



USAID
FROM THE AMERICAN PEOPLE

A CLIMATE BOND ROAD MAP FOR AGROBANCO IN PERU

CLIMATE ECONOMIC ANALYSIS FOR DEVELOPMENT, INVESTMENT AND RESILIENCE (CEADIR)

Contract No.: AID-OAA-I-12-00038, Task Order AID-OAA-TO-14-00007



March 11, 2020

This publication is made possible by the support of the American people through the United States Agency for International Development (USAID). It was prepared by Crown Agents USA and Abt Associates.

Recommended Citation: Laird, Michele and Eric Hyman. 2020. *A Climate Bond Road Map for AgroBanco in Peru*. Washington, DC: Crown Agents USA and Abt Associates, Prepared for the U.S. Agency for International Development.

Front photo source: AgroBanco (Peru)

Crown Agents USA Ltd. | 1129 20th Street NW | Suite 500 |
Washington, DC 20036 | T. (202) 822-8052 |
www.crownagentsusa.com

With:
Abt Associates Inc.

A CLIMATE BOND ROAD MAP FOR AGROBANCO IN PERU

CLIMATE ECONOMIC ANALYSIS FOR DEVELOPMENT, INVESTMENT AND RESILIENCE (CEADIR)

Contract No.: AID-OAA-I-12-00038
Task Order AID-OAA-TO-14-00007

Economic Policy Office and Global Climate Change Office
Bureau for Economic Growth, Education and Environment
U.S. Agency for International Development
1300 Pennsylvania Avenue NW
Washington, DC 20523

Prepared by:

Michele Laird (Abt Associates) and
Eric Hyman (U.S. Agency for International Development)

March 11, 2020

DISCLAIMER

This report is made possible by the support of the American people through the United States Agency for International Development (USAID). The authors' views expressed in this publication do not necessarily reflect the views of USAID or the United States government.

CONTENTS

- Contents.....i**
- List of Tables.....ii**
- List of Figuresii**
- Acronyms and Abbreviations.....iii**
- Acknowledgments.....iv**
- 1. Background 1**
- 2. Context..... 4**
 - 2.1 AgroBanco’s Interests in Sustainable Landscapes Financing..... 4
 - 2.2 Developing a Climate Bond 5
- 3. Steps for AgroBanco to Issue a Climate Bond 8**
 - 3.1 Pre-Issuance..... 9
 - 3.1.1 Market Analysis 9
 - 3.1.2 Design of a Climate Bond Framework 9
 - 3.2 Preparation of the Offer and Issuance 11
 - 3.3 Post-Issuance 13
- Annex A: Green Bond Principles..... 14**
- Annex B: Climate Bond Information Form..... 30**
- Annex C: Application and Agreement for Climate Bonds Certification..... 33**
- References..... 39**

LIST OF TABLES

Table 1. Key Terms and Definitions for Green Bonds and Climate Bonds 6
Table 2. Types of Green Bonds by Use of the Proceeds and Default Recourse 7

LIST OF FIGURES

Figure 1. Status of the Climate Bonds Initiative Certification Criteria for Climate Bonds..... 2
Figure 2. Steps for Issuing a Climate Bond 8

ACRONYMS AND ABBREVIATIONS

CBI	Climate Bonds Initiative
CEADIR	Climate Economic Analysis for Development, Investment, and Resilience
E3	Economic Growth, Education, and Environment Bureau (USAID)
EP	Economic Policy Office (USAID/E3)
ESG	Environmental, Social, and Governance issues
GCC	Global Climate Change Office (USAID/E3)
GHG	Greenhouse gas
Ha	Hectares
IDB	Inter-American Development Bank
MAAP	Monitoring of the Andean Amazon Project
MINAM	Ministerio del Ambiente (Ministry of the Environment)
NDC	Nationally Determined Contributions
PRI	Programa de Inversion Responsable (Responsible Investment Program)
SARAS	Sistema de Administración de Riesgos Ambientales y Sociales (AgroBanco's Environmental and Social Risk Management System)
USAID	United States Agency for International Development

ACKNOWLEDGMENTS

This work was funded by the USAID Peru Mission and managed by the United States Agency for International Development (USAID)'s Economic Growth, Education, and Environment Bureau (E3) Economic Policy Office (EP) and Global Climate Change Office (GCC). The Climate Economic Analysis for Development, Investment, and Resilience (CEADIR) Activity would like to thank Dr. Eric Hyman (EP Contracting Officer's Representative and Activity Manager for Economic Analysis, Sustainable Landscapes, and Climate Adaptation), Matthew Ogonowski (formerly, GCC Activity Manager for Clean Energy), and Jonathan Cook (formerly, GCC Activity Manager for Climate Adaptation).

The authors would like to thank Gina Cady and Eric Naranjo (current USAID staff formerly with the USAID Peru Mission) as well as Evan Notman (formerly with GCC). The authors would also like to thank the leadership and staff of Banco Agropecuario (AgroBanco), particularly Torsten Boettcher and Luisa Baca Alvarado, as well as various development assistance organizations and public and private sector stakeholders in Peru. The authors would like to thank the following CEADIR staff for the technical and editorial guidance: Marcia Gowen-Trump (former Chief of Party), Pablo Torres (Chief of Party), and Leah Quin (Communications Lead).

I. BACKGROUND

Agriculture, forestry, and other land uses have been responsible for over half of the country's greenhouse emissions (Republic of Peru 2015). Forestry is one of the five pillars of the country's climate adaptation strategy. The Government of Peru recognized the importance of forests for indigenous populations, maintenance of ecosystem services, and reducing climate risks. Between 2001 and 2014, an average of 118,000 hectares (ha) of forest per year was converted to other land uses. The annual deforestation rate was 180,000 ha in 2014 and is projected to reach 275,000 ha by 2030 (MINAM 2016).

The Monitoring of the Andean Amazon Project (MAAP) used high-resolution satellite imagery to document six major drivers of deforestation and forest degradation: 1) small- and medium-scale agriculture; 2) large-scale agriculture; 3) cattle grazing; 4) gold mining; 5) illegal coca cultivation; and 6) roads. MAAP (2017) concluded that small-scale agriculture and cattle grazing were the most important drivers of deforestation overall, but this varied by location (<http://maaproject.org/2017/maap-synthesis2/>). In Southern Peru, gold mining was a major driver of deforestation while large-scale agriculture and construction of major new roads were more latent threats. In Central Peru, logging road construction was a major source of direct and indirect deforestation. Logging roads make commercial tree felling and extraction financially viable in new areas and illegal logging and clearing for agriculture more accessible (Smith, Cooley, and Hyman 2018).

Approximately 90 percent of deforestation in Peru has been due to agricultural expansion, including 75 percent from small-scale agriculture (MINAM 2016). If unsustainable agriculture, livestock, forestry, and aquaculture continue, an additional 7.3 million ha of forests could be lost by 2050 (Global Canopy 2016). Agriculture has high economic importance in Peru, especially for palm oil, cocoa, rice, and coffee. As a result, it is essential for the country to adopt more sustainable agricultural production practices. New sources of financing are needed to scale up investment in sustainable agriculture and forestry and help small-scale producers adapt to current and future climate risks. Green bonds and climate bonds are among the possible solutions for scaling up these investments.

A *green bond* is a tradeable debt security that finances investments with environmental benefits and complies with the International Capital Market Association's Green Bond Principles (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>). Green bonds can be issued by governments, multilateral development banks, international, or corporations. They can raise large amounts of money from the capital markets for bank lending or other investments. However, they often require a minimum size of \$100 million or more to attract investors and cover the costs of issuing a bond. Banks interested in refinancing their loan portfolios with a green bond may need government or multilateral development bank support to aggregate and warehouse loans until this volume of financing can be accumulated. Green bonds have generally not carried lower interest rates than similar conventional bonds because it is still a nascent market. However, it may be easier to sell a green bond to impact investors and international financial institutions than a conventional bond.

A *climate bond* is a type of green bond that meets more rigorous climate qualification criteria. Table I lists key terms and definitions for types of green bonds and climate bonds. Figure I shows the status of the Climate Bonds Initiative criteria for certification of climate bonds for key sectors.

FIGURE I. Status of the Climate Bonds Initiative Certification Criteria for Climate Bonds

	Can be certified now	Criteria in development	TWGs launching soon
Energy	    		
Transport		   	
Utilities	  		
Buildings	 		
Natural Resources			
Industry			

© Climate Bonds Initiative March 2020

In 2014, the International Finance Corporation (IFC) issued the first green bond denominated in Peruvian soles. This AAA-rated, 20-year zero-coupon bond was for the local currency equivalent of \$42 million. It offered no income during the bond life, but was priced to provide an implied yield of 5.3 percent per annum on maturity. This bond was sold to a single investor, Rimac Seguros, a domestic insurance company that had made a commitment to incorporate environmental and social criteria in its investment decisions.

A responsible investment initiative, the Programa de Inversion Responsable (PIR) was established in Peru in 2014. Membership is open to banks, pension funds, municipal savings and credit funds, credit rating agencies, insurance companies, consulting firms, investment funds, and other financial institutions (<http://pir.pe/>). The PIR currently has 15 members.

