

Social Bond Methodology

Second-Party Opinion

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1. Introduction

Scope ESG Analysis GmbH provides second-party opinions (SPOs) assessing an issuer's social bond framework (Framework) in alignment with the Social Bond Principles (SBP) of the International Capital Market Association (ICMA)¹. This methodology outlines Scope's ESG proprietary approach, which relies on a four-level human score representing the degree of alignment with the SBP, compliance with regional or local social taxonomies (if applicable), and the expected impact and environmental and social risks related to the funded projects. The baseline for the assessment is the issuer's Framework, which is a prerequisite for the analysis.

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

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

The four SBP 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 SBP dimension receives an aggregated sub-score from 1 to 12 indicating poor, limited, significant, or transformative performance. To achieve alignment with the SBPs, Scope ESG encourages that each dimension directly related to the SBP scores a minimum of 7.

This methodology further includes four additional assessments categories beyond the ICMA criteria, including a concise description of the issuer's sustainability strategy and UN Sustainable Development Goals alignment, an assessment of alignment with regional or local social taxonomies, if applicable, 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. These additional assessment categories extend beyond the obligatory assessment steps (dimensions one to four).

These last four categories are scored individually with seven questions per dimension. Following the same calculation as the SBP 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 SBP 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 social impact and risk mitigation.

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

Where:

D_i represents the scores for each of the SBP 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 SBPs: sustainability strategy, regional or local social taxonomies, and impact and risks, each weighted 25%.

Scope ESG acknowledges that ICMA does not specify weights for the SBPs. While SBP compliance serves as the foundation of the assessment, this methodology goes beyond minimum market expectations by placing strong emphasis on ambition, strategic sustainability integration, and measurable social impact. This approach ensures that frameworks demonstrating leadership and meaningful contributions to social objectives are recognized accordingly.

While the local or regional social taxonomy represents a significant part of the assessment, accounting for 25%, alignment with social taxonomies is not mandatory to achieve a high score. Since several regions do not have an implemented social taxonomy, this assessment may not always be applicable. In such cases, its 25% weight is evenly redistributed, increasing the weights of the sustainability strategy and the impact and environmental and social risk categories from 25% to 37.5% each, ensuring a balanced and comprehensive evaluation.

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

Where:

D_i represents the scores for each of the SBP 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 SBPs: sustainability strategy and impact and risk categories, each weighted 37.5%

1.1 Area of application

This methodology covers the following debt instruments: standard social use of proceeds bonds; social revenue bonds; social project bonds; secured social bonds; covered bonds; sukuk; schuldscheine; loan facilities; bilateral and syndicated loans; revolving and export credit facilities; and asset-backed commercial papers.

Scope ESG also provides SPOs under the Loan Market Association's Social 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 Social Loan Principles². Any reference to the SBP in the following section thus embraces the Social Loan Principles as well.

1.2 Geographic and sectoral scope

Scope ESG provides 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 SBP as well as information on alignment with social taxonomies, 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 Social Loan Principles build on and refer to the SBP in order to ensure consistency across financial markets.

2. Methodology

2.1 Overall human score





Scope ESG human score visually represents the evaluation and verification of the social impact of the issuer’s Framework. 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 SBPs (one red human) to complete alignment with the SBPs and transformative social contributions beyond current market practice (three humans). The ambitions within the defined social project categories qualify for the respective social 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.

Human score	Performance score	Description
	Transformative	The issuer demonstrates outstanding alignment with the SBPs and relevant social taxonomies, exceeding compliance by integrating best practices, innovative solutions, and measurable social impact. The projects significantly address material social issues, with transparent reporting, risk management, and a strong commitment to long-term social resilience.
	Significant	The issuer aligns well with the SBPs with structured processes, clear impact objectives, and strong governance. Projects address key social challenges with measurable benefits, though improvements in transparency, innovation, or risk mitigation could further enhance credibility. The issuer provides ongoing monitoring but may have minor gaps in reporting.
	Limited	The issuer demonstrates partial alignment with the SBPs, addressing some social challenges but lacking comprehensive impact measurement, transparency, or governance. Risk management is present but limited, and reporting may focus more on outputs than long-term social outcomes. Alignment with social taxonomies or best practices is not fully integrated.
	Poor	The issuer lacks clear alignment with the SBPs, social taxonomies, or measurable social impact goals. Projects do not adequately address material social issues, and transparency is minimal. Risk management and reporting are weak or absent, with little evidence of long-term commitment to social sustainability.

