

# Alternative Protein Criteria FAQs

## Frequently Asked Questions

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*NOTE: These Criteria can be used to certify use-of-proceeds instruments, sustainability-linked debt instruments, assets, and entities as per the [Climate Bonds Standard](#)*

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# 1 Introduction

The purpose of this document is to provide answers to a series of questions that are commonly asked by our clients and clarity on topics that are relevant to the 'Alternative Proteins Criteria'. The topics covered in this document are:

- General Questions
- Questions on Sector
- Questions on Scope
- Questions on Use of Proceeds and Assets Certification
- Questions on Entity and SLD Certification
- Questions on the 1.5°C Transition Pathway developed for Entity and SLD transition planning.
- Questions on Safeguards

This Draft FAQ document was updated on 09 Dec 2024.

For the latest specific requirements on the Criteria, please always refer to the information in the original Alternative Proteins Criteria' document.

## 2 General questions

### 2.1 What is the Climate Bonds Initiative?

Climate Bonds Initiative is an international investor-focused and not-for-profit organisation working solely to mobilize the \$100 trillion bond market for climate change solutions. We promote investment in projects and assets necessary for a rapid transition to a low carbon and climate resilient economy. The strategy is to develop a large and liquid Green and Climate Bonds market that will help drive down the cost of capital for climate projects in developed and emerging markets; to grow aggregation mechanisms for fragmented sectors; and to support governments seeking to tap debt capital markets. Our work falls into three workstreams: market intelligence, developing a trusted standard and providing policy models and advice.

### 2.2 How were these Criteria developed? Are they based on science?

The Climate Bonds Initiative aims to activate mainstream debt capital markets for financing climate-friendly projects by promoting the use of green bonds, which are crucial for achieving global climate goals. Robust labelling of green bonds builds trust in their climate objectives, but investors often lack the capacity to assess green credentials. To address this, the Climate Bonds Standard & Certification Scheme was created to ensure transparency, credibility, and scale in the green bond market. It provides a clear framework for investors and issuers, requiring independent verification of bonds both pre- and post-issuance.

The Standard includes overarching guidelines for management and reporting, as well as sector-specific criteria developed by experts. These criteria are subject to public consultation and final approval by the Climate Bonds Standards Board.

The criteria are developed through a consultation process involving a Technical Working Group, composed of global experts from various disciplines within alternative protein production. These experts provide feedback, develop, and refine the criteria, reaching agreement by consensus. Additionally, an Industry Working Group, consisting of banks, companies, and financial institutions, offers feedback on the usability of the criteria. While they may not fully agree with every aspect, their input is considered to improve practical application.

Afterward, the Climate Bonds Standard Board gives final approval following a public consultation. This phase allows all stakeholders to submit feedback, which is incorporated where relevant.

### 2.3 How can banks use these criteria?

Banks can leverage these Criteria as a framework for issuing labelled bonds and loans and advising debt capital markets. The list of practices and assets eligible for certification can inform the list of activities eligible in the bank's green, sustainable or transition finance framework. Various labelled debts can be structured **following these criteria**:

Green bonds **and sustainability linked bonds**, often used as long-term debt instruments, are issued not only by commercial and development banks but also by governments and municipalities to finance or refinance projects with clear environmental benefits. While structurally like regular bonds, green bonds are distinguished by the earmarking of proceeds for environmentally beneficial initiatives. The strong demand for green bonds presents issuers with an opportunity to attract a broader, sustainability-focused investor base. The “green” label serves as a discovery tool for investors, making it easier to identify climate-aligned investments, even with limited resources for in-depth due diligence. By streamlining the identification process, this label reduces market friction and promotes the growth of climate-positive investments.

Green and sustainability-linked loans are typically shorter-term instruments and widely used by the agrifood industry. Sustainability linked loans include notably any types of contingent facilities and can be used for supply chain financing.

Entity’s certification acts also as an identifier of company credibly transitioning and could be used to facilitate the analysis of companies candidates to sustainable financing.

