

THE FORESTRY CRITERIA

Climate Bonds Standard



What are the Forestry Criteria?

These Criteria lay out the requirements that forestry assets and projects must meet to be eligible for [Climate Bonds Certification](#). The bond must also meet the overarching [Climate Bonds Standard](#) to receive Certification.

The Forestry Criteria covers plantations, sustainable managed forests, non-timber forest products, supply chain and conservation and restoration. This note is an overview of the Criteria – for full details [see the Criteria document](#).

What underpins the Criteria?

The guiding principle is that certified assets and projects must be in line with limiting warming to 2°C and support climate resilience of the asset and surrounding environment.

Why certify a Forestry Bond with the Climate Bonds Standard?

Certification allows issuers to demonstrate to the market that their bond meets industry best practice for climate integrity, management of proceeds and transparency.

Forestry has not yet made up a significant share of the green bond market, and while best practice standards do exist in the sector, they do not necessarily focus on strong climate measures. Therefore, certification indicates to investors that proper climate and environmental due diligence has been done on the assets they are investing in – a robust and credible way for this new asset type to enter the green bond market.

Other benefits of issuing a Certified Climate Bond include: investor diversification (forestry issuers should find they attract new investors by certifying), greater investor engagement, investor stickiness (investors buying Certified Climate Bonds tend to buy and hold), strengthened

reputation (certifying shows commitment to delivering low carbon infrastructure) and a freeing up of balance sheets.

How will the Criteria assist in growing the green bond market?

The Forestry Criteria indicate to potential issuers and the market what types of assets and projects can be included in green bonds. They define what low-carbon and climate resilient forestry projects and infrastructure are.

LAND CONSERVATION & RESTORATION CRITERIA

Land conservation and restoration is also covered by these Criteria. See the [Land Conservation & Restoration](#) summary for more details.

Will your project meet the Forestry Criteria? It's as easy as 1 2 3

STEP 1

Comply with the overarching Climate Bonds Standard

Any bond issuance seeking Climate Bonds Certification must meet the requirements of the [Climate Bonds Standard](#). This underlines every Climate Bonds Sector Criteria, including the Forestry Criteria.

The Climate Bonds Standard contains disclosure, management and reporting requirements.

STEP 2

Comply with mitigation component

The mitigation component applies to all types of forestry; plantation forestry, sustainable forest management, non-timber forest products (NTFP), smallholders, forest conservation & restoration and supply chain. However, the requirements differ depending on the type of forestry being practiced. This is explained in the table overleaf.

The mitigation component requirements includes no natural land conversion, being best practice certified, having a management plan, maintaining forest cover or increasing forest cover.

STEP 3

Comply with adaptation & resilience component

Complete checklist to show:

1. Climate change related risks to the asset are understood
2. There is a plan to mitigate, adapt and improve resilience to the climate change risks identified
3. Climate change risks and the corresponding plan to mitigate, adapt and improve resilience will be re-evaluated periodically

For most issuers, proving compliance with this checklist will be a matter of pointing to the adaptation plan, Environmental Impact Assessment or compliance with national regulations.



		Plantation forestry	Sustainable forest management	Non-timber forest products (NTFP)	Forest conservation & restoration	Conservation & restoration of other non-forested land	Supply chain activities
Mitigation Component	No natural landscape conversion	✓	✓	✓ X	X	X	X
	Carbon stocks are maintained through good management practices	✓	✓	✓	✓	✓	✓
Resilience Component	Impacts that climate change may cause to the resilience of the forest, land or surrounding ecosystem are understood and mitigated	✓	✓	✓	✓	✓	✓
	General health of the forest is maintained through good management practices	✓	✓	✓	✓	✓	✓
FPIC Component	Free, prior and informed consent is applied	✓	✓	✓	✓	✓	✓

✓ Requirement applies X Requirement does not apply ✓ X Requirement applies in some scenarios

The Criteria apply to all forestry types and most supporting infrastructure

A diverse range of forestry projects exist covering anything from commercial plantation forestry to conservation or restoration forestry.

Whatever the type of forestry, clear climate-mitigating and climate-resilience opportunities exist in the forestry sector. This includes obvious benefits such as carbon sequestration and reduced deforestation, as well as more indirect benefits such as soil and water conservation.

This diverse array of projects means the criteria must be flexible yet also cover all necessary bases for promoting low-carbon

forestry assets and projects. This means including enabling supply chains, having differing requirements for smallholder forestry and promoting best-practice certification.

Why the three components: Mitigation, Adaptation & Resilience and FPIC?

For a project to satisfy the Forestry Criteria it must comply with all three steps: the mitigation component, adaptation & resilience component and the FPIC component.

This gives investors confidence in the climate credentials of the underlying assets they are investing in.

Developed by leaders in the forestry sector

Climate Bonds Initiative convened two groups, a Technical Working Group (TWG) and an Industry Working Group (IWG), to develop the Forestry Criteria.

We worked closely with the TWG to develop these Criteria based on their expertise. The IWG provided feedback on the Criteria proposed. Across the two groups there was representation from current market leaders in the academic, NGO, issuer, investor and verifier worlds – full membership details can be found on [our website](#).

Technical Working Group and Industry Working Group members include:



Full member list can be found on our [website](#).

Further information sources

Want to Certify, or just know more? Take a look at these documents:

- 1. The Forestry Criteria Document** full requirements of the Criteria
- 2. The Forestry Background Paper** full details of the TWG and IWG discussions
- 3. Climate Bonds Standard** full requirements of the Climate Bonds Standard

For more information:
Go to www.climatebonds.net
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