



CLIMATE BONDS STANDARD

Version 4.0

Draft for Public Consultation

6th Sep 2022

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PART A: INTRODUCTION

1. Climate Bonds Initiative

The Climate Bonds Initiative (Climate Bonds) is an international investor-focused not-for-profit organisation working to mobilise global capital for climate action. It was founded in 2010 to promote large-scale investments that will deliver a low-carbon and climate-resilient global economy. Climate Bonds seeks to mobilise investors, industry, and government to catalyse green investments at the speed and scale required to avoid dangerous climate change and meet the goals of the Paris Climate Agreement.

To support the growth of a market for climate capital, Climate Bonds developed the Climate Bonds Standard and Certification Scheme (the Scheme) in 2014. This is a voluntary labelling scheme for bonds and other debt instruments and, more recently, for green assets and transitioning entities that allows investors, governments, and other stakeholders to identify and prioritise ‘low-carbon and climate resilient’ investments and avoid ‘greenwashing’. The overarching aim of the Scheme is to provide gold-standard labelling that helps to drive the global financial markets towards investments consistent with the goal of the Paris Climate Agreement to limit warming to 1.5°C. Since the Scheme launched in 2014, Climate Bonds have certified over USD250bn of Use of Proceeds (UoPs) Green Bonds.

As the green finance markets are continuing to grow at an exponential pace, investors with limited capacity to assess green credentials look to standardised labelling to support decision making. The Climate Bonds Standard provides the much needed trust and confidence that the green-labelled investments will indeed be directed to projects and assets that are in line with the Paris Climate Agreement. The Scheme is used by institutional investors, bond issuers, governments, and financial markets globally to apply due diligence on claims that investments contribute to addressing climate change. Rigorously developed scientific criteria underpin the Scheme and independent assessment of the labelled bonds is then provided by a network of licensed verifiers.

An international Climate Bonds Standard Board comprised of large institutional investors and leading environmental NGOs provides ongoing oversight of the Climate Bonds Standard, Approved Verifiers, the Certification Scheme as well as decisions on Certifications. Day-to-day operations and decision making is delegated to the Climate Bonds Standard Secretariat.

Climate Bonds also provides research services to its partners who subscribe to data and analyses on global green bond issuance to support their investment decision making. Climate Bonds is also globally active in policy engagement, working closely with governments and regulators to develop supportive policy frameworks that facilitate the flow of capital to credible climate solutions.

2. Certification under the Climate Bond Standard v4

The Climate Bonds Standard is an authoritative climate change standard that eases decision-making and focuses attention on credible climate change solutions in the debt capital markets. The Certification Scheme (the Scheme) comprises the overarching **Climate Bonds Standard Version 4.0** (this document), the **Sector Eligibility Criteria**.

Climate Bonds employs rigorous science-based criteria to define which projects and assets are consistent with achieving the goals of the Paris Climate Agreement and therefore eligible for inclusion in a Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument. The Certification Scheme includes robust requirements for monitoring, reporting and assurance of conformance with the Climate Bonds Standard.

The Scheme aims to provide the green finance markets with the trust and assurance required to achieve scale. Enabling the mainstream debt capital markets to finance and refinance climate-aligned projects and assets is critical to achieving international climate goals, and the robust labelling of green bonds and green loans is a key requirement for that mainstream participation.

The Scheme relates exclusively to the climate attributes of green investments and does not specifically address any other aspect of investment decision-making such as compliance with national or international laws and/or regulations, social or governance attributes, or creditworthiness.

The Climate Bond Certified Mark “Certification Mark” is used to designate Certified Climate Debt Instruments, Certified Assets, Certified Sustainability Linked Bonds and Certified Entities.

The Scheme has historically been based on eligibility criteria for use-of-proceeds across the green sectors (renewable energy, buildings, transport, water infrastructure, waste management, forestry and agriculture sectors). However, Climate Bonds has always recognised the importance for all sectors of the economy to go green. As of 2022 Climate Bonds is expanding the range of sectoral criteria to a number of high-emitting sectors, usually called the transition sectors, starting with cement, chemicals, hydrogen and steel.

Related to this expansion to transition sectors, and a fundamental change from Standard Version 3 to Standard Version 4 (this version) has been the expansion of certification to include Entities and Sustainability Linked Bonds (SLBs). The eligibility requirements for Entities and SLBs require an assessment of company-wide transition Key Performance Indicators (KPIs), Performance Targets (PTs) and Transition strategies, irrespective of any associated financing instrument.

For investors, certification reduces the burden of having to make subjective judgements during their due diligence on the green attributes of green-labelled investments.

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

The Certification Scheme is based on the following pillars:

1. Sector criteria for determining the low-carbon and climate-resilient credentials of projects and assets.
2. An assurance framework with independent approved verifiers and consistent procedures.
3. Oversight by the independent Climate Bonds Standard Board.
4. Reporting requirements in accordance with international best practices.

Resources for the user of the Scheme

1. Documents for using the Standard: <https://www.climatebonds.net/certification/resources>
2. Climate Bonds Initiative website: <https://www.climatebonds.net>
3. Contact email for Certification team: certification@climatebonds.net

3. Definitions

Approved Verifier (Verifier): An independent third-party assurance provider or auditor, approved by the Climate Bonds Standard Board and is listed on the Climate Bonds Initiative website as an Approved Verifier. Only Approved Verifiers are authorised by the Climate Bonds Standard Board to issue verification opinions in relation to a certification application in accordance with the Climate Bonds Standard.

Assessed Entity. The entity or part thereof which is being assessed for inclusion in the Scheme. This is further defined in PART D.

Bond is used in this Standard to describe any debt instrument being considered for Certification whether that be a bond, a loan or some other type of debt instrument.

Certification Agreement: A legal agreement which must be executed by the Issuer and submitted to the Climate Bonds Standard Board as part of the Certification Process. The Certification Agreement is available from the Climate Bonds website and includes terms and conditions for use of the Certification Mark.

Certification Mark: The certification logo designating a Certified Climate Bond or Certified Climate Loan or Certified Climate Debt Instrument that Issuers may use once they have obtained 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.

Certification Scheme: A scheme developed by Climate Bonds for awarding the Climate Bonds Certification label to green finance instruments, green assets and green entities. The Scheme consists of the Climate Bonds Standard and the sector-specific criteria.

Certified Debt Instrument: Any green debt instrument certified by the Climate Bonds Standard Board Secretariat as meeting the requirements of the Climate Bonds Standard. The Issuer of a Certified debt instrument may only use the Certification Mark in relation to the specific debt instrument. A green loan or green bond may take the form of one or more tranches of a bond or loan facility. In such cases, the green tranche(s) must be clearly designated.

Climate Bonds 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. The Climate Bonds Information

Form is available from the Climate Bonds Initiative website. The form is used and updated throughout the Certification Process

Climate Bonds Initiative (Climate Bonds): Climate Bonds is a company limited by guarantee and a charity registered in England. It is an independent not-for-profit organisation dedicated to mobilising global capital to deliver climate action.

Climate Bonds Standard (CBS): A robust framework based on international best practice in green finance which defines the processes to be followed and sector-eligibility criteria that must be met to achieve Climate Bonds Certification. The current version of the Climate Bonds Standard is published on the Climate Bonds website.

Climate Bonds Standard Board: A board of independent members that approves the Standard, Sector Eligibility Criteria and considers applications for Certification under the Climate Bonds Standard and for the approval of new Verifiers. 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: Consists of the Climate Bonds Certification Team and the Climate Bonds Standards Team. The Certification Team manages the day-to-day interaction with issuers, verifiers and other stakeholders. Enquiries can be sent via email to certification@climatebonds.net. The Standards Team drives the process for the development and maintenance of Sector Eligibility Criteria.

Disclosure Documentation: Documentation associated with the issuance of a bond, loan or other debt instrument; that is prepared before a bond, loan or other debt instrument is issued or entered into; and is made available to potential investors. For bond issuance this documentation is usually required by the relevant financial regulatory body in the jurisdiction where the bond, loan or other debt instrument is being offered and may include items such as a prospectus, term sheet, offering, indenture contract, official bond statement, or legal documentation. In some jurisdictions this also includes marketing materials for the deal.

Entity: A Legal entity providing goods and services in the real economy or a segregated segment thereof. May or may not include other controlled entities (subsidiaries).

Green Bond Framework: Information provided by the issuer which describes how the requirements in the Climate Bonds Standard will be met by the issuer for the relevant bond, loan or other debt instrument, or program of bonds, loans or other debt instruments.

Green Debt Instrument: A Green Bond, Green Loan or other Debt Instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects, and which is aligned with the four core components of the Green Bond Principles or the Green Loan Principles.

Issuer: The organisation issuing the bond or other certified debt instrument; or the borrower and other obligors taking out the loan or other debt instrument, or the financial institution receiving designated deposits.

Investment Exposure: Actual amounts invested/to be invested in eligible projects or assets under Section B, Clauses 2.1.1 and 2.2.1.

Key Performance Indicator: The indicator used to define what will change. KPIs should be "material to the issuer's core sustainability and business strategy and address relevant environmental, social and/or

governance challenges of the industry sector and be under management's control. Examples include greenhouse gas emissions, energy consumption, proportion of renewable energy used.

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. This term is usually defined by convention within the relevant jurisdiction. It is sometimes called Fair Market Value, Market Value, or Fair Value, depending on the context.

Net Proceeds: The amount equal to the gross proceeds of the bonds, loans, or other debt instruments minus issuance costs.

Nominated Projects and Assets: Eligible Projects and Assets that are associated with the bond, loan, or other debt instrument. These projects or physical assets may be existing, under construction or yet to be deployed.

Non-Assessed Segment: Any company or subdivision of the controlling Parent Group which are outside the boundary of an Assessed Entity as defined in D.2.2.

Parent Company/Group: a company is considered as a parent company of another entity if it holds a majority of the voting rights in the entity, or has the right or the power to otherwise exercise dominant influence or control over the entity. A Parent Group consists of all the companies that the Parent Company has a controlling interest in or can exercise a dominant influence over.

Retroactive Certification: Certification awarded for bonds, loans or other debt instruments which have already been issued or closed. In these cases, issuers need to meet both the Pre and the Post-Issuance Requirements of the Standard.

Sector Eligibility Criteria: sector-specific definitions for the eligibility of specific projects and assets under the Climate Bonds Standard.

Sustainability Linked Bonds (SLBs): Proceeds of SLBs are usually intended for general purposes and are considered transition finance. The transition angle comes from the issuing entity making forward-looking commitments to future delivery of sustainability outcomes, often in the form of company level Key Performance Indicators (KPIs). In some cases, the cost of capital is linked to achievement of those KPIs. By tying the cost of financing to sustainability KPIs, entities can be incentivised to decarbonise.

Sustainability Performance Targets / Performance Targets (SPTs / PTs): Related to the KPIs and used to define the measurable change that is intended to be achieved. The International Capital Market Association (ICMA) notes these should be ambitious and "represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory".