In 2015, the USAID/Peru Mission requested assistance from the USAID-funded Climate Economic Analysis for Development, Investment, and Resilience (CEADIR) Activity for an initial market assessment on the feasibility of using green bonds to finance infrastructure investments in clean energy, sustainable landscapes, transport, and climate adaptation for water supply. That assessment was based on interviews with key stakeholders involved in issuing, regulating, and investing in green bonds for renewable energy, energy efficiency, and sustainable landscapes. It concluded that the most likely market for a local currency climate bond would be domestic insurance companies and pension funds. However, a climate bond could also be of interest to international investment funds and impact investors that emphasize environmental, social, and governance issues (Laird et al. 2015).

Following the market assessment, the USAID/Peru Mission requested additional technical to help a bank plan a green bond issuance for clean energy denominated in local currency. USAID Peru and CEADIR identified a government development bank that was interested in issuing a clean energy bond, but institutional problems within the bank made it necessary to partner with a different bank.

Subsequently, USAID/Peru and CEADIR identified another government development bank, Banco Agropecuario (AgroBanco), as a potential candidate for technical assistance on developing a climate

bond local currency. USAID previously supported AgroBanco in developing a credit product for agroforestry, through the Climate Finance Readiness Program (CF Ready) collaboration with the German development agency (GIZ) and other donors (Bernhard, Schroeten, and Ogonowski *et al.* 2019).

AgroBanco had nationwide operations and strong interests in lending for the sustainable use of natural resources, environmental conservation, and agricultural and forestry production with low greenhouse gas (GHG) emissions. At the time, AgroBanco was planning to convert its operations into a Green Bank that could help Peru achieve its targets for GHG emission reductions under its Nationally Determined Contributions (NDCs). AgroBanco developed a plan for conversion into a Green Bank, which was approved by its board of directors in 2015. As a Green Bank, AgroBanco would consider the economic, social, and environmental value of all of its loans. It would also emphasize lending for "improvement of agricultural systems contributing to food security [and] incorporating the need for adaptation and mitigation possibilities in...agriculture, livestock, forestry, and aquaculture to tackle climate change" (<http://www.agrobanco.com.pe/index.php?id=banco-verde&lang=es>)

In 2016, the Agence Française de Développement (AFD) provided a 50 million euro credit facility to AgroBanco for smallholder investments in sustainable agriculture and climate adaptation. That same year, the European Union's Latin America Investment Facility provided a five million euro grant to AgroBanco for technical assistance to help it become a green bank. The grant will develop AgroBanco's capacity for: 1) monitoring and managing environmental and social impacts; 2) developing a green loan portfolio; 3) preparing market studies for green products and planning marketing and communications actions; and 4) monitoring, reporting and verification (AgroBanco 2018).

In March 2017, AgroBanco expressed interest in receiving technical assistance to prepare a bond issuance that could obtain Climate Bond Initiative certification USAID/Peru provided funding for CEADIR to prepare this road map. The road map describes the steps involved in developing a climate bond from pre-issuance to post-closing.

2. CONTEXT

2.1 AGROBANCO'S INTERESTS IN SUSTAINABLE LANDSCAPES FINANCING

In 2011, the Government of Peru allowed AgroBanco to leverage its capital for increased lending. This change enabled it to expand its loan portfolio by an average of 60 percent per year between 2011 and 2016 (*Business Wire* 2016). The bank moved from primarily wholesale loans to other banks (*second-tier lending*) to provide working capital, long-term credit lines, and equipment finance directly to agricultural borrowers (*first-tier lending*).

AgroBanco is Peru's main agricultural development bank. It had offices in 73 percent of the districts in Peru and focused lending in jungle and highlands areas where family agriculture and small-scale production units dominate. It has served 31 percent of the total number of agricultural loan clients in Peru (<http://www.climateaction.org/directory/agrobanco?supplier=AgroBanco>).

As of September 2017, AgroBanco's portfolio consisted of approximately 5 percent second-tier lending and 95 percent first-tier lending. This change increased the bank's risk exposure, but better fulfilled its mandate to finance small- and medium-scale producers, rural communities, and indigenous groups. AgroBanco has continued to work with microfinance institutions and other financial intermediaries in remote areas where it would be more costly for AgroBanco to serve clients directly. Financial intermediaries have played an important role in piloting new products and services, providing credit for sustainable agriculture, ecosystem-based adaptation, or weather-indexed insurance. Fitch identified AgroBanco's direct client services in remote, rural areas as a major challenge in monitoring portfolio quality (Marquez and Narron 2016). In response, AgroBanco is investing in expanding its own monitoring agents. However, working through local microfinance institutions may allow AgroBanco to reach smallholder clients more efficiently.

As a key institution for the Peruvian Government's agricultural development strategy, AgroBanco plays an important role in promoting and facilitating sustainable land use and contributing to Peru's nationally determined contributions (NDCs). AgroBanco became a Green Bank in 2017 to incorporate and implement sustainable agro-forestry lending practices. As a first step, it created a Banco Verde Unit to house its green lending portfolio and operations. AgroBanco included environmental and social indicators in its loan application review and monitoring processes, using its Environmental and Social Risk Management System (AgroBanco 2018).

AgroBanco also set a target of expanding lending for investments that sequester carbon, protect biodiversity, and support reforestation from 10 percent of the portfolio in 2016 to 27 percent in 2019. It developed new loan products and incentives to increase adoption of green technologies such as biogas, biomass energy, sustainable natural forest management and plantations, and silvopasture systems. It also set a target of providing green loans for 8,000 farms by 2019 that would increase productivity and profits while reducing GHG emissions 30 percent from the business-as-usual scenario (<https://gestion.pe/economia/empresas/agrobanco-recibe-prestamo-us-57-millones-financiar-creditos-verde-145978>). AgroBanco also reduced the carbon footprint of its operations and those of its suppliers.

Provision of technical assistance to borrowers is often critical in financing sustainable agriculture and forestry. This may include sharing information on locally appropriate practices and improved technologies to increase environmental sustainability, and adapt to local agro-climatic conditions, and reduce or compensate for social risks. AgroBanco has provided additional training for its own staff,

partner organizations, and credit distributors on the new focus areas with assistance from development assistance organizations.

2.2 DEVELOPING A CLIMATE BOND

AgroBanco expressed a strong interest in a potential climate bond issuance for sale on the domestic market. This climate bond would enable it to scale up financing of sustainable agroforestry projects for indigenous communities, a key client group for the development bank. AgroBanco anticipated that it could obtain an investment-grade credit rating of BBB+ from Fitch for a standard use-of-proceeds climate bond issuance. Although AgroBanco had no formal loan guarantee from the Government of Peru, it was owned entirely by the Government of Peru and its board of directors included representatives from the Ministry of Agriculture and the Ministry of Finance. Its ownership structure may give investors some confidence that the national government would intervene to prevent a bond default (Business Wire 2016 and Escudero 2017). A climate bond can help AgroBanco and raise new capital for sustainable landscapes lending. It can also build AgroBanco's reputation as a Green Bank by increasing its visibility in lending for sustainable agriculture and forestry and climate adaptation.

The successful sale of the IFC bond to RIMAC Seguros demonstrated that there was sufficient domestic demand in Peru for a green bond denominated in local currency that met investor criteria for yield and risks. Investors are interested in the environmental benefits, but their primary objective in purchasing a green bond is earning financial returns. In the past, many investors in Peru have not adequately considered climate risks in projecting the financial returns of investments. However, increasing attention is now being paid to the potential impacts of climate risks on investments in agriculture, forestry, and infrastructure in Peru.

Fourteen potential investors in a local currency climate bond issued for the domestic capital market in Peru have been identified:

- Four private pension fund administrators;
- One government pension fund;
- Five insurance companies; and
- Four asset management companies (mutual funds held by banks).

Pension funds and insurance companies are the most likely buyers due to their continuing need to match their long-term assets to their long-term liabilities in domestic currency.

TABLE I. Key Terms and Definitions for Green Bonds and Climate Bonds

Term	Definition
Asset-backed security	Any financial security with payments supported by repayments of loans, leases, or receivables other than real estate.
Bond yield	Effective interest rate on a bond. The bond yield-to-maturity is the internal rate of return of an investment in a bond if the investor holds the bond until maturity and if all payments are made as scheduled.
Climate bond	Type of green bond that finances climate change mitigation and adaptation measures and meets the more rigorous certification criteria of the Climate Bonds Initiative
Coupon	Value of periodic payments per unit promised to investors on stated dates.
Coupon rate	Annual coupon payment divided by face value of the bond (interest rate that determines the coupon amounts)
Credit quality	Perceived likelihood that all payments will be made in full at the promised time (inverse of risk). Investors require a higher yield to compensate for lower credit quality. Often measured by a credit rating assigned by an independent rating agency.
Current yield	Annual earnings from the bond divided by its current market price
Earmarked proceeds	Bond proceeds are used for qualified purposes, but are not segregated in a special account
Face value (par value)	Amount paid to investors at bond maturity as a return of the principal in addition to the final coupon amount
Green bond	Tradeable debt security that complies with the International Capital Market Association's Green Bond Principles and exclusively uses proceeds to fund investments with positive environment or natural resource benefits
Maturity	Date when the issuer will make the final payment to the investor
Nominal yield	Interest paid divided by the face value of the bond
Proceeds	Funds that the issuer receives from sale of a bond to the original investors
Ring-fenced proceeds	A special account that issuers use to segregate the bond proceeds and ensure that they can only be used for qualified purposes
Tenor (term)	Time between the bond's issue date and the maturity date.

