

Green Bond Methodology

Second-Party Opinion

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1. Introduction

Scope ESG Analysis GmbH provides second-party opinions (SPOs) assessing an issuer's green bond framework (Framework) in alignment with the Green Bond Principles (GBP) of the International Capital Market Association (ICMA)¹. This methodology describes Scope's ESG proprietary approach, which relies on a four-level leaf score representing the degree of alignment with the GBP, compliance with EU taxonomy standards (where applicable) as well as a separate assessment of the expected impacts and environmental and social risks related to the investment of proceeds from the defined projects. The baseline for the assessment is the issuer's Framework, which is prerequisite for the analysis.

The assessment includes eight distinct dimensions, with the first four covering alignment with the GBPs:

1. GBP 1: Use of proceeds
2. GBP 2: Process for project evaluation and selection
3. GBP 3: Management of proceeds
4. GBP 4: Reporting
5. Issuer sustainability strategy
6. EU taxonomy alignment (*or applicable regional/local taxonomy alignment*)
7. Impact of proceeds
8. Environmental and social management risks

The four GBP dimensions are scored individually with six questions per dimension to ensure consistency and transparency in the analysis. The issuer is awarded points based on the outcome of each question: no (0 points), partial (1 point), or yes (2 points). Each GB dimensions receives an aggregated sub-score from 1 to 12 indicating poor, limited, significant, or transformative performance. To achieve alignment with the GBPs, Scope ESG encourages that each dimension directly related to the GBP scores a minimum of 7.

This methodology further includes four additional assessment categories beyond the ICMA criteria, including an assessment of alignment with the EU taxonomy (or equivalent), a concise description of the issuer's sustainability strategy and UN Sustainable Development Goals alignment, and an assessment of the impact of proceeds from the defined projects. Finally, the SPO sheds light on potential environmental-and-social-related risks in the context of the eligible projects if not mentioned under the 'do not significant harm' (DNSH) criteria of the EU taxonomy. These additional assessment categories extend beyond the obligatory assessment steps (dimensions one to four).

Additionally, this SPO methodology is designed to assess alignment with alternative regional or local taxonomies, where relevant. This flexible approach offers a nuanced understanding of sustainability within specific geographic and regulatory contexts, enabling issuers to address both global and local market expectations while enhancing their appeal to a broader range of investors. When evaluating alignment with a regional or local taxonomy, the same level of scrutiny and number of questions as applied to the EU taxonomy category are used, tailored to the applicable local taxonomy criteria.

These last four categories are scored individually with seven questions per dimension. Following the same calculation as the GBP categories, each dimension then receives an aggregated sub-score from 1 to 14 indicating poor, limited, significant, or transformative performance. Finally, the total aggregate score is a weighted average of seven dimensions (impact of proceeds and environmental and social management risks are considered as one dimension in the total calculation), where each GBP category weights 6.25% representing 25% of the total and the additional assessment categories weight 25% each, accounting for the remaining 75%. Although impact and environmental/social risk management are assessed separately, they are aggregated into a single category for final scoring, ensuring a balanced representation of environmental impact and risk mitigation.

$$Total\ Score = \sum_{i=1}^4 0.0625 \times D_i + \sum_{j=5}^7 0.25 \times D_j$$

¹ This methodology is aligned with the most recent ICMA Principles and guidelines available at the time of assessment. 20 March 2025

Where:

D_i represents the scores for each of the GBP categories: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

D_j represents the scores of the three additional dimensions beyond the GBPs: sustainability strategy, EU taxonomy, and impact and risks, each weighted 25%.

Scope ESG acknowledges that ICMA does not specify weights for the GBPs. Nevertheless, we maintain that the essence of the SPOs lies in offering investors insights into the ambition of the Frameworks, aspects beyond what the GBPs alone evaluate.