## 2.4 What are the costs associated with the certification process?

A quote is available upon request, please reach out to [certification@climatebonds.net](mailto:certification@climatebonds.net)

# 3 Questions on Sector

## 3.1 Why shifting capital to alternative proteins production matters?

The Alternative Proteins Criteria offers a comprehensive framework to certify climate-aligned investments, ensuring the sustainable transformation of global food systems

Livestock production is a major contributor to climate change and biodiversity loss. It is responsible for: 60% of food system emissions and 12–20% of global greenhouse gas emissions, despite providing just 17% of global calories and 38% of protein.

To combat these challenges, a shift towards increasing production and uptake of sustainable, non-animal protein sources is essential for reducing emissions, protecting biodiversity, and aligning with the 1.5°C climate goal.

## 3.2 What are Alternative Proteins Criteria?

The Criteria include a large set of eligible measures and guidance for Certification of Use of Proceeds bonds and/loans, Sustainability-Linked Bonds (SLBs), Loans (SLLs), and Asset and Entity-level certification.

## 3.3 Who can use these Agriculture Production Criteria?

The Criteria include eligible measures for the Certification of Use of Proceeds bonds and/loans (and Asset) for both Alternative Proteins producers (both specialised or diversified) and distributors (including traders, food service and retailers).

The Criteria also include transition pathways for the Certification of transition plans as part of Sustainability-Linked Bonds (SLBs), Loans (SLLs) and Entity-level Certification.

# 4 Questions on Scope

## 4.1 What can be certified under the Agriculture Production Criteria?

The following can be Certified under these Criteria following the update of the overarching [Climate Bonds Standard](#):

1. Use-of-proceeds (UoP) bonds financing climate mitigation measures (e.g., investments aiming to reduce direct energy emissions and support improved waste management). Assets (physical assets and infrastructure, including in some cases

the whole production unit) aiming at any of eligible measures for climate mitigation can also apply for certification. (see details in the Criteria document).

2. Entities (alternative proteins producers) and sustainability-linked debt (SLD) issued by those entities (see details in the Criteria document).

The [Climate Bonds Standard](#) (CBS) outlines cross-sectoral requirements that must be met for Use of Proceeds (UoP), Asset, Entity, or Sustainability-Linked Debt (SLD) Certification, in addition to sector-specific requirements for alternative proteins production described in the document. Applicants seeking CBS certification must submit evidence demonstrating their compliance with the Criteria, which is then validated through an assurance process by third-party verifiers approved by Climate Bonds.

#### 4.2 What Alternative Proteins Production activities falls under the scope of these Criteria?

The Criteria cover the alternative proteins production and distribution stage within the food value chain, beyond the farm gate. The rest of the food value chain will be covered by the forthcoming Food Value Chain Criteria and the agriculture (crop and livestock) elements up to the farm gate are covered by the Agriculture Production Criteria.

#### 4.3 What Alternative Proteins Production activities are out of scope for these Criteria?

The following agriculture production activities are out of scope for these Criteria:

- Alternative Proteins dedicated exclusively for non-food uses. Exclusions are therefore insects, bioenergy crops, and pharmaceutical production.

## 5 Questions on Use of Proceeds and Asset Certification

### 5.1 How to check eligibility for UoP or Asset Certification?

The process to check eligibility involve a four-steps rationale explained in detail in the Criteria document:

1. Precondition for all applicants: deforestation- and conversion-free (DCF). The land from where the relevant sourced commodity is produced must be deforestation- and conversion-free since 31 December 2020.
2. Choose the main eligible measures under each climate performance focus of the asset, bond or loan issuance to reduce GHG emissions from practice and/or operation.
3. Check climate adaptation safeguard: Climate impacts risk assessment and risk mitigation checklist.
4. Check other environmental and social safeguards:
  - a. Biodiversity;
  - b. Water;
  - c. Social;
  - d. Nutrition; and
  - e. Animal welfare (if applicable).

### 5.2 What is the precondition for deforestation- and conversion-free agriculture production system?

This requirement acts as a precondition for UoP and/or Asset Certification of any agriculture land production units (working and) linked to the application.

