Climate Bonds
Core Methodology for Data Products

Shared principles, definitions, and screening logic applied across all thematic datasets

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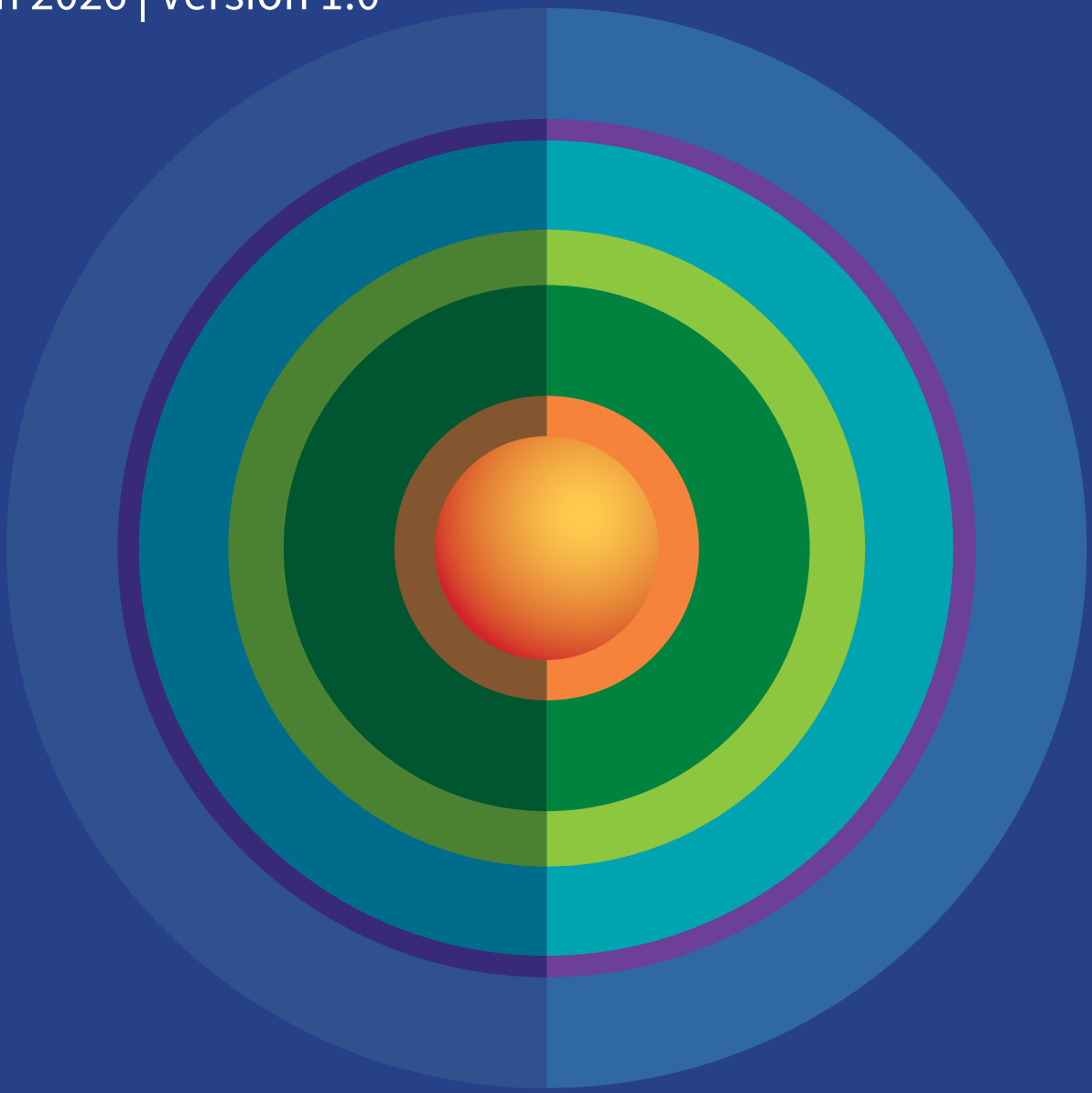

