

SUSTAINALYTICS

SUSTAINABLE FINANCE SOLUTIONS

Second-Party Opinions and Annual Reviews

| Sustainalytics
Overview

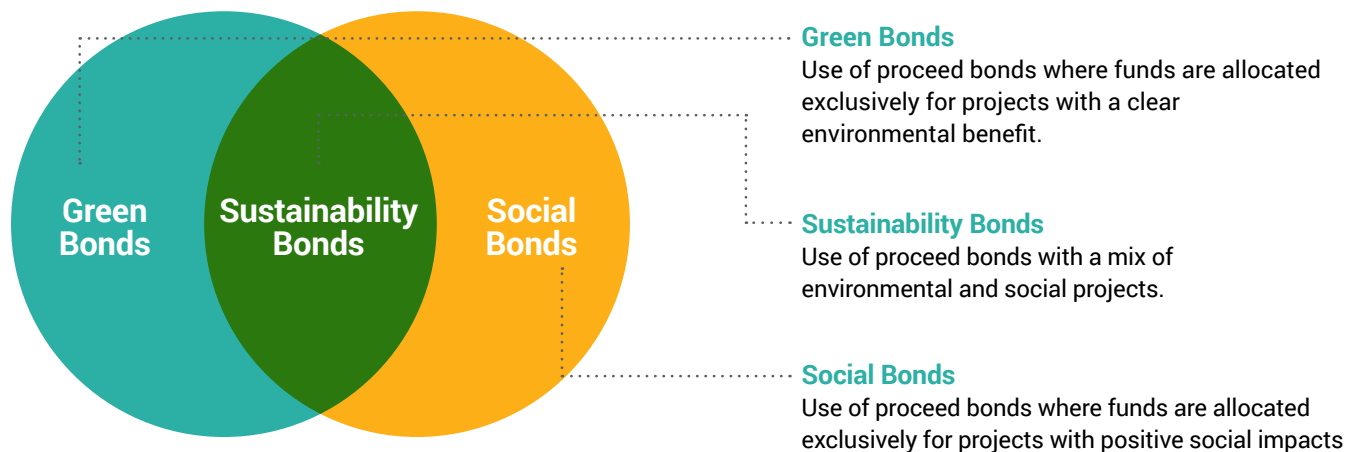
| What is a Second-
Party Opinion

| What is an
Annual Review

| What is Impact
Reporting

What is a Second-Party Opinion?

When issuers (e.g. companies, governments, municipalities, etc.) decide to issue a green, social or sustainability bond, many choose to have the bond framework reviewed with a Second-Party Opinion (SPO) from an independent external sustainability expert such as Sustainalytics.



Why a Second-Party Opinion is Important

A SPO provides potential investors with assurance that the bond or loan is aligned to market practices – namely the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, Green Loan Principles, Social Loan Principles, and Sustainability Linked Loan Principles (the Principles)* as well as additional expectations from the investor community.

Our team of ESG and sustainability experts can provide a SPO report on the use of proceeds or sustainability-linked bond / loan framework. The document is an assessment of the framework's alignment to the core elements of accepted market Principles, or other regional standards such as the ASEAN Green Bond Standards and Japanese Green Bond Guidelines, as well as alignment of your use of proceeds with the current EU Taxonomy.

Key benefits of a Second-Party Opinion



Gain investors/ lenders confidence

A SPO from a leading ESG research, ratings and data firm, like Sustainalytics, provides additional assurance on the credibility of the issuer/ borrower.



Enhance Awareness of Environmental or Social Issues

Issuers/Borrowers can highlight their green assets or their work in addressing sustainability goals to investors and other stakeholders.



Meet Market Expectations

A SPO assesses the alignment of the bond/loan framework with recognized International Capital Market Association's (ICMA) Principles.



Use of Proceeds, Key Performance Indicators and Sustainability Performance Targets

A SPO assesses the impact of use of proceeds and relevance/ambitiousness of linked instruments.



Meet Growing Investor / Lenders Demand

As the importance of sustainability grows, an increasing number of investors / borrowers are making pledges on climate action and sustainable finance.



Diversify Issuer Investor / Lender Base

The demand for thematic bonds is high and green, social and sustainability bonds tend to be oversubscribed.

What is a Sustainability Bond Annual Review and What Does It Do?

An Annual Review is a third-party assessment post issuance demonstrating that the projects financed and reporting are aligned with the intended use of proceeds and commitments set out in the bond framework. An Annual Review provides additional assurance to investors that:



Projects are aligned to the eligibility criteria in the framework.



