Bond Certification Mark.

Update Report: A document prepared by the issuer and disclosed to the market which confirms the ongoing conformance of the issuer and the relevant bond with the Post-Issuance requirements of the Climate Bonds Standard.

Note: The format and frequency of the Update Report will depend on the specific circumstances of the issuer and the relevant bond. Further detail on the Update Report is provided in clause 8 of the Climate Bonds Standard.

Assurance, reporting and verifiers

Verifier: An independent third party assurance provider or auditor, which has been approved by the Climate Bonds Standard Board and listed on the Climate Bonds Initiative website. Also known as an “Approved Verifier”.

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 using the steps prescribed in 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 or other debt instrument has conformed to the relevant Requirements of the Climate Bonds Standard.

Clarifying the role of the Green Bond Framework document in the certification process. Encouraging issuers to publish their Green Bond Framework documents.

Clarifying the role of a regular Update Report and creating a formal definition for the document.

Enabling the procedures prescribed by ISAE3000 to be used and avoiding confusion over eligibility of verifiers to use ISAE3000 if they are not primarily accounting firms.

Readiness Assessment: An assessment undertaken by a Verifier, using Agreed-Upon Procedures, to assess whether the bond or other debt instrument has conformed to the relevant Pre-Issuance Requirements of the Climate Bonds Standard. Agreed-Upon Procedures are to be conducted **using the steps prescribed in** 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. A Readiness Assessment Protocol for Issuers and Verifiers to consider is available from the Climate Bonds Initiative website.

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 or other debt instrument has conformed to the Pre-Issuance Requirements of the Climate Bonds Standard.

Verifier's Report: An Assurance Report or a Report of Factual Findings provided by the Verifier to the Issuer which is then provided to the Climate Bonds Standard Secretariat as part of the certification process.

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

Bond Types: The different financial structures of bonds and other debt instruments which can be Certified under the Climate Bonds Standard & Certification Scheme. The term "bond" is used in this Standard to describe the debt instrument being considered for Certification whether that be structured as a bond or some other form of debt instrument:

- **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 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.
- **Other Debt Instrument:** other forms of debt instruments as per the latest version of the List of Debt Instruments on the Climate Bonds Initiative website at <http://www.climatebonds.net/standards/certification/types-of-bonds>.

Enabling the procedures prescribed by ISRS4400 to be used and avoiding confusion over eligibility of verifiers to use ISRS4400 if they are not primarily accounting firms.

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.

In this document, “shall” indicates a requirement; “should” indicates a recommendation; “may” indicates a permission; “can” indicates a possibility or a capability. “NOTE” is for guidance in understanding or clarifying the associated requirement.

Part A: Pre-Issuance Requirements

This Section of the Climate Bonds Standard sets out the requirements that apply to all Certified Climate Bonds prior to issuance of the bond. These requirements are designed to ensure that the Issuer has established appropriate internal processes and controls prior to issuance of the Certified 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, all requirements set out in this section shall be met.

1. Use of Proceeds

1.1. 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.

1.2. Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds or other labelled green bonds unless it is demonstrated by the Issuer that:

1.2.1 distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds or labelled green bonds

1.2.2 the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.

1.3. 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 which are owned by the Issuer.

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. Process for Evaluation and Selection of Projects & Assets

2.1. 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:

2.1.1. A statement on the climate-related objectives of the bond;

Note: A wide variety of climate-related objectives are possible for climate bonds. These can vary from increasing the installed capacity of low carbon assets, such as solar power

Headings aligned with GBP pillars

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 climate-related objectives of the bond, as stated by the Issuer, have implications for the reporting requirements under the Standard.

2.1.2. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.

2.2 The Issuer may also include under Clause 2.1 further aspects of the process, including:

2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental and social risks associated with the Nominated Projects & Assets.

2.2.2 how the information provided under Clause 2.1 is positioned within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.

2.2.3 any green standards or certifications referenced in the selection of Nominated Projects & Assets.

2.3. 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 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.

3. Management of Proceeds

3.1. 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:

3.1.1. 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.

3.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.2

3.1.3. 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.

4. Reporting Prior to Issuance

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

4.1.1. The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.

4.1.2. Where a proportion of the Net Proceeds of the bond are used for refinancing, an estimate of the share of the Net Proceeds used for financing and re-financing, and which Nominated Projects & Assets may be refinanced

Headings aligned with GBP pillars

Alignment with GBP 2017

4.1.3 The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 3.1.2.

4.1.4 The Verifier selected by the Issuer for the pre-issuance and any post-issuance engagements.

4.1.5. The intended approach to providing Update Reports and/or undertaking periodic Assurance Engagements during the term of the bond to reaffirm conformance with the Climate Bonds Standard.