Update Report: A document prepared by the issuer that confirms the ongoing conformance of the issuer and the relevant bond, loan or other debt instrument, or program of bonds, loans, or other debt instruments with the Post-Issuance Requirements of the Climate Bonds Standard.

Use of Proceeds Bonds: the allocation of proceeds of the bonds is allocated to specific environmentally or socially beneficial projects, assets activities, or expenditures.

Verification Report: A report prepared by the Verifier, addressed to the Issuer, and provided to the Climate Bonds Standard Secretariat as part of the Certification Process.

4. Sector Eligibility Criteria and Eligible Projects and Assets

This part of the Climate Bonds Standard serves to determine the eligibility of specific projects and assets that, for the purposes of this Climate Bonds Standard, can be regarded as contributing to the rapid transition to a low carbon and climate resilient economy in line with the goals of the Paris Climate Agreement.

The Climate Bonds Taxonomy represents the high-level roadmap for the relevant sectors. It is an overview of the mitigation and adaptation investment opportunities across the major sectors of the global economy and serves as an initial screen for inclusions and exclusions for climate-aligned sectors. The Taxonomy is not however sufficient to assess the climate credentials of investments under the Climate Bonds Standard.

Compliance with the Climate Bonds Standard requires compliance with the detailed sector criteria, contained in the Sector Eligibility Criteria documents available on the Climate Bonds Initiative website.

The criteria are science-based, applicable globally and aim to ensure that the financed projects and assets are consistent with achieving the goals of the Paris Climate Agreement and the rapid transition to a low-carbon and climate resilient future.

All Sector Eligibility 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 sector-by-sector criteria are available from the Climate Bonds Initiative resources webpage.

Some of the criteria include requirements for the ongoing demonstration of eligibility via metrics or performance indicators over time, while other criteria simply refer to the inherent characteristics of the assets. For many of the sectors, the criteria documents require not just climate mitigation requirements that are aligned with the Paris goals but also adaptation and resilience criteria that must be assessed.

At the time of publication of Version 4.0 of the Climate Bonds Standard (this document), Sector Eligibility Criteria are available for projects and assets in wind energy, solar energy, geothermal energy, marine renewable energy, hydropower, electrical grids and storage, shipping, bioenergy, low carbon buildings, low carbon transport, water infrastructure, agriculture, forests, land conservation and waste management. Criteria for chemicals, cement, steel, and hydrogen will be available within 2022.

Nominated Projects and Assets shall meet the specific eligibility requirements provided in the relevant criteria documents. If there are different versions of the relevant criteria documents, then the version which was current at issuance of the bond may be used for demonstration of the eligibility of Projects and Assets for the duration of the bond.

Projects or assets which satisfy the eligibility requirements of the Climate Bonds Standard may be parts or collections of:

1. **Physical assets or projects** owned by an issuer or an entity which fully satisfy the sector eligibility criteria published on the Climate Bonds website. Physical assets or projects include:
 - a. Physical assets: existing and operational equipment, machinery, infrastructure, buildings or land.

- b. Projects: equipment, machinery, infrastructure and/or buildings in construction, redevelopment, (upgrades, expansion) and similar asset value creation or enhancement activity.
2. **Debt or other financing arrangements** provided by a Financial Institution or a corporate issuer to finance eligible projects or physical assets, such as corporate loans, retail mortgages, project finance.
3. **Capital expenditure** undertaken to increase the value and/or lifetime of the physical assets or projects.
4. **Acquisition costs/purchase price for an entity** (company, division or similar) which holds physical assets or projects or share thereof which approximately corresponds to the Market Value of the physical asset or projects holdings.
5. **Leasing structures** resulting in Right-of-Use assets and liabilities and long leaseholds on land, buildings, and infrastructure.
6. **Subsidies, tax and other incentives**, credit schemes and grants, and other similar arrangements provided by public entities or agencies, including local and national governments.
7. **Related and supporting expenditures** for projects or physical assets, where the projects or physical assets meet the relevant Sector Eligibility Criteria of the Climate Bonds Standard. Such non-capitalised costs may include:
 - a. Relevant installation and routine servicing costs required to ensure the proper functioning of the asset
 - b. Repair and maintenance costs, upgrades or renovations undertaken to maintain the value or extend the life of the asset.
 - c. Relevant performance monitoring costs with respect to tracking climate credentials (e.g. GHG emissions) and climate information services (e.g. satellite monitoring and emissions testing)
 - d. Relevant research and development expenditure where there is a definable future asset, product and/or process that can be linked to climate benefits under the relevant Sector Eligibility Criteria.
 - e. Any training and education costs directly related to activities a. to d. above.

4.1 Eligibility criteria for Transition Finance

By expanding its Certification Scheme to beyond use-of-proceeds bonds, including SLBs and similar (e.g, Sustainability Linked Loans - SLLs), Climate Bonds intends to provide transparent science-based criteria for credible SLBs and similar instruments, and assurance for investors that sustainability requirements have been met in respect of any certified issuance. Non-financial corporate entity certification (i.e., not in association with any particular financial instrument) is also offered.

The Certification rules for transitioning entities and SLBs aim to address concerns of issuers and investors on the burden of information and reporting requirements, while maintaining robustness and credibility. The intention was to build on existing frameworks and methodologies. The framework adopted by Climate Bonds emphasizes the key governance elements that are important indicators of a company's willingness and ability to deliver on its decarbonisation targets, and adds the granularity needed to ensure that those targets are ambitious and in line with the agreed climate goals.

This framework for transition finance is based on the five Hallmarks of a credibly transitioning company developed by Climate Bonds in 2020 (the Hallmarks). The Hallmarks provide an assessment framework to support a company transition that is rapid and robust enough to align with the global goal to nearly halve emissions by 2030 and reach net zero by 2050, in line with the Paris Agreement. These are the key elements that would be assessed for certification, and all five Hallmarks would need to be satisfied. The Hallmarks address the requisite ambition of company level targets and demonstrate the company’s willingness and ability to deliver on those forward-looking targets.

Specifically, the Hallmarks are:

1. Paris-aligned targets
2. Robust plans
3. Implementation action
4. Internal monitoring
5. External reporting.

The Hallmarks move away from relative measures such as best in class, sector benchmarking or improvements compared to a historic baseline to more absolute measures tied to transition pathways that are common to all participants in the sector. This approach has worked well in the green use-of-proceeds market and is reflected in the upsurge in green or sustainability taxonomies worldwide. The Hallmarks require scope 1, 2 and 3 emissions to be addressed and short, medium and long term targets to be set.

5. Certification Labels

The Climate bonds Standard supports the following Certification Labels:

1. Use of Proceeds (UoPs) Debt Instruments - [PART B](#)
2. Assets - [PART C](#)
3. Non-Financial Corporate Entities - [PART D](#)
4. Sustainability-Linked Debt Instruments - [PART E](#)

6. Approved Verifiers and Verification Reports

6.1 Professional qualifications and competence

Approved Verifiers are professional firms that follow best practice guidelines in relation to ethics, independence, management of conflicts of interest, competence, documentation, and quality controls. Members of the verification teams must have appropriate qualifications and professional experience to enable them to conduct their work to a high standard and must have proven competencies in both financial and environmental/technical fields.

Approved Verifiers must demonstrably have the following knowledge and/or experience:

1. The Climate Bonds Standard sector eligibility criteria
2. The financial aspects of capital and debt instruments and capital raising procedures
3. Reviews of corporate financial and business plans
4. Assessment of internal control procedures
5. Valuation of projects and assets.
6. Conduct of verification engagements in line with recognised standards, work practices, and quality controls.

Approved Verifiers must conduct the assurance engagements in accordance with ISAE3000 or an equivalent international standard and must adhere to all applicable legal requirements. Verification reports must include a clear assurance opinion regarding the compliance of the Bond/Asset/Entity with the provisions of the Climate Bonds Standard and the level of assurance entailed in the report (under ISAE3000 this is either limited or reasonable). Verifiers should engage in continuing professional development activities to maintain their level of competence. Verifier firms must be bound by the quality control requirements of ISQC1 (or equivalent quality control standards) and the members of the Verifier firms must be bound by the IESBA or an equivalent code of ethics.

Under the Climate Bonds Standard, Verifiers can be held responsible for losses resulting from their professional negligence or misconduct in the context of verification engagement under the Climate Bonds Standard. All Approved Verifiers must hold professional indemnity insurance cover which is appropriate for the size and nature of the services they render and is valid in the jurisdiction of the verification engagement.

The Climate Bond Standards Board Secretariat will conduct due diligence steps as necessary to ensure that high levels of professional conduct are maintained by the Approved Verifiers. Any potential conflicts of interest must be disclosed to the Climate Bond Standards Board.

Verification work should also adhere to the ICMA Guidelines for Green, Social and Sustainability Bonds External Reviews (June 2022) which aim to promote best practice and enhanced transparency on the external review process. The guidelines provide voluntary guidance relating to professional and ethical standards for external reviewers, as well as to the organisation, content and disclosure for their reports. The principles of these guidelines have been incorporated into v.4 of the Climate Bonds Standard.

6.2 Verification Reports under the Climate Bonds Standard

Approved Verifiers provide independent assurance that certified instruments, assets or entities have met the requirements of the Standard. The Applicant must provide all the necessary information about the eligible projects and assets and the internal processes they have in place to the Verifier to support the assessment of conformance with the Climate Bonds Standard.

Approved Verifiers conduct the verification engagement and prepare the verification reports in line with the Guidance for Verifiers provided on the Climate Bonds Initiative website. The subject matter considered by the Verifiers shall include a summary of how the Issuer has conformed with each of the requirements set out in Standard, including the relevant Sector Eligibility Criteria.

Verification Reports submitted to the Climate Bonds Standard Secretariat may be publicly disclosed only upon the authorization of the Issuer unless the Climate Bonds Standard Board is required by law or national regulators to make such disclosure. The Climate Bonds Standard Secretariat shall consult with the Issuer and Verifier on the presentation of the information prior to any public release of any Verification Report.

7. Conventions

In this document, there are some words with specific meanings which follow the conventions associated with the development of international standards. The word “shall” indicates that a requirement must be met for Certification to be awarded. The word “should” indicates a recommendation; “may” indicates permission; “can” indicates a possibility or capability. “Note” is for guidance in understanding or clarifying a given requirement. The word “Bond” is used in the requirements to represent a bond, loan, or other debt instrument or the clearly designated green tranche of a bond or loan facility.

PART B: USE OF PROCEEDS CERTIFICATION

1. Introduction

The Climate Bonds Standard sets out the requirements to be met for Issuers seeking Certification of a bond, loan, or other debt instrument. The requirements are separated into Pre-Issuance Requirements and Post-Issuance Requirements.