While the EU taxonomy represents a significant part of the assessment, accounting for 25%, alignment with the EU taxonomy is not mandatory to achieve a high score. The EU taxonomy does not cover the full universe of sectoral activities at this stage and individual impact assessments may produce outcomes different from the binary rationale of the taxonomy. Assessing the degree of alignment between the Framework and the EU taxonomy, enhances investor understanding, particularly for those considering investments aligned with evolving EU regulatory standards. In case the sectoral activities are not covered by the EU taxonomy, the weight of this dimension is transferred equally to the sustainability strategy and to the impact of proceeds and environmental and social risks categories, increasing their weight from 25% to 37.5% each. This same approach is applied when alignment with a regional or local taxonomy is deemed unnecessary as well.

$$Total\ Score = \sum_{i=1}^4 0.0625 \times D_i + \sum_{j=5}^6 0.375 \times D_j$$

Where:

D_i represents the scores for each of the GBP categories: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

D_j represents the scores of the two additional dimensions beyond the GBPs: sustainability strategy and impact and risk categories, each weighted 37.5%

1.1 Area of application

This methodology covers the following debt instruments: green bonds; revenue bonds; project bonds; securitized bonds; convertible bonds/notes; sukuk; schuldscheine; loan facilities; bilateral and syndicated loans; revolving and export credit facilities; commercial papers; debt instruments issued by a green bond fund; covered bonds; and green deposits.

Scope ESG also provides SPOs under the Loan Market Association's Green Loan Principles by using this methodology. As such, any Framework under which the issuer takes out loans is subject to this methodology in accordance with the Green Loan Principles². Any reference to the GBP in the following section thus embraces the Green Loan Principles as well.

1.2 Geographic and sectoral scope

Scope ESG provide SPOs across all jurisdictions and sectors globally under the International Capital Market Association standards.

1.3 Information sources

An SPO is based on the issuer's Framework and additional documentation provided by the issuer in writing, through calls, interviews, or email, and publicly available information. The documentation may include relevant material as defined in the GBP as well as information on alignment with the EU taxonomy's technical screening criteria, DNSH criteria, minimum social safeguards, and evidence of alignment of the eligible projects with the issuer's sustainability strategy.





The SPO is a point-in-time analysis with reference to an existing Framework. Any change to the Framework after the SPO's publication would require a new assessment.

² The [Green Loan Principles](#) build on and refer to the GBP in order to ensure consistency across financial markets
20 March 2025

2. Methodology

2.1 Overall leaf score





Scope ESG leaf score visually represents the evaluation and verification of the environmental impact of the issuer's Framework. The overall Framework score relies on eight sub-dimensions. Each dimension receives a sub-score, which is translated in four different performance levels: poor, limited, significant, and transformative. The overall Framework score is a weighted average of the performance of all dimensions and ranges from non-alignment with the GBPs (one red leaf) to complete alignment with the GBPs and transformative environmental contributions beyond current market practice (three leaves). The ambitions within the defined green project categories qualify for the respective leaf scores. In the case of multiple project categories, the score for the 'Use of Proceeds' dimension is determined by averaging the scores of all individual project categories. This averaged score is then incorporated into the overall weighted average calculation across the seven assessment dimensions, ensuring a balanced and transparent final framework score.

Leaf score	Performance score	Description
	Transformative	Transformative environmental contribution exceeding current market standards, showing complete alignment with pertinent national and industry norms.
	Significant	Significant environmental contribution that aligns with market practices, demonstrating at least partial conformity with relevant market standards.
	Limited	Environmentally friendly efforts but lack sufficient quantifiable impact metrics and exhibit limited alignment with relevant market standards.
	Poor	No significant or negative environmental impact with a notable absence of alignment with relevant market standards, potentially resulting in adverse outcomes.

3. The GBPs: assessment of issuance





3.1 Use of proceeds

Use of proceeds is the category that assesses the use of bond/loan proceeds for eligible green projects. The eligible green projects should provide clear environmental benefits that are assessed and quantified by the issuer where feasible. The GBP lists distinct categories of eligibility for green projects that contribute to environmental objectives such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

Leaf score	Performance score	Description
	Transformative	The eligible project descriptions are clear, detailed, and transparent. The stated use of proceeds definitions reaches beyond observed market practices in the industry. The issuer provides quantitative environmental impact of the projects.
	Significant	The eligible projects are clear, detailed, and comply with the GBPs. The projects are aligned with market practice.
	Limited	The eligible projects comply with the GBPs, but insufficient information is provided on the projects.
	Poor	The issuer does not communicate the list of green projects, or the green projects listed do not comply with the GBPs.





3.2 Process for project evaluation and selection

Process for project evaluation and selection is the category that assesses the process defined in the issuer's Framework by which the issuer determines the steps to select projects that meet green project criteria and industry objectives, as well as any additional information that can be used to identify and monitor controversies attached to eligible projects.