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 any post-issuance Assurance Engagement which must be undertaken following issuance of the Certified Climate Bond. Periodic Assurance Engagements can be aligned with other financial auditing or sustainability assurance cycles to streamline Verifier and reporting activities.

Providing improved flexibility for issuers to reaffirm their conformance with the Standard during the term of the bond.

Part B: Post-Issuance Requirements

This Section of the Climate Bonds Standard sets out the requirements that apply to all Certified Climate Bonds after the issuance of the bond. Issuers seeking certification of bonds which have already been issued only need to meet the Post-Issuance Requirements.

Clarifying the situation for certification of existing bonds.

5. Use of Proceeds

5.1. The Net Proceeds of the bond shall be allocated to the Nominated Projects & Assets.

5.2. 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 C of the Climate Bonds Standard.

5.3. The Issuer shall allocate an amount equal to the Net Proceeds to Nominated Projects & Assets within 24 months of issuance of the bond or shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of funds to Nominated Projects & Assets. Funds may be reallocated to other Nominated Projects & Assets at any time during the term of the bond.

Providing an option for issuers to go beyond two years for allocation of proceeds if this is clearly disclosed in reports.

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

5.5. 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.

5.6. 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.

5.7. The Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects & Assets or the total 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 5.7

5.8. The Issuer of the bond shall continue to hold Nominated Projects & Assets which have Fair Market Value at least equal to the outstanding amount of the bond at that time.

5.8.1. 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 C of the Climate Bonds Standard and the bond's climate-related objective as set out in Clause 2.1.1.

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.

6. Process for Evaluation and Selection of Projects & Assets

6.1. 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:

6.1.1. a statement on the climate-related objective of the bond

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

6.1.3. other information provided under Clause 2.2.

7. Management of Proceeds

7.1. 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.

7.2. 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 3.1 and 3.1.3.

7.3. 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:

7.3.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or

7.3.2. 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

7.3.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.

7.4. 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 to Clause 7.3.

Headings aligned with
GBP pillars

Heading aligned with GBP pillars

8. Reporting

8.1. 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.

8.2. The Issuer shall make publicly available at least annually an Update Report.

Note 1: 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 Certified Climate Bond.

8.3. The Update Report shall include:

8.3.1. the list of Nominated Projects & Assets to which Net Proceeds have been allocated (or re-allocated);

8.3.2. the amounts allocated to the Nominated Projects & Assets;

8.4. The Update Report may include the expected outcomes of the Nominated Projects & Assets with respect to the climate-related objectives of the bond.

8.5. Where the expected outcomes are included in the Update Report, the Issuer shall:

8.5.1. use qualitative performance indicators and, where feasible or where required by relevant sector criteria, quantitative performance measures of the outcomes of the Nominated Projects & Assets with respect to the climate-related objectives of the bond

8.5.2. make publicly available the methods and the key underlying assumptions used in preparation of the performance indicators and metrics.

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 update report provided by the Issuer each year can be very concise, and simply restate the information from previous reports.

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 Certified Climate Bond.

Note 3: Examples of quantitative performance measures of the outcomes of Nominated Projects & Assets can include, but are not limited to: energy capacity installed, electricity generated, greenhouse gas emissions performance of buildings, number of passengers carried by public transport, number of electric vehicles manufactured, volume of waste water treated.

8.6. Where confidentiality agreements, competitive considerations or a large number of underlying assets 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.

Increasing the disclosure requirements for the issuer and using the new definition for Update Report.

Encouraging issuers to also disclose impacts

Efforts are underway to develop a consistent global taxonomy of green definitions. This initiative includes the European Commission, the People's Bank of China, European Investment Bank, other Multilateral Development Banks, Climate Bonds Initiative and other key stakeholders. The intention is to use the global taxonomy in the Climate Bonds Standard once it has been formalised. Depending on the timing of its availability, this will replace the Climate Bonds Taxonomy in version 2.1 of the Standard.

Part C: Eligibility of Projects & Assets

This Part of the Climate Bonds Standard serves 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 **Taxonomy of Green Definitions**. The taxonomy provides an overview of the mitigation and adaptation investment opportunities across the major sectors of the global economy. It serves as an initial screen for inclusions and exclusions for climate-related sectors. The Taxonomy is available on the Climate Bonds Initiative website: <http://www.climatebonds.net/standards/taxonomy>

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

At the time of publication of Version 3.0 of the Climate Bonds Standard (this document), seven Sector-Specific Criteria are available. These cover projects & assets in wind energy, solar energy, geothermal energy, marine renewable energy, low carbon buildings, low carbon transport, and water infrastructure. Further Sector-Specific Criteria are being prepared covering forests, bioenergy, hydro power, waste management and nature-based water assets.

