SUMMARY OF MAIN CHANGES FROM CBS v4.0 to v4.1

1. New Paragraph under the "Approved Verifiers" section

Special Provisions relating to Regulated Entities

Certain types of regulated entities, such as Credit Rating Agencies or other regulated organisations which provide external review services, may apply to become Approved External Review Providers, provided they are subject to publicly disclosed regulatory frameworks and otherwise meet the professional competence requirements of the Standard. Such firms may opt to issue External Review Reports in accordance with their internal processes and procedures which will have been assessed by the Climate Bonds Initiative and the Climate Bonds Standard Board as equivalent to internationally accepted assurance standards.

Firms applying for the Approved External Review Provider status must submit sufficient documentation on their internal processes and procedures to the Climate Bonds Standard Board, via the Climate Bonds Secretariat, to enable this assessment to be made.

In the context of the Standard, the term Approved Verifier will be understood to include Approved External Review Provider and the term Verification Report will be understood to include an External Review Report issued by an External Review Provider.

Existing Climate Bonds Approved Verifiers who meet the relevant criteria may apply to change their status to Approved External Review Provider.

2. New paragraph at the beginning of the section "Overview of Use of Proceeds and Asset Certification"

For Use of Proceeds Certifications, the net proceeds of the instrument must be allocated to any of the following:

a. Projects and assets that are fully eligible under the relevant Sector Criteria applicable at the time of certification, or

b. Projects and assets, up to a maximum of 5% in accordance with paragraph A.3.1.3., which do not fully satisfy the Sector Criteria but meet the conditions of paragraph A.3.1.5., or

c. Eligible R&D expenses in accordance with paragraph vii below.

Asset Certification requires that all projects, assets and portfolios of assets are fully eligible under the relevant Sector Criteria.

3. Updated Definition of R&D in the section "Overview of Use of Proceeds and Asset Certification"

vii. Eligible R&D expenditure:

a. Any early or later stage expenditure relating to the research, applied research and *experimental development of solutions, processes, technologies, business models and other products dedicated to the substantial reduction, avoidance or removal of GHG emissions for which the ability to substantially reduce, remove or avoid GHG emissions has been demonstrated in a relevant environment, corresponding to at least Technology Readiness Level (TRL)6[1].*

b. *For the avoidance of doubt, this includes expenditure related to research, applied research and experimental development, to bring the solution, process, technology, business model or other product through TRLs 1-5. In addition, funds or subsidy schemes incentivising early stage R&D (TRL1 to TRL5) may be considered eligible if aiming to bring the solution, product or technology to TRL6.*

c. *Substantial reduction, removal or avoiding GHG emissions requires the R&D to:*

   1) *Provide research, development or innovation for technologies, products or other solutions that enable an economic asset or activity to meet the respective Sector Criteria under the Climate Bonds Standard; or*

   2) *Aim to bring to market a solution that is expected to have a substantially better performance in terms of life-cycle GHG emissions than best commercially available technologies based on public or market information or which substantially improves their technological and economic feasibility in order to facilitate their scaling up.*

d. *TRL6 or above must be demonstrated as follows:*

   (1) *TRL6 requires that the technology is fine-tuned to a variety of operating conditions, the process is reliable, and the performances match the expectations, interoperability with other connected technologies is demonstrated, the manufacturing approach is clearly defined, and that all environmental, regulatory and socio-economic issues are addressed.*

   (2) *Where the researched, developed or innovated technology, product or other solution is at TRL 6 or 7, life- cycle GHG emissions are evaluated in simplified form by the entity carrying out the research. The entity demonstrates one of the following, where applicable: (a) a patent not older than 10 years associated with the technology, product or other solution, where information on its GHG emission reduction potential has been provided; (b) a permit obtained from a competent authority for operating the demonstration site associated with the innovative technology, product or other solution for the duration of the demonstration project, where information on its GHG emission reduction potential has been provided.*

   (3) *Where the researched, developed or innovated technology, product or other solution is at TRL 8 or higher, life- cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018 and are verified by an independent third party.*

e. *Where the R&D expenditure relates to products, solutions or activities for which Climate Bonds has not yet developed Sector Criteria, the eligibility will be individually assessed on a case-by-case basis. In making such assessments, Climate Bonds may rely on independent expert reports or opinions.*

f. *R&D expenditure must be continually assessed by the Issuer to ensure that the relevant*

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[1] *In line with Annex G of the General Annexes of HORIZON 2020 WORK PROGRAMME 2016 2017, p.29 (version of 4.6.2021: https://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2016-2017/annexes/h2020-wp1617-annex-ga_en.pdf).*

climate-related goals are being achieved. The results of the assessment must be disclosed in the annual Update Report in accordance with paragraph A.3.4.

g. All R&D expenditure must be independently verified by a Climate Bonds Approved Verifier at least on an annual basis until the related technology reaches TRL6 or higher.

4. New paragraphs A.3.1.2 to A.3.1.5 after paragraph A.3.1.1.

A.3.1.2. All Nominated projects and assets must meet the documented objectives of the debt instrument as set out in the Issuer's Green Finance Framework.

A. 3.1.3. Issuers must allocate at least 95% of the net proceeds of the debt instrument to projects and assets that meet the Sector Criteria requirements of the Standard.

A.3.1.4. For any part of the net proceeds that finance projects and assets that do not fully satisfy the Sector Criteria requirements (up to 5%), the Issuer must provide detailed disclosures in the Green Finance Framework.

A.3.1.5. Any Nominated Projects and Assets which do not fully satisfy the Sector Criteria may be considered eligible if they meet all of the following conditions:

i. They must relate to sectors for which Climate Bonds has not yet developed Sector Criteria; and

ii. They must fall under any of the Green Project categories listed in the ICMA Green Bond Principles or the ICMA Social Bond Principles; and

iii. The Verification Report opinion must confirm their alignment with the ICMA Green/Social Bond principles

iv. They must not relate to any of the following excluded activities:

- *The exploration, extraction or transportation of proven conventional or unconventional fossil fuel reserves.*
- *Natural gas production.*
- *Refining crude oil to produce derivative products.*
- *The supply and/or use of fossil fuels for power generation and heat.*
- *Conversion or fragmentation of high-carbon-stock land or unsustainable operations on high-carbon stock land leading to the loss of its status as high-carbon stock land.*

5. New paragraph A.3.4.8.iii (Eligibility Reporting Contents)

Where the issuer has made use of the 5% flexibility pocket in accordance with paragraph A.3.1.3, the percentage of the use of proceeds allocated to, and a detailed description of, the Nominated projects and assets which do not fully satisfy the Sector Criteria.