Leaf score	Performance score	Description
	Transformative	The issuer has a precise project selection process with clear and well-defined environmental objectives. Risks associated with projects are identified, assessed, and managed.
	Significant	The issuer has a well-defined project selection process that identifies environmental objectives and risks associated with the projects, however there may be some areas for improvement in communication and mitigation measures.
	Limited	The issuer demonstrates limited compliance with the guidelines as environmental objectives and the project selection process might be communicated but lack clarity, transparency, or consistency.
	Poor	The project selection process lacks transparency, with criteria not documented or applied inconsistently.





3.3 Management of proceeds

Management of proceeds is the category that reviews the process defined in the Framework to track the net proceeds of the green debt instrument, as well as the unallocated proceeds. The GBPs encourage a high level of transparency and traceability.

Leaf score	Performance score	Description
	Transformative	The issuer has a well-designed and transparent process to track investments and has a process in place for unallocated net proceeds or proceeds from sudden divestment. The issuer is transparent on the temporary placement of unallocated proceeds dedicated to ESG/green products or at least prevent investment controversies and follows best practices by including external auditors to track internal processes.
	Significant	The issuer has a well-defined and transparent process to track the net proceeds with processes in place to manage unallocated net proceeds, however transparency about temporary placement may be limited and/or liquid temporary investments may not always be dedicated to ESG/green products.
	Limited	The issuer has a basic process for tracking investments but lacks transparency and traceability with informal or inconsistent reporting structures.
	Poor	The issuer does not have systems, policies, and/or processes for managing net proceeds.

3.4 Reporting





The reporting category serves to analyse the issuer's reporting objectives to investors, such as the regular publication of updated information on the use of proceeds. This includes an assessment of the transparency of the qualitative and quantitative indicators, such as expected reductions in carbon intensity or induced carbon savings.

Leaf score	Performance score	Description
	Transformative	Up-to-date information on the use of proceeds is available and accessible to stakeholders with annual reports providing comprehensive details on the eligible projects. Impact reporting is highly transparent, utilizing both qualitative and quantitative measures and the issuer consistently refers to and adopts best practices.
	Significant	The reporting process is generally up-to-date and accessible to stakeholders with annual reports providing details on the eligible projects. The impact reporting may lack comprehensive external assurance or in-depth impact analysis.
	Limited	The issuer provides annual reports with basic details on the funded green projects with room for improvement in transparency and accessibility. Impact reporting may focus more on qualitative measures with limited disclosure of quantitative methodologies and assumptions.
	Poor	The issuer does not provide updated information on use of proceeds in the reporting process with annual reports providing minimal details.

4. Assessment beyond GBPs

4.1 Sustainability strategy

This category assesses the alignment of the Framework with the issuer's sustainability strategy and/or assesses the alignment with relevant and material impact objectives of the industry in the absence of a sustainability strategy³. This part of the assessment extends beyond the obligatory alignment check of a Framework with the GBPs.





Leaf score	Performance score	Description
	Transformative	The issuer's sustainability strategy is clearly articulated, accessible, and aligned with recognized global standards and frameworks. The strategy integrates environmental and social considerations into core business activities and value chain exposures effectively. The issuer has published quantitative and qualitative ESG targets with ambitions beyond observed market practice in the industry.
	Significant	The issuer commits to a publicly available sustainability strategy that is partially aligned with global standards such as relevant environmental certifications and standards, and/or integration into core business activities with targets in line with the average industry standard.
	Limited	The issuer's commitment to a sustainability strategy lacks clarity, accessibility, or alignment with global standards. Process-related objectives, strategies, and policies may be vague or insufficient to address material ESG impacts.
	Poor	The issuer does not formally commit to a sustainability strategy

³ For public sector issuers, the sustainability strategy is assessed compared to the benchmark of other public issuers with similar characteristics (such as municipalities in the same or similar jurisdiction).
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4.2 EU taxonomy alignment





Where applicable, this category assesses the alignment of selected green projects with the EU Taxonomy or the equivalent local or regional taxonomy, alongside the issuer's commitment to comply with these criteria. Scope ESG always refers to the official EU or regional/local legislation at the time of writing the SPO. Any changes to the taxonomy after the publication of the SPO are considered irrelevant for assessing the alignment of the existing Framework with the EU Taxonomy or any other applicable taxonomy. This part of the assessment goes beyond the mandatory alignment check with the Green Bond Principles (GBPs).