The Pre-Issuance Requirements need to be met by Issuers seeking Certification prior to Issuance. Post-Issuance Requirements need to be met by Issuers seeking continued Certification following issuance of the bond, loan, or other debt instrument. Issuers can also apply for Retroactive Certification at any time while the debt instrument is outstanding.

Programmatic Certification is available for frequent issuers of Certified Debt Instruments. This option increases the flexibility and reduces the verification burden for issuers with large scale or longer-term green bond or sustainable finance programs.

Verification by an Approved Verifier is mandatory in the Certification process. Ongoing Certification includes requirements for annual reporting with public disclosure.

2. Certification Requirements

2.1 Pre-Issuance

This section of the Climate Bonds Standard sets out the requirements that apply to all Certified Climate Bonds, Certified Climate Loans and Certified Climate Debt Instruments prior to the issuance or closing of the bond, loan, or other debt instrument. These requirements are designed to ensure that:

1. the Issuer has established appropriate internal processes and controls prior to issuance or closing of the bond, loan, or other debt instrument;
2. these internal processes and controls are sufficient to enable conformance with the Climate Bonds Standard after the bond, loan or other debt instrument has been issued or has closed and allocation of the proceeds is underway;
3. the Issuer has provided a Green Bond Framework document which confirms its conformance with the Pre-Issuance Requirements of the Climate Bonds Standard.

For Issuers seeking Pre-Issuance Certification of their bond, loan or other debt instrument, all requirements set out in this section shall be met.

2.1.1 Use of Proceeds

1. The Issuer shall document the Nominated Projects and Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects and Assets. The Issuer shall establish a list of Nominated Projects and Assets which can be kept up-to-date during the term of the Bond.
2. The expected Net Proceeds of the Bond shall be no greater than the Issuer's total Investment Exposure to the proposed Nominated Projects and Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects and Assets which are owned or funded by the Issuer.
3. Nominated Projects and Assets shall not be nominated to other Certified Debt Instruments, unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects and Assets are being funded by different Certified Debt Instruments or, the existing Certified Debt Instrument is being refinanced via another Certified Debt Instrument.

2.1.2 Process for Evaluation and Selection of Projects and Assets

The Issuer shall establish, document, and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects and Assets.

The decision-making process shall include, without limitation:

1. A statement on the climate-related objectives of the Bond.
2. How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.
3. The Issuer's rationale for issuing the Bond.
4. A process to determine whether the Nominated Projects and Assets meet the eligibility requirements of the Climate Bonds Standard.
5. Related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects and Assets.
6. Any green standards or certifications referenced in the selection of Nominated Projects and Assets.

2.1.3 Management of Proceeds

1. The systems, policies, and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:
 - 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.
 - 1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause B.2.2.3.
 - 1.3 Earmarking funds to Nominated Projects and Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects and Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.

2. Where the prospectus requires that the proceeds are ring-fenced, these must be credited to designated bank accounts that can only be used for funding the specified eligible assets or projects. The Issuer must track and monitor all payments out of the designated bank accounts

2.1.4 Pre-Issuance Reporting: Green Bond Framework and Disclosure Documentation

1. The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. This information is often presented using the five core components of the Green Bond Principles (use of proceeds, selection of projects and assets, management of proceeds, reporting, and external review).
2. The Green Bond Framework must be provided to the Climate Bonds Standard Board as one of the certification documents.
3. The Green Bond Framework shall include, without limitation:
 - 3.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines
 - 3.2 A summary of the expected use of proceeds
 - 3.3 A description of the decision-making process
 - 3.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects and Assets required to conform to the relevant eligibility requirements under Clause A.4 of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.
 - 3.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause B.2.2.3;
 - 3.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.
 - 3.7 The list of proposed Nominated Projects and Assets associated with the Bond and the investment areas, into which the Nominated Projects and Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects and Assets, information shall be presented on the investment areas which the Nominated Projects and Assets fall into and the Issuer shall provide an explanation of why detail on Nominated Projects and Assets is limited;
 - 3.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects and Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects and Assets.
4. Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects and Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects and assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects and assets, the dynamic

nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.

5. The Issuer shall include in its Disclosure Documentation:
 - 5.1 The investment areas, as provided in Clause A.4, into which the Nominated Projects and Assets fall.
 - 5.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause B.2.2.3.
 - 5.3 The Verifier engaged by the Issuer for the mandatory verification engagements.
 - 5.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.
 - 5.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.

2.2 Post-Issuance

This Section of the Climate Bonds Standard sets out the requirements that apply to all Certified Debt Instruments **after their issuance** or closing. For Issuers seeking Post-Issuance or Retroactive Certification, all requirements set out in this section shall be met.

2.2.1 Use of Proceeds

1. The Net Proceeds of the Bond shall be allocated to the Nominated Projects and Assets.
2. All Nominated Projects and Assets shall meet the documented objectives of the Bond and shall be in conformance with the requirements of Clause A.4 of the Climate Bonds Standard.
3. The Issuer shall allocate the Net Proceeds to Nominated Projects and Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per Clause B.2.2 the estimated timeline for allocation of net proceeds to Nominated Projects and Assets. The 24-month deadline can be extended to up to 5 years at the discretion of the Climate Bonds Standard Secretariat provided this can be justified and substantiated by the Issuer and confirmed by the Verifier. Net proceeds may be reallocated to other Nominated Projects and Assets at any time while the Bond remains outstanding.
4. Nominated Projects and Assets shall not be nominated to other Certified Debt Instruments, unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects and Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments or the existing Certified Climate Bond, Certified Climate Loan or Certified Debt Instrument is being refinanced via another Certified Debt Instrument.
5. Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects and Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects and Assets. The look-back period for refinancing should not be excessively long by reference to the remaining useful life of the refinanced assets and the term of the bond.

6. The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause B.2.2.3.
7. The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects and Assets, or the relevant proportion of the total Market Value of the Nominated Projects and Assets which are owned or financed by the Issuer. The Issuer may choose whether to use the Investment Exposure or debt obligation to the Nominated Projects and Assets or their Market Value when satisfying this clause
8. Additional Nominated Project and Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project and Assets as long as the additional Nominated Project and Assets are eligible under Clause A.4 of the Climate Bonds Standard and are consistent with the Bond's objectives. Where additional Nominated Projects and Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance verification engagements, the Issuer shall engage a Verifier to provide a Verification Report covering at least the conformance of the additional Nominated Projects and Assets with the relevant Sector Eligibility Criteria.
9. For example, if the objectives of a Certified Climate Bond are to finance a portfolio of solar power facilities in a region and it receives Certification on that basis, then the Issuer may have only used the Solar Eligibility Criteria as the basis for the selection process in their Green Bond Framework. If the Issuer later wishes to adjust the objectives and allocate Net Proceeds to an expanded range of Nominated Projects and Assets, such as hydropower facilities, then it will need to use the relevant Sector Eligibility Criteria (eg the hydropower criteria) in its selection processes.

2.2.2 Process for Evaluation and Selection of Projects and Assets

The Issuer shall document and maintain a decision-making process which it uses to determine the continued eligibility of the Nominated Projects and Assets. This includes, without limitation:

1. A statement on the climate-related objectives of the Bond.
2. How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.
3. The Issuer's rationale for issuing the Bond.
4. A process to determine whether the Nominated Projects and Assets meet the eligibility requirements specified in Clause A.4 of the Climate Bonds Standard.
5. Other information provided by the Issuer as described in Clause B.2.1.2.

2.2.3 Management of Proceeds

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.
2. The Issuer of the Bond must either maintain an earmarking process or the proceeds shall be ring-fenced in accordance with Clause B.2.1.3 to manage and account for allocation of Net Proceeds to the Nominated Projects and Assets as described in Clause B.2.1.3.
3. While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects and Assets. Pending such allocations to Nominated Projects and Assets, the balance of unallocated Net Proceeds shall be:

- 3.2 Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; and/or
- 3.3 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; and/or
- 3.4 Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects and Assets.

2.2.4 Ongoing Reporting

1. All issuers are required to submit an update report at least annually to maintain the Certification of the bond, loan, or other debt instrument while the Bond remains outstanding. The Issuer should also provide an update report on a timely basis in case of material developments. Material developments could include, but not limited to, early repayment, change of control or acquisition, change of name, changes to the eligibility of assets and projects as well as any material amendments, supplements, and other updates to deal documents including during the life of the debt instrument (including any winding up process or enforcement).
2. The exact nature of the reporting is dependent on the range of underlying projects and assets, and on the issuer's choices. The format and frequency of the Update Report will depend on the specific circumstances of the issuer and the relevant bond, loan or other debt instrument, or program. A suggested template for update report is available on the Climate Bonds Initiative website.
3. Issuers are encouraged to provide their update report through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector where appropriate.
4. The update report may contain three types of reporting: allocation reporting, eligibility reporting, and impact reporting.
 - 4.2 Allocation reporting is confirming the allocation of bond proceeds to eligible projects and assets and is mandatory for all Certified debt instruments.
 - 4.3 Eligibility reporting is confirming the characteristics or performance of projects and assets to demonstrate their eligibility under the relevant Sector Eligibility Criteria and is mandatory for all Certified debt instruments.
 - 4.4 Impact reporting is disclosure of metrics or indicators which reflect the expected or actual impact of eligible projects and assets and is encouraged for all Certified debt instruments.
5. The three different types of reporting can be included in a single update report which must be made publicly available or provided annually to the bondholders/lenders while the bond, loan or other debt instrument remains outstanding. Since alignment with Sector Eligibility Criteria already provides investors with confidence that the investment is aligned with goals of the Paris Climate Agreement, the need for detailed and quantitative impact reporting is reduced and may not be necessary for some sectors
6. The timing of reporting under this clause can be aligned with the Issuer's schedule of regular reporting and does not need to follow the anniversary of the Certification or Issuance of the Bond. The update report shall be made available either to the public or to each of the bondholders and to the Climate Bonds. US Municipality Issuers are encouraged to make the update report available through existing reporting channels for the capital markets, such as the EMMA system.
7. The Allocation Reporting shall include, without limitation:

- 7.2 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard.
- 7.3 A statement on the climate-related objectives of the Bond.
- 7.4 The list of Nominated Projects and Assets to which Net Proceeds have been allocated (or re-allocated).
- 7.5 The amounts allocated to the Nominated Projects and Assets.
- 7.6 An estimate of the share of the Net Proceeds used for financing and refinancing, and which Nominated Projects and Assets have been refinanced. This may also include the expected look-back period for refinancing Nominated Projects and Assets.
- 7.7 The geographical distribution of the Nominated Projects and Assets.
- 7.8 The Eligibility Reporting shall include, without limitation:
- 7.9 Confirmation that the Nominated Projects and Assets continue to meet the relevant eligibility requirements specified [in Clause A.4](#) of the Climate Bonds Standard.
- 7.10 Information on the environmental characteristics or performance of Nominated Projects and Assets which is prescribed by the relevant Sector Eligibility Criteria.
8. Some Bonds have very stable allocation of proceeds and do not need to track any performance indicators to maintain the eligibility of the projects and 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.
9. Where there are limits to the amount of detail that can be made available in the update report about specific Nominated Projects and Assets (as per Clause B.2.2.4), information shall be presented on the investment areas which the Nominated Projects and Assets fall into, as provided in Clause A.4. Issuers shall include in the Update Report an explanation of why detail on Nominated Projects and Assets is limited.
10. The impact reporting shall, without limitation:
 - 10.2 Provide the expected or actual outcomes or impacts of the Nominated Projects and Assets with respect to the climate-related objectives of the Bond.
 - 10.3 Use qualitative performance indicators and, where feasible, quantitative performance measures of the outcomes or impacts of the Nominated Projects and Assets with respect to the climate-related objectives of the Bond.
 - 10.4 Provide the methods and the key underlying assumptions used in preparation of the performance indicators and metrics.
11. Examples of quantitative performance measures of the outcomes of Nominated Projects and 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. Impact metrics and indicators can include but are not limited to: greenhouse gas emissions reduced/avoided, number of households provided with access to clean power, decrease in water use, reduction in number of cars required.
12. Methods include but are not limited to the framework used and the calculation methodology, including annualized metrics and/or lifetime calculations. Both proprietary and institutional frameworks may be used, whereby institutional frameworks may be referenced, whereas proprietary and new frameworks should be described in sufficient detail to allow assessment.
13. The Issuer shall make available to the public any Verification Reports or other relevant material which supports the Update Report.

