

Sustainability-Linked Bond Methodology

Second Party Opinion

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1. Introduction

Scope ESG Analysis GmbH provides second-party opinions (SPOs) assessing an issuer's sustainability-linked bond framework (Framework) in alignment with the Sustainability-Linked Bond Principles (SLBP) of the International Capital Market Association (ICMA)¹. This methodology outlines Scope ESG proprietary approach, which relies on a four-level scoring system (leaf, human, or earth, depending on the theme of the Key Performance Indicators (KPIs)) representing the degree of alignment with the SLBP, as well as an additional assessment of the expected impacts and environmental and social risks related to the defined KPIs and Sustainability Performance Targets (SPTs). 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 five covering alignment with the SLBPs:

1. SLBP 1: Selection of Key Performance Indicators (KPIs)
2. SLBP 2: Calibration of Sustainability Performance Targets (SPTs)
3. SLBP 3: Bond characteristics
4. SLBP 4: Reporting
5. SLBP 5: Verification
6. Issuer sustainability strategy
7. Impact of defined KPIs
8. Environmental and social management risks

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

This methodology extends beyond the ICMA criteria by incorporating three additional assessment categories: a concise evaluation of the issuer's sustainability strategy and alignment with the UN Sustainable Development Goals, an assessment of the impact of the selected KPIs and SPTs, and lastly, an analysis of potential environmental and social risks associated with the KPIs and related strategies. These additional assessment categories extend beyond the obligatory assessment steps (dimensions one to five).

These last three categories are scored individually with seven questions per dimension. Following the same calculation as the SLBP 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 KPIs and environmental and social management risks are considered as one dimension in the total calculation), where each category weights equally 14% of the total score. Although impact and risk management are assessed separately, they are aggregated into a single category for final scoring, ensuring a balanced representation of sustainability impact and risk mitigation.

$$Total\ Score = \sum_{i=1}^7 0.14 \times D_i$$

Where:

D_i represents the scores for each of the categories in the assessment: selection of Key Performance Indicators (KPIs), calibration of Sustainability Performance Targets (SPTs), bond characteristics, reporting, verification, sustainability strategy, impact of KPIs and environmental and social management risks.

¹ This methodology is aligned with the most recent ICMA principles and guidelines available at the time of assessment.

Scope ESG acknowledges that ICMA does not specify weights for the SLBPs. Nevertheless, it is recognized that the essence of the SPO lies in offering investors insights into the ambition of the Frameworks, aspects beyond what the SLBPs alone evaluate.

1.1 Area of application

This methodology covers the following debt instruments: sustainability-linked bonds; loan facilities.

Scope ESG also provides SPOs under the Loan Market Association's Sustainability-Linked 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 Sustainability-Linked Loan Principles². Any reference to the SLBP in the following section thus embraces the Sustainability-Linked Loan Principles.

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 SLBP as well as evidence of alignment of the KPIs 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 Sustainability-Linked Loan Principles build on and refer to the SLBP in order to ensure consistency across financial markets.

2. Methodology

2.1 Overall score

Scope ESG overall score visually represents the evaluation and verification of the environmental and social impact of the issuer’s Framework. The overall Framework score relies on seven sub-dimensions (impact of KPIs and environmental and social management risks are considered as one dimension in the total calculation). 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 SLBPs to complete alignment with the SLBPs and transformative environmental and/or social contributions beyond current market practices. The ambitions within the defined KPIs qualify for the respective performance scores. In the case of multiple KPIs, the score for the “Selection of KPIs” dimension is determined by averaging the scores of all individual KPIs. This averaged score is then incorporated into the overall weighted average calculation across the seven dimensions, ensuring a balanced and transparent final framework score.





For informational purposes, the following four-level scoring system is represented as a leaf score. However, this visual representation may vary depending on the theme of the defined KPIs.

Leaf score	Performance score	Description
	Transformative	Market leadership, exceeding industry standards with high ambition, robust credibility, and clear sustainability impact. The framework drives meaningful environmental and social change, setting a benchmark for best practices.
	Significant	The framework is well-structured and is aligned with sustainability principles, demonstrating ambition and credibility. While it reflects strong commitments, some aspects could be enhanced for full market leadership.
	Limited	The framework shows partial alignment with sustainability expectations with gaps in ambition, transparency, or credibility. The impact is moderate, and improvements are needed to strengthen commitments.
	Poor	No meaningful ambition, transparency or credibility, limiting its effectiveness in supporting sustainability objectives. Alignment with market standards is weak, raising concerns about its impact.

3. The SLBPs: assessment of issuance





3.1 Selection of KPIs

The selection of KPIs category assesses whether the selected KPIs are relevant, measurable, and aligned with the issuer's sustainability strategy, providing investors with confidence in the issuer's commitment to sustainability. This category considers the clarity and transparency of the KPI selection process, ensuring that the chosen indicators accurately reflect the issuer's environmental, social, and governance performance.

