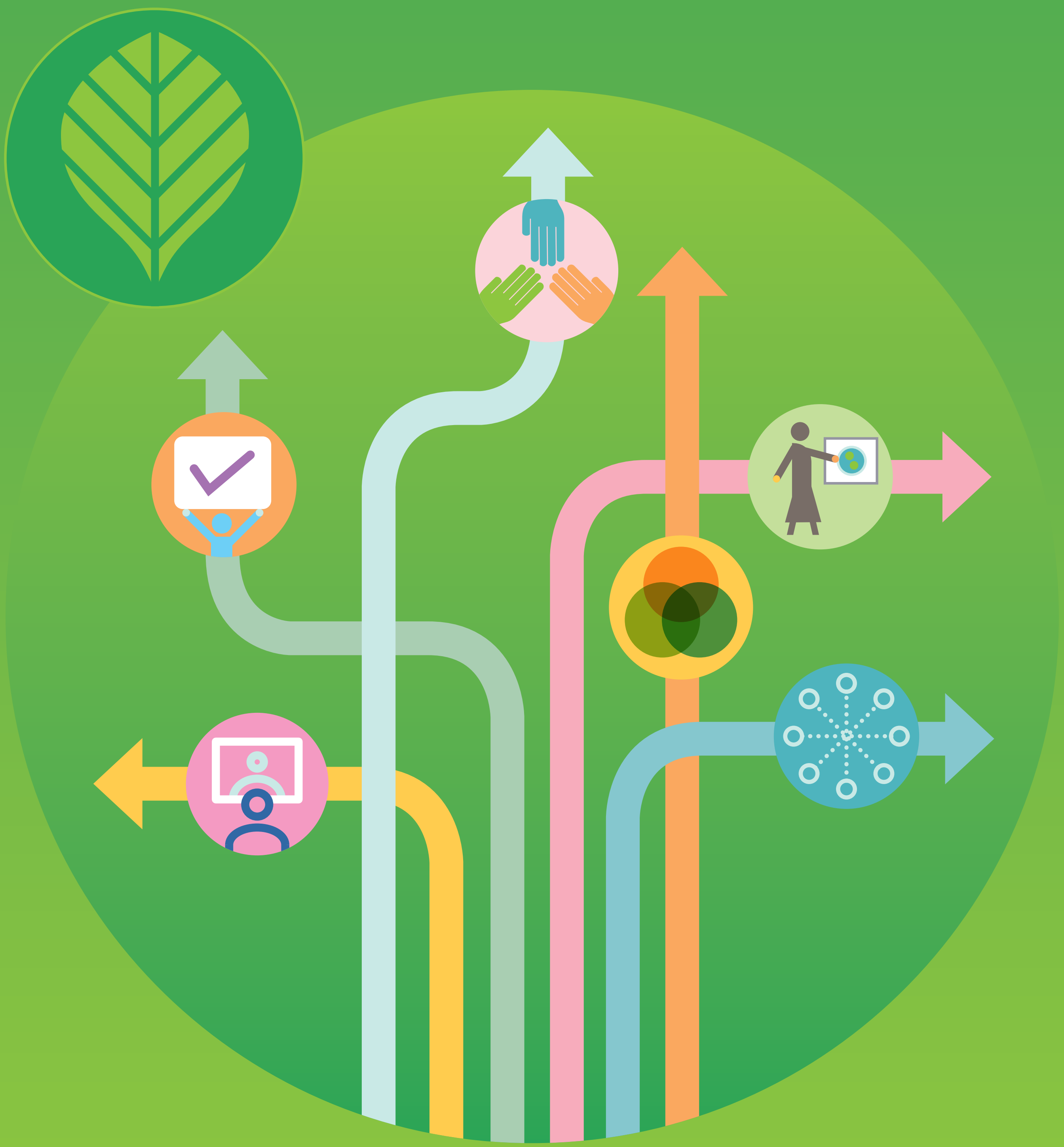
April 2024

Climate Bonds Initiative
Green Bond Dataset
Methodology



Contents

Glossary

Green bond framework: A document produced by the issuer which articulates the intended use of proceeds (UoP) of bonds bearing the green label, outlining eligible categories for assets, projects, and activities designed to address critical areas of concern, including climate change, depletion of natural resources, biodiversity loss and pollution control, and the corresponding eligibility criteria. Beyond the UoP, a robust framework typically encompasses key sections such as processes for project evaluation and selection, management of proceeds, and reporting.

Use of proceeds: Refers to how the funds of a green bond are invested in projects contributing to mitigation and/or environmental objectives.

External reviews: A review of the green bond framework and other documentation by a second or third party, which includes second party opinions, green bond ratings, certification, assurance, etc. Generally, external reviews confirm compliance with the Climate Bonds Standard (CBS), Green Bond Principles (GBP) or Green Loan Principles (GLP).

Certified Climate debt instruments: Bonds, loans, debt programmes, deposits and other instruments that are Certified under the Climate Bonds Standard. The green credentials of the assets/ projects are verified by a Climate Bonds Approved Verifier against Sector Criteria to determine if the assets/projects being financed are within a trajectory to full decarbonisation by 2050.