In setting the size of a bond issuance, an issuer should consider the timing of the uses of the proceeds, interest rate on unspent bond proceeds, and the market for the security. CEADIR's discussions with stakeholders in Peru indicated that the domestic capital market could absorb a local currency bond for the equivalent to \$80-100 million with a tenor of 10-25 years. Because of the limited number of domestic institutional investors in Peru and their interest in diversifying their hold holdings, a bond of this size is likely to need at least four or five institutional investors. There is likely to be sufficient effective demand for a bond of this size if it is priced in line with market interest rates.

Table 2 lists the types of green bonds categorized by the allowed uses of the proceeds and the recourse in the event of a default. The simplest choice for AgroBanco would be a general obligation, use-of-proceeds bond, which would benefit bond issuers by offering access to new sources of capital from investors interested in environmental sustainability. However, a general obligation bond exposes the issuers to more risk because they have to repay the debt if the investments do not provide sufficient returns. A general obligation bond is advantageous for investors because they have no direct exposure to the risks of the underlying loans or investments financed. The investors benefit from the full financial backing of the issuer. As a result, the investors may incorporate a lower risk premium in their expected returns, which could reduce the costs of capital for the issuer. Buyers can still claim reputational

benefits from environmentally responsible investing. Investors may become more confident in the creditworthiness of the issuer after successful repayment of a general obligation bond. This could help pave the way for the issuer to sell an asset-backed bond in the future.

TABLE 2. Types of Green Bonds by Use of the Proceeds and Default Recourse

Type	Use of the Bond Proceeds	Default Recourse
General obligation, use of proceeds, bond	Earmarked for green investments	Recourse is to the issuer: The credit rating for the bond is the issuer’s credit rating
Use of proceeds green revenue bond	Earmarked for green investments that are not necessarily the sources of revenue to pay bondholders	Nonrecourse to the issuer: Debt payments are pledged to a revenue stream generated by fees or taxes
Green project bond	Ring-fenced for specific green investments	Recourse is only to the projects’ assets and balance sheet (not the issuer)
Green asset-backed security (securitized bond)	Ring-fenced for specific groups of underlying green assets or loans	First recourse is to the underlying assets or loans
Green covered bond	Earmarked for an underlying cover pool of green assets	Dual recourse: Investors have a specific claim to a dedicated cover pool of assets and a general claim against the issuer

Because AgroBanco has provided some loans or investments for purposes that do not meet the criteria for green financing, it would need to earmark the proceeds of a use-of-proceeds climate bond to ensure appropriate use. It is not necessary to set up a special-purpose vehicle or separate entity to ring fence the proceeds. Instead, ring fencing can be done through internal tagging and procedures to ensure that the amount used for the agreed purposes does not drop below the bond proceeds.

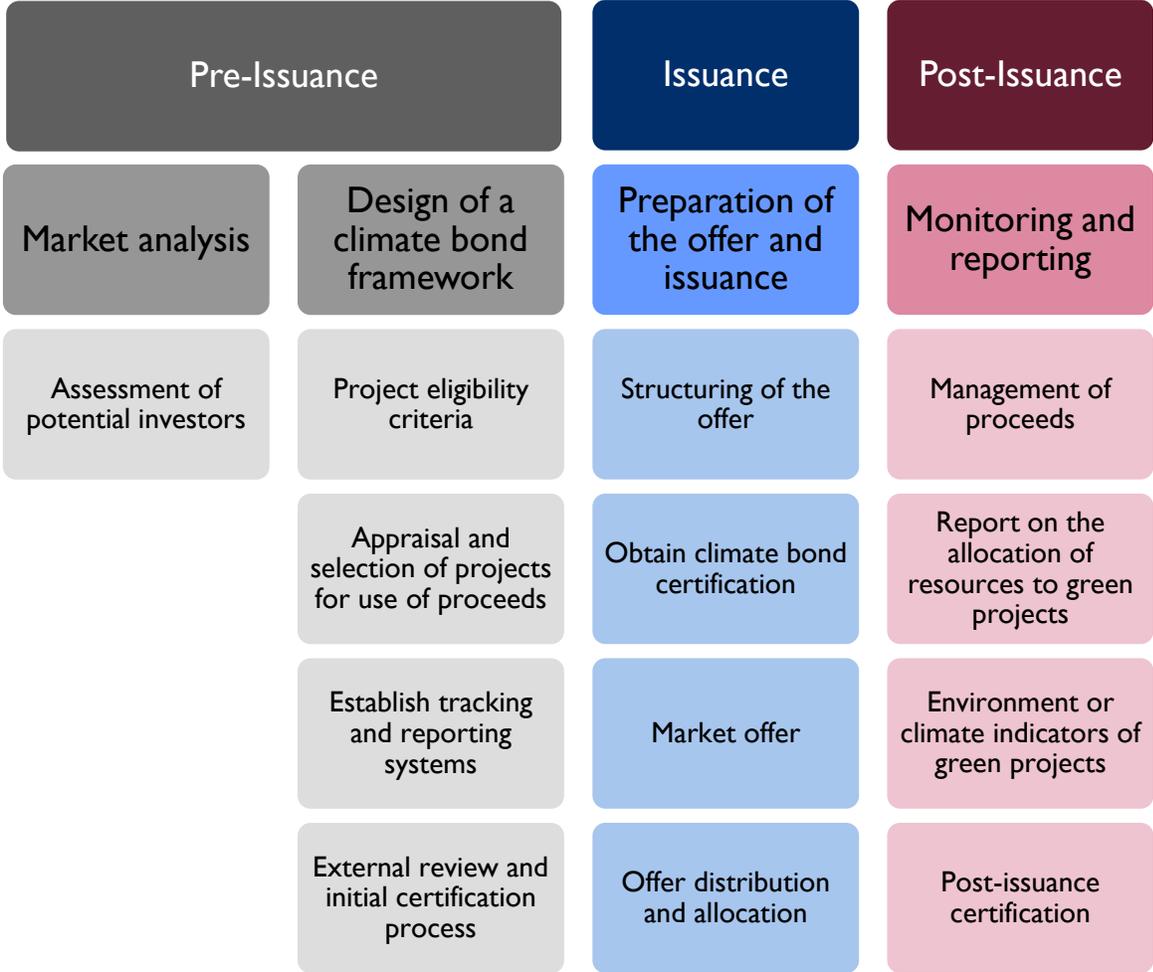
A use-of-proceeds bond is similar to a covered bond, but without recourse to the pool of loans or other investments financed. The World Bank and the European Investment Bank have issued use-of-proceeds bonds earmarked for low-carbon investments. If a pre-issuance certification from the Climate Bond Standard has been obtained for a use-of-proceeds bond, the issuer must demonstrate that the net proceeds of the bond have been distributed to appropriate investments and assets within 24 months of the issuance date. If full distribution of the net proceeds of a climate bond has not been achieved by then, the undistributed funds must be held in temporary investments consistent with a low GHG emissions and climate-resilient economy, including cash or cash-equivalent instruments.

It is essential to monitor the use of proceeds for any climate bond. It is especially important for a general obligation, use-of-proceeds bond from an issuer that also has investments or assets that do not meet green criteria. These issuers must be able to demonstrate that the bond proceeds have been directed to green investments. Investors and third-party certifiers will require documentation of how the issuer has spent the funds and, if possible, the impact of the investments. The value of the green assets or projects financed by a general obligation, use-of-proceeds bond must equal the amount of the bond. Issuers will need to track the uses of the proceeds to demonstrate that this requirement has been met. Normally, this would be done at least once a year in a public report. This report must be certified by an auditor or signed by an authorized officer of the bond issuer. It may also be included in the annual financial report of the issuer.

3. STEPS FOR AGROBANCO TO ISSUE A CLIMATE BOND

Figure 2 shows the steps for issuing a climate bond from pre-issuance through issuance and post-issuance. Sections 3.1-3.3 discuss these steps in greater detail.

FIGURE 2. Steps for Issuing a Climate Bond



3.1 PRE-ISSUANCE

3.1.1 MARKET ANALYSIS

Step 1: Undertake a market analysis to assess the viability of a climate bond. CEADIR had previously completed a general market analysis for green bonds in Peru (Laird *et al.* 2015). This analysis determined that there would be appetite for long-term green bonds, depending on the risk profile of the issuer. In July 2017, a CEADIR consultant confirmed the potential demand for a climate bond in meetings with AgroBanco, Fitch Ratings, JP Morgan, and Deloitte Touche in Peru.

3.1.2 DESIGN OF A CLIMATE BOND FRAMEWORK

Step 2: Develop criteria for the use of climate bond proceeds. AgroBanco needs to establish criteria for the loans or other investments it would finance with a climate bond. The criteria should be consistent with the Green Bond Principles (Annex A). They should also meet the criteria of the Climate Bonds Initiative (CBI) for forestry, agriculture, and other sectors to be financed. AgroBanco would need to undertake the following steps in developing its climate bond framework:

- Review its criteria for future loans across sectors and portfolios;
- Review and finalize the criteria consultants developed for its Green Bank transition;
- Participate in the Climate Bonds Initiative Land Use Criteria Technical Working Group;
- Review the pipeline of potential green loans; and
- Develop criteria that meet AgroBanco's Green Bank goals as well as the Green Bond Principles, and Climate Bonds Initiative guidelines. As of March 2019, CBI had issued its criteria for forestry, but was still preparing its criteria for agriculture.

Step 3: Develop loan appraisal and selection processes for the portfolio to be financed by the climate bond. This step includes developing the criteria for projects to be financed and designing internal procedures for loan appraisal and selection. Ideally, the processes and procedures should be transparent and consistent for the use of the bond proceeds and operations of the Green Bank as a whole.