The description below outlines the approach for EU Taxonomy alignment, but if another taxonomy alignment is required, the description will be adapted accordingly, reflecting best practices, market standards, limited, or poor alignment. If the selected projects within the Framework do not fall under the economic activities covered by the EU Taxonomy or the corresponding regional or local taxonomy, this category will be excluded from the analysis without affecting the overall score.

Leaf score	Performance score	Description
	Transformative	The issuer demonstrates exemplary compliance with EU taxonomy requirement, providing all documents to verify alignment with technical screening criteria, DNSH principles, and minimum social safeguards. Projects financed by the green bond align closely with the environmental objectives of the EU taxonomy and the issuer provides robust evidence to support this alignment.
	Significant	The issuer demonstrates satisfactory compliance with EU taxonomy requirements, providing all documents to verify alignment with technical screening criteria and limited documentation to verify at least partial alignment with the DNSH principles or minimum social safeguards. There may be minor gaps or inconsistencies in documentation or evidence provided, and the activity may not be fully aligned with the EU taxonomy, however the issuer has adopted best practices within the sector.
	Limited	The issuer demonstrates limited compliance with EU taxonomy requirements, technical screening criteria, DNSH principles, and minimum social safeguards. There are significant gaps or inconsistencies in documentation or evidence provided. It complies with the technical screening criteria but does not disclose information pertaining DNSH criteria or minimum social safeguards.
	Poor	The issuance fails to comply with EU taxonomy requirements, technical screening criteria, DNSH principles, and minimum social safeguards. Projects financed by the green bond show little to no alignment with relevant environmental objectives and technical screening criteria.





4.3 Impact of proceeds

Impact of proceeds is the category assessing the environmental impact of the selected green projects in the Framework, by reviewing the relevance of environmental objectives within respective geographies and industries. This section evaluates the extent to which the projects financed by the green bond proceeds contribute to environmental sustainability objectives and social welfare goals. This part of the assessment extends beyond the obligatory alignment check of a Framework with the GBPs.

Leaf score	Performance score	Description
	Transformative	The projects are completely aligned with specific environmental objectives outlined in the Framework and consider the entire value chain. Projects effectively address the most material impacts within the sector and region of activity, making a meaningful contribution to sectoral sustainability goals. Best practices are adopted by the issuer in executing the activity, showing a strong commitment to addressing relevant value-chain negative impacts of defined projects.
	Significant	The projects are aligned with specific environmental objectives outlined in the Framework, considering the value chain to some extent. The projects address material impacts within the sector and region of activity; however, projection of environmental benefits may lack some details compared to best practices and additional documentation to support the environmental impact of projects could be more comprehensive. The issuer may display commitment to addressing relevant value-chain negative impacts of the defined projects.
	Limited	The projects are partially aligned with the specific environmental objectives outlined in the Framework as material impacts within the sector and region of activity are considered to some extent, therefore the contribution to sectoral sustainability goals may be limited.
	Poor	The projects are not aligned with specific environmental objectives outlined in the Framework and are unlikely to provide a meaningful contribution to addressing material impacts in the sector.

4.4 Environmental and social management risks

Environmental and social management risks category provide an evaluation of the issuer's ability to identify, assess, and manage environmental and social risks associated with the eligible projects defined in the Framework. This section aims to analyse the effectiveness of the issuer's policies, procedures, and practices in mitigating potential negative impacts on the environment and society. This part of the assessment extends beyond the obligatory alignment check of a Framework with the GBPs.

Leaf score	Performance score	Description
	Transformative	The issuer has a risk management strategy in place that addresses direct and indirect risks associated with every project category of the issuance. The issuer provides comprehensive information on mitigation strategies and procedures ensuring compliance with relevant regulations, standards, and guidelines throughout the entire value chain.
	Significant	Environmental and social risks are identified, defined, and managed appropriately. The issuer provides sufficient information on mitigation strategies and procedures, but supply chain activities is not guaranteed to be monitored.
	Limited	The issuer's risk management is limited in scope, considering risks partially with gaps in transparency and standardization of risk definition. The mitigation procedures may be limited and compliance with relevant regulations may be inconsistent.
	Poor	The issuer does not have a process in place to identify, define, and manage environmental and social risks related to the projects.

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