1. Introduction

Climate Bonds Initiative (Climate Bonds) is an international not-for-profit organisation working to mobilise global capital for climate action. It promotes investment in projects and assets needed for a rapid transition to a low-carbon, climate-resilient, and just economy.

Climate Bonds assesses self-labelled debt instruments against its Market Intelligence data products methodologies. Bonds meeting the requirements outlined in the screening methodologies qualify for inclusion in Climate Bonds' data products.

This document describes the requirements for inclusion, screening, and maintenance for the Green Bond Dataset (GBD).

1.1 Foundational principles

Climate Bonds aims to establish a robust framework for evaluating and categorising green assets, projects, activities, and expenditures by basing this screening methodology on a set of foundational principles.

1. Green credentials based on mitigation[1] and environmental impact: The assets, projects, and activities should contribute to significant reduced emissions or demonstrate a positive impact on the environment, thus participating in the advancement of conservation and ecosystem protection.

2. Science-based: The methodology should be informed by sound scientific research, utilising data-driven insights to validate the contribution to climate change mitigation or positive environmental benefits of the assets or projects. This is to be informed by existing taxonomies, labels, criteria as noted in the methodology.

3. Flexibility and practicality: The methodology should be designed to strike a balance between scientific rigour and market usability, accommodating changes in technology, scientific understanding, and evolving mitigation and environmental priorities.

4. Minimum climate and environmental safeguards: If there is an absence of sectoral guidance on eligible assets, minimum climate safeguards are used to prevent unfavourable outcomes on emissions mitigation and the environment. These minimum safeguards ensure that activities with potential for adverse impact are screened out.

1. Recognising the evolving landscape of climate solutions, for the purposes of the GBD Methodology, the green credentials of assets, projects, and activities extend beyond present net-zero considerations, including activities deemed crucial for the post-2050 transition.
It is imperative to ensure no industry is left behind, addressing emissions levels that may impede the low-carbon transition.

Progress has been achieved in net-zero activities, yet many industries, especially in hard-to-abate sectors like cement, steel, and aviation, maintain emission levels that could hinder progress. Addressing this means companies producing goods and services needed into the long term are progressively decarbonising their activities. Simultaneously, companies engaged in activities that cannot be aligned with a low-carbon economy, where substitutes exist, must transition away from current activities.

Rapid scaling of activities facilitating such transitions is crucial. These transition activities contribute to GHG mitigation and align with Climate Bonds' commitment to a low-carbon future.

2. The Climate Bonds Initiative Green Bond Dataset screening process

2.1 Overview of the screening process

The three-step screening process to classify a green bond as aligned covers the following:

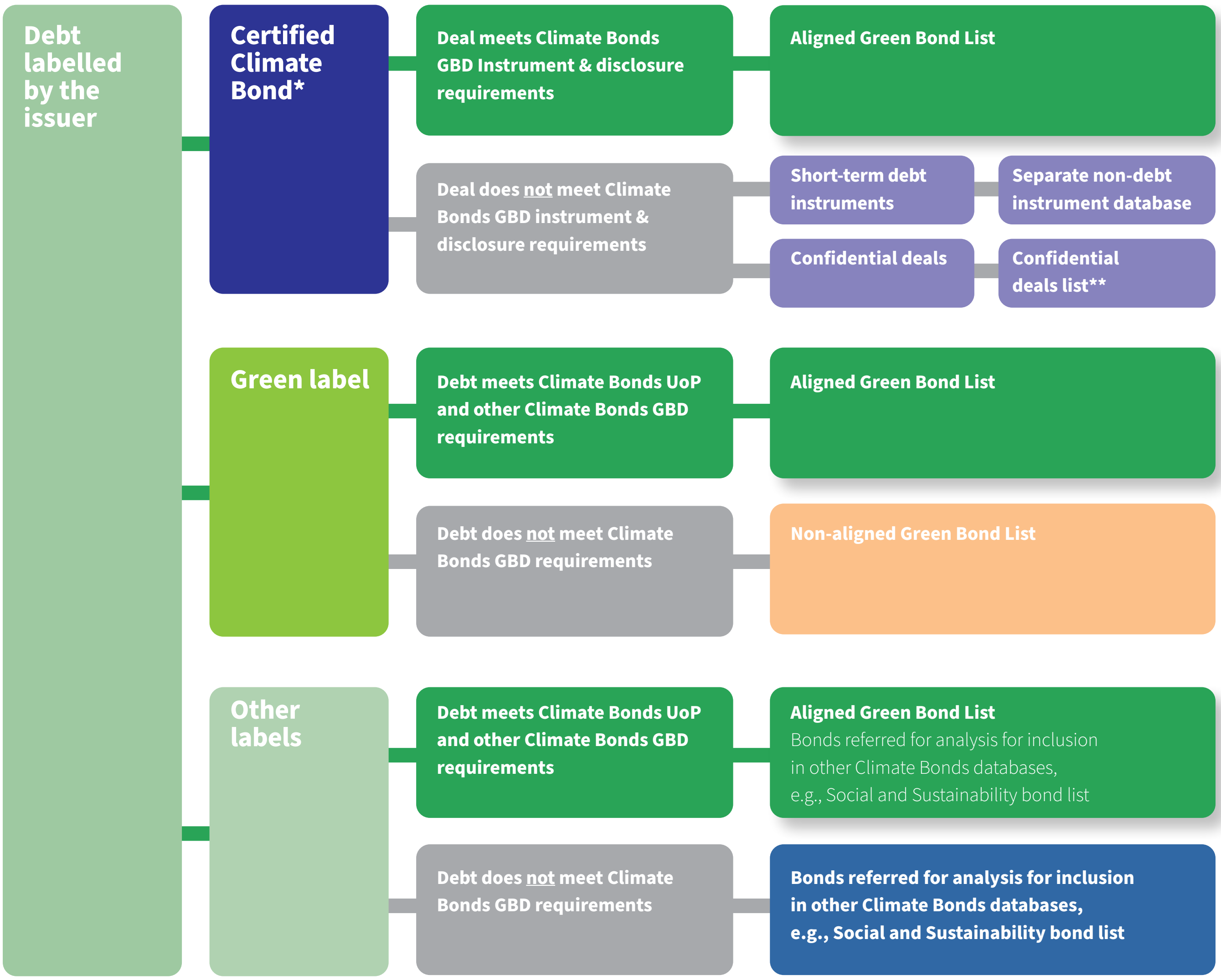
A. Identification of debt and pre-requisite checks. Basic checks to ascertain whether or not a full screening assessment is possible/necessary.