Climate Bonds INITIATIVE

Prepared by the Climate Bonds Initiative

1. Glossary

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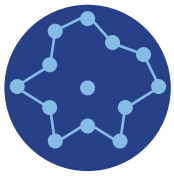
Aligned	A classification outcome indicating that the bond's UoP or SPT credibly contribute to environmental and/or social objectives, based on Climate Bonds internal screening criteria.
Bond label	The designation assigned by the issuer signalling the bond's thematic purpose (e.g., green, social, sustainability, sustainability-linked). Labels guide dataset allocation but do not determine alignment.
Classification	The determination that an included bond is aligned, not aligned, or pending, based on its UoP or KPI/target performance against internal screening criteria.
Core Methodology	The cross-dataset framework defining the shared principles, screening logic, and analytical architecture underlying all Climate Bonds data products.
Dataset-level methodology	A short public document describing the scope, objectives, and screening logic for a specific dataset.
Do no significant harm (DNSH)	A comprehensive safeguard framework that assesses whether an activity avoids causing material environmental (and sometimes social) harm across multiple dimensions. DNSH typically involves detailed, activity-level criteria and thresholds. Climate Bonds datasets do not apply a full DNSH framework; instead, they use a high-level exclusion principle centred on avoiding carbon lock-in, supplemented by sector-specific alignment conditions.
Exclusion logic	A set of safeguards that disqualify activities because they undermine mitigation objectives, create fossil-fuel lock-in, cause material environmental or social harm, breach dataset-specific safeguards, or lack adequate disclosure for assessment.
Fossil-fuel lock-in	Long-term dependence on fossil-fuel infrastructure, assets or systems, creating barriers to transition and incompatibility with climate mitigation objectives.
Internal screening library	The non-public, detailed ruleset used by analysts.
KPI/target-based instrument	A thematic instrument whose financial characteristics depend on the issuer's performance against predefined key performance indicators (KPIs) and sustainability performance targets (SPTs).
Materiality (for sub-theme tagging)	A principle requiring that only explicit, meaningful, and intentional components of an activity be tagged; incidental or implied references are not sufficient.
Pending	A temporary classification applied when public information is insufficient to determine alignment. Climate Bonds engages with issuers or transaction parties to obtain missing data.
Screening criteria	Internal rules used to assess credibility of contribution.
Substantial contribution	A meaningful and intentional benefit to environmental or social objectives beyond business-as-usual, forming a core eligibility requirement for inclusion.
Sub-theme	A classification unit representing specific environmental or social objectives (e.g., blue, biodiversity, just transition, climate resilience). Sub-themes allow for cross-cutting analysis within and across datasets.
Sub-theme Guidebook	Internal methodological guidance document forming part of the internal screening library that defines sub-themes, their analytical purpose and rules for consistent tagging across datasets.
Sustainability performance target (SPT)	A benchmark that an issuer commits to achieving as part of a sustainability-linked bond. Performance is measured against KPIs and informs alignment assessment in the sustainability-linked dataset (SLBD).
Use-of-proceeds (UoP) instrument	A thematic instrument whose proceeds finance specific projects, assets or activities that contribute to environmental or social objectives.

2. Purpose and scope



The Climate Bonds Core Methodology for Data Products (the Core Methodology) establishes the shared methodological foundation for all Climate Bonds thematic debt datasets. It defines the principles, screening logic, and data architecture that govern how labelled debt instruments are captured, classified, and represented within the Climate Bonds suite of commercial products.

The Core Methodology constitutes the central layer of the Climate Bonds data methodology ecosystem, which also includes dataset-level methodologies and the internal screening library.

The framework's purpose is to ensure methodological consistency, scientific credibility, and transparency across all thematic datasets, while remaining adaptable to evolving science, standards, and market practice. It supports Climate Bonds' broader mission to mobilise capital for a low-carbon, climate-resilient, and equitable economy.

This methodology governs data products specifically. It provides a structured and repeatable analytical framework for evaluating labelled debt instruments, forming the operational and conceptual backbone of Climate Bonds data services and market intelligence outputs.