Step 4: Review fund management processes and controls. AgroBanco needs to review its management processes to ensure that the net proceeds of the climate bond are available for loans and investments that meet the criteria established in Steps 1 and 2. These funds could either be credited to a subaccount or a sub-portfolio that can be tracked and certified by its financial officers for reporting. To facilitate marketing of the bond, AgroBanco should announce the intended temporary placement for the unallocated proceeds, its commitment to follow their climate good industry practices and compliance with evolving guidance and standards.

Step 5: Establish tracking and reporting systems and procedures. Full disclosure of the allocation of proceeds is necessary for a climate bond. The value of the loans or assets financed with the bond proceeds must remain greater than or equal to the face value of the climate bond. Until the maturity date of the bond, the balance of the tracked proceeds will need to be adjusted to match allocations to eligible assets or projects during each reporting period. AgroBanco will need to show how they are tracking this information and report on the allocations transparently.

Previous green bond issuers have used separate coding for the green bond proceeds and their allocations to ensure that funds are used properly. Monitoring procedures will need to ensure that the proceeds are not placed in non-green investments during the life of the bond. The Green Bond Principles recommend describing the tracking procedures in the use of proceeds section of the legal documentation for the bond issuance. AgroBanco will need to ensure that its management information and loan tracking systems can properly track the allocation of proceeds. It should also develop processes to monitor the environmental and climate impact of investments, where possible.

Step 6: Obtain pre-issuance climate bond certification. To obtain pre-issuance certification for a climate bond, an issuer will need to submit a *Climate Bond Information Form* to the Climate Bond Standard Secretariat (Annex B). This step is done after developing the use of proceeds criteria, but before bond issuance. The issuer will have to update this form.

Step 7: Arrange for an independent review and verification.

Independent review and verification are needed to establish the reputation of a potential climate bond issuer, certify a climate bond, and generate investor confidence. AgroBanco will need to hire an approved third-party verifier.¹ The verifier will determine whether the loans or assets to be financed are eligible under the Climate Bond Standard and the bank has adequate internal processes and controls to track and report on use of the bond proceeds.

By following the Climate Bond Standards and criteria, an issuer can reduce the cost of the independent review and improve the future tradability of a proposed climate bond. The approved third party will prepare a *Verifier's Report for Pre-Issuance* stating whether the bond conforms to the pre-issuance requirements of the Climate Bond Standard. The verification statement must be in English. It must assess and document the following elements for the term of the climate bond:

- Verification process, including a justification of how the proposed bond meets the compliance requirements under each of the clauses in the Climate Bond Standard;
- Information supporting the Climate Bond issuance and whether the verification was hypothetical, projected, or historical;
- Financial accounting systems that provide reasonable assurance that the organization will be able to comply with the Climate Bond Standard;
- Internal compliance and management systems that provide reasonable assurance that the organization will be able to comply with the Climate Bond Standard;
- Any issues raised during the verification process and their resolution; and
- Verifier's conclusions, including a reasonable assurance statement that the bond issue complies with all the standards and whether there were any qualifications or limitations.

Verifiers' reports are submitted to the Climate Bonds Standard Board. The reports are considered confidential unless voluntarily disclosed by the issuer or if the Standards Board is required to disclose them under national laws or regulations. The Climate Bonds Standard

¹ Please see <https://www.climatebonds.net/certification/approved-verifiers> for an updated list of approved verifiers.

Board will consult with the potential bond issuer and the verifier on the presentation of information prior to any public release of the Verifier's Report

Step 8: Application for Certification. After the verifier has finalized the report, AgroBanco can submit an application for certification to the Climate Bond Standards Secretariat. The application consists of three documents: 1) *Climate Bond Information Form*; 2) *Verifier's Report for Pre-Issuance*; and 3) *Certification Application and Agreement (Annex C)*. The *Certification Application and Agreement* is a legal document that must be reviewed by AgroBanco's legal department and signed by an authorized representative of the bank. The *Climate Bond Information Form* and the *Certification Application and Agreement* must list the size of the bond issuance. The Climate Bonds Standards Board then decides whether to issue the certification. If the application is approved, the Climate Bonds Standards Board will send a certification letter and certificate.

3.2 PREPARATION OF THE OFFER AND ISSUANCE

Step 9: Structuring the climate bond for the market. The preparation work for issuing a climate bond offer is similar to that of a conventional bond; the main difference is the intended use of the proceeds. The rules and procedures vary by the type of bond. AgroBanco is considering a use-of-proceeds, general obligation bond with a long-term maturity that would be marketed to domestic, institutional investors.

An underwriter/financial advisor will survey the main potential investors to determine an appropriate coupon rate and maturity and structure the bond to meet the objectives of the issuer and the likely investors. AgroBanco will need to take an active role in the bond structuring process with the underwriter to ensure that the alternatives for structuring the bond and the terms and conditions are well understood and acceptable. It will need to pay close attention to any covenants, agreements, security features, and other obligations. The credit rating agencies will need to be kept informed during this phase.

Step 9a: Determine placement. The issuer will have to decide whether to offer the bond as a private placement or public debt offering. CEADIR recommends a public debt offering for AgroBank because the cost of capital is likely to be lower and the bond's market liquidity may be better. Domestic pension funds and insurance companies are likely to be buy-and-hold investors. The financial advisory team will help AgroBanco determine whether the public offering should be open and competitive or a negotiated private placement. A private placement requires less documentation than a public offering. However, a private placement may make the bond financing more expensive and may have less favorable tax implications.

Step 10: Prepare issuance documents. The financial advisors, underwriters, and bond counsel will draft the bond issuance documents and circulate them to a working group for comments. The documents will specify the use of proceeds criteria and whether Climate Bond Standards certification has been obtained. AgroBanco should be fully involved with the bond counsel in reviewing the documents, including the required disclosures and standard boilerplate provisions. The decision on whether to have a private placement public offering will determine whether a private placement memorandum or prospectus is needed. These disclosure documents are also used for marketing and usually contain the following.

- A description of the securities, including:
 - Payment of principal and interest;
 - Interest rates or method of determining the interest rates;
 - Price;

- How it was offered;
- Mandatory redemption provisions;
- Optional redemption provisions;
- Covenants;
- Rating; and
- Tax status.
- A description of the issuer, including:
 - Business and industry-specific information;
 - Management;
 - Ownership structure;
 - Major contracts, if any; and
 - Any legal or regulatory enforcement actions relating to the issuer.
- A description of any third-party agents, guarantors, or insurance on the issue;
- Use of proceeds, including selection criteria and use of proceeds tracking and monitoring procedures;
- Third-party opinion, verification and/or certification, if any;
- Issuer's financials; and
- A description of the risks of the securities.

Step I I: Bond Rating, marketing, and pricing. Before bond marketing begins, all parties need to agree on the bond structuring and terms of the financing other than pricing. This is important for a smooth credit rating process. The credit rating process may identify an issue that requires reconsideration of some of the decisions on structuring the bond. After the credit rating has been determined, the bond team will prepare marketing materials and make presentations. The team will have already polled potential investors on proposed size and terms in Step 7. In Step I I, the final interest rates, size, and other financial terms of the debt will be set.

Step I I a: Obtain credit rating. The issuer is responsible for providing the necessary information to the independent credit rating agencies. This may include a meeting with rating analysts or a site visit.

Step I I b: Prepare marketing materials and a presentation.

Step I I c: Market the bond. *Road shows* are meetings that the managing underwriter or financial advisor will arrange for the issuer presentations to groups of institutional investors, money managers, and securities dealers. The preliminary prospectus is distributed during these meetings. AgroBanco should be prepared to discuss its transition to a Green Bank, growth trends and targets, criteria for use of proceeds, and internal controls and monitoring and reporting during the roadshows. Since the intended market for this bond is in Lima and there are relatively few major, domestic institutional investors for a climate bond in Peru, the number of meetings is likely to be small. During or after the road shows, negotiations will determine:

- **Quantity:** How much of the bond issue specific investors are willing to buy. The *subscription rate* indicates how investors will receive the issue. A low subscription rate may indicate modifications to the terms of the issue are required.

- **Price:** The maximum amount investors are willing to pay per unit of the bond. The coupon rate is typically stated in the registration documents, but final pricing of the bond will occur on the sale date of. At that time, buyers may offer the par value or pay a premium or discount that reflects market conditions on that day.

Step 12: Obtain issuance approval from government regulators.

Step 13: Price the climate bond. By the time the climate bond is priced, the deal will have been structured and marketed. Unless there is a significant financial market change or unexpected event, the market price should be apparent during the road show discussions with investors.

Step 14: Issue and close. The bond issuer, counsel, and underwriter sign legal documents; the issuer delivers the bonds to the buyers; and the bondholders pay the issuer.

- **Signing.** The subscription agreement is signed and prospectus approved by the listing authority.
- **Closing.** Other documents are signed and the bonds are signed and authenticated. Authentication of a bond is the legal certification validating the bond certificates as genuine. The bond certificates are delivered to the bondholders and payment is transferred to the issuer.