B. Screening of green credentials, which relies on determining alignment to a set of sector-specific definitions and eligibility conditions.

C. Evaluating the UoP threshold. Only bonds which are expected to allocate 100% of net proceeds to green assets, with a minimum of 90% directed specifically to aligned green assets, projects, activities, or expenditures, are included in the Climate Bonds GBD.

Note: the Climate Bonds GBD Methodology explicitly focuses on screening the UoP and assessing the credibility of the green credentials. Entity level assessments are beyond the scope of this methodology. Any inquiries or concerns regarding entity-level transition plan assessments should be addressed through independent evaluations conducted by parties responsible for comprehensive issuer assessments.

Navigating the green frontier: Climate Bonds GBD screening journey



***** Certified Climate debt instruments are fully aligned with the Green Bond Principles/Green Loan Principles. They can be considered as a subset of the green debt market.
****** Confidential Certified Climate debt instruments list is not available to the public or data partners.

A. Identification and pre-requisite checks

The process of identifying eligible bonds and loans involves a comprehensive search across various financial and other platforms, with a focus on commonly used labels such as 'green bond'. A full list of search criteria is not included in this document.

The label is used primarily to identify bonds for screening, but the assessment of the green credentials is based on the assets, projects, activities, or expenditures financed. For this reason, other labels are also considered. Examples include, but are not limited to:

Blue, marine conservation and similar

Climate action

Climate-awareness

Energy efficiency, PACE and similar

Energy transition/Sustainable transition

Environmental

ESG, SDG, sustainability, social and similar

GreenStar (BAM)

Solar, wind, renewable energy and similar

Transition

Water bond and similar

All deals in the Climate Bonds Green Bond Dataset (GBD) are screened to verify the integrity of their green credentials. Inclusion of any financial instrument in the Climate Bonds GBD is contingent upon three requirements:

1. It must qualify as a debt instrument, which includes but is not limited to bonds, asset-backed securities, and loans. While the GBD includes information on commercial papers and loans, the coverage is not exhaustive.

2. It must bear a green label, indicating that it is self-labelled by the issuer as a green bond or under a similar nomenclature. Deals which finance eligible UoP, but are not self-labelled by the issuer, are not eligible for inclusion.

3. It must be accompanied by adequate public disclosure that is sufficient to determine if the UoP qualify for inclusion, as well as to identify and track basic information about the debt instruments (namely, the amount issued, issue date, and maturity date of the instrument).

Note: the inclusion of Certified Climate debt instruments in the Climate Bonds GBD is not automatic. Certification can also extend to short-term debt[2] and private or confidential deals that lack public information. By contrast, the GBD specifically captures labelled debt instruments that have settled with a defined amount outstanding, and for which there is at least a minimum level of public disclosure, i.e., amount issued, issue date, type of instrument. Therefore, there may be Certified deals which do not qualify for inclusion in the Climate Bonds GBD.

Labelled loans

Green loans are a form of financing that enables borrowers to raise capital for projects that have a positive environmental impact. Like green bonds, they are dependent on environmental or climate criteria for the planned UoP. However, these loans are typically smaller in size than green bonds and tend to be arranged via bilateral private agreements. This means it is often hard to (i) discover relevant deals, and (ii) find essential information about the deals, including details such as loan amount and term, as well as UoP.

Climate Bonds tracks green loans within the Climate Bonds GBD, but with the caveat that this data is collected on a best-efforts basis and deals may take longer to be added to the dataset.

B. Screening sectors and green credentials

Each bond or other debt instrument is reviewed based on the green credentials of the UoP. This may be earmarked proceeds for asset-linked, senior unsecured or secured bonds, projects funded by a project bond, or assets backing an ABS or other secured debt. The key is that the asset, project, or activity to be (re)financed is green, i.e., yields mitigation and/or environmental benefits. At issuance, the issuer must declare the eligible asset and project categories. Most issuers specifically link their deal and framework to the GBP or GLP and obtain an external review to confirm compliance or choose to certify their instruments under the Climate Bonds Standard.[3] This helps to improve market integrity.

