

15 October 2024

WORKING GROUP ON SECURITIES DATABASES

RECOMMENDATION 4 ON CLIMATE FINANCE OF THE G20 DATA GAPS INITIATIVE 3 (DGI-3)

GUIDANCE NOTE ON CLIMATE FINANCE DEBT SECURITIES

According to the [workplan of the G20 Data Gaps Initiative 3 \(DGI-3\)](#) as agreed by the G20 economies, DGI-3 Recommendation 4 on Climate Finance envisages G20 economies to “*provide (preferably on a quarterly frequency) experimental data on issuances and holdings of green debt securities and listed shares securities to the BIS, based on self-commitments and consistent as much as possible with the Handbook on Securities Statistics (HSS), and any other specific guidance developed in the context of the recommendation, and provide documentation on the compilation methodology.*” This note provides such guidance on the definitions and compilation methodology for climate finance debt securities.

PREVIOUS WORK ON THE DEFINITIONS OF CLIMATE FINANCE DEBT SECURITIES

As part of the workplan on DGI-3 Recommendation 4, the Climate Finance Task Team developed a set of [reporting templates](#) for the implementation of Recommendation 4, which cover aggregates on climate finance debt securities and green listed shares. The types of debt securities covered include green debt securities, sustainability debt securities, and sustainability-linked debt securities. In preparing the reporting templates, the Climate Finance Task Team agreed on the following working definitions for these types of climate finance debt securities:¹

- Green debt securities: debt securities whose proceeds are used to fund projects intended to deliver a positive environmental impact.
- Sustainability debt securities: debt securities whose proceeds are used to fund projects intended to deliver a combination of positive environmental and social impact.

¹ See p.4 of the [Explanatory Note on the Recommendation 4 Reporting Templates](#). Climate finance debt securities cover green, sustainability, and sustainability-linked debt securities, with both short-term and long-term original maturities. In principle, the categories of green and sustainability debt securities may also cover securities whose proceeds are used to finance non-climate-related environmental projects, while sustainability-linked debt securities may also have non-climate-related sustainability objectives, including social objectives. However, in practice the vast majority of these instruments are used for climate finance purposes and data on more detailed breakdowns of these three main instrument categories is typically difficult to collect. Thus, to keep data collection and compilation efforts manageable, Recommendation 4 covers all green, sustainability, and sustainability-linked debt securities.

- Sustainability-linked debt securities: debt securities whose characteristics (e.g., coupon payments) can vary depending on whether the issuer achieves predefined environmental or other sustainability objectives.²

In parallel to the Climate Finance Task Team’s work on Recommendation 4, the Intersecretariat Working Group on National Accounts (ISWGNA) has been working on updating the System of National Accounts (SNA) manual and the IMF has been working on updating the Balance of Payments and International Investment Position Manual (BPM). To ensure alignment between the definitions developed in the Recommendation 4 context and those developed for the 2025 SNA and the BPM7, there has been close coordination between the Climate Finance Task Team and the ISWGNA. In particular, the Task Team provided concrete comments on the draft 2025 SNA definitions for green financial instruments in the context of the Workshop on Securities Statistics and Recommendation 4 in October 2023, and agreed that once the proposed SNA definitions have been confirmed, the working definitions of Recommendation 4 could be adjusted accordingly.

As a result, the [ISWGNA agreed on a set of definitions for climate finance debt securities](#) that are conceptually aligned and fully compatible with the working definitions of Recommendation 4:

- Green debt securities: debt securities where the use of proceeds is restricted to financing or refinancing activities or projects that improve the condition of the environment.
- Sustainability debt securities: debt securities where the use of proceeds is restricted to financing or refinancing activities or projects that improve the condition of the environment and society.
- Sustainability-linked debt securities: debt securities in which certain characteristics, such as the associated cash payments, are linked to achieving performance objectives that improve the condition of the environment or society.

In May-June 2024, the Climate Finance Task Team conducted a survey on compilation practices for climate finance debt securities and the methodology for green listed shares. In the survey, all 22 responding G20/FSB member economies replied that the working definitions of the Recommendation 4 Reporting Templates and the SNA were broadly aligned with the definitions used in the securities markets of their jurisdictions. In addition, all responding economies that are already compiling climate finance statistics on debt securities except for one replied that the definitions were broadly aligned with the definitions used in their compilation processes. Moreover, most of the responding economies replied that they already collect data on the assurance level of climate finance debt securities (i.e., whether the securities are self-labelled, have a second-party opinion, or are certified) and that they also collect data on the taxonomies and/or standards, with which climate finance debt securities are aligned.