3.3 POST-ISSUANCE

Step 15: Monitor use of proceeds and report annually. AgroBanco will be responsible for monitoring and reporting on the use of proceeds from the climate bond. The procedures and policies for monitoring and reporting will have been set in the pre-issuance phase. To maintain the status of a climate bond, AgroBanco will need to confirm at least once a year in a public report that the funds have been properly allocated to the agreed types of projects. This reporting can be done by an auditor or authorized officer of the company and can be incorporated into AgroBanco's standard public financial reports. AgroBanco will also need to report on the main features of the climate bond and its environmental or climate impacts to investors, shareholders, and other stakeholders. This reporting can also be integrated into AgroBanco's usual quarterly and/or annual financial reports.

Step 16: Obtain post-issuance certification. AgroBanco must hire an approved, third-party verifier to confirm that the bond and use of proceeds have met the requirements of the Climate Bonds Standard. Normally, the same third-party verifier hired for the pre-issuance work should carry out the post-issuance verifications. The verifier will prepare an Assurance Report. AgroBanco will submit the Assurance Report to the Climate Bonds Standard Board as a requirement of maintaining the certification status of the bond. The verifier's post-issuance reports are subject to the same confidentiality provisions as the pre-issuance verification report.

ANNEX A: GREEN BOND PRINCIPLES

Green Bond Principles

Voluntary Process Guidelines for Issuing Green Bonds

June 2018



June 2018

Green Bond Principles

Voluntary Process Guidelines for Issuing Green Bonds

Introduction

The Green Bond market aims to enable and develop the key role that debt markets can play in funding projects that contribute to environmental sustainability. The Green Bond Principles (GBP) promote integrity in the Green Bond market through guidelines that recommend transparency, disclosure and reporting. They are intended for use by market participants and are designed to drive the provision of information needed to increase capital allocation to such projects. With a focus on the use of proceeds, the GBP aim to support issuers in transitioning their business model towards greater environmental sustainability through specific projects.

Issuance aligned to the GBP should provide an investment opportunity with transparent green credentials. By recommending that issuers report on the use of Green Bond proceeds, the GBP promote a step change in transparency that facilitates the tracking of funds into environmental projects, while simultaneously aiming to improve insight into their estimated impact.

The GBP provide high level categories for eligible Green Projects in recognition of the diversity of current views and of the ongoing development in the understanding of environmental issues and consequences, while liaising when needed with other parties that provide complementary definitions, standards and taxonomies for determining the environmental sustainability of projects. The GBP encourage all participants in the market to use this foundation to develop their own robust practices, referencing a broad set of complementary criteria as relevant.

The GBP are collaborative and consultative in nature based on the contributions of Members and Observers of the Green Bond Principles and Social Bond Principles (referred to as the Principles), and of the wider community of stakeholders. The Principles are coordinated by the Executive Committee. They are updated typically once a year in order to reflect the development and growth of the global Green Bond market.

The 2018 Edition of the GBP

This edition of the GBP benefits from the feedback of the Autumn 2017 consultation of the Members and Observers of the Principles, as well as from the input of the working groups coordinated by the Executive Committee with the support of the Secretariat.

The 2018 edition of the GBP remains framed by four core components (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting), as well as recommendations for the use of external reviews. It mirrors the additional guidance and updated definitions for external reviews that is contained in the separately released "Guidelines for Green, Social and Sustainability Bond External Reviews" which was drafted in close cooperation with external reviewers. It refers to eligible Project categories contributing to five high level environmental objectives (climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control) rather than four key areas of concern as previously. It notes that international and national initiatives to produce taxonomies may give further guidance to Green Bond issuers. Timely reporting of material developments is also highlighted in the revised text.





Green Bond Definition

Green Bonds are any type of bond 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 (see section 1 Use of Proceeds) and which are aligned with the four core components of the GBP.

Different types of Green Bonds exist in the market. These are described in Appendix I.

It is understood that certain Green Projects may have social co-benefits, and that the classification of a use of proceeds bond as a Green Bond should be determined by the issuer based on its primary objectives for the underlying projects. (Bonds that intentionally mix Green and Social Projects are referred to as Sustainability Bonds, and specific guidance for these is provided separately in the **Sustainability Bond Guidelines**).

It is important to note that Green Bonds should not be considered fungible with bonds that are not aligned with the four core components of the GBP.

Green Bond Principles

The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. The GBP are intended for broad use by the market: they provide issuers with guidance on the key components involved in launching a credible Green Bond; they aid investors by promoting availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions.

The GBP recommend a clear process and disclosure for issuers, which investors, banks, underwriters, placement agents and others may use to understand the characteristics of any given Green Bond. The GBP emphasise the required transparency, accuracy and integrity of information that will be disclosed and reported by issuers to stakeholders.

The GBP have four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

1. Use of Proceeds

The cornerstone of a Green Bond is the utilisation of the proceeds of the bond for Green Projects, which should be appropriately described in the legal documentation for the security. All designated Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer.

In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Green Projects.

The GBP explicitly recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

The following list of project categories, while indicative, captures the most commonly used types of projects supported by or expected to be supported by the Green Bond market. Green Projects include other related and supporting expenditures such as R&D and may relate to more than one category and/or environmental objective. Three environmental objectives identified above (pollution prevention and control, biodiversity conservation and climate change adaptation) also serve as project categories in the list. As such, they refer to the projects that are more specifically designed to meet them.

The eligible Green Project categories, listed in no specific order, include, but are not limited to:

- **renewable energy** (including production, transmission, appliances and products);
- **energy efficiency** (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- **pollution prevention and control** (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- **environmentally sustainable management of living natural resources and land use** (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);
- **terrestrial and aquatic biodiversity conservation** (including the protection of coastal, marine and watershed environments);
- **clean transportation** (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- **sustainable water and wastewater management** (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- **climate change adaptation** (including information support systems, such as climate observation and early warning systems);
- **eco-efficient and/or circular economy adapted products, production technologies and processes** (such as development and introduction of environmentally sustainable products, with an eco-label or environmental certification, resource-efficient packaging and distribution);

- **green buildings** which meet regional, national or internationally recognised standards or certifications.

While the GBP's purpose is not to take a position on which green technologies, standards, claims and declarations are optimal for environmentally sustainable benefits, it is noteworthy that there are several current international and national initiatives to produce taxonomies, as well as to provide mapping between them to ensure comparability. This may give further guidance to Green Bond issuers as to what may be considered green and eligible by investors. These taxonomies are currently at various stages of development. Issuers and other stakeholders can refer to examples through links listed on the Resource Centre at <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/>.

Furthermore, there are many institutions that provide independent analysis, advice and guidance on the quality of different green solutions and environmental practices. Definitions of green and green projects may also vary depending on sector and geography.

2. Process for Project Evaluation and Selection

The issuer of a Green Bond should clearly communicate to investors:

- the environmental sustainability objectives;
- the process by which the issuer determines how the projects fit within the eligible Green Projects categories identified above;
- the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the projects.

Issuers are encouraged to position this information within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability. Issuers are also encouraged to disclose any green standards or certifications referenced in project selection.

The GBP encourage a high level of transparency and recommend that an issuer's process for project evaluation and selection be supplemented by an external review (see External Review section).

3. Management of Proceeds

The net proceeds of the Green Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for Green Projects.

So long as the Green Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.

The GBP encourage a high level of transparency and recommend that an issuer's management of proceeds be supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds (see External Review section).

4. Reporting

Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the GBP recommend that information is presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).

Transparency is of particular value in communicating the expected impact of projects. The GBP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, number of people provided with access to clean power, decrease in water use, reduction in the number of cars required, etc.), and

disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Issuers with the ability to monitor achieved impacts are encouraged to include those in their regular reporting.

Voluntary guidelines aiming at a harmonized framework for impact reporting exist for energy efficiency, renewable energy, water and wastewater projects, and waste management projects (see guidance documents in the Resource Centre at <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/>). The guidelines include templates for the format of impact reporting at a project and at a portfolio level that issuers can adapt to their own circumstances. The GBP encourage further initiatives, to help establish additional references for impact reporting that others can adopt and/or adapt to their needs. Guidelines for additional sectors are under development.

The use of a summary reflecting the main characteristics of a Green Bond or a Green Bond programme and illustrating its key features in alignment with the four core components of the GBP may help inform market participants. To that end, a template can be found on <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/> which once completed can be made available online for market information (see section on Resource Centre below).



External Review

It is recommended that in connection with the issuance of a Green Bond or a programme, issuers appoint (an) external review provider(s) to confirm the alignment of their bond or bond programme with the four core components of the GBP as defined above. There are a variety of ways for issuers to obtain such outside input to their Green Bond process and there are several levels and types of review that can be provided to the market.

An issuer can seek advice from consultants and/or institutions with recognised expertise in environmental sustainability or other aspects of the issuance of a Green Bond. It may cover areas such as the establishment of an issuer's Green Bond framework or the reporting of a Green Bond issuer. Consultancy or advisory services entail collaboration with the issuer and differ from independent external reviews. The GBP encourage independent review of environmental features of the (types of) assets or activities associated with the Green Bond or Green Bond programme, where applicable.

Independent external reviews may vary in scope and may address a Green Bond framework/programme, an individual Green Bond issue, the underlying assets and/or procedures. They are broadly grouped into the following types, with some providers offering more than one type of service, either separately or combined:

- 1. Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- 2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance

or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

- 3. Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4. Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

An external review may be partial, covering only certain aspects of an issuer's Green Bond or associated Green Bond framework or full, assessing alignment with all four core components of the GBP. The GBP take into account that the timing of an external review may depend on the nature of the review, and that publication of reviews can be constrained by business confidentiality requirements.