9. Taxonomy of Green Definitions

9.1. Nominated Projects & Assets, as identified by the Issuer under Clauses 2.2 and 5.1, shall fall into one or more of the investment areas contained in the latest version of the Taxonomy of Green Definitions.

10. Technical Criteria

10.1. Nominated Projects & Assets shall meet the specific eligibility criteria provided in the latest version of the relevant Sector-Specific Criteria document

Note: All Sector-Specific Criteria 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 Criteria (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 Criteria relevant to that Nominated Project & Asset.

Part D: 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 current approach to assessing eligibility is that the sector-specific criteria must be met for all projects & assets. If suitable criteria is not yet available for particular projects & assets then the bond cannot be Certified under the Climate Bonds Standard.

There is an alternative approach being explored which would use sector-specific criteria where available, and rely on the Taxonomy of Green Definitions to assess the eligibility of projects & assets not yet covered by criteria.

Would this alternative approach impact on the integrity of Certification in the eyes of the market? Would this alternative approach increase the integrity of the green bond universe by expanding the range of projects & assets which would be considered eligible for Certification?

Updating the list of available criteria and those under development.

Same comment as above on the clause 9 bullet point

Same comment as above on the clause 10 bullet point

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 preparation of a Green Bond Framework by the issuer, verification by an Approved Verifier to assess conformance with the Pre-Issuance Requirements of the Climate Bonds Standard, and provision of certification documents.

2. Post-Issuance Certification: Assessment and certification of the bond, which must be undertaken after the allocation of bond proceeds is underway and within 12 months of issuance. This includes preparation of post-issuance updates, assurance from the Approved Verifier that the issuer and the bond conform with all of the Post-Issuance Requirements of the Climate Bonds Standard, and provision of certification documents.

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.

Programmatic Certification is also available for Issuers with large portfolios of Eligible Projects & Assets and programmes for issuance of multiple Certified Climate Bonds each year. This enables frequent issuers to have greater flexibility with respect to the timing and scale of issuing Certified Climate Bonds. Issuers using Programmatic Certification have a reduced verification burden during the certification and issuance process within their programme.

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 the certification process, including readiness assessments, assurance and certification decisions 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:

P1.1.1. Prepare a Green Bond Framework which describes how each of the requirements in the Climate Bonds Standard will be met by the Issuer for the relevant bond.

P1.1.2. Complete the Climate Bonds Information Form and submit the completed form to the Climate Bonds Standard Secretariat prior to issuance of the bond.

Clarifying the role of the Green Bond Framework document for issuers

P1.2. 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 and issuance of the Certified Climate Bond has occurred.

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 in order to seek feedback from the Climate Bonds Standards Secretariat.

Note 3: While acknowledging that some information is sensitive and not able to be disclosed publicly, the Climate Bonds Initiative will always encourage issuers to provide as much public information as is possible. This is in line with market best practice and will also enable bonds to be eligible for key market indices and green bond funds.

P2. Use of a Verifier Prior to Issuance

P2.1. Issuers seeking Climate Bond Certification and the use of the Climate Bond Certification Mark for 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 consider the Readiness Assessment Protocol provided on the Climate Bonds Initiative website 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.

P2.3. The Verifier's Report shall include a summary of how the Issuer and the proposed bond have conformed with each of the pre-issuance requirements of the Climate Bonds Standard.

P3. Applying for Pre-Issuance 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 Report, and an executed Certification Agreement. These documents shall be submitted to the Climate Bonds Standard Secretariat.

Clarifying that the Verifier's Report needs to provide a summary of how the bond meets the four Pre-Issuance Requirements: Use of Proceeds, Process for Project Evaluation & Selection, Management of Proceeds, Reporting.

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 post-issuance Verifier's Report has been submitted to the Climate Bonds Standard Secretariat and the Post-Issuance Certification is confirmed.

P4.2. An Issuer shall stop using the Climate Bond Certification Mark:

P4.2.1. Within one year of issuance, unless the Issuer:

P4.2.1.1 has received confirmation of post issuance certification from the Climate Bonds Standard Board; or

P4.2.1.2 is using Programmatic Certification as per Clause P9.