The Core Methodology and the supporting internal screening library are firmly rooted in the scientific and technical foundations that underpin Climate Bonds' standard-setting work, encompassing the Taxonomy, Sector Criteria and its other science-based guidance (collectively referred to hereafter as the Climate Bonds Criteria). These set out the thresholds and principles defining whether projects, assets, economic activities and entities contribute meaningfully to a low-carbon and climate-resilient economy.

The Core Methodology and the supporting internal screening library operationalise these foundations in a labelled-debt data context, adapting them for consistent screening rules and classification outcomes applicable across the full thematic bond universe. This ensures that the rigour of Climate Bonds Criteria is embedded throughout its data products, reinforcing their credibility, comparability, and practical relevance to the market. At the same time, these data products strengthen the value of Climate Bonds Criteria by demonstrating their application in practice, turning technical standards into actionable market intelligence that supports transparency, benchmarking, and informed investment decisions.

In addition to Climate Bonds Criteria, the Core Methodology incorporates curated external science-based criteria as credible proxies where expanding the investable universe requires complementary thresholds and guidance. Integration of external guidance prioritises sectors with high-emissions impact, strong capital-market relevance, and strategic importance to Climate Bonds' mission.

Through this approach, the Core Methodology ensures that the intellectual property underpinning Climate Bonds data products remains robust, comprehensive and aligned with the latest credible climate and wider sustainability science.

3. Objective of the framework

The Core Methodology anchors all Climate Bonds data products in a consistent, science-based, and credibility-driven approach to assessing labelled-debt instruments. Its objective is to translate Climate Bonds' technical foundations into a practical, analytical system that enables transparent and comparable evaluation across markets, instruments, and themes.

Specifically, the Core Methodology is designed to:

- apply science-based criteria derived from more than a decade of Climate Bonds' standard-setting and market guidance work, complemented where necessary by curated external reference points used as credible proxies;
- ensure consistency of screening logic, enabling comparability and coherence across instruments, themes and regions; and
- deliver credibility-based classification, distinguishing labelled debt instruments that demonstrate robust sustainability ambition and credibility from those that do not.

This unified methodological backbone converts sustainability commitments into measurable intelligence, strengthening confidence in the labelled-debt market and enhancing the value of Climate Bonds' wider technical work.

4. Universe of coverage

The Core Methodology applies to all labelled-debt instruments that claim environmental, social, sustainability or performance-linked objectives. This includes green, social, sustainability and sustainability-linked bonds (SLBs), as well as emerging thematic labels such as transition or blue bonds.

Two methodological mechanisms determine how instruments are captured:

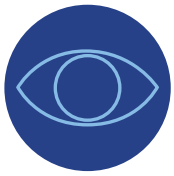
1. Use-of-proceeds (UoP) instruments
Financing specific eligible activities, assets or measures aligned with environmental or social objectives.

2. KPI/target-based instruments
Linking financial performance to issuer-level sustainability commitments, typically through key performance indicators (KPI) and sustainability performance targets (SPT).

Inclusion logic determines whether the instrument is in scope of a dataset based on its label and mechanism. Classification logic determines whether the instrument is aligned or not aligned with Climate Bonds' internal screening criteria. Only instruments included in scope are classified.

5. Overview of datasets and their objectives

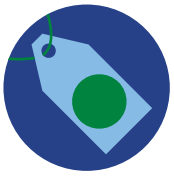
Climate Bonds' thematic debt datasets are structured around the above mechanisms. Each dataset applies shared definitions and logic from the Core Methodology.



