

# AGRICULTURE CRITERIA

## Climate Bonds Standard



### Why have an Agriculture Criteria?

#### Agriculture and Climate Change:

- Agriculture and forestry can play a crucial role in achieving global decarbonisation targets.
- In 2014, the IPCC estimated that these two sectors account for approximately a quarter of anthropogenic emissions.
- The implementation of sustainable agricultural practices is necessary for the industry to successfully reduce emissions, adapt to changes in weather patterns, and withstand the pressures placed on food security by population growth.
- Simultaneously, limiting deforestation and forest degradation is imperative to ensure that forests act as a net carbon sink rather than a GHG emitter.

#### Investment need:

- Estimates suggest that between USD 7 billion and 7.6 billion are required per year for adaptation measures in the Agriculture, Food and Forestry sectors.
- Despite the need for more finance flows directed towards addressing climate impacts in these sectors, it accounts for USD37.3bn or just over 3% of the climate-aligned bond universe.

### Eligible Use of Proceeds

Eligible use-of-proceeds relating to agriculture production systems might include capital and operating expenditure relating to

- 1. Inputs** (e.g. land, seeds, fertilizer, energy, information),
- 2. Capital goods** (e.g. land, equipment, housing),
- 3. Crop-based transformation processes** (e.g. crop cultivation and planted trees)
- 4. Agricultural outputs** (e.g. grains, vegetables, fibre) waste management (composting, manure, crop residue processing, recycling), and
- 5. Primary processing and storage** before point of sale.

And in broad terms, eligible use-of-proceeds relating to supporting activities generated outside of the production system that enable mitigation or climate adaptation and resilience on production systems can include a variety of capital and operating expenditure associated with the provision of the qualifying product or service.

### Framework

The Criteria vary according to the bond's use-of-proceeds as follows:

- Use-of-proceeds relate to the whole agricultural production unit.
- Use-of-proceeds relate to a component of the agricultural production unit or a specific intervention in the agricultural production unit.
- Use-of-proceeds relate to activities outside of a production unit that enable production entities to reduce GHG emissions/ increase sequestration or enhance their climate adaptation and resilience.

Bond issuers should determine which of these categories their use-of-proceeds fall into and use the appropriate Criteria accordingly.

For each of these categories, the Criteria encompass eligibility requirements relating to:

- GHG mitigation; and / or
- Climate adaptation and resilience.

Special provisions to demonstrate compliance are set out where the use-of-proceeds are allocated to a large number of separate producer units. Specifically, where proceeds are allocated to over 50 producers, with single producers not being allowed to represent more than 20% of the portfolio and with the maximum concentration of the top five producers not exceeding 35%.

## Scope

### In Scope

#### Perennial and non perennial crop production

##### Production unit

Including inputs, capital goods, production, outputs, waste management, and primary processing or storage before point of sale

Associated conservation areas

##### Non production unit

Products and services for mitigation or adaptation and resilience for crop production

### Out of Scope

#### Supply chain

- Production and transport of purchased farm inputs
- Secondary processing or storage
- Distribution, packaging, handling and other logistics
- Wholesale and retail markets
- Controlled environment agriculture
- Livestock production