A matrix of eligible assets, projects, and activities provides the assessment guidelines for the Climate Bonds GBD Methodology. While informed to a degree by the Climate Bonds Taxonomy and the Climate Bonds Sector Criteria, and with additional insights from the EU Taxonomy's substantial contribution to climate change mitigation criteria (SCC) and other market standards, the guidelines outlined in this methodology have historically been adapted to (i) allow assessment in the absence of metrics disclosure and/or third-party verification of metrics, and (ii) encourage investment in nascent and harder-to-abate sectors.[4] However, the Climate Bonds GBD screening criteria are now being tightened in more established sectors such as buildings and transport as the green bond market matures and the need to decarbonise becomes more pressing.

Margin of flexibility

The Climate Bonds GBD Methodology requires that bonds allocate 100% of net proceeds to green assets. Within this, a minimum of 90% must be directed to eligible green assets, projects, and activities. This allows for a margin of flexibility, intended to cover up to 10% of the total deal size where there is uncertainty of alignment with the methodology. This includes sectors where metrics are not readily available or need further assessment against a benchmark or proxy. In such cases, the methodology employs flexible approaches.

The margin of flexibility also provides room to deal with interconnected sustainable development outcomes which are highly contextual. The methodology encapsulates this approach to infrastructure financing in the context of very low-intensity, less-developed economies, where infrastructure to allow access to basic amenities and services may be eligible. These instances will be assessed on a case-by-case basis, taking into account the relevant proportion of the UoP, along with the phase of economic development, and the per-capita emissions of the jurisdiction where the proceeds are deployed.

2. Having a term of less than one year.
3. The Climate Bonds Standard and Certification Scheme is a voluntary initiative, which allows issuers to clearly demonstrate to the market that their bond or loan meets science-based standards for climate integrity, and best practice standards for management of proceeds and transparency.
4. For the purpose of this methodology, the focus is on the EU Taxonomy's substantial contribution to climate change mitigation criteria (SCC), which are used as a reference and adapted for specific sectors within this framework.

Where there is insufficient disclosure to accurately assess the percentage, Climate Bonds will apply proxy evaluation approaches. In instances of uncertainty, the percentage will be assumed to exceed 10%.

The margin of flexibility is subject to some absolute exclusions related to fossil fuels. Even if proceeds allocated to these areas are less than 10%, the deal will be excluded. An illustrative list is provided in the table below.

Key areas for minimum safeguards (absolute exclusions)
Fossil fuel exploration, production, and refining
Solid fossil fuel-based heat, cool, and electricity generation
Transportation of fossil fuels

Our best practice recommendations

- A green financing framework and independent external review at issuance and after allocation of the proceeds, with detailed disclosure of key technical thresholds and parameters of eligible green projects under the section of UoP;
- Compliant with the practice recommended by the latest edition of ICMA Green Bond Principles (GBP), with all the net proceeds to be embarked on eligible green projects identified;
- Seek alignment with relevant market standards such as the Climate Bonds Standard and sector eligibility criteria or the EU Taxonomy where appropriate;
- Identify asset pool or provide guidance on proceeds allocation at issuance, preferably communicated in investor presentations or final terms, if possible and permitted by regulations;
- Provide contact details of the investor relations and funding teams to facilitate information flow with stakeholders;
- Clearly set out commitment, and a timeline, if possible, to publish post-issuance report on allocations and impacts;
- Post-issuance report should clearly specify which eligible green projects the net proceeds have funded, conduct technical screening criteria alignment mapping with relevant market standards where appropriate, and be independently reviewed.

C. Evaluating the use of proceeds

Eligible use of proceeds

Not all activities that can support a low-carbon economy are part of the GBD Methodology yet. Over time, further economic activities from different sectors and sub-sectors could be included, as these become relevant and their integration into the GBD Methodology becomes practicable.

In the absence of established eligibility criteria for the assessment of assets and activities, deals will be screened on a case-by-case basis.

Lookback period

In cases of complex assessments involving the green credentials of the UoP, Climate Bonds employs a two-year lookback period. This entails analysing an issuer's expenditures during the preceding two years, allowing for a thorough assessment of their alignment with the eligibility criteria outlined in this methodology. This approach was selected for its practicality in addressing the common delay associated with obtaining detailed expenditure allocation data for green bond projects, typically unavailable until a year after bond issuance.

Tracking the wider labelled market: social versus green

Certain assets, projects and activities may have both green and social benefits. To qualify for inclusion in the Climate Bonds GBD, the green credential must be apparent for all named project categories. 100% of net proceeds must be allocated to green assets, with a minimum of 90% directed specifically to eligible UoP, in alignment with the GBD Methodology.

Issuers are advised to state if their projects meet both social and green criteria. An issuer financing social housing may also require that properties are energy efficient to a specific (ideally high) standard. However, without an explicit green designation, the bond will not be included in the Climate Bonds GBD.