2.3 Issuer level requirements

The Issuing Entity Parent Group shall comply with the requirements in Clause D.5 (Safeguards for Non-Assessed segments).

3. Certification process

3.1 Process outline

This section of the Climate Bonds Standard sets out the rules and procedures for Certification of bonds, loans, or other debt instruments by the Climate Bonds Standard Board. The Certification Process has three distinct phases that are aligned with the normal process for issuing and maintaining a bond, loan, or other debt instrument. This allows the Certification Mark to be used during the pricing and marketing of the bond or the negotiation of the loan or other debt instrument. It also ensures that the integrity of the Certification Mark is maintained after issuance or closing of the bond, loan or other debt instrument and the allocation of net proceeds.

- 1. Pre-Issuance Certification:** Assessment and Certification of the Issuer's internal processes, including its selection process for projects and assets, internal tracking of proceeds, and the allocation system for net proceeds. This phase includes the Issuer preparing a Green Bond Framework and a list of eligible projects and assets; verification of the framework and the list by an Approved Verifier; production of a Verification Report; and provision of certification documents to the Climate Bonds Standard Secretariat. Pre-Issuance Certification of bonds, loans or other debt instruments is awarded via a formal letter and a Certificate from the Climate Bonds Standard Board. The Pre-Issuance Certification covers the period prior to issuance or closing of the bond and can assist with marketing of the deal. Pre-Issuance Certification is valid until Post-Issuance Certification is awarded.
- 2. Post-Issuance Certification:** Assessment and Certification of the bond, loan or other debt instrument after it has been issued or has closed. If the bond, loan or other debt instrument has been awarded Pre-Issuance Certification, then the Post-Issuance Certification must be undertaken within 24 months of the date of financial close for the bond, loan or other debt instrument. This phase includes preparation of post-issuance updates; verification of the information by an Approved Verifier; production of a Verification Report; and provision of certification documents to the Climate Bonds Standard Secretariat. Post-Issuance Certification of individual bonds, loans or other debt instruments is confirmed via a formal letter from the Climate Bonds Standard Board. Post-Issuance Certification is awarded as at a particular date after the bond, loan or other debt instrument has been issued or has closed.
- 3. Ongoing Certification:** Maintenance of the Certification based on ongoing conformance with the Post-Issuance Requirements of the Climate Bonds Standard, including meeting annual reporting requirements which are specified in Clause B.2.2.4. Maintenance requirements are detailed in Clause B.3.5. and Non-conformance provisions are detailed in Clause B.3.6.
- 4. Programmatic Certification** is also available for Issuers with large portfolios of Eligible Projects and Assets and programs for issuance of multiple Certified deals over a number of years. The Programmatic Certification approach enables frequent issuers to have greater flexibility with respect to the timing and scale of issuing Certified Climate Bonds, Certified Climate Loans, or

Certified Climate Debt Instruments. Issuers using Programmatic Certification have a reduced verification burden during the certification and issuance process within their program. Annual verification by an Approved Verifier is mandatory under Programmatic Certification. This option is described in detail in [Clause B.3.4](#).

Certification documents must be submitted to the Climate Bonds Standard Board via the Climate Bonds Standard Secretariat. Further support is available on the Climate Bonds Initiative website to assist Issuers, Verifiers, and advisors with successfully navigating the requirements of the Climate Bonds Standard and the Certification Process.

3.2 Pre-issuance Certification

3.2.1 Preparation for Pre-Issuance Certification

Issuers seeking Certification and the use of the Certification Mark for a Bond prior to Issuance shall:

1. Prepare a Green Bond Framework (or equivalent document) which describes how each of the requirements in the Climate Bonds Standard will be met by the Issuer for the relevant Bond or program of Bonds.
2. Complete the Climate Bonds Information Form and submit the completed form to the Climate Bonds Standard Secretariat. The Issuer shall identify within the Climate Bonds Information Form which components of the information provided are confidential and what components can be publicly disclosed on the Climate Bonds Initiative website once Certification has been confirmed and Issuance of the Bond has been completed. The Issuer may submit a preliminary Climate Bonds Information Form to the Climate Bonds Standard Secretariat in the case where not all the information on the bond is known at the pre-issuance stage.
3. Engage a Verifier to undertake the assurance engagement to assess conformance with the Pre-Issuance Requirements of the Climate Bonds Standard. Verifier engaged by the Issuer shall issue an assurance report expressing an opinion as to whether the Issuer and the proposed Bond have conformed to the Pre- Issuance requirements of the Climate Bonds Standard.

3.2.2 Obtaining Pre-Issuance Certification

An Issuer that has completed the Pre-Issuance preparatory steps as in Clause B.3.2.1 may apply to the Climate Bonds Standard Board Secretariat to receive Certification of the Bond under the Climate Bonds Standard by submitting the following documents: (i) a completed Climate Bonds Information Form (ii) the Green Bond Framework (or equivalent summary) (iii) the pre-issuance Verification Report, and (iv) an executed Certification Agreement.

These documents shall be submitted to the Climate Bonds Standard Secretariat via email (certification@climatebonds.net).

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 Certification of the

Bond under the Climate Bonds Standard. The Issuer then has the right (subject to the Certification Agreement) to use the Certification Mark in association with the relevant Bond until the Post- Issuance Certification is confirmed.

3.2.3 Validity of Certification Label

An Issuer shall stop using the Certification Mark:

1. Within two years of Issuance as per Clause B.2.2.1, unless the Issuer has received confirmation of Post-Issuance Certification from the Climate Bonds Standard Board. The Certification at the pre-issuance stage is only valid for two years from the Issuance of the Certified Debt Instrument unless otherwise agreed with Climate Bonds Standard Board. Post-issuance Certification must be confirmed within that timeframe for the continuing use of the Certification Mark.
2. Where the Issuer no longer wishes to take the proposed Bond to Issuance and provides a written statement to that effect to the Climate Bonds Standard Secretariat.
3. Where the Issuer becomes aware that the Bond no longer conforms with the Climate Bonds Standard.
4. 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.

3.3 Post-Issuance Certification

3.3.1 Preparation for Post-Issuance Certification

Issuers seeking Certification and the use of the Certification Mark after Issuance of the Bond shall:

1. If Pre-Issuance Certification has previously been confirmed for the Bond, update the Green Bond Framework and Climate Bonds Information Form to reflect relevant changes or clarifications to this information after Issuance of the Bond.
2. If Pre-Issuance Certification has not previously been confirmed, prepare a Green Bond Framework and other documents as described in Clauses B2.1.4 and B.3.2.1.
3. Prepare information and evidence to support the Bond's ongoing conformance with the Post-Issuance Requirements of the Climate Bonds Standard, including any ongoing requirements in the relevant Sector Eligibility Criteria.
4. Engage a Verifier to undertake an Assurance Engagement after Issuance of the Bond. If Pre-Issuance Certification has previously been confirmed, then this Assurance Engagement must be completed within two years of the Issuance of the Bond.

The Issuer may engage the same Verifier to undertake both the pre-issuance and post-issuance activities under the one commercial arrangement, but this is not mandatory.

3.3.2 Obtaining Post-Issuance Certification

If Pre-Issuance Certification has previously been confirmed, the Issuer shall supply the Climate Bonds Standard Secretariat with:

1. an updated Climate Bonds Information Form,
2. the Green Bond Framework (or equivalent summary) as updated,
3. the Verification Report from the Post-Issuance Assurance Engagement.
4. If Pre-Issuance Certification has not previously been confirmed, the Issuer shall supply the Climate Bonds Standard Secretariat with the documents listed in Clause B.3.2.2, other than the pre-Issuance Verification Report.

These documents shall be submitted to the Climate Bonds Standard Secretariat via email (certification@climatebonds.net).

If at the time of issuance of the post-issuance verification report, the proceeds have not been fully allocated to the Nominated Projects and Assets then the Issuer shall provide the relevant justifications and the post-issuance verification process shall be repeated, at least on an annual basis, until the proceeds will have been fully allocated

If the Climate Bonds Standard Secretariat is satisfied that the Issuer and the Bond are in conformance 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 Certification Mark in association with the relevant Bond while the Bond remains outstanding.

3.3.3 Validity of Certification Label

An Issuer shall stop using the Certification Mark if:

1. The Issuer no longer wishes to continue with the Certification of the Bond and provides a written statement to that effect to the Climate Bonds Standard Secretariat.
2. It becomes aware that the Issuer and/or the Bond no longer conform with the Climate Bonds Standard
3. An Assurance Engagement commissioned by the Issuer or the Climate Bonds Standard Board finds that the Issuer and/or the Bond no longer conform with the Climate Bonds Standard.

3.4 Programmatic Certification

Programmatic Certification allows an Issuer with a portfolio of Eligible Projects and Assets to issue multiple Certified Debt Instruments.

For the first Bond under the Program, the Issuer shall follow the normal process for Climate Bond Certification as per clauses B.3.2 and B.3.3. For subsequent Bonds under the Program, the Issuer shall apply to the Climate Bonds Standard Board to receive Certification of each Bond's conformance with the Climate Bonds Standard as follows:

1. Prior to Issuance, supplying the Climate Bonds Standard Secretariat with a completed (as appropriate) Climate Bonds Information Form for the specific Bond to be considered for Certification. The Climate Bonds Standard Secretariat shall promptly provide the Issuer with formal confirmation of Certification of the specific Bond.
2. Following Issuance, supplying the Climate Bonds Standard Secretariat with an updated Climate Bonds Information Form.