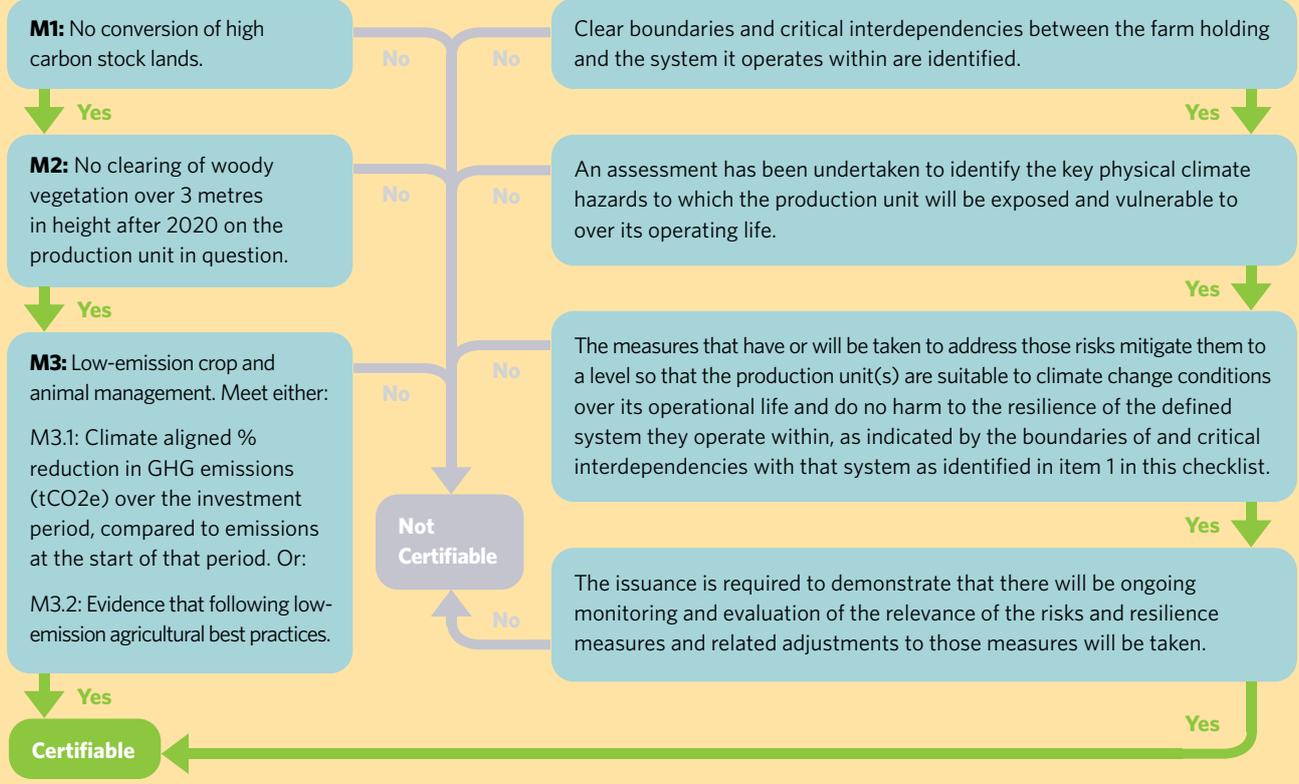


### Criteria for Assessing Agricultural Production Unit

If you are certifying a bond that is financing the **whole agricultural production unit**. You must meet both the mitigation and adaptation and resilience criteria.

#### Mitigation Criteria

#### Adaptation and Resilience Criteria

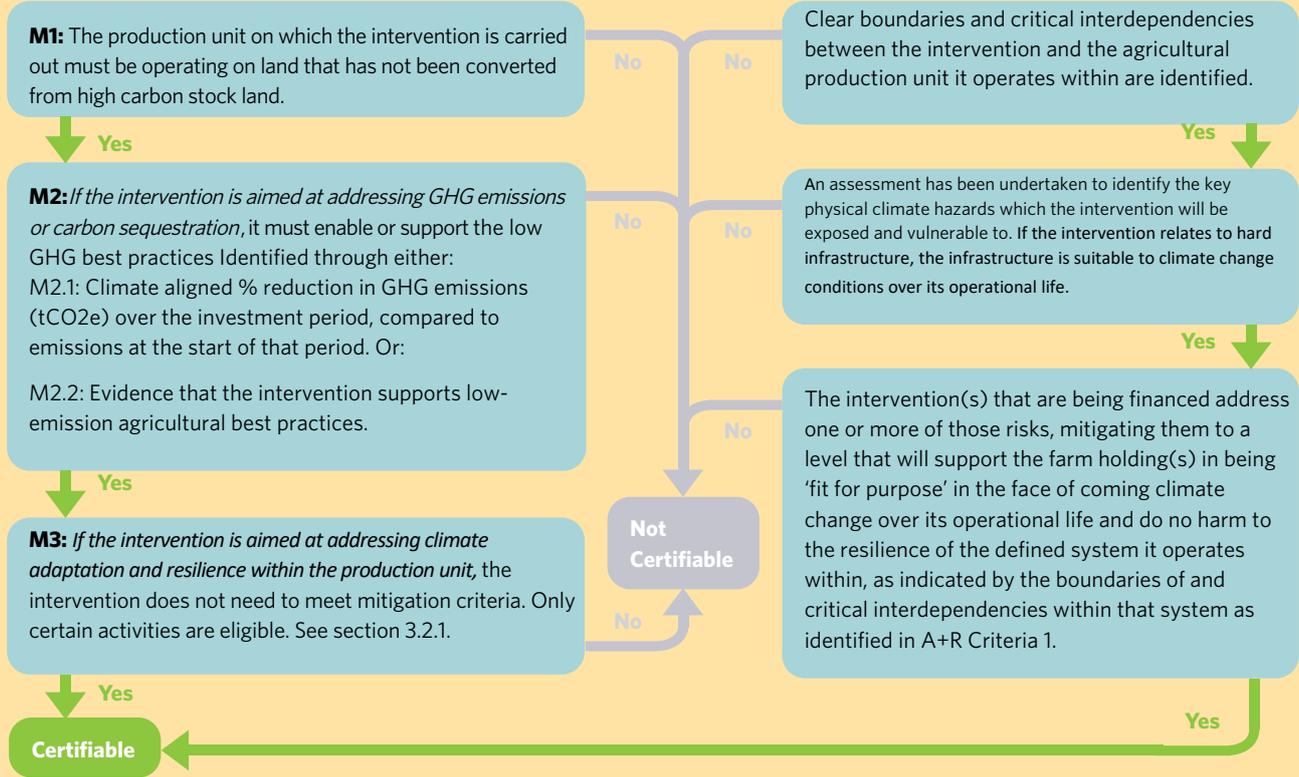


### Criteria for assessing specific interventions within the agricultural production unit

If you are certifying a bond that is financing **specific interventions within agricultural production unit(s)**, you must meet both the mitigation and adaptation and resilience criteria.

#### Mitigation Criteria

#### Adaptation and Resilience Criteria





### Criteria for assessing supporting activities outside of the production unit

If you are certifying a bond that is financing **supporting activities outside of the production unit**, you must meet **both** the mitigation and adaptation and resilience criteria.

#### Mitigation Criteria

**M1:** If the activity (and resulting product or service) is aimed at enabling GHG emissions reductions or carbon sequestration in third party agricultural production units, it is not subject to any mitigation criteria. Only the following activities are eligible:

- Activities that enable the measurement, monitoring, reporting and verification of emissions reductions.
- Research and development of ruminant feed that reduces methane emissions.
- Research on alternative meat and dairy products.
- Training in one of the approved best practices.

Yes

**M2:** If the activity (and resulting product or service) is aimed at enabling climate adaptation and resilience in third party agricultural production units, it is not subject to any mitigation criteria. Only the following activities are eligible:

- Development of climate change resistant seeds.
- Information technology and information services.
- Training in climate adaptive and resilient agriculture.

Yes

Certifiable

#### Adaptation and Resilience Criteria

The product(s) or service(s) should not substantially increase the impacts of material physical climate risk when applied on-farm.

Yes

The product(s) or service(s) do not/will not cause significant harm to the resilience of or the wider ecosystems.

Yes

No

No