The GBP recommend public disclosure of external reviews as well as using the template for performed external reviews available on the Resource Centre at <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/>. External reviewers are also encouraged to fill out the External Review Service Mapping Template which will be made available on the ICMA website.

The GBP encourage external review providers to disclose their credentials and relevant expertise and communicate clearly the scope of the review(s) conducted. Voluntary Guidelines for External Reviewers have been developed by the GBP to promote best practice. The Guidelines are a market-based initiative to provide information and transparency on the external review processes for issuers, underwriters, investors, other stakeholders and external reviewers themselves.



Resource Centre

Recommended templates and other GBP resources are available at the Resource Centre at <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/> Completed templates can be made available online for market information at the Resource Centre by following the instructions at the link above.

Disclaimer

The Green Bond Principles are voluntary process guidelines that neither constitute an offer to purchase or sell securities nor constitute specific advice of whatever form (tax, legal, environmental, accounting or regulatory) in respect of Green Bonds or any other securities. The Green Bond Principles do not create any rights in, or liability to, any person, public or private. Issuers adopt and implement the Green Bond Principles voluntarily and independently, without reliance on or recourse to the Green Bond Principles, and are solely responsible for the decision to issue Green Bonds. Underwriters of Green Bonds are not responsible if issuers do not comply with their commitments to Green Bonds and the use of the resulting net proceeds. If there is a conflict between any applicable laws, statutes and regulations and the guidelines set forth in the Green Bond Principles, the relevant local laws, statutes and regulations shall prevail.

Appendix I

Types of Green Bonds

There are currently four types of Green Bonds (additional types may emerge as the market develops and these will be incorporated in annual GBP updates):

- **Standard Green Use of Proceeds Bond:** a standard recourse-to-the-issuer debt obligation aligned with the GBP.
- **Green Revenue Bond:** a non-recourse-to-the-issuer debt obligation aligned with the GBP 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 Green Project(s).
- **Green Project Bond:** a project bond for a single or multiple Green Project(s) for which the investor has direct exposure to the risk of the project(s) with or without potential recourse to the issuer, and that is aligned with the GBP.



- **Green Securitised Bond:** a bond collateralised by one or more specific Green Project(s), including but not limited to covered bonds, ABS, MBS, and other structures; and aligned with the GBP. The first source of repayment is generally the cash flows of the assets.

Note 1:

It is recognised that there is a market of environmental, climate or otherwise themed bonds, in some cases referred to as “pure play”, issued by organisations that are mainly or entirely involved in environmentally sustainable activities, but that do not follow the four core components of the GBP. In such cases, investors will need to be informed accordingly and care should be taken to not imply GBP features by a Green Bond reference. These organisations are encouraged to adopt where possible the relevant best practice of the GBP (e.g. for reporting) for such existing environmental, climate or otherwise themed bonds, and to align future issues with the GBP.

Note 2:

It is also recognised that there is a market of sustainability themed bonds which finance a combination of green and social projects, including those linked to the Sustainable Development Goals (“SDGs”). In some cases, such bonds may be issued by organisations that are mainly or entirely involved in sustainable activities, but their bonds are not aligned to the four core components of the GBP. In such cases, investors will need to be informed accordingly and care should be taken to not imply GBP (or SBP) features by a Sustainability Bond or SDG reference. These issuing organisations are encouraged to adopt, where possible, the relevant best practice of the GBP and SBP (e.g. for reporting) for such existing sustainability, SDG or otherwise themed bonds, and to align future issues with the GBP and SBP.

A mapping of the GBP and SBP to the Sustainable Development Goals (SDGs) is available and aims to provide a broad frame of reference by which issuers, investors and bond market participants can evaluate the financing objectives of a given Green, Social or Sustainability Bond/Bond Programme against the SDGs. It can be found on the ICMA Website at (<https://www.icmagroup.org/green-social-and-sustainability-bonds/>).



Contact details

ICMA Paris Representative Office
62 rue la Boétie
75008 Paris
France
Tel: +33 1 70 17 64 70
greenbonds@icmagroup.org
www.icmagroup.org



Please scan to
download this brochure.

ANNEX B: CLIMATE BOND INFORMATION FORM

Climate Bond Information Form			Information is Confidential or Public	Information to be provided by potential Issuer <i>Note: If not all information is available at time of submission of this Form, please indicate this with ""TBC"" in the relevant cells</i>
Issuer Details	Company information	Registered Business Name Trading name (if different) Address of Head Office (including country) Value Added Tax (VAT) number, for EU countries Business Registration Number	Public Public Confidential Confidential	
	Contact person	Name Position and company Contact number (include country code) Email address		
Bond Details	Details on bond size, currency, timing, identification (provide preliminary estimates until details can be confirmed on financial close of the bond)	Unique name of the "bond" ISIN CUSIP Country of issuance Local currency Amount issued in local currency Issue date Maturity date Coupon/Yield Underwriter		
	Bond Type	Use of Proceeds Bond Use of Proceeds Revenue Bond Project Bond Securitized Bond		

Green definitions	Description of Nominated Projects & Assets (include project level information in each relevant category on the geographical location, size in dollars, and construction or operational phase) (add further detail on additional worksheets if preferred)	Low carbon transport Renewable Energy Low carbon buildings Agriculture, Food & Forestry Water Waste Management Climate Adaptation		
	Ambition level	1) Meet standard 2) Exceed standard, or 3) Progressive performance (more green over time)		
Use of proceeds/Set up of assets to be funded	Framework approach or existing assets			
	Refinancing or new assets	(in % terms & note if estimated or definite split)		
	Allocation split across different project categories (if undetermined then "n/a")	(in % terms & note if estimated or definite split)		
Project Selection and Evaluation	Is there to be a portfolio (framework) approach?			
	Describe the decision procedure/policy for assessment of assets			
	Describe the governance framework for decision making			

Management of proceeds	Proceeds are to be: Provide detail on either earmarking or ringfence process	1) earmarked 2) ringfenced		
	Timing	When will the proceeds be deployed? (in yrs) How long is expected tenor of the bond? (in yrs)		
	Use of proceeds before allocation to green	Describe the types of financial instruments/what the proceeds can be used for before allocation		
Reporting	Reporting on green credentials/outcomes	How often will there be a report? In what format (newsletter, part of CSR report, website disclosure) Will the report be public or bondholder only? Will the report include details of the green categories (i.e. wind farm 60 MW) Will the report include where are the projects/assets located (i.e. wind farm 60 MW UK off-shore) What will be the performance KPI 's disclosed for each category? (include calculation method) Will the KPI's be verified by a third party? What is a target level performance (is this relative to baseline/how does it fit with meeting the standard)?		

For original form, please see <https://www.climatebonds.net/files/files/Climate%20Bond%20Information%20Form%20-%20Oct%202018.xlsx>

ANNEX C: APPLICATION AND AGREEMENT FOR CLIMATE BONDS CERTIFICATION



Application and Agreement for Climate Bonds Certification

Dated: _____

A bond issuer seeking Climate Bonds Certification is required to sign this Application and Agreement for Climate Bonds Certification (**Agreement**). Where an issuer issues multiple bonds over time, each bond issued will require a new Agreement.

Application

To start the process of registering the bond which is the subject of this Agreement with the Climate Bonds Initiative (**CBI**), you need to complete this Agreement, sign it, and return it to:

Climate Bond Standards Board
40 Bermondsey Street, London, SE1 3UD, United Kingdom
info@climatebonds.net

By executing this Agreement, [Legal name of issuing entity] (**Applicant**) applies to the CBI for a Climate Bond Certification (**Certification**) on the terms of this Agreement in respect of the [Unique name for the debt instruments being issued and certified] (**Bonds**). This Agreement and the Climate Bond Standard in the form published on the CBI's website as at the date of this Agreement (**Climate Bond Standard**) together set the terms and conditions under which CBI issues Certification and under which the Applicant may use the Certification.

1. Fees

1.1. Fees payable by the Applicant will be calculated by multiplying the total value of the Certified Climate Bonds by 0.00001. This is equivalent to one tenth of one basis point of the bond principal.

2. CBI Is Not Providing Services, Advice, etc.

2.1. CBI is not providing and will not provide:

- 2.1.1. any financial, legal, tax, advisory, consultative or other business services to the Applicant;
- 2.1.2. any advice to the Applicant on structuring the transaction or drafting transaction documents;
- 2.1.3. any other consulting, advisory or other advice of any type.

2.2. A Certification must not be construed or represented as CBI rendering advice on any project, or project portfolio that is to be funded in whole or in part from the proceeds received from the Bond offering.

3. Certification is Not a Comment on Market Price, Investor Suitability, etc.

3.1. The Applicant understands that the issuance of a Certification by CBI does not and is not intended to be a comment on market price, investor preference or investor suitability of any Bond and the Applicant agrees it will not use the Certification in any such way.

4. CBI Does Not Perform Due Diligence or Audit

4.1. Although CBI uses information provided by the Applicant and its agents and advisors under the process for registering and issuing Certifications for Climate Bonds, as part of that process, CBI:

- 4.1.1. does not perform any audit of any information it receives; and
- 4.1.2. does not undertake any duty of due diligence or independent verification of any information it receives.

5. Certification is at CBI's Sole Discretion

The issuance of a Certification by CBI, and the Applicant's continued use of a Certification, is in the sole discretion of CBI.