3. Following the first Issuance under the Program, the issuer must apply for post-issuance verification within 12 months by engaging an approved verifier to provide a post-issuance verification report for all the certified instruments under the Program.
4. If, in any 12-month period following a Program's post-issuance certification, the issuer issues additional debt instruments, the post-issuance verification must be complete within 12 months of that new debt issuance. Conversely, if in the 12-month period following a Program's post-issuance certification of all the instruments in the program, the issuer does not issue additional instruments, then the issuer need only provide an annual Update Report in accordance with Clause B.2.2.4.
5. The subject matter considered by the Verifier shall include those requirements set out in the Post-Issuance Requirements section of the Climate Bonds Standard, including the reporting requirements in Clause B.2.2.4, and shall cover all Bonds under the Program.
6. The Issuer shall supply the Climate Bonds Standard Secretariat with an updated Green Bond Framework (if applicable) and the annual Verification Report.

Any Programmatic Certification (program) is considered completed at the latest of:

1. Five years from the Issuance of the first bond under the program; and
2. Two years from the most recent bond issuance for which the post issuance verification has been completed

After the completion of the Programmatic process, the Issuer no longer has the obligation to engage the Verifier on an annual basis to conduct post issuance verification of the bond program but must conform with the Update Reporting requirements as per Clause B.2.2.4.

3.5 Maintaining Certification

To maintain the Certification status of the Bond the Issuer shall prepare and make available Update Reports at least annually while the Bond remains outstanding, as prescribed in the post-issuance reporting requirements in Clause B.2.2.4 of the Climate Bonds Standard. The Update Report shall be signed by an authorised officer of the Issuer unless published on the Issuer's website or on EMMA.

The Issuer shall supply the Climate Bonds Standard Secretariat with links to Update Reports or share their location on a public website. Links to Update Reports will be published on the Climate Bonds Initiative website.

The Issuer may 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.

Where Nominated Projects and Assets are covered by Sector Eligibility Criteria which require ongoing demonstration of eligibility, the Issuer shall include in Update Reports confirmation that Nominated Projects and Assets continue to meet the relevant criteria.

3.6 Revocation of Certification

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

2. In cases of claimed breach of conformance with the Climate Bonds Standard, the Climate Bonds Standard Board may request a new Verification Report be prepared by a different Verifier as a condition of maintaining Certification under the Climate Bonds Standard.
 - 2.2 This Verification Report shall be submitted to the Climate Bonds Standard Board for review within three months of the initial request.
 - 2.3 No more than one Verification Report in any six-month period shall be required to be provided by the Issuer following Post-Issuance Certification.
3. Where a Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument 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.
 - 3.2 The Climate Bonds Standard Board may suggest corrective actions for conformance to be restored.
 - 3.3 If conformance is not restored within an agreed time frame, the Climate Bonds Standard Board shall revoke its Certification of that Bond.
4. Once Certification of a Bond has been revoked by the Climate Bonds Standard Board, the Issuer shall:
 - 4.2 Not use the Certification Mark in association with the Bond loan or imply that the Certification is still in place, either directly by the Issuer or indirectly through third-party data providers.
 - 4.3 Take all necessary steps to remove that Bond from relevant lists or indices which require Certification; and
 - 4.4 Inform the holders of the Bond, relevant exchanges, and other transaction parties of the change in Certification status of the Bond.
5. An Issuer of a Bond which has had its Certification revoked by the Climate Bonds Standard Board may appeal the decision through the Climate Bonds Standard Appeals Mechanism, which is available on the Climate Bonds Initiative website.

4. Types of Use of Proceeds instruments that can be certified

There is a wide variety of different financial structures of green bonds, green loans and other debt instruments which are eligible for Certification under the Climate Bonds Standard. Use of Proceeds debt instruments that may be eligible for Certification under the Climate Bonds Standard version 4.0 include the following:

Bilateral Loan: credit lines that commercial, multilateral and development banks offer to their corporate and institutional customers to finance specific green projects with set criteria and reporting requirements. The loans may, or may not, be public and the terms vary considerably.

Certificate of Agribusiness Receivables (CAR): title backed by agribusiness credit, created by the Brazilian government to encourage the financing of the chain of production in the agricultural sector. These instruments are issued by securitisation vehicles and sold to investors in capital markets to finance the purchase of the feedstock.

Commercial Paper: is unsecured, short-term debt commonly issued by companies or financial institutions to finance short-term liabilities. The proceeds mostly contribute to general corporate purposes and working capital financing.

Convertible Bonds or Notes: Bonds or notes, either listed or unlisted, which have the right but not the obligation to convert into a specified number of ordinary shares (or other securities) under specified terms and conditions. If the bond or note was Certified when it was issued and then later converted to equity, then its status as a Certified Instrument would end at the point of conversion.

Covered Bond (Pfandbriefe): a dual recourse bond which relies primarily on repayment from the issuer, but also has access to a pool of assets (the cover pool). The cover pool often comprises mortgages, but other assets can be used as collateral too. For instance, the German Pfandbrief market includes Mortgages Pfandbrief, Public Pfandbrief, Ship and Aircraft Pfandbrief. In Luxembourg, it is possible to issue renewable infrastructure covered bonds.

Debt Instruments issued by a Green Bond Fund: a Green Bond Fund is a fund which invests in green bonds based on a set of screens or criteria. Screens for the fund could include that the underlying projects and assets must meet the relevant Sector Eligibility Criteria of the Climate Bonds Standard. The fund is likely to issue securities such as units in a trust or use similarly structured arrangements to raise equity.

Export Financing in Brazil: Advance on Export Exchange Contracts or Advance on Export Shipping Document Contracts

Export Letters of Credit: issued by banks, guaranteeing future payment (upon receipt of goods) to the exporter. These instruments are used in trade with developing countries and/or importers of relatively weak credit quality. Certification requires the verifier to confirm that the UoP of the importer is aligned with the Climate Bonds Criteria.

Floating Rate Notes: notes that have a variable interest rate tied to a benchmark rate. Interest is usually paid quarterly, and the term is several months/years. FRNs are popular with US corporates with quarterly re-issuance.

Green Deposits: client funds held by a financial institution which are clearly identified and allocated to a portfolio of projects and assets which meet the relevant Sector Eligibility Criteria. Green Deposits usually have a maturity of up to one year and are accepted by financial institutions. Depositors are often institutional investors. Non-banks (e.g. securitisation vehicles) may also issue green units or notes.

Leases: bilateral contracts whereby the owner of the asset (the lessor) grants to another party (the lessee) the exclusive right to use the asset for an agreed period, for an agreed amount payable on a periodical basis (lease rentals) over the specified lease period.

Loan Facility: a credit line made available to borrowers to finance projects and assets which meet the relevant Sector Eligibility Criteria of the Climate Bonds Standard. Loans can be unsecured (with general recourse to the obligors) or secured (non-recourse or limited recourse to obligors).

Project Bond: a project bond, either listed or unlisted, for a single or multiple projects for which the investor has direct exposure to the risk of the projects with or without potential recourse to the issuer.

Repurchase Agreements (Repos): Repos enable short-term borrowing by banks or corporates, usually in government or investment-grade securities governed by a GRMA agreement. The difference in price is the implicit overnight interest rate. Repos are typically used to raise short-term capital.

Revenue Bond: a non-recourse-to-the-issuer debt obligation, either listed or unlisted, in which the credit exposure in the bond is to the pledged cash flows of the revenue streams, fees, taxes etc., and whose use of proceeds go to related or unrelated projects.

Revolving Credit Facilities: credit lines which may be drawn by the borrower and repaid on an ongoing basis with a short or medium term maturity.

Schuldschein: a traditional German floating or fixed debt instrument. Some features of a Schuldschein are similar to those of loans, while other features are more similar to bonds.

Securitised Bond: a bond, either listed or unlisted, collateralised by one or more specific projects or assets, including lease, loan and other revenue receivables Asset Backed Securities (“ABS”), Mortgage Backed Securities (“MBS”) including Agency MBS, Residential MBS, Commercial MBS, Commercial Mortgage Backed Securities (CMBS) Collateralised Loan Obligations (“CLO”), Collateralised Debt Obligations (“CDO”), Whole Business Securitisation (“WBS”) and other securitisation structures.

Standard Use of Proceeds Bond: a standard recourse-to-the-issuer debt obligation which is either listed or unlisted.

Sukuk: refers to various types of quasi-debt securities that have been developed to meet the strictures of Islamic finance. One of the core principles underlying Islamic finance is avoiding the payment or collecting of interest. A variety of financial instruments have been created that serve the same purpose as bonds and other debt securities, but on which interest is not paid and investors share in profit distributions.

Syndicated Loan: A loan from a number of different lenders acting together. The lenders form a syndicate and the borrower borrows from the syndicate. Common types of syndicated loans are underwritten deals, best-effort deals and club deals. Usually structured by one of several commercial banks or investment banks, can also include ‘non-bank’ lenders such as debt funds, insurance companies, hedge funds or pension funds.

Trade Finance / Receivables Financing / Factoring: where a third-party lender buys outstanding accounts receivable at a discount. The trader’s/exporter’s accounts receivables effectively act as collateral. The key is whether the receivables, creditors or stocks relate to green assets.

PART C. ASSET CERTIFICATION

1. Eligibility requirements

The owner of any Asset, Project or portfolio of assets that satisfies the Sector Eligibility criteria and the requirements of Clause A.4, may apply for a point-in-time certification of such assets.

2. Process outline

Asset owners seeking Certification of their Assets/Portfolio of Assets shall:

1. Complete the Climate Bonds Information Form and submit the completed form to the Climate Bonds Standard Secretariat. The Asset owner shall identify within the Climate Bonds Information Form what components of the information provided are confidential and what components can be publicly disclosed on the Climate Bonds Initiative website once Certification has been confirmed
2. Engage a Verifier to undertake the assurance engagement to assess conformance with Clause A.4 of the Climate Bonds Standard. The Verifier engaged by the Issuer shall issue an assurance report expressing an opinion as to whether the owner has conformed to the requirements of the Climate Bonds Standard for Asset Certification.

An Asset owner may apply to the Climate Bonds Standard Board Secretariat to receive Certification of the Asset/Project under the Climate Bonds Standard by submitting the following documents: (i) a completed Climate Bonds Information Form (ii) the Verification Report, and (iii) an executed Certification Agreement.

These documents shall be submitted to the Climate Bonds Standard Secretariat via email (certification@climatebonds.net).

If the Climate Bonds Standard Board is satisfied that the proposed Assets are in conformance with the Asset Certification Requirements, then it shall provide a statement which confirms the Certification under the Climate Bonds Standard.

3. Validity of Certification Mark

Asset Certification has a more limited scope than a Use of Proceeds certification in that the assessment involves only the eligibility of a project or asset under the Sector Eligibility Criteria and is not related to the financing of the eligible assets. Furthermore, the certification applies only at the point in time that the Certification is awarded and therefore can only be used by reference to the date on which the certification was awarded.