Impact reporting metrics are as outlined in the bond framework.



Allocation processes and reporting are as outlined in the bond framework.

Once the assessment is completed, Sustainalytics will provide you with an assurance letter which you can share with investors, include with the green bond or sustainability reports, and publish on your website.

Five Benefits of Getting an Annual Review

1



Provide Transparency to Your Investors

Reporting by issuers is key to establishing and maintaining transparency within the sustainability bond market. Asset owners and managers want to know that their investments are **driving positive impacts**. You can bolster your credibility through a third-party Annual Review.

2



Have Another Opportunity to Tell Your Sustainability Story

Issuing a green or social bond helps advance the sustainability narrative of a company. By undertaking an Annual Review, you can leverage this work and ensure that the effort put in continues to **contribute to your story as a sustainable company**.

3



Complement Your Accounting Assurance

Many issuers have their accountants provide assurance on the allocation of their bond. We see the **Annual Review process as complementary to this traditional accounting engagement**. In the same way that your accounting firm will attest that the proceeds from the bond have been spent on projects, Sustainalytics will provide limited assuranceⁱⁱ that these projects are aligned with the intentions outlined in your sustainability bond framework and are therefore driving positive impacts.

4



Demonstrate Your Commitment to Best Practice

Reporting on your sustainability bond, in line with the commitments you've made in your Framework, is expected by investors as a matter of course. **Going beyond this expectation** by having a credible third party such as Sustainalytics conduct an annual review demonstrates best practice.

5



Support Impact Metrics Reporting

The best way to demonstrate the impact of your bond is by **providing quantitative metrics around the initiatives funded**. As part of the annual review process, Sustainalytics can attest that you're providing adequate reporting information and draw attention to the key indicators that will be of interest to your investors.

What is Impact Reporting

Sustainalytics' Impact Reporting for Bonds & Loans provides issuers with a credible and independent analysis of the impact expected and achieved by the projects financed. The report highlights the most investor-relevant information in a concise and accessible manner.

Why Impact Reporting Matters

Reporting on the impact achieved and expected of a project benefits the Issuer and the entire Green Bond and Loan market.

Impact calculations are provided pre and post-issuance.

Sustainalytics' impact report enables you to:



Fulfill your SPO Commitments

- ✓ **Commit to your Framework** in the eyes of the market and investors.
- ✓ **Track and quantify** the progress of your Projects.
- ✓ Have your impact **calculations** performed by a globally-renowned ESG provider with a strong team of analysts.



Impact Quantification for Sustainability Strategy

- ✓ **Quantify** Sustainability performance.
- ✓ Understand if proceeds generate **positive impact**.
- ✓ Measure Use of **Proceeds** impact
- ✓ Assess if efforts can be **marketed**.



Investor & Relevant Stakeholders Communication

- ✓ **Prove to investors** through quantitative evidence that the financed Projects are achieving positive impact.
- ✓ Respond to investors' increasing demand for impact **reporting and alignment** with best practices and standards.

Other Services

Climate Bonds Standard Verification:

Sustainalytics is an approved verifier under the Climate Bonds Standard and Certification Scheme. If your bond complies with the Climate Bonds Initiative's Standards, Sustainalytics can verify that your bond can be marketed as a Climate Bonds Certified Bond.

EU Taxonomy Assessment:

Issuers have the option to include in their SPO an additional assessment on the alignment of the bond/loan's use of proceeds with the EU Taxonomy. The assessment will indicate the level of alignment for each use of proceeds category as well as the overall degree of alignment of all categories.

Transition Handbook Review:

Sustainalytics offers an independent assessment on the degree of alignment of the issuer's climate transition strategy with the ICMA Climate Transition Finance Handbook and/or other relevant industry transition standards.

Why Sustainability



30 years

ESG experience and developing innovative solutions.



Largest Second-Party Opinion Provider

As recognized by Environmental Finance and the Climate Bonds Initiative.



Global presence

With offices in 17 locations.

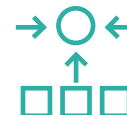


Our analysts speak over **40 languages**.



End-to-End ESG Solutions

ESG Products and services that serve the entire value chain.



Single Market Standard

Consistent approach to ESG assessments across investment spectrum.

Recent Awards



Are you interested in learning about how a Second-Party Opinion and Annual Review Services can support your sustainability bond or loan strategy?

Contact us today to connect with our team of experts.

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