Instruments with hybrid structures

Hybrid instruments that have a performance-linked structure as well as a UoP structure will be referred to the relevant Climate Bonds dataset for inclusion pending alignment with the respective screening methodology, in addition to inclusion in the GBD. Sustainability-linked bonds (SLBs) may thus be included in more than one dataset.

Financing capital assets versus eligible expenses

Both capital expenditure (capex) and operating expenses (opex) are eligible when applied towards aligned UoP.

For capex, improvements in assets, such as enhancing energy efficiency or climate resilience, are accepted, subject to specified benchmarks.[5] Property capex, for instance, requires a 30% improvement in energy efficiency, and proxies may be considered for the assessment.[6]

While general operating expenses may not be directly linked to green assets, funding enabling expenses[7] for deploying climate-friendly projects is considered eligible. Examples include training farmers on sustainable agriculture practices or financing the measurement and tracking of climate impacts and pollution control, categorised as eligible adaptation expenses.

Adaptation and resilience (A&R) measures

Climate Bonds set up an Adaptation & Resilience Expert Group (AREG)[8] to develop high-level guidance for determining when projects and assets are compatible with a climate-resilient economy. Climate resilience covers assessment of risks, which tend to be idiosyncratic depending on geographic location and local climate, as well as developing measures to address and adapt to acute events (e.g., storms) and long-term changes (e.g., temperature and sea level rises).

As a first step, Climate Bonds has published the Climate Resilience Principles.[8] These provide a framework for issuers to demonstrate that, for the assets and activities (re)financed via the bond, they:

- understand the climate risks faced by the asset, activity or system in question;
- have addressed those risks by undertaking risk-reduction measures and adopting flexible management plans that take account of inherent uncertainties around climate change, and ensuring that the asset, activity or system is robust, flexible and fit-for-purpose in the face of that uncertainty;
- can deliver resilience benefits over and above addressing identified risks (for system-focused investments); and
- are undertaking regular (re)evaluation of the asset and/or system's climate resilience performance, adjusting to risk reduction measures over time as needed.

5. In fact, it forms the basis of the Buildings (Upgrade) Sector Criteria used for Certification.
6. For instance, if the efficiency gain from the retrofit is 10%, but the building attains an eligible building certification or ranks within the top 15% of local performers post-retrofit, it qualifies for eligibility.
7. Enabling expenses include, but are not limited to, related installation, repair and maintenance costs.
8. Climate Bonds Initiative, n.d. Adaptation and Resilience. https://www.climatebonds.net/adaptation-and-resilience

These types of measures and programmes could involve for example physical assets (e.g., coastal flood defences such as levees (Louisiana) or dykes (Netherlands)), nature conservancy (e.g., land banks) and reforestation, as well as project management that improves resilience and the ongoing assessment of impact. So far, investments have been primarily in physical assets and projects, often in combination with mitigation measures in water management and sustainable land use.

Research and development (R&D)

Climate Bonds recognised the crucial role of scientific R&D, particularly in the context of emerging technologies, in facilitating the transition to net zero. Therefore, Climate Bonds endorses and promotes R&D efforts. However, assessing the impact of R&D poses challenges due to its speculative nature and the inherent uncertainties surrounding its outcomes.

- **Advanced R&D**. Investments in such advanced R&D are more likely to yield immediate to near-term positive climate benefits, qualifying them for consideration as green UoP. Examples include pilot projects for new technologies or climate-resilient projects, and products with potential long-term benefits. Spatial observation aimed at identifying, verifying, and/or implementing mitigation and adaptation measures may also qualify.
- **Early-stage R&D**. For earlier stage R&D to be eligible, more detail would be required. For example, the R&D should be accompanied by a clear plan or strategy. The aims of the R&D should have clear climate-related goals, such as the reduction in emissions or the reduction in the use of raw materials. Targeted processes and products should be clearly specified. Moreover, the determination of projects, allocation of proceeds, monitoring and reporting should fall within the framework of GBP, meaning that R&D expenditure should be continually assessed with climate-related goals in mind.

An example of eligible earlier stage R&D is that of bonds issued by **NXP**, the global semiconductor company. NXP clearly set out a strategy for its R&D in its Green Bond Framework with an overall climate-related goal of improving energy efficiency. Detailed descriptions of the opportunities were outlined with reference to given products and processes. These details were embedded in a broader process which explained how NXP planned to manage, monitor and report on the proceeds raised.

- **Sovereigns**. At the sovereign level, it is acknowledged that national governments play a vital role in providing funding for early-stage research programs. While these programmes may have limited immediate practical applications or yield climate benefits only in the medium to long term, such investments are considered eligible.

Overall, acceptable R&D counts towards eligible UoP. Note that if the type of R&D is not specified, Climate Bonds will tend to err on the side of caution.

Pure play investments

For the purpose of this methodology, pure play companies are defined as those that (i) generate over 90% of their revenues from eligible assets, projects and activities, in accordance with the sector-specific screening indicators outlined in a matrix of eligible assets, projects and activities, and (ii) do not participate in any ineligible activities (e.g., fossil fuel production, exploration or extraction). Lending by banks to pure play companies within their green loan portfolios (linked to green bond issuance) is deemed to be eligible under the Climate Bonds GBD Methodology.

Climate Bonds also allows debt financing of M&A where the acquired company is a pure play. Additionally, equity investments in pure play companies or assets within bank portfolios are allowed if the investor retains a controlling stake.