PART D: ENTITY CERTIFICATION

1. Introduction

Entity certifications follow the basic pillars established for Use of Proceeds (UoP) bonds, namely a standardised (common) rule set, binary assessment, simplicity, transparency, and science-based criteria. However, entity certifications have fundamental differences to UoP instruments, most notably their much broader entity-level scope compared to the capital investment/ asset/ activity level scope of UoP instruments, and their inherently forward-looking nature given their climate credibility would depend on their future Performance Targets (PTs) and the Transition Plans which detail how those targets would be delivered.

2. Eligibility and Accounting Rules

2.1 Term of Certification

Certification is valid for **Five years** from the date of certification, subject to remaining in compliance with the requirements laid out in this document.

2.2 Boundaries of the certified entity (the ‘Assessed Entity’)

The boundary of the Assessed Entity is defined at the discretion of the applicant company (the Applicant) which has operational and/or financial control over the Assessed Entity, subject to the following guidance:

1. Parent Companies shall include subsidiaries and other controlled companies within their boundary. Where no Sector Eligibility Criteria are available to assess the activities of any of their subsidiaries, these subsidiaries will be excluded from the boundary of the Assessed Entity and will form part of the Non-Assessed Segment.
2. Subsidiary companies can be assessed independently of their Parent Companies and fellow subsidiaries. These non-included Parent Companies and subsidiaries shall then form part of the Non-Assessed Segment.
3. Where criteria exist only for a sub-division of a company, that sub-division can be set as the Assessed Entity and be certified in its own right. Any non-included divisions of that company shall then form part of the Non-Assessed Segment.
4. It is recommended (but not required) that the boundary of the Assessed Entity is aligned with the Parent Group’s reporting structure that is in accordance with an international disclosure framework such as those developed by the Task Force on Climate Related Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

The Applicant must have either of the following in respect of the activities of the Assessed Entity¹:

- **Operational control:** The legal authority to introduce and implement operating policies.

¹ According to the GHG Protocol defined methods

- **Financial control:** The legal authority to direct financial and operating activities with a view to gaining economic benefits from those activities.

For the avoidance of doubt, this does not include operations in which the Assessed Entity owns an interest but does not have operational or financial control.

2.3 Disaggregation Assessment Methodology

Step 1: For the purposes of certification, at the time of assessment, the Assessed Entity shall disaggregate its operations into its component ‘business activities’ according to either their:

- **Turnover (revenue):** historical revenue² per the latest audited annual financial reports or sustainability reports (not older than the prior financial year) and/or existing management reporting which can be independently verified/audited; or
- **GHG emissions:** determined in line with the GHG emissions protocol. This assessment to be based on emission data that is independently verified/audited and not more than 2 years old.

Step 2: For each business activity thus identified that is fully compliant with the eligible projects and assets requirements in accordance with Clause A.4, then then the proportion of revenue / GHG emissions allocated to that activity shall be counted as complying with the Standard.

Step 3: If the proportion of the Assessed Entity’s total turnover/GHG emissions that meet the respective criteria exceeds 90% of the Assessed Entity’s total turnover/GHGs then the Assessed Entity is deemed to be eligible for certification.

Clarifying notes:

1. *Revenue (or emissions if that is the basis selected for disaggregation) from any activities that cannot be assessed against Climate Bonds Standard entity-level sector-specific criteria may not be counted towards the certification threshold and should be separately identified. This includes financial activities such as trading or investment.*
2. *Business operations pursuing the same business activity are addressed through one assessment (see example below).*

Examples:

1. *A pureplay steel producer generating 35% of its revenue from Plant A, 35% from Plant B, 15% from Plant C, and 15% from plant D. In this case, each plant is not assessed separately, but jointly. The average emissions intensity across all 4 plants needs to meet the steel emissions intensity criteria in order for the pureplay to be eligible for certification. This is because the entity level criteria are representative of sector average intensity targets.*
2. *An entity generating 60% of its revenue from steel production, and 40% from investment activities. This entity cannot meet the 90% threshold while including financial activities as currently no sector-*

² Exceptional or extraordinary items of revenue should be excluded from this allocation.

specific criteria exist for investment activities. Therefore, the Assessed Entity can only be set at the boundary of the steel production operations.

3. *An entity generating 95% of its emissions from steel production and 5% from professional services. The Applicant could set the boundaries of the assessed entity to cover either 95% steel + 5% professional services, or just the 95% steel. In either case, the assessed entity would be certifiable if the steel production operations met all the requirements described in Clause A.4.*
4. *An entity generating 35% of its revenue from steel production, 50% from cement production, 5% from construction activities and 10% from investment activities. This entity would be certifiable if each of its average steel production, its cement production, and its construction activities met all of the requirements described in Clause A.4. Given investment activities cannot be assessed (as no sector-specific criteria yet exist for this activity) this would be the only way the 90% threshold could be reached. The alternative would be to define the Assessed Entity more narrowly as including only the steel, cement and construction activities. In which case the Assessed Entity would be certified if only the steel and cement production activities meet the requirements in Clause A.4 as $(35+50)/(35+50+5) > 90\%$.*

2.4 Action in the event of changes in company boundaries/ scope of business activities

Acquisitions, divestitures, mergers, insourcing or outsourcing, shifts in product or service offerings are all strategies that may be employed by an Assessed Entity in order to meet its decarbonization targets, and/or be undertaken for other strategic reasons.

As such significant changes could compromise the relevancy and accuracy of selected PTs and transition plans, in the event of any such change the Applicant shall redefine the boundary of the Assessed Entity and/or Non-Assessed Segment (per Clause D.2.2), reset its PTs, Transition Plans and Net Zero Targets (per Clause D.3) and recalculate its performance threshold as part of the next round of verification and reporting.

If following the change of activities and subsequent recalibration, the Assessed Entity no longer meets the requirements of the Climate Bonds Standard, certification will be revoked as per Clause D.9.1.

Examples:

- *At the time of certification, 50% of the Assessed Entity's revenue was generated from fossil fuel energy generation and 50% from renewable energy generation. Two years later the Assessed Entity acquires a coal fired power station. In this case, no redefinition of boundaries would be required as there has been no change in the Assessed Entity's activities, but the assessed entity would need to recalibrate its PTs and recalculate its performance thresholds and re-assess whether it can still meet the milestones and targets outlined in its Transition Plan to ensure it still meets its targets and plans as at the time of certification. If these actions lead to the breaching of the Targets previously set and/or the Transition Plan is no longer adequate to meet future targets, certification will be revoked.*
- *At the time of certification, 100% of the Assessed Entity's revenue came from steel production. Two years later the Assessed Entity acquires a cement production facility. In this case, a redefining of the Assessed Entity and its business activities would be required, to ensure it continues to meet all the requirements for Certification. If not, certification will be revoked.*

3. Certification Requirements

3.1 Performance Targets for the Assessed Entity

For each of the business activities of the Assessed Entity, PTs (PTs) shall have been set that cover the current and future GHG emissions of those activities. These PTs are the ‘metrics’ that the Applicant will monitor to track the Assessed Entity’s progress to net zero emissions.

These PTs shall:

1. Cover the short- medium- and long-term, where the short term covers the next 3-4 years post certification, the medium term the subsequent 5-6 years, and the long term the remaining period until the activity hits zero emissions. Any medium- and long-term PTs should have interim targets set at appropriate intervals (e.g., 5–10 years) covering the full-time horizon to net zero emissions.
2. Cover all scopes of emissions (1,2 and 3) that are required by the relevant Sector Eligibility Criteria for each business activity.
3. Be benchmarked against the Climate Bonds Standard entity-level sector-specific criteria, aligning with those criteria by 2030 at the latest. To enable this benchmarking, the PTs for the Assessed Entity must therefore address all elements listed in the relevant Climate Bonds Standard entity-level sector-specific criteria) in place at the time of certification. It is noted that these elements include GHG emissions intensity metrics, but also other quantitative or qualitative indicators and requirements. Compliance with these criteria is necessary for certification. Where Climate Bonds Initiative does not (yet) have entity level sector-specific criteria for any activity, that activity cannot form part of the Certified Assessed Entity. *N.B. Different tiers of certification are awarded depending on the date of alignment with the pathway and criteria – see Box 1 for details.*

In addition, information shall be provided on:

1. The process for monitoring and tracking performance against those PTs. This shall include information on any tracking and estimation tools, including but not limited to GHG performance tools, and any equivalents for PTs which are not expressed in terms of GHG emissions.
2. Any intended GHG offsets additional to those PTs.³
3. How the PTs compare to any national targets for the jurisdiction in which the activity is located.
4. How delivery of the PTs will impact (positively or negatively) other key environmental and social goals.

Box 1: Two tiers of certification

Two tiers of certification are available, contingent on when the Assessed Entity's PTs will align with the entity-level sector-specific criteria of the Climate Bonds Standard.

1st Tier: The KPIs and PTs of the Assessed Entity align with the entity-level sector-specific criteria of the Climate Bonds Standard at the time of certification and over the short-, medium- and long term, and the Transition Plan is deemed to be credible evidence that those future PTs will be met (per the requirements described in Clause D.3). In addition, the Non-Assessed Entity meets the safeguards described in Clause D.5.

2nd Tier: The KPIs and PTs of the assessed entity do not align with the sector-specific criteria of the Climate Bonds Standard at the time of certification, **but are expected to align by 2030**, and the Transition Plan is deemed to be credible evidence that these PTs for the short-, medium- and long term will be met (per the requirements described in Clause D.3). In addition, the Non-Assessed Entity meets the safeguards described in Clause D.5.

Clarification notes:

- *If less than 90% of the assessed entity's activities meet 1st tier level of performance at the time of certification, but more than 90% meet 2nd tier level of performance then the assessed entity will be eligible only for 2nd tier certification.*
- *If performance levels improve during the term of certification such that the company subsequently attains the 90% threshold of '1st tier performance' then certification can be 'upgraded' to 1st tier label. This is subject to audited verification of this improved performance and projection (see Clause D.7.1)*

3.2 Transition Plans for Assessed Entities

If the PTs for the Assessed Entity ratchet down over time, i.e. imply a decarbonization transition, the Assessed Entity shall have a Transition Plan covering all the business activities that form part of the Assessed Entity. Applicants whose activities are already near net zero do not need to comply with this clause. Which activities and sectors are deemed to be already near net zero (to the extent that a Transition Plan is not required) will be clearly indicated in the sector-specific criteria documents. This Transition Plan is a time-bound action plan presenting the plans, actions, and accountability mechanisms for the delivery of the PTs. It shall include, but need not be limited to, the elements listed in Clause D.3.2.

