

Summary of FAQs: Guide for Issuers on Green Bonds for Climate Resilience

Steps for Issuing a Green Bond	FAQs Related to Resilience	Summary Answers
Step 1: Select eligibility criteria	FAQ 1: Should I use externally defined eligibility criteria?	Issuers have full discretion to self-label and set their own criteria and processes. However, it is now rare to see green bonds that do not align with internationally recognised guidelines. Because many investors do not have the technical expertise or time to carry out extensive due diligence, they rely on the use of international standards to assess credibility.
	FAQ 2: What eligibility criteria are available for screening climate resilience investments specifically?	The Climate Bonds Standard and Certification Scheme, the Climate Bonds Climate Resilience Principles, GBPs, forthcoming EU Sustainability Taxonomy, MDB Joint Methodology for Tracking Climate Change Adaptation Finance, and the People's Bank of China's (PBOC) Green Bond Catalogue all include some level of guidance on eligibility criteria for adaptation and resilience.
	FAQ 3: Which eligibility criteria should I use?	There is a high degree of consistency between the approach to eligibility criteria across existing guidance, because of the process-based approach taken in all cases, except the GBPs and PBOC, which only provide high-level categories of eligible investments. Which guidance the issuer selects will in some part be determined by the jurisdiction in which they operate and/or are issuing.
	FAQ 4: How do I combine with other environmental and social objectives? Do I need to?	Investors are increasingly looking for products that contribute to not just one environmental or social goal, but a number of these goals simultaneously. Moreover, issuers should ensure that at a minimum, investments are not supporting or locking in assets that are harming other environmental or social objectives – with resulting damage to business reputations and operations. The most developed guidance on how to deal with multiple objectives is the EU Sustainability Taxonomy, but only cover a limited number of sectors. Many issuers will need to undertake their own DNSH assessments, using existing ESG assessment frameworks.
Step 2: Identify qualifying green projects and assets	FAQ 5: What counts as a climate resilience investment?	Two types of climate resilience related investment are consistently recognised: 1) Investments in assets or activities whose primary purpose is to deliver climate resilience benefits to the broader system; and 2) Investments aimed at adapting an asset or activity to climate change. Green Bonds for Resilience can be used for refinancing of prior investments in resilience as well as for financing new infrastructure or activities.
	FAQ 6: How do I identify resilience assets/activities/projects/loans in my portfolio/pipeline/balance sheet/stimulus package/spending plan?	For investments that adapt existing or planned infrastructure or other assets, an issuer must use robust climate projections and modelling to assess the physical climate risks and to justify that the investments reduce climate risks over the operating life of the assets/activities. For investments that lead to the adaptation of other activities, communities or systems, an issuer must go beyond the climate risk assessment and also quantify the adaptation benefits expected to result from the investment.

	FAQ 7: How do I ensure the climate risk assessment which forms the basis of the development of risk mitigation measures and associated investments is appropriate?	While there are numerous available tools for conducting climate risk assessments, specific enough guidance on how green bond market participants can use these are still being developed. Most issuers will likely need external support to carry out the assessment given the technical expertise required. Issuers can also reference regional, national, and local climate projections and risk assessments.
	FAQ 8: What expenses can I count? Just adaptation costs or broader? How do I work out those adaptation specific costs when integrated into a project?	In the case of an economic activity that enables adaptation of other activities, or system-level adaptation, the entire cost of the activity is eligible. In the case of an adapted economic activity, only the costs of adaptation can be counted, not the revenues and/ or expenditure associated with the whole activity. For example, a project involving the retrofitting of a building to withstand more intense hurricanes or flood risk would count, but the cost of the building itself would not.
	FAQ 9: What if I don't have enough resilience pipeline to get to the scale needed for a bond?	A resilience-related green bond does not need to be matched with 100% A&R assets and can include other suitable assets that meet mitigation goals. The minimum bond issuance size typically required by the majority of institutional investors can be a hurdle. To achieve sufficient issuance size, or if adaptation needs are fulfilled through small-scale resilience projects – aggregation mechanisms to bundle individual projects can be an effective solution.
Step 3: Develop Green Bond Framework	FAQ 10: What evidence do investors look for to reassure them of the resilience credentials?	Investors will likely look to the green bond framework to ascertain the credentials of the bond. The green bond framework should clearly articulate: 1) Adherence to credible guidance/ eligibility criteria (per the FAQs above); 2) Independent review of that (per FAQ 11); and 3) Ongoing monitoring of climate risks and benefits. Issuers should also plan for additional roadshow efforts to engage existing and new investors about the specifics of the resilience components in their green bond framework.
Step 4: Arrange Independent Verification	FAQ 11: Where do I find expertise for reviewing resilience credentials of my green bond framework?	Certifying against the Climate Bonds Initiative's Standard and Certification Scheme is considered best practice, and 25% of the labelled green bond market is Climate Bonds Certified. Second Party Opinions are also a popular option whereby independent verification is conducted by qualified parties such as auditors to verify the green bond framework, underlying asset sustainability or issuers' claims. Issuers should seek consultants that are well-versed in adaptation and resilience methodologies and tools.
Step 5: Set up tracking and reporting	N/A	The considerations for this step are not over and above those required for conventional green bonds. See the previous sector for more details.
Step 6: Issue Bond	FAQ 12: How should I label my bond?	Regardless of the label, what is critical is that the bond delivers on climate resilience needs and goals and investors are confident of that - this is at the heart of attracting green/ sustainable investors. Advantages of a resilience label are mostly around marketing and bringing visibility whereas disadvantages are around the potential to create market confusion, fragmentation and limiting your bond from having both adaptation and mitigation investments.
	FAQ 13: How do I attract investors who don't understand resilience to be interested?	If a green bond is aligned with international guidelines and an independent review has been conducted, it is very likely to attract mainstream investors who increasingly recognise the importance and validity of investing in climate resilience. Mainstream investors have developed trust in and familiarity with the green

		bond market, so by adhering to the prevailing green bond guidelines and practices, and where possible, certification – investors are likely to come.
	FAQ 14: Can I access concessionary capital for financing resilience bonds?	While issuing green or resilience bonds does not necessarily lead to access to blended finance, it significantly improves the probability of matching with blended finance objectives. By carrying out a robust process for selection of resilience projects for a green bond, issuers are able to demonstrate their impacts on resilience goals, which can also be used for accessing public sector finance and blended finance products and facilities.
Step 7: Regularly Report	FAQ 15: What are the minimum requirements in post-issuance reporting?	The Green Bond Principles state that issuers should publicly disclose up to date information on the allocation of use of proceeds annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.
	FAQ 16: What is the best practice in post-issuance reporting?	Resilience related bonds need to be able to demonstrate impact and how investments are contributing to resilience outcomes. Moreover, impact reporting for adaptation and resilience projects is critical given the uncertainty in climate projections and the evolving nature of climate hazards, exposures and vulnerabilities, and changing opportunities and needs for resilience benefits. The CRPs provide guidance and require that issuers undertake ongoing monitoring of climate risks and benefits. ICMA also provides guidance in recently published <i>Suggested Impact Reporting Metrics for Climate Change Adaptation Projects</i> , which includes example indicators for reporting on the impact of adaptation related bonds ¹ .

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Suggested-metrics-for-Climate-Adaptation-projects-with-Reporting-Templates-December-2020-151220.pdf>