Referencing Climate Bonds GBD Methodology in the market

Green bond issuers wishing to incorporate the criteria outlined in this methodology into their green finance frameworks can formally reference it as follows:

"This framework is informed by industry guidelines and principles, including the International Capital Markets Association Green Bond Principles (2021) and Climate Bonds Initiative's Green Bond Dataset Methodology (2024)."

Other enabling activities

Climate Bonds is keen to promote activities which enable the journey to net-zero emissions. As a result, activities such as the manufacture of enabling products and related components are considered eligible. These include, but are not limited to, the manufacture and supply chains of products such as electric vehicles (EVs), and eligible energy components and technology in general. In addition, activities such as advisory or consultancy, as well as the retraining of workers – whether within the framework of a company or on a broader economic scale, as permitted by the NextGenerationEU green bond framework[9] – are considered eligible.

2.2 Use of proceeds information sources

A variety of sources is used for collecting the UoP information. These may include, but are not limited to, the bond prospectus, final term sheet, news releases, second party opinions (SPOs), and other external reviews, post-issuance reports and written confirmation from the issuer itself or from other involved parties, such as underwriters or external review providers.

External reviews

We consider all types of external assessments (see summary table overleaf). An external review is recommended but not required if equivalent information is clearly disclosed by the issuer in a bond framework, prospectus or other document. Equivalent information covers the four principles of GBP/GLP, namely:

1. Pre-determined eligibility criteria
2. Information on the selection process
3. Management of proceeds to ensure allocation
4. Post-issuance reporting (at least on allocations)

Obtaining an external review does not lead to automatic inclusion in the Climate Bonds GBD, as compliance with GBP/GLP does not mean that the categories meet all the inclusion criteria. Rather, the review as well as other information disclosed by the issuer is independently assessed for alignment to sector-specific definitions and eligibility conditions under this methodology.

We will consider bonds for which there is no external review, if adequate disclosure on the assets financed is provided by the issuer. For instance, US Munis, Solar ABS, PACE ABS and domestic market Chinese issuers typically provide this information in the bond prospectus.

8. Climate Bonds Initiative, n.d. Climate Resilience Principles. https://www.climatebonds.net/climate-resilience-principles
9. European Commission, 2021. NextGenerationEU Green Bonds. https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu-green-bonds_en

Overview of external review types and providers		
Pre-issuance review	**Scope**	**Providers (examples)**
Assurance	Positive or negative assurance on compliance with the GBP/GLP	EY, Deloitte, KPMG
Second Party Opinion (SPO)	Confirm compliance with GBP/GLP. Provide assessment of issuer's green bond framework. Some analyse the green credentials of eligible assets.	CICERO, DNV-GL, Sustainalytics, Vigeo Eiris, ISS-Oekom
Green bond rating	Assess the bond's alignment with GBP and integrity of its green credentials. (NB: Credit ratings, increasingly incorporating ESG factors, are assessed separately.)	S&P, RAM (Malaysia), R&I and JCRA (Japan)
Pre-issuance verification of the Climate Bonds Certification	Third party verification confirms that the process followed by the issuer and UoP adhere to the Climate Bonds Standard and sector specific criteria.	Approved Verifiers under the Climate Bonds Standard[10]
Post-issuance review		
Assurance, audit or post-issuance SPO	Assurance of actual allocation of proceeds to eligible green projects.	Audit firms, ESG service providers
Post-issuance verification of the Climate Bonds Certification	Third party verification confirms the allocation of proceeds is to eligible green projects and the types of green projects conforms to requirements of the Climate Bonds Standard.	Approved Verifiers under the Climate Bonds Standard[11]
Impact report	Assessment that seeks to quantify the environmental impact of financed projects/assets (often not considered an external review per se as the assessment is done by the provider itself, and does not cover UoP information).	ESG service providers, scientific experts, other specialised consultants

Disclosure

Disclosure remains a key factor in establishing whether a bond is deemed to be eligible for the GBD. The assessment is typically based on publicly available information. Occasionally, Climate Bonds may obtain private information to determine alignment.

For post-issuance reporting, Climate Bonds relies solely on publicly available information. Information made available on the Climate Bonds website about Certified instruments[12] is considered publicly available even if the issuer has not made it publicly available on their website.

2.3 Classification of bonds

Bonds that meet the requirements outlined in Climate Bonds screening methodology qualify for inclusion in the datasets and are classified as **aligned**.

Labelled bonds for which there is not enough information to determine eligibility for database inclusion are classified as **pending** until sufficient disclosure is available to decide.

Bonds failing to meet the requirements of Climate Bonds screening methodology are classified as **non-aligned** and are excluded from the dataset.

The Climate Bonds GBD contains the bonds that have passed the screening, and further lists of labelled debt as detailed below.