**Table 3. UoP and Asset Certification: precondition eligibility requirement for land use and land use change.**

Precondition: Deforestation- and conversion-free agriculture production system	
Requirement	Demonstration of Compliance

Farmland that is part of the production unit or units is free from deforestation and conversion of natural ecosystems since Dec 2020	Geolocation of production units (polygon for units > 4 ha and single point for units < 4 ha).	To be verified compared to production unit land-use status before 31 Dec 2020
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### 5.3 What are the examples of eligible expenditures under these Criteria?

Eligible expenditure includes:

- Related and supporting expenditures for projects or physical assets, where the projects or physical assets meet the relevant Eligibility Criteria for the specific measure(s) being implemented or planned;
- Capital expenditures undertaken to increase the value and/or lifetime of the assets or projects;
- Related and supporting expenditures including relevant installation and routine maintenance expenditure and upgrades undertaken to maintain the value and/or lifetime of the asset.

In line with this, eligible use of proceeds relating to alternative proteins production systems might include capital and operating expenditure relating to, for example: (1) inputs (e.g., seeds, fertilisers, energy), (2) capital goods (e.g., equipment, storage), (3) transformation processes (e.g., fermentation), (4) waste management on the production unit (residue processing, recycling), and (6) primary processing and storage before point of sale.

### 5.4 What are the examples of expenditures not considered eligible under these Criteria?

Activities, assets, or projects where the climate benefits are unclear or have an unclear time horizon are not considered eligible under these Criteria, for example:

- Research and development programs where climate benefits are unclear based on current science.
- Biodiversity projects with unclear climate benefits.
- General behaviour change training with unclear climate objectives.
- Any project with an unclear time horizon for climate benefits.
- Expenditure relating to general corporate purposes.

## 6 Questions on Entity and SLDs Certification

### 6.1 What is an Entity Certification?

It is a certification for non-financial corporate entities (and parts thereof) and SLD issued by them proving that these corporate emissions are already near zero or undergoing ambitious and credible transition plan aligned with Paris Agreement climate Targets. The certification last for five years, subject to compliance with requirements established in the Climate Bonds Standards. (See also Section 4 of the Criteria Document). See Criteria document.

### 6.2 What is sustainability-linked debt (SLD) Certification?

SLD is any debt instrument whose financial and structural characteristics vary based on the issuer's achievement of predefined sustainability or ESG objectives. These objectives are measured using predefined KPIs and assessed against established performance targets.

SLD Certification is available only to SLD instruments issued by legal entities, or segments thereof, that provide non-financial goods and services, and for which the Climate Bonds Initiative has developed Sector Criteria for Certification. Certified SLD instruments may be tied to economic activities with either emissions already near zero, or significantly above zero but with credible Transition Plans aligned to 1.5°C pathways.

The Certification focuses exclusively on the climate mitigation aspects of any performance targets linked to the SLD instrument. If the performance targets are related to social or environmental objectives, the certification does not provide assurance over those targets or any related elements of the transition plan.

#### 6.4 What are the two levels of Entity Certification available under these Criteria following the CBI Standard v.4?

Two levels of entity Certification are available, depending on when the climate mitigation performance targets align with 1.5°C.

1. *Level 1 – ‘Aligned’*: The climate mitigation performance targets align with the Criteria at the time of Certification and thereafter until the date the Climate Mitigation Performance Targets meets the 1.5°C transition pathway or 2050, whichever is sooner.
2. *Level 2 – ‘Transition’*: The climate mitigation performance targets do not align with the Criteria at the time of Certification but align by 31 December 2030 and thereafter until the date the climate mitigation performance targets meets the 1.5°C transition pathway or 2050, whichever is sooner.

#### 6.5 What are the two levels of SLDs available under these Criteria?

Two levels of sustainability-linked debt (SLD) Certification are available, depending on when the climate mitigation performance targets align with the Climate Bonds Standard Sector Criteria.