Leaf score	Performance score	Description
	Transformative	The selected KPIs are fully aligned with the issuer's core business and sustainability strategy, addressing the most material ESG challenges and reflecting significant strategic dimensions. KPIs are measurable, use transparent methodologies, and include at least three years of externally verified data. They are benchmarked against external standards and demonstrate clear progress toward ambitious ESG goals.
	Significant	The selected KPIs are strongly aligned with the issuer's core business and sustainability strategy, addressing key ESG challenges. KPIs are measurable with reliable methodologies, though some historical data may lack external verification or full coverage. The issuer benchmarks KPIs against external references where available and achieving them will support measurable progress toward sustainability goals.
	Limited	The selected KPIs show partial alignment with the issuer's business and sustainability strategy, addressing some ESG challenges. Methodologies for measurement may lack transparency, and historical data is incomplete or unverified. KPIs may not be consistently benchmarked against external standards, limiting their ability to reflect progress toward broader ESG goals.
	Poor	The selected KPIs lack alignment with the issuer's business and sustainability strategy and fail to address material ESG challenges. Measurement is inconsistent or lacks transparency, and historical data is either absent or unverified. The KPIs are not benchmarked against external standards and do not clearly contribute to broader sustainability goals.





3.2 Calibration of SPTs

The calibration of SPTs category refers to the process of defining measurable, time-bound, and ambitious sustainability performance targets that reflect the issuer’s commitment to addressing material ESG issues. These targets should go beyond business-as-usual trajectories, align with global standards or benchmarks, and demonstrate meaningful progress toward the issuer’s sustainability strategy and long-term goals.

Leaf score	Performance score	Description
	<p>Transformative</p>	<p>The issuer provides a clear, precise roadmap for achieving SPTs, including detailed timelines, baselines, and rationales. SPTs address material sustainability issues, exceed current market standards, and align with scientific scenarios and global frameworks. Strategies are fully transparent, credible, and sufficient to achieve the targets within the specified timeframe, with robust benchmarking against industry best practices.</p>
	<p>Significant</p>	<p>The issuer defines SPTs clearly, including timelines and baselines, but some rationales may lack depth. SPTs address material sustainability issues and demonstrate ambition but may not consistently exceed market standards. Strategies may be partially transparent and credible, and benchmarks include some alignment with global frameworks and peer comparisons. Progress is achievable but lacks the highest ambition.</p>
	<p>Limited</p>	<p>SPTs are defined with limited clarity, and timelines, baselines, or rationales may be incomplete or vague. Targets are partially aligned with material sustainability issues and generally meet, but do not exceed, market standards. Strategies to achieve SPTs are not fully disclosed or lack credibility, and benchmarks are inconsistently applied, with limited alignment to global frameworks.</p>
	<p>Poor</p>	<p>The issuer lacks transparency and precision in defining SPTs, with missing or unclear timelines, baselines, and rationales. SPTs show little or no alignment with material sustainability issues or industry standards, falling short of market expectations. Strategies are not disclosed or lack credibility, and no scientific scenarios or global frameworks are used for benchmarking.</p>





3.3 Bond characteristics

The bond characteristics category assesses the specific features and attributes of the bond issuance that could be impacted by its sustainability performance. The category evaluates whether these characteristics are effectively communicated to investors, providing transparency and clarity regarding the bond’s sustainability objectives and how performance will be measured.

Leaf score	Performance score	Description
	<p>Transformative</p>	<p>The issuer provides complete transparency on financial/structural variations, ensuring meaningful penalties or incentives that strongly align with ambitious SPTs. For bonds with multiple KPIs, all KPIs are incorporated into the bond variations. If only one KPI is present, the issuer justifies its selection by addressing a highly material sustainability issue with significant impact potential.</p>
	<p>Significant</p>	<p>The issuer is transparent about financial/structural variations and incorporates multiple KPIs, where applicable, into the bond variations. For single KPI bonds, the rationale for its selection is clear but may not fully demonstrate exceptional materiality. While penalties/incentives encourage sustainability outcomes, they align more closely with market practice, limiting transformative impact.</p>
	<p>Limited</p>	<p>The issuer provides partial disclosure of financial/structural variations, with gaps in transparency, ambition, or the materiality of the penalties/incentives. For bonds with multiple KPIs, not all are considered in the bond variations, and for single KPIs, the issuer fails to clearly justify its selection.</p>
	<p>Poor</p>	<p>The issuer does not define potential variations in bond characteristics and lacks transparency regarding key elements such as trigger events, incentives/penalties, and financial/structural characteristics. Multiple or single KPIs are poorly integrated, with no meaningful rationale provided.</p>





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 KPIs. This includes an assessment of the transparency, accuracy, and reliability of the reported data, ensuring that it aligns with industry standards and best practices.