Dataset	Sub-dataset and definition	Availability
Green Bond Dataset	**Aligned list** A list of labelled bonds and other debt instruments, which allocate 100% of net proceeds to green assets, with a minimum of 90% directed specifically to eligible green assets, projects, activities and expenditures, in alignment with the criteria outlined in this methodology.	Basic information is available to all Climate Bonds Partners through the Climate Bonds Partners Portal. Comprehensive information is available to Premium and Advanced Climate Bonds Partners only, under a data licensing arrangement.
	Non-aligned list A list of labelled green bonds and similar debt instruments that fail to meet the criteria for inclusion in the Climate Bonds GBD. Such bonds may meet local green bond rules, but they do not demonstrate the level of ambition required by Climate Bonds.[13]	Available to Premium and Advanced Climate Bonds Partners only, under a data licensing arrangement.
	Pending list A list of labelled bonds and similar instruments for which there is insufficient information to determine eligibility, and where they are kept temporarily. Upon further investigation, the bond may be categorised as aligned or non-aligned, i.e., excluded.	Available to Premium and Advanced Climate Bonds Partners only, under a data licensing arrangement.

10. https://www.climatebonds.net/certification/approved-verifiers
11. https://www.climatebonds.net/certification/approved-verifiers
12. Climate Bonds Initiative, n.d. Certified Climate Bonds Database. https://www.climatebonds.net/certification/certified-bonds
13. For instance, China's green bond catalogue (2015 version) used to allow the so-called clean coal projects.

3. Pending deals and resolution process

In some cases, the information available on the deal's UoP is insufficient to determine alignment with the screening criteria of this methodology. This is often the case for private deals but may also occur when documentation is not made available in English, or only shared with bondholders and lenders and not in the public domain.

Such bonds are marked as pending and further work is undertaken to obtain clarity. This investigation process involves contacting the issuer, underwriter, rating agency, or the second party opinion provider (if applicable) within 30 days of the bond being identified. Climate Bonds will also continue monitoring information disclosed to the market.

If no further information is made available or the obtained information does not confirm alignment within 30 days after the bond is identified, or the database requirements are still not met, the bond is added to the non-aligned list or other Climate Bonds databases as appropriate.

In some cases, issuances will be in pending for longer periods while Climate Bonds go through a research and consultation process to ascertain more details about the UoP. In these cases, active investigations are taking place based on communications that have been received within the 30-day response period.

4. Exclusions

If a bond does not pass the screening process outlined above, it will not be included in the dataset.

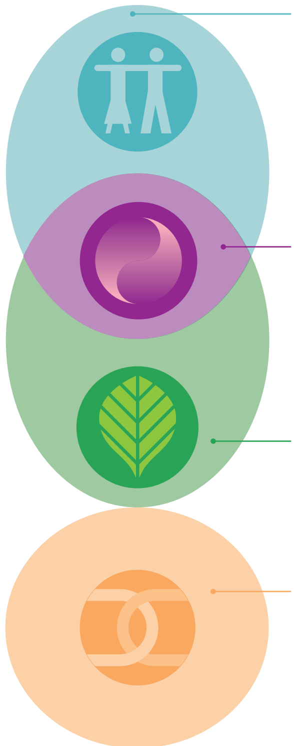
The list of excluded deals, together with the reason for exclusion, is available to partners but is not made public.

Common exclusions are if >10% of proceeds are (expected to be) used for:

- social projects;[14]
- general corporate purposes, working capital, operating and training expenses, etc.;
- early-stage R&D without sufficient disclosure, and other non-aligned expenses or assets.

The most common sector exclusions are fossil fuel power, including fossil gas, and any process, product, asset or improvement which locks in the use or extends the life of fossil fuels. Other significant exclusions come from insufficiently ambitious building standards and/or retrofits.

Notably, excluded sustainability, SDG, ESG, and similar bonds may be eligible for inclusion in the Climate Bonds Social and Sustainability (S&S) Dataset.[15]



The **Social Bond** label includes bonds where proceeds have a focus on delivering positive social outcomes. The labels used to describe the bond may range from 'Pandemic' to 'Gender inclusion' but all are covered within the Social label.

The **Sustainability Bond** label covers bonds with proceeds directed to a mix of both green and social projects. Labels include Sustainable Development Goals, Sustainable and Responsible Investments etc,

The **Green bond** label describes bonds with proceeds dedicated to environmental and climate outcomes. Labels may include 'climate, green, etc'

Sustainability-linked bonds (SLBs) are general-purpose debt instruments where the financial and/or structural characteristics vary depending on whether the issuer achieves predefined sustainability objectives.

5. Reclassification of a bond

Climate Bonds reserves the right to retroactively rescreen non-aligned deals following a methodology change, but this is not a routine or automatic procedure for every modification. If a green bond is included but the issuer cannot fulfil the criteria later or the proceeds are eventually applied to non-green assets, it may be removed from the Climate Bonds GBD. Conversely, an excluded bond may be reclassified if satisfactory information is provided or obtained later which confirms sector alignment.

Changes in labelling approaches

A shift from a non-aligned status to an aligned status could happen if Climate Bonds modifies its methodology to include a wider range of acceptable approaches to labelling.

Changes in the definition of alignment

Non-aligned deals may be retroactively reclassified as aligned to reflect the evolution of scientific thinking and internal guidance on sectors and asset categories. Changes of this type may occur after an update to the Climate Bonds Taxonomy or the publication of new Sector Criteria used for Certification. On the other hand, aligned deals will not be excluded as Climate Bonds tightens the screening criteria outlined in this methodology.