Dataset	Objective	Mechanism
Green Bond Dataset (GBD)	Activities that deliver substantial mitigation outcomes or environmental benefits, in line with a low-carbon economy.	UoP
Social and Sustainability Bond Dataset (SSBD)	Activities that deliver measurable social and sustainable development outcomes, promoting inclusion, social equity, and the resilience and adaptive capacity of communities and social systems.	UoP
Sustainability-linked Bond Dataset (SLBD)	Credible, measurable performance commitments linked to a 1.5°C-aligned transition.	KPI/target-based

Each dataset forms a distinct data module governed by shared methodological principles, enabling integration and comparison across the full Climate Bonds data ecosystem. All public modules are available in the data section of the Climate Bonds website https://www.climatebonds.net

6. Definitions: labels, sub-themes, and overlaps



Labelled bond
A debt instrument explicitly marketed as green, social, sustainability, transition, or linked to sustainability performance (e.g., SLB). Labels are typically assigned by issuers and referenced in public documentation such as frameworks, prospectuses or second-party opinions (SPOs).

Sub-theme
Sub-themes are analytical categories used by Climate Bonds to describe the underlying activities financed by a bond (e.g., blue, biodiversity, gender, just transition, methane, climate resilience, transition). They provide a label-agnostic view of what the instrument actually funds, offering consistency and comparability beyond issuer-defined labels, which vary widely in meaning and ambition.

Sub-themes are assigned through a structured materiality assessment of the UoP following the rules set out in the Sub-theme Guidebook, which forms part of the internal screening library.

How analysts apply sub-theme logic
When tagging sub-themes, analysts first assess materiality, tagging only activities that represent a clear and explicit part of the UoP. They then determine the primary direction of impact to allocate the bond to the appropriate dataset. Where more than one sub-theme is materially relevant, multi-tagging is applied to capture legitimate overlaps without overstating the activity mix.

Overlap logic
Sub-themes often intersect across objectives, sectors, and datasets. Overlaps can occur within environmental objectives (e.g., blue projects contributing to both biodiversity protection and water systems, or energy projects delivering combined mitigation and resilience benefits such as smart meters that enhance energy efficiency while improving emergency response through real-time grid visibility). Overlaps may also arise between environmental and social objectives, particularly in areas like resilience, where benefits apply simultaneously to natural systems and communities.

7. Screening process

A consistent, transparent process applies to all datasets.

1. Identification
Labelled instruments are identified through a combination of issuer disclosures, public documentation, and market data sources.

2. Inclusion (scope definition)
Instruments are mapped to the appropriate dataset based on their label and mechanism. While inclusion indicates the bond is within scope for assessment, it does not imply alignment.

3. Screening and classification
Each included bond is screened against internal screening criteria that are dataset-specific, derived from Climate Bonds Criteria and market guidance, and curated external resources.

- Aligned: UoP/KPI credibly contribute to environmental or social outcomes.[1]
- Not aligned: UoP/KPI lack credible contribution, ambition or transparency.
- Pending: Public disclosure is insufficient to determine alignment. In these cases, Climate Bonds engages directly with the issuer, underwriter or other transaction agents to obtain the UoP or KPI details needed to complete the credibility assessment.

This binary classification, aligned or not aligned, is a core value proposition of Climate Bonds data products, transforming sustainability commitments into an evidence-based, decision-useful credibility assessment.

4. Quality assurance and review
Internal peer review, decision traceability, and version tracking ensure consistency and accountability across datasets.

1. For the SLBD, the aligned classification encompasses multiple degrees of alignment (fully aligned, strongly aligned and aligning). Further detail is provided in the SLBD Methodology.

8. Principles and definitions applied across datasets

The Core Methodology applies a consistent set of principles across all Climate Bonds datasets.

Contribution to environmental or social objectives
To be in scope, a bond must finance activities that deliver a meaningful and intentional contribution to environmental and/or social objectives. This combines the concepts of additionality and substantial contribution: activities must go beyond business-as-usual and provide clear, material benefits to climate mitigation, climate resilience, natural systems or defined target populations.

Exclusion and safeguards logic
Activities are excluded if they:

- undermine climate mitigation objectives by causing significant increases in greenhouse gas (GHG) emissions or reliance on high-emission technologies;
- create fossil-fuel lock-in by deepening long-term dependence on fossil-fuel assets, infrastructure or systems;
- breach dataset-specific safeguards; or
- lack adequate disclosure for assessment.