Leaf score	Performance score	Description
	<p>Transformative</p>	<p>The issuer provides comprehensive, transparent, and regular reports on KPI performance, including up-to-date information, baselines, and adjustments where applicable. Verification assurance reports on SPT performance and financial impacts are consistently published. The issuer discloses both qualitative and quantitative information relevant to progress, commits to providing updates on material events, and engages external assurance to ensure accuracy and reliability in reporting.</p>
	<p>Significant</p>	<p>The issuer demonstrates strong transparency and ambition in reporting but with minor gaps in consistency, detail, or external assurance. Reports are provided annually and include KPI updates and SPT performance, though some aspects (e.g., material updates or benchmarks) may lack depth. External assurance is partially utilized, and reporting processes meet but do not exceed market expectations.</p>
	<p>Limited</p>	<p>The issuer provides basic annual reports with limited detail or accessibility. KPI performance updates may lack depth or fail to address baselines, material events, or financial impacts tied to SPTs. Reporting is primarily qualitative, with limited quantitative data disclosed. External assurance may not be consistently used, reducing reliability.</p>
	<p>Poor</p>	<p>The issuer does not commit to regular, detailed KPI reporting or fails to disclose relevant baselines, SPT performance, or material updates. There is little to no transparency regarding the reporting process, and external assurance is absent, undermining the credibility and reliability of disclosures.</p>

3.5 Verification





The verification category assesses the compliance and ambition of the issuer to meet the requirement of obtaining independent and external verification of their performance against each SPT for each KPI.

Leaf score	Performance score	Description
	<p>Transformative</p>	<p>The issuer commits to provide independent and external verification of their performance against each SPT for all KPIs. The verification is conducted at least annually by qualified external reviewers, with reports publicly disclosed. Adjustments to KPIs/SPTs due to material events are transparently verified. The issuer provides detailed documentation outlining the scope and methodology of the verification process.</p>
	<p>Significant</p>	<p>The issuer commits to provide independent and external verification of their performance against each SPT for all KPIs, at least annually by a qualified external reviewer. While verification reports are disclosed, they may lack complete coverage of all SPTs or detailed documentation on the verification scope or methodology. Material event adjustments may not always be addressed.</p>
	<p>Limited</p>	<p>The issuer is partially committed to provide independent and external verification, but the process may be inconsistent or lack annual frequency. Verification may not cover all SPTs or be conducted by qualified external reviewers. Disclosure of reports is limited, and the issuer provides little to no documentation on the verification scope or methodology.</p>
	<p>Poor</p>	<p>The issuer does not commit to independent and external verification of performance against SPTs for KPIs. There is no evidence of annual verification, qualified external reviewers, or public disclosure of verification reports, leaving the process misaligned with SLBPs.</p>

4. Assessment beyond SLBPs

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 SLBPs.

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 including regional challenges. The issuer has published quantitative and qualitative ESG targets with ambitions beyond observed market practice in the industry.
	Significant	The issuer exhibits a robust sustainability strategy aligned with global standards. Most targets are clear and address climate and social risks effectively. Regional challenges and/or integration into core business activities are partially addressed. While ambitious, some areas require more depth or transparency for full alignment with best practices.
	Limited	The issuer's 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 nor disclose clear targets, policies, nor alignment with global standards.

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 Impact of KPIs

Impact of KPIs is the category assessing the environmental and social impact of the selected KPIs in the Framework, by reviewing the relevance of environmental objectives within respective geographies and industries. This section evaluates the extent to which the KPIs financed by the sustainability-linked 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 SLBPs.

Leaf score	Performance score	Description
	Transformative	The KPIs comprehensively address material impacts across geographies and industries, aligned with global standards. The KPIs also target systemic change and demonstrate sustained improvements beyond business-as-usual, while complying with regulations and industry benchmarks. In addition, the defined KPIs cover substantial value chain operations.
	Significant	The KPIs address key impacts and align with industry benchmarks and standards. While it demonstrates commitment to improvement, ambition or scope could be broader or more transformative. The issuer may display commitment to addressing relevant value-chain negative impacts of the defined KPIs.
	Limited	The KPIs address some material impacts but lack alignment with global standards, focus primarily on processes or compliance, and show limited ambition or scope across operations or value chain.
	Poor	The KPIs fail to address material impacts, lack alignment with recognized standards or benchmarks, focus narrowly on compliance or inputs, and show minimal ambition or systemic relevance.

4.3 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 KPIs and SPTs 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 SLBP.

Leaf score	Performance score	Description
	Transformative	The issuer demonstrates robust mechanisms to identify, disclose, and mitigate environmental and social risks across the entire value chain, actively engages stakeholders, monitors progress, and aligns with global standards, ensuring comprehensive risk management.
	Significant	The issuer shows strong efforts in risk identification, mitigation, and compliance with standards, but coverage of the value chain is not guaranteed or less frequent monitoring and stakeholder engagement.
	Limited	The issuer addresses some environmental and social risks but lacks consistency, transparency, or alignment with global standards, with partial strategies or minimal focus on the value chain and stakeholder involvement.
	Poor	The issuer shows inadequate mechanisms for risk identification and mitigation, provides minimal or no transparency, and does not engage stakeholders or align with recognized standards, leaving risks insufficiently addressed.

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