



# Draft Verifier eligibility criteria & Verification process

## Climate Bond Standard

Prototype Version 1.0

### OVERVIEW

Prospective Climate Bond issuers seeking registration under the Climate Bonds International Standards and Certification Scheme (the “Scheme”) to issue a Climate Bond will have the proposed bond verified by a third party verifier, selected by the Climate Bond issuer from a list of verifiers approved by the Climate Bond Standards Board (the “Standards Board”).

Verification will be an analysis-based process carried out by a Standards Board approved organisation to assure that a climate bond issuance, the nature of the associated low carbon projects or activities and the associated financial accounting systems are in conformance with the Climate Bond Standard Version 1.0.<sup>1</sup>

This document outlines the eligibility criteria for Third Party Verifiers, the requirements for verification statements, and other information on rules and procedures related to the Scheme.

The Climate Bond Standard (“the Standard”) is not a financial standard —the obligation to perform financial due-diligence remains with investors, just as it does for other investments. The Third Party Verifier therefore is not required to provide any due diligence regarding financial performance of the project.

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<sup>1</sup> This standard, whilst currently in its prototype version and will be developed and enhanced for new low carbon project types and bond types.

## ELIGIBILITY CRITERIA TO CONDUCT VERIFICATION

The Standards Board will approve Third Party Verifiers on the basis of their ability to demonstrate that they have the required competence to conduct a verification. This competence may be in the form of previous activities for other climate change programmes or financial transactions.

The eligibility of a Third Party Verifier to perform verifications under the Climate Bonds Standards and Certification Scheme is structured on two levels.

Firstly, there are general eligibility criteria under the Scheme applicable to all Verifiers.

Secondly, there are specific criteria in respect of the particular bond under application.

### **General eligibility criteria:**

To become an Approved Verifier an organisation must:

- > Be a legal entity (either a domestic legal entity or an international organisation) and provide documentation of this status. Approval will be given to a legal entity irrespective of whether the entire organization or a part of it performs verifications.
- > Be able to provide evidence of financial stability (in the form of three years of annual balance sheets and profit and loss accounts), appropriate insurance coverage and availability of verifier resources.
- > At least one person in a verification team must:
  - > have membership of a suitable finance professional organisation which has provisions on professional integrity and competence in auditing, or assuring financial transactions and institutions (required only if the applying organisation intends to also review the financial credentials of bond issuance)
  - > demonstrate competencies in relation to the low carbon projects or activities linked to the bond under the Climate Bonds Standard.
- > Verifiers are expected to nominate areas of the Standard where they have expertise and competency to review. An assurance statement outlining competencies must be provided when applying,
- > Payment of verifier fees on the basis of success in achieving certification is prohibited.

### **Specific eligibility criteria related to a particular bond**

- > Verifiers will be required to have a registered legal entity in the legal jurisdiction in which a bond is being issued (or, in the case of issuance within the European Union, a legal entity within the EU)
- > At least one person in a verification team must have proven technical competence in the low carbon project or activity area linked to the bond under verification
- > Verifiers or the Verifier organisation must not be an owner or subsidiary in full or in part, of the entity issuing a bond requiring verification.
- > Verifiers must not stand to benefit in any way from the bond issuance, other than from the fee billed to the bond issuer for conducting a verification.
- > Should there be any uncertainty about what might be perceived to be conflicts of interest, these must be disclosed to the Climate bond Standards Board at the time of providing the verification statement.

The Secretariat of the Climate Bond Standards Board will conduct due diligence steps to ensure that the correct company number and address have been given for Third Party Verifiers and Bond Issuers.

## VERIFICATION STATEMENT AND REPORTING

The verification statement, to be addressed to the Standards Board but sent via the issuer, will state the outcome of the assessment on whether it complies with the Climate Bonds Standard's provisions.

It should be:

- > Written in English.
- > Describe the verification process justifying how the proposed bond meets the compliance requirements under each of the clauses in the Climate Bond Standard.
- > Describe whether the data and information supporting the Climate Bond issuance verification was hypothetical, projected and/or historical in nature
- > Describe whether the financial accounting systems provide reasonable assurance that the organisation will be able to comply with the Standard over the term of the Bond.
- > Describe whether the internal compliance and management systems established provide reasonable assurance that the organisation will be able to comply with the Standard over the term of the Bond.
- > Describe any issues raised during the verification process and their resolution, if any.
- > Document the conclusions reached by the Verifier, including any qualifications or limitations. The conclusion should include a reasonable assurance statement that the bond issue complies with all the standards. This should be compliant with the basic requirements laid down in paragraph 49 – “Assurance Report Content” of the International Standard of Assurance Engagements 3000 dated 01 Jan 2005.

## VERIFICATION PROCESS

Requests for verification will be made by the prospective bond issuer to Approved Third Party Verifiers. Issuers attach completed verification statements, addressed to the Climate Bond Standards Board, to submitted applications for Climate Bond certification.

Once these findings have been reviewed, the Standards Board will make a decision on whether to confirm Climate Bond certification.

If approved, permission to use the “Climate Bonds Certified” certification mark will be issued, subject to the payment of a certification fee.

A review of the verification may be triggered by:

- An assessment of a claimed breach of compliance by interested Parties. Claims of breach of compliance may only be lodged by parties to the transaction. Claims are to be lodged with the Climate Bond Standards Secretariat.
- Any subsequent Climate Bond transaction — for example, the issue of another Climate Bond from the same organisation — will require the issuer to provide documentation on the compliance of the existing Climate Bonds to the Verifier.

The Standards Board reserves the right to conduct random or periodic reviews of Climate Bond certifications. In such an instance organisations issuing bonds will provide information as requested by the Board.

## RECORDS OF VERIFICATION

Verifiers will keep all documents and records related to the successful or unsuccessful certification of a Climate Bond in a secure and retrievable manner for at least five years after the maturity date of the Climate Bond, or the date 100 percent of the bonds are repurchased by the issuer, whichever is earlier.

## FEE STRUCTURE

Verifiers are required to pay a £500 annual fee to be an Approved Climate Bonds Verifier.