This safeguards approach differs from a full do no significant harm (DNSH) framework. DNSH typically involves detailed, activity-level criteria and thresholds to actively assess a wide range of environmental, and sometimes social, risks. The Climate Bonds datasets apply a high-level exclusion principle centred on avoiding carbon lock-in, supported by sector-specific alignment conditions that indirectly capture other material risks. This ensures environmental integrity without constituting a comprehensive DNSH regime. A fuller DNSH framework may be integrated in future iterations.

Proportionality and the 10% flexibility margin

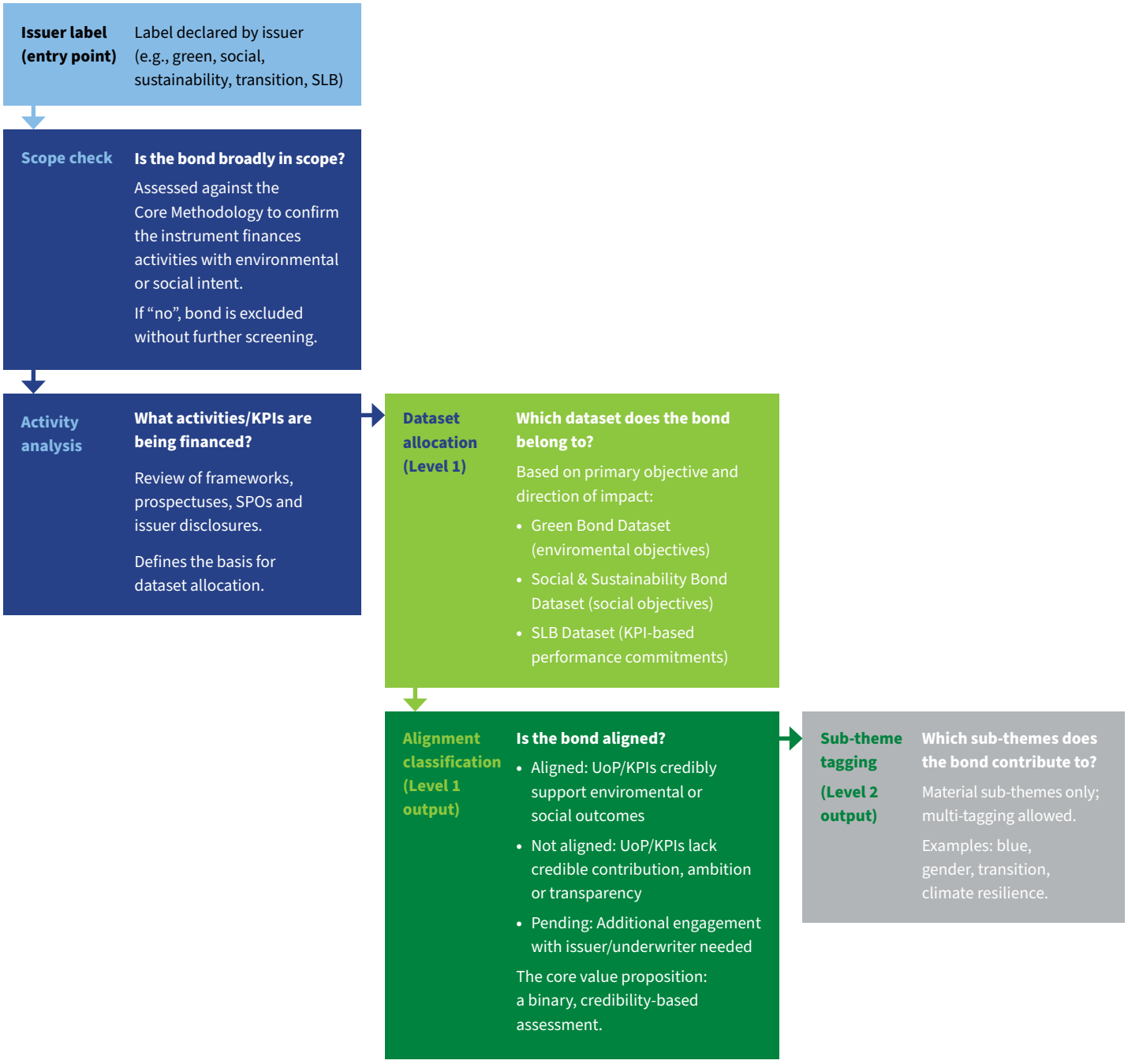
In some datasets, a restricted proportionality threshold (often referred to as a 10% flexibility margin) may be applied to assess activities that include a small share of non-eligible components. This flexibility is used sparingly and only in cases where the non-eligible share is minor, incidental, and does not undermine the overall sustainability objective of the financed activity.