3. The SBPs: assessment of issuance





3.1 Use of proceeds

Use of proceeds is the category that assesses the use of bond/loan proceeds for eligible social projects. The eligible projects should provide clear social benefits to target populations that are assessed and quantified by the issuer where feasible. The SBP lists distinct categories of eligibility for social projects that contribute to social objectives as defined by the SBP or for which the issuer justifies a meaningful contribution to one or more of the UN SDGs.

Human score	Performance score	Description
	<p>Transformative</p>	<p>The selected projects fully align with the issuer’s sustainability objectives and address material social challenges with high impact, innovation, and measurable benefits. Social benefits are well-defined, with clear transparency on allocation, financing structures, and intended beneficiaries.</p>
	<p>Significant</p>	<p>The selected projects align with social objectives and provide measurable social benefits. However, there may be minor gaps in disclosure, financing structure, or impact measurement. Projects are impactful but may not fully exceed industry best practices.</p>
	<p>Limited</p>	<p>The projects provide basic social benefits, but alignment with objectives and impact measurement is weak. Transparency on allocation or innovation is lacking, and projects may not target the most critical social needs.</p>
	<p>Poor</p>	<p>Projects lack a clear link to social objectives or fail to provide meaningful impact. There is minimal transparency, no structured allocation tracking, and no commitment to measurable social benefits.</p>





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 social project criteria and industry objectives as well as any additional information that can be used to identify and monitor controversies attached to eligible projects.

Human score	Performance score	Description
	<p>Transformative</p>	<p>The issuer applies a highly transparent, structured process to project selection, with stringent due diligence and strong governance, ensuring projects meet high social impact standards. Risks are proactively identified and mitigated.</p>
	<p>Significant</p>	<p>The selection process is well-documented and includes strong governance and risk assessment, though minor improvements in transparency or due diligence could be made.</p>
	<p>Limited</p>	<p>The process is somewhat structured but lacks full transparency or strong governance. Project selection criteria may not be well-defined, and risk management is limited.</p>
	<p>Poor</p>	<p>The issuer provides little to no transparency on project selection criteria or governance, and social risks are not systematically assessed or mitigated.</p>





3.3 Management of proceeds

Management of proceeds ensures that the proceeds of a social bond are properly tracked, allocated, and managed, with clear disclosures on fund utilization and temporary placements. The SBPs encourage a high level of transparency and traceability.

Human score	Performance score	Description
	<p>Transformative</p>	<p>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. Disclosure is best-in-class.</p>
	<p>Significant</p>	<p>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. Some minor gaps in disclosure exist.</p>
	<p>Limited</p>	<p>Proceeds are tracked but with limited transparency. There is minimal oversight, and the allocation process may not be fully detailed.</p>
	<p>Poor</p>	<p>No clear process for tracking or managing proceeds. No transparency or independent oversight exists.</p>

3.4 Reporting





The reporting category ensures issuers disclose updated information on the use of proceeds and social impacts, including reporting objectives to investors, enhancing transparency and accountability. This includes an assessment of the transparency of the qualitative and quantitative indicators, such as an improvement in educational or employment outcomes.

Human score	Performance score	Description
	<p>Transformative</p>	<p>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.</p>
	<p>Significant</p>	<p>Reports provide clear allocation and social impact details but may lack comprehensive external assurance or in-depth impact analysis.</p>
	<p>Limited</p>	<p>The issuer provides annual reports with basic details on the funded projects with room for improvement in transparency and accessibility. Limited social impact disclosure and minimal external review.</p>
	<p>Poor</p>	<p>The issuer does not provide updated information on use of proceeds in the reporting process with annual reports providing minimal details.</p>

4. Assessment beyond SBPs

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 SBPs.

Human score	Performance score	Description
	Transformative	The issuer showcases an ambitious, best-in-class strategy, exceeding regulatory requirements. It integrates sustainability into core operations, engages stakeholders proactively, and transparently reports progress with measurable impact. Governance is robust, demonstrating clear leadership.
	Significant	The issuer demonstrates a strong sustainability strategy with measurable targets, governance oversight, and clear stakeholder engagement. It aligns with global frameworks and reports progress transparently but lacks leadership beyond regulatory requirements.
	Limited	The issuer has a basic sustainability strategy with some alignment to global standards. Targets and KPIs exist but are vague. Governance and stakeholder engagement are minimal. Reporting is inconsistent.
	Poor	The issuer lacks a formal sustainability strategy or alignment with global frameworks. No measurable targets, governance structures, or stakeholder engagement exist. Transparency and reporting are absent.