Post-issuance exclusions

Bonds may be re-assessed and excluded from the aligned list of the Climate Bonds GBD based on new information. Post-issuance reporting on the actual allocation of proceeds can lead to exclusion from the Climate Bonds GBD if the funding proves to be allocated to assets that are not aligned. Climate Bonds has undertaken three studies into post-issuance reporting (in 2017, 2019 and 2021) and continues to monitor the market.

14. Note that deals with social UoP are included in the S&S Dataset, which has a separate methodology.
15. Climate Bonds Initiative, 2022. Social & Sustainability Bond Database Methodology. https://www.climatebonds.net/market/social-sustainability-bond-database-methodology

The Climate Bonds Standard and Certification Scheme

The Climate Bonds Standard and Certification Scheme[16] is a voluntary labelling scheme for investments and entities that address the challenge of climate change, and are consistent with the goal of limiting global temperature rise to 1.5°C above pre-industrial levels set in the Paris Agreement. The scheme is used globally by bond issuers, governments, investors and the financial markets to prioritise investments which meet the highest standards for climate integrity.

Transparently developed scientific criteria[17] underpin the Scheme and independent external assessment is provided by the network of Climate Bonds Approved Verifiers.[18] An international independent Climate Bonds Standard Board, comprised of institutional investor representatives and reporting to the Trustees of the Climate Bonds Initiative, provides oversight and a strong governance framework for the Scheme.

The Certification label applies to UoP or general purpose debt instruments (such as SLBs), as well as to projects and assets and to entities. Certification[19] under this Standard confirms that debt instruments, assets, or entities meet the requirements of the Climate Bonds Standard and sector eligibility criteria applicable at the time of certification.

Comparison of the requirements for Certification vs Green Bond Dataset inclusion

Requirement	Certification scheme	Green Bond Dataset inclusion
Governing document	Climate Bonds Standard V4.1	Climate Bonds GBD Methodology
Included in	Certified Bonds Database, available on Climate Bonds website (except for confidential deals)	Climate Bonds GBD, available to Climate Bonds Partners
Taxonomy alignment	Climate Bonds Taxonomy	Climate Bonds Taxonomy or EU Taxonomy where Climate Bonds has not yet developed relevant Sector Criteria
Sector criteria alignment	Climate Bonds Sector Criteria	Climate Bonds screening criteria for inclusion in the GBD
Criteria development methodology	New Sector Criteria are developed through expert Technical Working Groups (TWG) and Industry Working Groups (IWG) and a public consultation process. The Climate Bonds Standards Board oversees the Standard and Criteria development process	Screening criteria are developed internally by Climate Bonds by reference to the Climate Bonds Taxonomy, the Climate Bonds Sector Criteria, the EU Taxonomy's SCC and other market standards
Bond selection process	Pre-issuance: issuer submits an application under the Climate Bonds Standard	Post-issuance: Climate Bonds screens all debt instruments self-labelled by the issuer as green or under a similar nomenclature, based on publicly available information
Eligible instrument types	All debt instruments including short-term instruments such as bank deposits	All debt instruments excluding short-term instruments
Requirement for a green bond framework by the issuer	Mandatory	Not required
Requirement for external review/verification	Pre- and post-issuance verification by a Climate Bonds Approved Verifier is mandatory	Not required but recommended. Certification/SPO details are available in the GBD
Annual reporting by issuer	Mandatory for the term of the instrument	Not required
Impact reporting by issuer	Recommended, often combined with annual reporting	Recommended
Public disclosure	Recommended but not required for confidential deals	Required

16. Climate Bonds Initiative, n.d. Certification under the Climate Bonds Standard. https://www.climatebonds.net/certification
17. Climate Bonds Initiative, n.d. Standard: Sector Criteria. https://www.climatebonds.net/standard/sector-criteria
18. Climate Bonds Initiative, n.d. Certification: Become and Approved Verifier. https://www.climatebonds.net/certification/approved-verifier
19. Climate Bonds Initiative, n.d. Climate Bonds Certification. https://www.climatebonds.net/certification/get-certified

The Climate Bonds Taxonomy

The Climate Bonds Taxonomy is a green classification system, a rulebook of the investable universe to support a low-carbon economy. It provides high-level guidance for the identification of assets, activities and projects needed to deliver a low-carbon economy. It is consistent with the goal of the Paris Agreement to keep global temperatures below the 2-degree threshold and ideally 1.5 degrees.

The Taxonomy has been developed based on the latest climate science and it includes research from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). It has benefited from the input of hundreds of technical experts from around the world and it can be used by any entity seeking to identify which assets and activities are compatible with a decarbonising trajectory towards zero in 2050.

First released in 2013, the Climate Bonds Taxonomy is regularly updated based on the emergence of new technologies, the latest climate science and market development. Embedded within the Taxonomy are the Climate Bonds Standard Sector Criteria, which provide the user of the Taxonomy with unambiguous, numeric and binary thresholds to select assets and activities that can underlie any green financial instrument.

Guided by the Climate Science Advisory Panel and overseen by the Climate Science Standards Board, the aim of The Taxonomy is to encourage common and interoperable definitions across global markets, in a way that supports the growth of a cohesive green bond market.

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