This flexibility does not apply to activities that fundamentally conflict with climate mitigation objectives or breach minimum social or environmental safeguards.

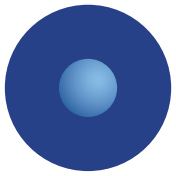
The specific use, rationale, and thresholds associated with proportionality are defined within the relevant dataset-level methodologies.

Hierarchical structure of screening and classification
Screening and classification follow a nested structure that moves from the issuer's framing to the dataset's analytical outcome.

Figure 1: How Climate Bonds screens and classifies labelled-debt instruments.



9. Use-of-proceeds information sources



Climate Bonds data products are based on a systematic review of publicly available and issuer-provided information to identify, assess, and verify the UoP of labelled debt instruments. Information sources are used to determine the nature of the activities, assets or measures financed, and to assess their credibility against dataset-specific screening criteria.

Primary information sources
Assessment draws primarily on formal transaction documentation and issuer disclosures, including bond prospectuses, final terms and offering documentation, bond frameworks, regulatory filings and other official market communications. External assessments, such as SPOs, assurance reports and verification statements, are considered as supplementary information where relevant.

Use of post-issuance information
Where necessary, post-issuance reporting is reviewed to identify information that is material to an alignment outcome but was not available, or could not be robustly assessed, upon issue. This may include clarification of allocation practices or further detail on financed activities. In limited cases, Climate Bonds may seek written confirmation from the issuer or other transaction participants, such as underwriters or external review providers, to resolve material uncertainties related to the UoP.

Role of external reviews
External reviews are treated as information inputs rather than as determinants of inclusion or alignment. While an external review is recommended as good market practice, it is not required where equivalent information is clearly disclosed through other public documentation. For disclosure to be considered equivalent, it must provide sufficient clarity on eligibility criteria for the UoP, the process for selecting projects or assets, the management of proceeds and post-issuance reporting, at least at the level of allocations.

The presence of an external review does not result in automatic inclusion or alignment within Climate Bonds datasets. Similarly, alignment with voluntary market principles or guidelines does not, in itself, demonstrate that the underlying UoP meets Climate Bonds' screening expectations. All issuer disclosures and external assessments are therefore evaluated independently and consistently against the relevant dataset-level methodology and internal screening framework.

Bonds without an external review may be included where the issuer provides sufficiently detailed, decision-useful disclosure to enable a credibility assessment. This approach reflects established market practice in certain segments, such as US municipal bonds, asset-backed securities, and some domestic issues, where comprehensive UoP information is typically embedded within offering documentation.

10. Document structure and modularity

The Core Methodology is the foundation of a modular system that governs all Climate Bonds data products. It provides the cross-dataset principles and system logic, while allowing the underlying technical content to evolve as science and market practice advance.

This system operates across three layers with distinct purposes and update rhythms:

- The Core Methodology sets the overarching analytical framework and therefore is revised only when major strategic or methodological changes arise.
- Dataset-level methodologies translate the core logic into short public modules for each dataset. These are updated periodically to reflect thematic developments and refinements in screening logic.
- The internal screening library contains the detailed application rules used by analysts. As the most dynamic layer, it is updated continuously to incorporate new evidence, developments in Climate Bonds Criteria, integration of external science-based proxies, and clarifications emerging from quality assurance processes.

Together, these layers create a system that is both consistent and adaptable: stable at the architectural level, responsive at the technical level. All updates follow internal peer review and documentation procedures.

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