**Table 3. Requirements for sustainability-linked debt (SLD) Certification under two levels: ‘Aligned’ with the 1.5°C pathway for agriculture production and ‘Transition’ to the 1.5°C pathway for agriculture production.**

SLB Tier	SLD Certification Requirements
<b>Tier 1: Aligned</b>	<ol style="list-style-type: none"> <li><b>1. Climate Mitigation Criteria</b> <ul style="list-style-type: none"> <li>• At the time of Certification, the entity can demonstrate that its agricultural production land to which the debt is linked is <b>deforestation- and conversion-free since 2020</b>, and</li> <li>• At the time of Certification, the average emissions intensity of the production units to which the <b>climate mitigation performance targets of the debt are linked</b> meet the sector-specific Criteria transition pathway, and continue to align thereafter through to 2050.</li> </ul> </li> <li><b>2. Adaptation and Resilience safeguard</b> <ul style="list-style-type: none"> <li>• The Certified entity meets the Adaptation and Resilience safeguard, which is reassessed and reconfirmed every five years.</li> </ul> </li> <li><b>3. Environmental and social safeguards</b> <ul style="list-style-type: none"> <li>• Biodiversity (Section 5.2),</li> <li>• Water (Section 0),</li> <li>• Social (Section 0),</li> <li>• Animal welfare (if applicable: only for livestock production units)</li> </ul> </li> </ol>
<b>Tier 2: Transition</b>	<p>The criteria are the same as for Level 1, except:</p> <p>At the time of Certification, the average emissions intensity of the agriculture production units to which the <b>climate mitigation performance targets</b> of the debt are linked do not meet the sector-specific Criteria transition pathway, but its future climate mitigation performance targets align by 30 December <b>2030</b> and continue to align thereafter through to 2050.</p>

## 6.9 What are the key benefits of being certified under the Alternative Proteins Production Criteria?

Any Entity certified as green under the Climate Bonds Standard, or with a financial instrument labelled green under the Alternative Proteins Production Criteria, stands to gain significant credibility and financial advantages within the financial market. By adhering to the highest standards available, these entities can demonstrate robust and reliable green credentials that are aligned with 1.5°C climate trajectories, thereby enhancing their appeal to environmentally conscious investors.

## Definitions

**Applicant:** The term or name for any potential bond issuer, or non-financial corporate entity that might seek Certification under the Agriculture Production Criteria.

**Certified entity:** The entity or part thereof which is being certified under the Climate Bonds Standard. Currently, entity Certification is limited to non-financial entities or segregated segments thereof, for which the Climate Bonds has Climate Bonds Standard Sector Criteria for entity Certification.

**Climate Bond Certification:** allows the applicant to use the Climate Bond Certification mark in relation to that bond. Climate Bond Certification is provided once the independent CBSB is satisfied the bond complies with the CBS.

**Climate Bonds Initiative (Climate Bonds):** An investor-focused not-for-profit organisation, promoting large-scale investments that will deliver a global low-carbon and climate resilient economy. Climate Bonds seeks to develop mechanisms to better align the interests of investors, industry, and government to catalyse investments at a speed and scale sufficient to avoid dangerous climate change.

**Climate Bonds Standard (CBS):** A screening tool for investors and governments that allows them to identify green bonds, the proceeds of which are being used to deliver climate change solutions. This may be through climate mitigation impact and/or climate adaptation or resilience. The CBS is made up of two parts: the parent standard (CBS v4.2) and a suite of sector-specific eligibility Criteria. The parent standard covers the Certification process and pre-and post-issuance requirements for all Certified bonds, regardless of the nature of the capital projects. The Sector Criteria detail specific requirements for assets identified as falling under that specific sector. The latest version of the CBS is published on the Climate Bonds website.

**Climate change:** A change in global or regional climate patterns attributed to the increased levels of CO<sub>2</sub> in the atmosphere, produced mainly by the combustion of fossil fuels.

**Climate goals:** Objectives that aim to reduce GHG emissions to limit the global temperature increase to 1.5°C above pre-industrial levels.

**Climate mitigation performance targets:** The performance targets that define the measurable climate mitigation performance to be achieved.

**Climate adaptation and resilience:** Measures or assessments related to protecting communities or ecosystems from the effects of climate change. Adaptation refers to protection, while resilience is the ability to adapt and recover from the impacts of climate change.

**Climate targets:** Limits established by scientists and policymakers in plans to combat climate change.

**CO<sub>2</sub> equivalent:** A unit to measure the effect of all greenhouse gases according to their global warming potential that expresses the warming effect of each greenhouse gas over a set period of time (usually 100 years) in comparison to CO<sub>2</sub>. Thus, an amount of a GHG can be expressed by the quantity of CO<sub>2</sub> that will have the equivalent warming effect over 100 years.