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).





4.2 Social taxonomy alignment

There are numerous social taxonomies worldwide, and since this methodology is globally applicable, Scope ESG considers the alignment of selected social projects with relevant social taxonomies, as alignment may be required in certain regions. Where applicable, this category evaluates such alignment, considering the issuer's commitment to meeting these criteria. The assessment is based on official regional or local legislation at the time of writing the SPO. Any subsequent changes to the taxonomy do not affect the alignment of the existing Framework, though alignment with the updated taxonomy may no longer be relevant. This part of the assessment goes beyond the mandatory alignment check with the SBPs.

Human score	Performance score	Description
	<p>Transformative</p>	<p>The issuer fully aligns with the relevant social taxonomy, exceeding compliance requirements. It demonstrates leadership in advancing social impact, ensures transparent reporting, and proactively addresses critical regional social challenges</p>
	<p>Significant</p>	<p>The issuer aligns with the relevant social taxonomy, meeting core objectives and thresholds. It discloses methodology and commits to ongoing compliance, addressing some region-specific social risks.</p>
	<p>Limited</p>	<p>The issuer shows partial alignment with a relevant social taxonomy but lacks full compliance or a clear commitment. Disclosure on methodology and monitoring is minimal, with limited regional impact considerations.</p>
	<p>Poor</p>	<p>The issuer does not align with any recognized regional or local social taxonomy. There is no transparency on methodology, compliance, or efforts to address region-specific social risks.</p>





4.3 Impact of proceeds

The Impact of Proceeds assessment evaluates the social impact of the selected projects within the Framework, considering their relevance to social objectives in specific geographies and industries. It measures how effectively financed projects contribute to social welfare goals, going beyond the mandatory SBP alignment check to assess tangible and meaningful impact.

Human score	Performance score	Description
	<p>Transformative</p>	<p>Projects are fully aligned with the issuer’s social objectives and significantly address material social issues. They go beyond business-as-usual through scale, effectiveness, or innovation, delivering measurable, long-term benefits. Co-benefits are well-integrated, and impact reporting is comprehensive, tracking both outputs and meaningful outcomes to ensure transparency and accountability.</p>
	<p>Significant</p>	<p>Projects align well with the social objectives of the issuer and address key social challenges with measurable improvements in target populations' quality of life. There is evidence of innovation, long-term resilience, and co-benefits. Reporting includes some outcome-based indicators, though improvements in transparency and impact assessment could strengthen credibility.</p>
	<p>Limited</p>	<p>Projects align partially with the social objectives of the issuer and address some social challenges, but impact measurement is weak. Contributions beyond business-as-usual are limited, and reporting focuses more on outputs than meaningful outcomes. Long-term benefits and co-benefits are not well-defined.</p>
	<p>Poor</p>	<p>Projects lack clear alignment with the issuer’s social objectives and do not effectively address material social challenges. There is no measurable impact, innovation, or long-term resilience. Reporting is minimal, with no commitment to tracking outcomes.</p>

4.4 Environmental and social 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. While for social bonds the primary focus is on social risks, environmental risks should be considered especially where projects might intersect with environmental concerns (e.g. affordable housing or healthcare infrastructure can have environmental implications such as energy use and waste generation). 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 SBPs.

Human score	Performance score	Description
	Transformative	The issuer demonstrates a best-in-class approach with a robust social risk framework, proactive mitigation strategies, and full alignment with global social standards. Comprehensive risk monitoring, strong value chain accountability, and detailed long-term impact measurement ensure meaningful and sustainable social benefits.
	Significant	The issuer proactively assesses and mitigates social risks with structured processes and strong governance. There is ongoing risk monitoring, partial value chain oversight, and alignment with global social standards. Long-term impact assessment exists but could be more comprehensive.
	Limited	The issuer recognizes social risks but applies inconsistent or reactive mitigation strategies. Risk monitoring and reporting exist but lack depth. Alignment with social standards is partial, and value chain enforcement is weak. Long-term impact measurement is minimal.
	Poor	The issuer lacks a structured approach to identifying and mitigating social risks. No alignment with international standards, no transparency in risk monitoring, and no clear requirements for value chain compliance. Long-term impact assessment is absent.

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