3.2.1 Business plans

The business plan represents the evidence that the Assessed Entity has identified profitable activities in a low-carbon economy and that action plans and mechanisms are being put in place to deliver the transition in line with the PTs set, and this transition has been fully integrated into the entity's wider business model and forward plans. Specifically, for each disaggregated segment as per Clause D.2.3 there shall be:

1. A description of the **current position**. Summarising the current sources of emissions and the opportunities and risks of the low carbon transition.
2. A **vision** outlining what the far-future Assessed Entity will look like in terms of economic activities, physical assets and business model, that aligns with the long-term PTs and net zero goal.
3. A **strategic narrative** on how each of the business activities of the Assessed Entity will evolve from their current position to deliver the short-, medium- and long-term PTs, including but not limited to any organic growth, mergers and acquisitions, divestments or retirements. This strategic narrative shall include the assumptions underpinning the transition strategy and consideration of the risks that the organization faces in delivery against its PTs. It shall articulate how the transition will be embedded within the wider organization and corporate strategy, and any co-benefits or trade-offs with other objectives and priorities. Business context shall be addressed, such as relevant region-specific considerations, organization size and market position, operating model etc.
4. Identification of the **milestones** through which the achievement of those PTs will be measured.
5. Description of concrete **action plan(s)** to achieve those milestones, outlining short terms up to two years) and medium-term tactical and operational changes, including current and planned initiatives to reduce emissions. At a higher level, outlines of the likely actions anticipated to deliver the longer-term PTs and reach net zero, informed by a wider range of planning scenarios.
6. These milestones and action plans shall be supported by or made up of a number of more detailed sub-plans, for action within and external to the Assessed Entity. For example, a **human resource** plan for ensuring the right provision of skills, an **external engagement** plan detailing how to transition supplier relationships, a **product development** plan detailing actions to bring to market revised products, net zero product or service offerings etc. The content of these plans and the identified concrete actions will be specific to the Assessed Entity, but particular attention should be paid to the appropriate entity-level sector-specific criteria of the Climate Bonds Standard as these criteria may include key actions that would be required for Certification and these should be addressed in the business plan. In addition, Box 2 below describes particular requirements in respect of an external engagement plan.
7. **Sensitivity analysis** of the risks to delivery of these milestones and actions plans, addressing significant limitations, constraints, and uncertainties in the achievement of these milestones. This shall address financial, technological, policy, market, environmental, social and any other critical risks (and opportunities).

The plan shall break the timeline down into 3-5 year intervals, recognising that less detail will be possible towards 2050.

Box 2: Requirements in respect of an external engagement strategy

An engagement strategy with suppliers and customers that supports the reduction of scope 3 emissions over the short-, medium- and long-term. This strategy shall address:

- **Clear objectives** for this engagement: the desired behaviours or results or outputs from supply chain stakeholders. For example, lower GHG inputs, information on GHG status, specific actions being taken to reduce emissions etc.
- **Actions** to be taken to achieve these objectives. For example, awareness campaigns, setting new contractual arrangements, financial or other support from the company to stakeholders to facilitate these changes (if any), regular audits of suppliers, revising procurement processes in selection of supply chain partners.
- **Expected changes in supplier relationships** e.g., in anticipation of existing partners not meeting these objectives, and/or a change in supply chain partners, and how any negative impacts of that will be mitigated.
- **An escalation process** describing what will happen should stakeholders show little or insufficient response to engagement.

3.2.2 Early action

Transition requires rapid, front-loaded decarbonisation to achieve meaningful change. The Business Plan shall demonstrate clear plans and PTs in the short term that will drive this rapid change to align with a net zero transition.

3.2.3 Finance Plan

The associated finance plan provides evidence of the financial viability of the Business Plan, integrating the financial impacts of the transition into the wider organizational plans.

This shall include financial projections, demonstrating ongoing financial viability, considering projected impacts on profit and loss and balance sheet forecasts as a result of the pursuit of the PTs and associated strategy, addressing:

1. Cost estimates (CapEx and potentially OpEx costs) associated with the plan (write-downs, site remediation, contract penalties, regulatory costs, R&D, retraining of staff, higher supplier prices).
2. Balance sheet impacts (e.g., revised asset values).
3. Revenue impacts (positive and/or negative) from changed product or service offerings.

In practical terms, in the very short-term window of 0-2 years, detailed financial budgets shall exist. Over a short-medium term window of 3-5 years, higher-level estimates and projections shall be adopted. Over a medium-term window of 5-15 years, estimates and projections shall be broader and into the longer term represent more a broad conceptualization of possible financial pathways.

3.2.4 Internal governance – Board mandate

This refers to the governance environment of the entity that will enable the KPIs, PTs and associated business plans to be delivered. This shall include a clear mandate, role, and authority for the Board (or equivalent governance body) and specific terms of reference of the subcommittees tasked with the oversight of transition planning and delivery.

These documented responsibilities shall include:

1. Formal approval of the Transition Plan and PTs.
2. Oversight of the design and execution of the Transition Plan.
3. Assessing progress towards the PTs, on receipt of regular status reports, determining corrective action as needed if performance fails behind that laid out in the Transition Plan and PTs.
4. Oversight and management of serious issues which may call into question the credibility of the Transition Plan and reported progress, e.g. fraudulent reporting, poor quality data, failure to deliver on commitments.

3.2.5 Internal monitoring

Mechanisms shall be in place for

1. Ongoing monitoring and tracking of progress of the delivery of the Transition Plan and PTs.
2. The determination of corrective action where progress falls behind the PTs and the Transition Plan.
3. A full review and update of the PTs and Transition Plan at least every 5 years, sooner in the event of structural changes (per Clause D.2.4). This re-evaluation and recalibration shall reflect changing operating conditions and market developments, such as new technologies coming online sooner than expected. Processes should be in place for such recalibration to tighten PTs where possible, ensure continuous improvement and include a defined stakeholder feedback mechanism.

4. Certification of linked financial instruments

Where an Assessed Entity is certified, it may use this Certification as a stepping-stone to certification of financial instruments linked to the PTs and Transition Plans assessed per Clause D.3. For example:

1. Certification of a Sustainability Linked Bond (SLB) whose KPIs are tied to the same PTs, Transition Plans and other metrics and evidence used by the issuing entity to determine the Assessed Entity's compliance with PART D of the Climate Bonds Standard.
2. Certification of a Use-of-Proceeds bond where the eligible nominated assets and projects the proceeds are allocated to are compliant with Clause A.4 and no way conflict with or undermine the PTs and/ or Transition Plans used by the issuing entity to determine the Assessed Entity's compliance with PART D the Climate Bonds Standard.

For the avoidance of doubt, certification would not be automatically extended to these financial instruments but would require an Approved Verifier to verify the link between the Entity certification and SLB/ use-of-proceeds certification and meet any other SLB/ Use-of-Proceeds criteria as described in in this document.

5. Safeguards on Non-Assessed Segments

The Assessed Entity (as defined by Clause D.2) may or may not include divisions of the same company, its parent company or other subsidiary companies, at the Applicant's discretion. The parts of the Parent Group which do not form part of the Assessed Entity shall be referred to as the 'Non-Assessed Segments'.

These Non-Assessed Segments are not subject to the requirements in Clause D.3 but shall comply with the requirements in this section - Clauses D.5.1 and D.5.2.

5.1 Exclusions

The Assessed Entity cannot be certified unless the parent company (including the Non-Assessed Segments) has publicly committed to zero future expansion of any of the following activities:

1. The exploration of solid, liquid, and gaseous fossil fuels or the extraction, refining and production of derivative products. This includes unconventional sources such as hydraulic fracking, arctic drilling, oil sands and shale deposits.
2. The supply and/or use of solid, liquid, and gaseous fossil fuels for fuel, energy generation in the form of electricity and/or heat, heating and cooling using these fuels.
3. The transportation, distribution and/ or storage of fossil fuels.
4. The production, distribution and sale of new passenger cars and light commercial vehicles with engine technology based on combustion of fossil fuels.

The parent company's public commitments shall include zero CapEx for the expansion of these activities and zero OpEx in maintenance costs that either increase the lifetime or the value of the assets used in those activities, during the last financial year and in the future.

5.2 Net Zero Targets and Transition Plans

The Entity's Governing Body shall have approved strategic plans for the Parent Group to ensure that its business model is compatible with the transition to net zero economy with clear short, medium, and long term targets.

Such plans shall include:

1. The nature of the activities of the Non-Assessed Segments, and their contribution to the company emissions and revenue.
2. The reduction in GHG emissions of the Non-Assessed Segments in order to achieve net zero by 2050 at the latest. This shall include the target date(s) by which they are set to achieve net zero emissions for each activity and the interim targets over the short, medium and long term aligned with that target, using established transition pathways by 3rd party initiatives such as SBTi⁴ or TPI⁵. These targets shall address 100% of scope 1, 2 and 3 emissions.

⁴ Science-Based Targets Initiative <https://sciencebasedtargets.org/net-zero>

⁵ The Transition Partway Initiative: <https://www.transitionpathwayinitiative.org/>

3. If the Non-Assessed Segments currently practice any of the activities described under Clause D.5.1 (with no planned expansion), the plans must include the phase-out, closure or fuel-switching of the activities described under those activities within the earliest of:
 - 3.1. a ten-year timeframe, and
 - 3.2. 2030 if located in an OECD country or 2040 elsewhere.

6. External reporting

6.1 Information to disclose

It is recognized that organizations' transition plans include a wide range of information, not all of which may be appropriate to include in financial filings or other annual corporate reports. Despite this, it is encouraged that organizations disclose key information from their transition plans. Specifically, organisations shall publicly disclose the information detailed below. Where there are concerns over commercial confidentiality, public disclosure may be less specific, albeit with full detailed disclosure to the Approved Verifier and to Climate Bonds (see Clause D.7).

6.1.1 Initial reporting

For the Assessed Entity:

- 1.1. PTs and Transition Plans highlighting the impact of the transition on their business, strategy and financial planning, the actions and activities taken to support the transition, and governance mechanisms to deliver the transition (per Clauses D.3).
- 1.2. The process and timing of external reporting on progress against the PTs and Transition Plan, and any updates to PTs and/or Transition Plan.

For any Non-Assessed segments:

- 1.3. Public commitment by the Parent Group to zero future expansion of any of the activities detailed in Clause D.5.1.
- 1.4. The Parent Group's Net Zero Targets and strategic plans per Clause D.5.2.

6.1.2 Ongoing annual reporting

For the Assessed Entity:

- 1.1. Updates on progress against the PTs and on the delivery of the Transition Plan, including a comparison of completed action to planned actions in the prior reporting period, highlighting any underperformance to date and corrective actions to address.
- 1.2. Significant updates to the Transition Plan, including any revisions to PTs or strategies and actions to deliver those targets or any changes in the boundary of the Assessed Entity.

For any non-assessed segments:

- 1.3. Any updates or changes to the Parent Group's Net Zero Targets and strategic plans per Clause D.5.2.

6.2 Format of disclosure

An official communication of a) the Assessed Entity's PTs and Transition Plan, and b) the Non-Assessed Segment's Net Zero Target and associated Transition Plan shall be available on the company's website.