DEFINITIONS OF CLIMATE FINANCE DEBT SECURITIES FOR RECOMMENDATION 4

Based on this broad alignment of the definitions applied in the securities markets and the compilation practices of the G20/FSB member economies with the agreed 2025 SNA definitions, Recommendation 4 will thus follow the SNA definitions for the compilation of aggregates on climate finance debt securities. These definitions are summarised in Box 1.³

Box 1: Definitions of climate finance debt securities.

- **Green debt securities:** debt securities where the use of proceeds is restricted to financing or refinancing activities or projects that improve the condition of the environment.

² These definitions are closely aligned with the definitions used in the global securities market (see, e.g., the definitions of green, sustainability, and sustainability-linked bonds provided by the [International Capital Market Association](#)).

³ For implementation purposes of Recommendation 4, the SNA definitions should be considered as equivalent to the definitions of green, sustainability, and sustainability-linked bonds provided by the [International Capital Market Association](#), which are currently the most commonly applied definitions in the global securities market.

- **Sustainability debt securities:** debt securities where the use of proceeds is restricted to financing or refinancing activities or projects that improve the condition of the environment and society.
- **Sustainability-linked debt securities:** debt securities for which certain characteristics, such as the associated cash flow payments, are linked to achieving performance objectives that improve the condition of the environment and/or society.

INFORMATION ON ASSURANCE LEVELS

To assess the reliability of the classification of climate finance debt securities, information about the type of climate finance debt securities can be complemented with their “assurance level”.

Climate finance debt securities can be self-labelled as such by their issuer; in addition, they can be issued under a green, sustainability or sustainability-linked bond framework, which has received a second party opinion (SPO) from a recognised provider;⁴ or they can even be certified by an independent specialised entity. Although ideally, climate finance statistics should cover only debt securities, which have been issued under a framework that received an SPO or which have been certified, to address greenwashing concerns, it is acknowledged that this approach may not be suitable for all G20/FSB member economies, as the use of SPOs and certifications is not common in all jurisdictions. Thus, in line with the [approach proposed for the 2025 SNA](#), Recommendation 4 will follow a flexible approach, which allows compiling statistics for climate finance debt securities with all assurance levels (i.e., including self-labelled securities) as well as “of which” breakdowns for climate finance debt securities with at least an SPO.⁵ When reporting aggregates for climate finance debt securities with all assurance levels (i.e., assurance level unspecified), it is important to clearly specify in the meta data which types of assurance are considered in the compilation of the data.

INFORMATION ON STANDARDS

While ideally statistics on climate finance debt securities would be compiled based on common market/regulatory standards, there is currently a wide range of such standards⁶ that are applied in different jurisdictions. This is confirmed by the survey that the Climate Finance Task Team conducted in May-June 2024, which shows that a diverse set of standards is currently considered by the G20/FSB economies when collecting data on climate finance debt securities. Thus, as agreed in the [DGI-3 workplan](#) and in line with the [approach proposed for the 2025 SNA](#), Recommendation 4 acknowledges that different economies use different market/regulatory standards when compiling statistics on climate finance debt securities. When reporting aggregates for climate finance debt securities, it is thus important to clearly specify in the meta data which standards are considered in the compilation of the data.

⁴ The pre-issuance SPO may be accompanied by a post-issuance external review.

⁵ DSD code tables will be provided for the Recommendation 4 Reporting Templates to specify the DSD keys under which the aggregates at different assurance levels should be reported.

⁶ Examples of such standards include principles such as the International Capital Market Association Green Bond Principles, Sustainability Bond Guidelines and Sustainability-linked Bond Principles; certification/designation schemes such as the Climate Bonds Initiative Climate Bonds Standard or the European Union Green Bond Standard; and underlying taxonomies such as the China Green Bond Endorsed Projects Catalogue, the Korean Green Taxonomy Guideline, or the EU Taxonomy Regulation.