6. Information the Applicant is to Provide

- 6.1. With respect to the initial issuance to the Applicant of, and continuing use by the Applicant of, any Certificate on any outstanding Bond, the Applicant agrees to provide or cause to be provided to CBI all information available to the Applicant set out in the Climate Bond Standard that is required by the Climate Bond Standards Board (**Board**) in making its determination:
 - 6.1.1. about whether to issue a Certification to the Applicant; and
 - 6.1.2. about the Applicant's ongoing conformance with the Climate Bond Standard as in effect on the initial determination date by the Board to issue the Certification to the Applicant, but subject to:
 - 6.1.3. the Applicant's obligations under any applicable laws, regulations or stock exchange rules (including its obligation to provide any such information first to any government agency, regulator or stock exchange); and
 - 6.1.4. any obligation the Applicant has to keep such information confidential (including without limitation under any agreement between the Applicant, the approved verifier or a participant in a project).
- 6.2. The Applicant represents and warrants that all the following information provided to the Board by the Applicant or its agents or advisors is true and correct in all material respects:
 - 6.2.1. information provided to the Board under this Agreement in connection with the initial issue of the Certificate; and
 - 6.2.2. information provided to the Board under this Agreement in connection with the Applicant's right to continued use of the Certificate.
- 6.3. A breach of the representations and warranties in clause 6.2 constitutes a breach of this Agreement by the Applicant.
- 6.4. If CBI receives any third party information (separate to the verification report and not provided by or on behalf of the Applicant or its agents and advisors) prior to making a decision on whether to issue a Certification or on the Applicant's ongoing conformance with the Climate Bond Standard, CBI will, to the extent permitted by applicable law, make the information available to the Applicant and provide the Applicant the opportunity to respond in a reasonable time to any questions raised as a result of the information prior to any Board determination about the application for Certification or the Applicant's ongoing conformance with the Climate Bond Standard.

7. Annual Reporting

- 7.1. The Applicant agrees to provide to CBI, no later than 120 days following the end of a financial year, an annual statement, signed by an authorized officer of the Applicant, stating that as of the last day of the relevant financial year, the Applicant was, to the best of its knowledge, in conformance with the Certification requirements of the Climate Bond Standard. Failure to comply with those requirements would constitute non-conformance, as per the Climate Bond Standard.
- 7.2. The Applicant agrees to provide to holders of the Bonds, no later than 120 days following the end of a financial year, a generalized annual update on the projects which, as of the last day of the relevant financial year, were then associated with the Bonds for the purposes of the Climate Bond Standard. The specific form and contents of the update are in the absolute discretion of the Applicant and, without limiting this discretion, the obligations of the Applicant under this clause 7.2 are subject to:
 - 7.2.1. the Applicant's obligations under any applicable laws, regulations or stock exchange rules (including its obligation to provide any such information first to any government agency, regulator or stock exchange); and
 - 7.2.2. any obligation the Applicant has to keep such information confidential (including without limitation under any agreement between the Applicant, the approved verifier or a participant in a project).

8. Liability and Indemnity

- 8.1. To the extent permitted by law and subject to the limitations expressly provided for in this clause 8, the Applicant agrees to indemnify, or otherwise to hold harmless, CBI, its Board members, employees and Advisory Board (**Covered Persons**) from any damages, liabilities, judgments, costs, charges, expenses (including reasonable attorney's fees) and claims caused by the Applicant in connection with any breach of this Agreement or the terms of the Certification (**Losses**).
- 8.2. The Applicant, however, will not be liable for any:
 - 8.2.1. indirect, consequential, special, punitive or exemplary Loss;

- 8.2.2. Loss directly or indirectly caused by or attributable to any person (including without limitation the approved verifier or any third party or their respective officers, directors, employees, advisors and agents) other than the Applicant, or to any information provided by any such other person; or
- 8.2.3. Loss directly or indirectly attributable to the fraud, gross negligence or willful misconduct of any Covered Person.

9. Confidentiality

- 9.1. CBI must keep the Confidential Information confidential and must not:
 - 9.1.1. use or reproduce any of the Applicant’s Confidential Information otherwise than in performing or giving effect to this Agreement or issuing or withdrawing a Certificate without the prior written consent of the Applicant;
 - 9.1.2. use the Applicant as a reference without the prior written consent of the Applicant; or
 - 9.1.3. disclose any Confidential Information except:
 - 9.1.3.1. if required in connection with legal proceedings relating to this Agreement
 - 9.1.3.2. to officers, employees, legal and other advisers and auditors of CBI, provided the recipient agrees to act consistently with this clause 9;
 - 9.1.3.3. to any party to this Agreement or any affiliate of CBI, provided the recipient agrees to act consistently with this clause 9;
 - 9.1.3.4. as required by any law or stock exchange; or
 - 9.1.3.5. with the prior written consent of the Applicant.
- 9.2. For the purposes of this Agreement, **Confidential Information** means all information (regardless of its form) disclosed or otherwise made available by the Applicant or its representatives to CBI or its representatives (before, on or after the date of this Agreement), for or in connection with this Agreement or the arrangements contemplated by it (and includes without limitation this Agreement and its contents), which:
 - 9.2.1. is marked or otherwise designated as being proprietary or confidential to the Applicant;
 - 9.2.2. is confidential to a third party to whom the Applicant owes an obligation of confidence;
 - 9.2.3. in the circumstances surrounding disclosure or because of the nature of the information, ought in good faith to be treated as confidential;
 - 9.2.4. includes, or relates to the business, financial records, staff, technology, projects, investments, intellectual property rights, trade secrets, financial position, customers and suppliers of the Applicant; or
 - 9.2.5. is derived or produced partly or wholly from such information,
 but excludes information which:
 - 9.2.6. is in or becomes part of the public domain otherwise than through a breach of this Agreement or an obligation of confidentiality owed to the Applicant, one of the Applicant’s representatives or a third party; or
 - 9.2.7. CBI can prove by contemporaneous written documentation was already known to CBI at the time of disclosure by the Applicant or any of its representatives (unless such knowledge arose from disclosure of information in breach of an obligation owed to or by a third party).
- 9.3. On expiry or termination of this Agreement, CBI must promptly return or destroy in a manner that is fully secure and satisfactory to the Applicant any or all copies of Confidential Information, in which case any right of CBI to use, copy and disclose that Confidential Information ceases.

10. CBI Is Not an Expert

- 10.1. CBI has not consented to, and will not consent to, being named or referred to as an “expert” or any similar designation under any applicable laws or other regulatory guidance, rules or recommendations including securities laws. CBI has not performed and will not perform the role or tasks associated with an underwriter or seller of securities under any jurisdiction in which the Bonds may be sold.

11. Applicant is Not Subject to Sanctions; Not a Terrorist, etc

- 11.1. To the Applicant’s knowledge as at the date of this Agreement:
 - 11.1.1. the Applicant is not subject to economic, trade or transactional sanctions imposed by any government or government agency to which the Applicant is subject in any jurisdiction in which it carries on its business;

- 11.1.2. neither the Applicant nor or any of its directors or material wholly owned subsidiaries appears on any list of known or suspected terrorists, terrorist organizations or other prohibited persons maintained by any jurisdiction in which it carries on its business; and
- 11.1.3. the Applicant is not controlled, directly or indirectly, by any entity subject to the sanctions referred to in clause 11.1.1 or appearing on the lists referred to in clause 11.1.2.
- 11.2. During the term of this Agreement, the Applicant will promptly notify CBI if it becomes aware of any of the circumstances in clause 11.1 changing.
- 12. Compliance with Laws**
- 12.1. Nothing in this Agreement prevents:
- 12.1.1. CBI or the Applicant from acting in accordance with applicable laws and regulations; or
- 12.1.2. CBI acting in accordance with the Climate Bond Standard in the form published on the CBI's website as at the date of this Agreement.
- 13. Entire Agreement**
- 13.1. This Agreement constitutes the complete and entire agreement between the parties regarding its subject matter.
- 13.2. CBI does not guarantee the accuracy, completeness or timeliness of the information relied on in connection with it issuing, and the Applicant's continued use of, a Certification. CBI gives no express or implied warranties, including but not limited to any warranties of merchantability or fitness for a particular purpose or use.
- 14. Limits on CBI's Liability**
- 14.1. CBI, its affiliates or third party providers or any of their officers, directors, employees or agents are not liable to the Applicant, the Applicant's affiliates or any person asserting claims on the Applicant's behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs) in any way arising out of or relating to the Certification provided under this Agreement except to the extent such damages or other amounts are determined in good faith to have resulted from the fraud, gross negligence or willful misconduct of CBI, its affiliates or third party providers or any of their officers, directors, employees or agents, or from CBI's breach of this Agreement.
- 14.2. In furtherance of (and not in limitation of) clause 14.1, CBI will not be liable to the Applicant, the Applicant's affiliates or any person asserting claims on the Applicant's behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations.
- 14.3. However, if (regardless of clauses 14.1 and 14.2) CBI is held liable to the Applicant, Applicant's affiliates or any person asserting claims on the Applicant's behalf for monetary damages under this Agreement, then the most that CBI can be liable to pay is an aggregate amount of [*three*] times the aggregate fees paid to CBI by the Applicant under this Agreement, except to the extent such limitation is unenforceable by law. This clause 14.3 applies regardless of the form of action, damage, claim, liability, costs, expense or loss, whether in contract, statute, tort (including without limitation negligence) or otherwise.
- 14.4. Neither party waives any protections, privileges or defenses it may have under law.
- 15. Terminating this Agreement**
- 15.1. This Agreement will terminate on the earlier of:
- 15.1.1. the date on which the Bonds are redeemed in full; and
- 15.1.2. the date for termination nominated by either party by giving written notice to the other party (such date being no earlier than the date of the notice).
- 15.2. Upon termination of this Agreement under clause 15.1.2, the Certification in respect of the Bonds shall be taken to be revoked.
- 15.3. Clause 9 survives termination of this Agreement.
- 16. Conforming with the Climate Bond Standard**
- 16.1. The Applicant agrees that if the Bonds become non-conformant with the Climate Bond Standard, then the Applicant must promptly (within one month of the becoming aware of the non-conformance) provide written notice to CBI of the fact of non-conformance.