Note: The Climate Bond Certification at the pre-issuance stage is only valid for one year from the issuance of the Certified 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 completed 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. Verifier's Reports submitted to the Climate Bonds Standard Board shall be considered to be confidential unless the Issuer voluntarily discloses the Verifier's Report, or the Standards Board is required by law or national regulators to disclose the Verifier's 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 Verifier's Report.

Clarifying the time that an issuer can use the Pre-Issuance Certification

Some bonds are structured in a way that means there is no change at all between the pre-issuance and the post-issuance situations. In these cases, there is suggestion that the post-issuance verification process does not add to the integrity of the Certification. Should post-issuance verification be mandatory for all Certified Climate Bonds or should there be exemptions for bonds which have no ability to change between pre and post-issuance phases?

P5.3. An Issuer using the Climate Bond Certification Mark shall provide further information if requested by the Climate Bonds Standard Board.

P6. *Applying for Post-Issuance Climate Bond Certification*

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

P6.2. The Issuer shall supply the Climate Bonds Standard Board with an updated Climate Bonds Information Form 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. *Maintaining Certification of a Climate Bond*

P8.1. The issuer shall prepare and disclose Update Reports at least annually for the term of the bond, as prescribed in the post-issuance reporting requirements in Clause 8 of the Climate Bonds Standard, to maintain the Certification status of the bond. The Update Report shall be signed by an authorised officer of the issuer.

P8.2. The Issuer shall supply the Climate Bonds Standard Board with Update Reports through the Climate Bonds Standard Secretariat. Update Reports will be published on the Climate Bonds Initiative website.

P9. *Programmatic Certification*

P9.1. An Issuer may use the option of Programmatic Certification if the Issuer:

P9.1.1. Can identify a large portfolio of Eligible Projects & Assets which could cover issuance of multiple Certified Climate Bonds, and

P9.1.2. Has initiated a Programme to issue Certified Climate Bonds over multiple years and with at least two issuances planned per year ("the Programme").

P9.2. For the first issuance under the Programme, the Issuer shall follow the normal process for Climate Bond Certification as per clauses P1 to P7.

P9.3. For subsequent issuance under the Programme, the Issuer shall apply to the Climate Bonds Standard Board to receive Certification of the bond's conformance with

Clarifying the role of regular reporting by issuers to maintain the Certification. This is currently contained in the Certification Agreement in more detail.

the Climate Bonds Standard by:

P9.3.1. Prior to issuance, supplying the Climate Bonds Standard Board with a completed Climate Bonds Information Form and an executed Certification Agreement. These documents shall be submitted to the Climate Bonds Standard Secretariat.

P9.3.2. Following issuance, supplying the Climate Bonds Standard Board with an updated Climate Bonds Information Form through the Climate Bonds Standard Secretariat.

P9.4. Every year after the first issuance under the Programme, the Issuer must engage a Verifier to undertake an Assurance Engagement to confirm that the Issuer and the bonds issued under the Programme are in conformance with the Post-issuance Requirements of the Climate Bonds Standard.

P9.4.1. The subject matter considered by the Verifier shall include those requirements set out in the Post-Issuance Requirements section of the Climate Bonds Standard.

P9.4.2. The Issuer shall supply the Climate Bonds Standard Board with an updated Climate Bonds Information Form and the Verifier's Report through the Climate Bonds Standard Secretariat.

P10. Non-Conformance

P10.1. In cases of claimed breach of conformance with the Climate Bonds Standard, the Climate Bonds Standard Board may request a new Verifier's Report be prepared by a different Verifier as a condition of maintaining Certification under the Climate Bonds Standard.

P10.1.1. This Verifier's Report shall be submitted to the Climate Bonds Standard Board for review within six months of the initial request.

P10.1.2. No more than one Verifier's Report in any 12 month period shall be required to be provided by the Issuer following post-issuance certification.

P10.2. Where a Certified 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.

P10.2.1. The Climate Bonds Standard Board may suggest corrective actions for conformance to be restored.

P10.2.2. 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.

P10.3. Once Climate Bond Certification of a bond has been revoked by the Climate Bonds Standard Board, the Issuer shall:

P10.3.1. Not use the Climate Bond Certification Mark in association with the bond;

P10.3.2. Take all necessary steps to remove that bond from Climate Bond listings; and

P10.3.3. Inform the bond holders, relevant exchanges, and the Climate Bond market participants of the change in Climate Bond Certification status of the bond.

P10.4. 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 Verifier's Report to the Climate Bonds Standard Board for consideration in accordance with clause P4 and clause P5 above.