**Decarbonisation pathways:** Transformation processes, strategies, or indications to be implemented in the energy sector aiming to reduce emissions and the use of fossil fuels. They involve measures such as shifting the energy mix, increasing energy efficiency, utilising the circular economy, or managing demand for energy.



**Decarbonise:** Move away from energy systems that produce carbon dioxide and other greenhouse gas emissions and remove the amount of carbon gaseous compounds in the atmosphere.

**Emission intensity:** Volume of emissions per unit of a representative factor in the assessed sector, which in the agriculture production sector is kg of production or equivalent functional unit, so the emissions intensity is the grams of CO<sub>2</sub> eq per kg of food generated: gCO<sub>2</sub>/kg.

**Emissions target:** Limits that scientists set for the quantity of emissions to be aligned with the Paris Climate Agreement.

**Green bond:** A bond where the proceeds are allocated to environmental projects or expenditures. The term generally refers to bonds that have been marketed as green. In theory, green bonds proceeds could be used for a wide variety of environmental projects or expenditures, but in practice they have generally been earmarked for climate change projects.

**Life-cycle emissions analysis:** A methodology for assessing or accounting for environmental emissions associated with all the stages of the life cycle of a product or process, from the initial design phase to disposal or recycling.

**Low-carbon technologies:** Technologies referred to as innovative technical solutions that are characterised by a low-emission intensity, compared to state-of-the-art alternatives. Considered best-in-class technologies with a focus on environmental impact, examples of electricity utility low-carbon technologies would be solar, wind, marine, bioenergy, hydropower, geothermal, and nuclear.

**Mitigation Criteria:** Rules and principles containing thresholds, benchmarks, and milestones for sector activities whose objective is the reduction of the harmful effects of greenhouse gases emissions.

**Mitigation technologies:** Actions within technological processes implemented to reduce and curb greenhouse gas emissions.

**Negative emissions:** Processes in which more CO<sub>2</sub> is removed and stored from the atmosphere than added to it, so the final GHG emissions balance is negative. It can be achieved by natural processes or a variety of technological solutions. Negative emissions are necessary to meet the Paris Agreement.

**Net-zero emissions scenario (NZE):** A science-based scenario designed to show what is needed across the main sectors by various actors, and by when, for the world to achieve net-zero energy-related and industrial process CO<sub>2</sub> emissions by 2050. It also aims to minimise methane emissions for the energy sector.

**Net-zero emissions:** A situation where global greenhouse gas emissions from human activity are in balance with emissions reductions. To achieve this situation, human-caused emissions should be reduced as close to zero as possible.

**Net-zero targets:** Global policy instruments for international GHG reductions to achieve net-zero emissions.

**Offsetting:** A climate action that enables organisations to compensate for the emissions they put into the atmosphere, by supporting projects that reduce emissions in other regions of the world.

**Parent company/group:** A company is considered a parent company of another entity (a subsidiary) if it exercises control over the subsidiary. The terms control and subsidiary have the meaning assigned to them under International Financial Reporting Standard 10 (IFRS 10). A parent group consists of the parent company and all the companies that the parent company exercises control over. Where the applicant does not belong to a group of companies, the term parent company applies to the applicant.

**Paris Agreement:** A legally binding international treaty on climate change adopted by 196 parties. Its overarching goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

**Pathways:** Science-based trajectories for different sectors indicating the way to achieve targets related to relevant indicators. In the electricity sector, these trajectories generally refer to the emission intensity.

**Standards Criteria:** Established principles to evaluate processes, assets, or entities aiming to achieve benchmarks, targets, or goals.

**Sustainability-linked debt (SLD):** Any debt instrument for which the financial and structural characteristics can vary depending on whether the issuer achieves predefined sustainability/ESG objectives. Such objectives are measured through predefined key performance indicators (KPIs) and assessed against predefined performance targets. Proceeds of SLD are intended to be used for general purposes.

**Transition targets:** Thresholds, benchmarks, and milestones based on key assumptions and dependencies used by scientists and policymakers to develop a plan to achieve climate targets.

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