Disclosures may be aligned with recognised reporting frameworks such as the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), or similar frameworks but this is not mandatory. Disclosures may be made according to the customary practices regarding corporate disclosures, e.g., via annual reporting, dedicated sustainability reporting, statutory filings and investor presentations, but this is at the discretion of the Applicant.

7. Verification

7.1 Verification process and assurance reports

Prior to certification, the Applicant shall receive an unqualified opinion from an Approved Verifier that the requirements described in Clause D.3 are met, and that the Transition Plan provides sufficient credible evidence to be confident that the PTs can be attained.

Subsequently, annual reporting and verification from an Approved Verifier shall be required to give assurance that:

- The PTs set to date have been met.
- The Assessed Entity is on track to meet future PTs. This may include assessment of any compensatory measures taken or planned where underperformance against the initial transition plan has been delivered or is anticipated.
- Any recalibration of activities, PTs or Transition Plans for the Assessed Entity is compatible with the Assessed Entity still meeting the requirements laid out in this document and the appropriate sector specific criteria of the Climate Bonds Standard.
- Any changes to the boundary of the Assessed Entity (and resetting of associated PTs and Transition Plan) maintains compliance with the requirements in this document and the appropriate sector specific criteria of the Climate Bonds Standard.
- Any Non-Assessed Segments continue to meet the safeguards described in Clause D.5.

7.2 Disclosure of verification

The Verifier's assurance reports shall be publicly available. Alternatively, the Applicant may opt for a more concise public version of the Verification Report and a more detailed report made available to the Climate Bonds Standard Secretariat.

8. Entity Certification Process

Applicant entities seeking Certification under the entity certification criteria shall:

1. Prepare a Transition Plan in accordance with Clause D3.2.
2. Complete the Climate Bonds Information Form and submit the completed form to the Climate Bonds Standard Secretariat. The Applicant shall identify within the Climate Bonds Information Form

what components of the information provided are confidential and what components can be publicly disclosed on the Climate Bonds Initiative website once Certification has been confirmed.

3. Engage a Verifier to undertake the assurance engagement to assess conformance with Clause D.7 of the Climate Bonds Standard. The Verifier engaged by the Issuer shall issue a Verification Report expressing a conclusion or an opinion as to whether the Assessed Entity conforms to the requirements of the Climate Bonds Standard for Entity Certification.

A corporate Entity may apply to the Climate Bonds Standard Board Secretariat to receive Certification under the Climate Bonds Standard by submitting the following documents: (i) a completed (as appropriate) Climate Bonds Information Form (ii) the Verification Report, and (iii) an executed Certification Agreement (iv) Transition Plans formally approved by its Governing Body.

If the Climate Bonds Standard Board is satisfied that the applicant is in conformance with the Pre-Issuance Requirements, then it shall provide a statement which confirms the Certification of the Assessed Entity.

9. Maintaining certification

An Assessed Entity shall stop using the Certification Mark:

1. Within five years of the date of awarding the Certification.
2. Where the Applicant entity becomes aware that the Assessed Entity no longer conforms with the Climate Bonds Standard and provides a written statement to that effect to the Climate Bonds Standard Secretariat.
3. Where an Assurance Engagement commissioned by the Applicant company, or the Climate Bonds Standard Board finds that the Assessed Entity no longer conforms with the Climate Bonds Standard.
4. If the Certification is revoked in accordance with Clause D.10.

10. Revocation of Certification

Certification will be rescinded if at any annual review the Verifier deems that the Assessed Entity no longer meets the requirements described in any of the clauses above, including but not limited to the following:

1. The Assessed Entity not meeting its PTs and not having a credible Transition Plan to correct any past non-delivery in performance within 2 years (Clause D.3)
2. The Assessed Entity 'downgrading' its future PTs such that they no longer align with the requirements of the sector specific criteria of the Climate Bonds Standard (Clause D.3)
3. The Assessed Entity's Transition Plan to deliver future PTs is deemed to be no longer credible.
4. The Non-Assessed Entity no longer meets the safeguards (Clause D.5)
5. The Applicant has failed to meet the annual reporting requirements (Clause D.6)

Lastly, Certification can be revoked if the applicant has breached any of the contractual obligations towards the Climate Bonds Initiative e.g., reporting requirements, payment of the certification fee etc.

PART E: SUSTAINABILITY LINKED BONDS

Given their forward-looking key performance indicators (KPIs), all SLBs are arguably inherently about transition, whether a climate, broader green and/or social transition. For a decarbonisation transition specifically, they represent an excellent opportunity for companies' net-zero targets to be linked up with access to sustainable finance.

1. SLBs Eligible for Certification

At this time, certification is only available to SLB's issued by and in respect of the activities of non-financial corporates. That is, corporates that predominantly provide goods or non-financial services in the real economy.

Eligible SLBs cannot mature or become callable before the date of the first interim Performance Target (PT).

2. Term of Certification

Certification is valid for the full term of the SLB, subject to remaining in compliance with the requirements laid out in this document.

3. Certification Requirements

3.1 Required performance

As per Clause D.3 for Entity certification, at least 90% of the turnover or GHG emissions of the entity represented by the selected PTs (per Clause E.3.2 below) shall meet the relevant eligibility requirements in order for an SLBs to meet the requirements of the Climate Bonds Standard.

If the SLB has Use-of-Proceeds elements (a hybrid), it shall also meet the requirements for Use-of-Proceeds bonds as described in PART B.

3.2 Performance Targets

The PTs to which the bond is linked shall comply with the requirements in Clause D.3. Additional unrelated PTs to which the bond is linked are allowed, but one or more of the PTs must comply with the requirements in Clause D.3.

3.3 Transition Plan

If the PTs ratchet down over time, i.e., imply a decarbonization transition, the Issuer shall have a **Transition Plan** covering all the business activities integral to the delivery of those PTs. This Transition Plan shall comply with the requirement in Clause D.3.

4. Safeguards on the Non-Assessed Entity

The Parent Group (including any Parent Company or co-subsiary companies, or subdivisions of companies connected to the issuing entity but not covered by the PTs of the SLB shall comply with the Safeguards on Non-Assessed Segments as per Clause D.5.

5. External reporting

5.1 Information to disclose

Issuers shall publicly disclose the information detailed below. Where there are concerns over commercial confidentiality, public disclosure may be less specific, albeit with full detailed disclosure to the verifying entity.

5.1.1 Pre-issuance reporting

1. In respect of the activities linked to the SLB PTs, the following is required:
 - 1.1. The rationale for selecting the PTs linked to the bond and how the PTs fit into their sustainability strategy.
 - 1.2. PTs and Transition Plans highlighting the impact of the transition on the business, strategy and financial planning, the actions and activities taken to support the transition, and governance mechanisms to deliver the transition (per Clause D.3).
 - 1.3. The process and timing of external reporting on progress against the PTs and Transition Plan, and any updated to PTs and/or Transition Plan.
2. For the wider entity:
 - 2.1. Public commitment by the Parent Group to zero future expansion of any of the activities detailed in Clause D.5.1.
 - 2.2. The Parent Group's Net Zero Targets and strategic plans per Clause D.5.2.

5.1.2 Annual Post-issuance Reporting

1. In respect of the activities linked to the SLB's PTs:
 - 1.1. Updates on progress against the PTs and on the delivery of the Transition Plan, including a comparison of completed action to planned actions in the prior reporting period.
 - 1.2. Information on any underperformance to date and corrective actions to address.
 - 1.3. Significant updates to the Transition Plan, including any revisions to PTs or strategies and actions to deliver those targets.
2. For the wider entity:
 - 2.1. Any updates or changes to the Parent Group's Net Zero Targets and strategic plans per Clause D.5.2.

6. Verification

6.1 Verification Process and Assurance Reports

Prior to Certification, the Applicant must receive a positive opinion from an Approved Verifier that the requirements described in Clause E.3 are met, and that the Transition Plan provides sufficient credible evidence to be confident that the PTs can be attained.

Subsequently, annual reporting and verification from an Approved Verifier is required to give assurance that:

1. The PTs set to date have been met.
2. The issuer is on track to meet future PTs. This may include assessment of any compensatory measures where underperformance against the initial Transition Plan exists or is anticipated.
3. Any recalibration of PTs or Transition Plans has not led to the lowering of PTs.
4. The wider entity continues to meet the safeguards described in Clause D.5.

6.2 Disclosure of Verification

The verifier's assurance reports shall be publicly available. Alternatively, the Applicant may opt for a more concise public version of the Verification Report and a more detailed report made available to the Climate Bonds Standard Secretariat.

7. SLB Certification Process

Applicant companies seeking Certification under the SLB certification criteria shall:

1. Prepare a Transition Plan in accordance with Clause D.3.
2. Complete the Climate Bonds Information Form and submit the completed form to the Climate Bonds Standard Secretariat. The applicant shall identify within the Climate Bonds Information Form what components of the information provided are confidential and what components can be publicly disclosed on the Climate Bonds Initiative website once Certification has been confirmed.
3. Engage a Verifier to undertake the assurance engagement to assess conformance with the Climate Bonds Standard. The Verifier engaged by the Issuer shall issue an assurance verification report expressing a conclusion or an opinion as to whether the SLB conforms to the requirements of the Climate Bonds Standard for SLB Certification.

An Issuer of an SLB may apply to the Climate Bonds Standard Board Secretariat to receive Certification under the Climate Bonds Standard by submitting the following documents: (i) a completed Climate Bonds Information Form (ii) the Verification Report, and (iii) an executed Certification Agreement (iv) Transition plan and PT selection process, formally approved by its Governing Body.

If the Climate Bonds Standard Board is satisfied that the applicant is in conformance with Clause E.3 then it shall provide a statement which confirms the Certification of the SLB.

8. Maintaining Certification

To maintain the Certification status of the SLB, the Issuer shall engage a Verifier to undertake further Assurance Engagements on a periodic basis, at least annually, while the Bond remains outstanding (similar to the Programmatic process described in Clause B.3.4).

The Issuer shall supply the Climate Bonds Standard Board with copies of the annual Verification Reports through the Climate Bonds Standard Secretariat or share their location on a public website. Links to Update Reports will be published on the Climate Bonds Initiative website.

An Issuer of an SLB shall stop using the Certification Mark if:

1. The Issuer becomes aware that the SLB no longer conforms with the Climate Bonds Standard and provides a written statement to that effect to the Climate Bonds Standard Secretariat; or
2. Where verification engagement commissioned by the Issuer, or the Climate Bonds Standard Board finds that the SLB no longer conforms with the Climate Bonds Standard.

9. Revocation of Certification

Certification will be rescinded if at any annual review the Verifier deems that the SLB no longer meets the requirements described in this PART E of the Climate Bonds Standard, or if the Issuer has breached any of the contractual obligations towards the Climate Bonds Initiative e.g., reporting requirements, non-payment of the certification fee etc.

ANNEX - Main changes from v3 TBC