17. **Third Party Rights Not Created**
- 17.1. A person who is not a party to this Agreement (including without limitation any third party recipient of a Certificate) has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.
18. **Assignment**
- 18.1. Neither party may assign or otherwise deal with its rights under this Agreement without the prior written consent of the other party (which consent must not be unreasonably withheld).
19. **Invalid Material**
- 19.1. If any term of this Agreement is held to be invalid, void or unenforceable, then:
- 19.1.1. the remainder of this Agreement is not affected, impaired or invalidated; and
- 19.1.2. each remaining term is valid and enforceable to the fullest extent permitted by law.
20. **Changing This Agreement**
- 20.1. The only way this Agreement may be changed is by an authorized representative of each party executing a document agreeing to the change.
21. **Counterparts**
- 21.1. This Agreement may consist of a number of copies, each signed by one or more parties to the Agreement. If so, the signed copies are treated as making up the one document.
22. **Dispute Resolution And Governing Law**
- 22.1. Any party claiming that a dispute has arisen must give written notice (**Dispute Notice**) to the other party setting out the nature of the dispute and all other information relevant to the dispute.
- 22.2. Within 7 days of receipt of a Dispute Notice, the parties must escalate the dispute to the dispute resolution body appointed under the paragraph below. That body must then promptly meet and undertake discussions with a view to resolving the dispute as soon as practicable.
- 22.3. Each party will appoint one authorized representative to form a liaison committee. Each party may replace some or all of its representatives by giving written notice to the other party. The initial representatives for each party are the contact persons set out in clause 23 (the **Liaison Committee**).
- 22.4. The Liaison Committee will be responsible for:
- 22.4.1. managing the relationship between the Applicant and CBI; and
- 22.4.2. resolving any day to day operational issues which arise during performance of the Agreement.
- 22.5. The dispute resolution body for this Agreement is the Liaison Committee.
- 22.6. All disputes, controversies or claims arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in accordance with the Rules of Arbitration of the London Court of International Arbitration (**LCIA**).
- 22.6.1. The seat of the arbitration shall be London, England and the language of the arbitration shall be English.
- 22.6.2. Section 45 and Section 69 of the Arbitration Act 1996 shall not apply.
- 22.6.3. The arbitration shall be conducted by three arbitrators, each of which shall be appointed in accordance with the rules of the LCIA.
- 22.7. This Agreement shall be governed by, and construed in accordance with, the laws of England.
- 22.8. The parties will bear their own costs of the mediation and will each bear half the costs of the mediator.
- 22.9. Despite the existence of a dispute, each party must continue to perform its obligations under this Agreement unless those obligations are the subject of the dispute.
23. **Notices**
- 23.1. All notices, consents and other communications in connection with this Agreement must be in writing, signed by an authorized officer of the sender must be:
- 23.1.1. left at the address set out below for the relevant party;
- 23.1.2. sent by prepaid ordinary airmail post to the address set out below for the relevant party; or
- 23.1.3. sent by email to the address set out below for the relevant party.

- 23.2. However if the intended recipient has notified a changed address or email address, then communications must be addressed to that address or number.
- 23.3. Communications must be marked for the attention of the contact person specified below for the relevant party, except that communications sent by email need only be marked for attention in this way but must still state the first and last name of the sender.

The Applicant

Address: **[insert]**
 Email: **[insert]**
 Contact person: **[insert]**

CBI

Address: 72 Muswell Hill Place, London, N10 3RR, United Kingdom
 Email: info@climatebonds.net
 Contact person: Matteo Bigoni, Head of Certification, Climate Bonds Initiative.

- 23.4. Communications take effect from the time they are received or taken to be received under clause 23.5 (whichever happens first) unless a later time is specified.
- 23.5. Communications are taken to be received:
 - 23.5.1. if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
 - 23.5.2. if sent by email:
 - 23.5.2.1. when the sender receives an automated message confirming delivery; or
 - 23.5.2.2. four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, whichever happens first.

Executed as an agreement

Executed for and behalf of **The Climate Bonds Initiative** by:
 (Signature)

Name: Sean Kidney
 Title: CEO
 Date: _____

Executed for and behalf of **[Legal name of issuing entity]** by:
 (Signature)

Name: _____
 Title: _____
 Date: _____

Appendices

Trade Mark Usage Agreement

CBI is the owner of all rights in the Climate Bond Certified device and word mark [shown at the top of/scheduled to] this Agreement (the **CBI Mark**).

If a Certification is issued to the Applicant, the Applicant shall be granted a worldwide, royalty-free, non-exclusive, non-assignable, non-sub-licensable licence to use the CBI Mark on and in relation to any bond to which the Certification applies, for so long as such Certification remains in place.

CBI hereby grants such licence (**Licence**), to the extent of and conditional upon the issuance of any Certification to the Applicant under this Agreement.

The Applicant shall at all times during the term of the Licence comply with all reasonable instructions issued by CBI in relation to the style and presentation of its use of the CBI Mark and shall not knowingly do anything which will or may:

- > bring the CBI Mark into disrepute;
- > harm or damage the goodwill associated with it; or
- > render any registration or application for registration of the CBI Mark invalid, or otherwise be detrimental to the CBI Mark or CBI's rights in it.

The Applicant shall, at the request and expense of CBI, render all assistance reasonably required in relation to any application for registration of, or the conduct of any claim concerning, the CBI Mark.

The Licence shall automatically terminate on any withdrawal of the Certification, or on the termination of this Agreement, for any reason. Forthwith after such termination of the Licence the Applicant shall not on or after the date such termination is effective prepare, distribute or publish any materials, in hard or electronic form, which use the CBI Mark, but need not destroy, or erase the CBI Mark from, any such materials already in existence, distributed or published prior to the date of the termination.

Disclaimer : to be included in bond offer document

The certification of the [Bonds] as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the [Bonds] or any Nominated Project, including but not limited to the Information Memorandum, the transaction documents, the Issuer or the management of the Issuer.

The certification of the [Bonds] as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the [Bonds] and such certification does not address the market price or suitability of the [Bonds] for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the [Bonds] and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the [Bonds] and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

REFERENCES

- AgroBanco. 2018. *Memoria Institucional 2017*. Lima: AgroBanco. <https://www.agrobanco.com.pe/wp-content/uploads/2017/07/MEMORIA-INSTITUCIONAL-2017.pdf>
- Bernhard, Regina Johannes Schroeten; and Matthew Ogonowski. 2019. “Transformational Approaches to Channel Finance into Action. Part 1: Low Carbon Development in Peru. ClimateLinks Blog, February 26. www.climatelinks.org/blog/transformational-approaches-channel-finance-action.
- BusinessWire. 2016. “Fitch Affirms Banco Agropecuario’s IDR at ‘BBB+’; Outlook Stable.” Press Release, September 29, 2016. <https://www.businesswire.com/news/home/20160929006413/en/Fitch-Affirms-Banco-Agropecuarios-IDR-BBB-Outlook>
- Climate Bonds Initiative. 2020. “Sector Criteria Available for Certification.” <https://www.climatebonds.net/standard/available>
- Escudero, Laila (Deloitte Touche Peru). 2017. Personal Communication. January 13.
- Global Canopy. 2016. “New Innovative Credit Line to Fund Sustainable Land-Use Transitions in San Martin, Showcases How Peru Can Deliver on its Sustainable Development and Climate Change Commitments in the Land-Use and Forest Sector. Press release, September 19. <https://www.globalcanopy.org/press-centre/new-innovative-credit-line-fund-sustainable-land-use-transitions-san-martin-showcases>
- ICMA. 2018. *Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds*. Paris : ICMA. <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>
- Laird, Michele; Pablo Torres; Lawrence Szott; and Eric Hyman. 2015. *Using Bonds and Other Financial Instruments to Develop Climate-Friendly Infrastructure in Peru*. Washington, DC: Crown Agents USA and Abt Associates, Prepared for USAID. https://pdf.usaid.gov/pdf_docs/PA00M422.pdf
- MINAM. 2016. *Estrategia Nacional Sobre Bosques y Cambio Climatico*. Lima: Ministerio del Ambiente.
- Marquez, Andres and Mark Narron. 2016. *Banco Agropecuario: Full Rating Report*. New York: Fitch Ratings. https://www.agrobanco.com.pe/wp-content/uploads/2017/07/Fitch_junio_2016.pdf
- Republic of Peru. 2015. *Intended Nationally Determined Contribution (INDC) from the Republic of Peru*. Lima: Republic of Peru.
- Smith, Gordon; David Cooley; and Eric Hyman. 2018. *The Impacts of Rural Road Development on Forests, Greenhouse Gas Emissions, and Economic Growth in Developing Countries*. Washington, DC: Crown Agents USA and Abt Associates, Prepared for USAID.