



Green Bond Second Party Opinion

Scope's SPO Guidelines

ESG Analysis

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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 Markets Association. This methodology describes our 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 ESG risks related to the investment of proceeds from the defined 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 GBP:

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
7. Impact of proceeds
8. ESG management risks

The eight 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 dimension then receives an aggregate sub-score from 1 to 12 indicating poor, limited, good or excellent performance. To achieve alignment with the GBP, each dimension directly relating to the GBP must score a minimum of 7 (the provision of a Framework accounts for 1 point).

This methodology incorporates an assessment of alignment with the EU taxonomy, a concise description of the issuer's sustainability strategy, including a definition of relevant UN Sustainable Development Goals and an assessment of the impact of proceeds from the defined projects. Finally, the SPO sheds light on potential ESG-related risks in the context of the eligible projects if not mentioned under the 'do no significant harm' (DNSH) criteria of the EU taxonomy. These additional assessment categories extend beyond the obligatory assessment steps (dimensions five to eight).

While the EU taxonomy is a significant part of the assessment, 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 that differ from the binary rationale of the taxonomy. Assessing the degree of alignment between the Framework and the EU taxonomy, however, provides a superior understanding to investors who plan to align their investments with the upcoming EU Green Bond Standard.

Area of application

This methodology covers the following debt instruments: green bonds; revenue bonds; project bonds; securitised 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.

We also provide 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 Principles¹. Any reference to the GBP in the following sections thus embraces the Green Loan Principles.

¹ The [Green Loan Principles](#) build on and refer to the GBP in order to ensure consistency across financial markets.



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Geographic and sectoral scope

We provide SPOs across all jurisdictions and sectors globally under the International Capital Markets Association standards.

Information sources





An SPO is based on the issuer's Framework and additional documentation provided by the issuer in writing, through calls or interviews, 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. Methodology

2.1 Overall leaf score





Our leaf score visually represents our evaluation and verification of the environmental impact of the issuer's Framework. The overall Framework score relies on eight sub-dimensions, resulting in a grading system from 1 to 12 points. Each dimension receives a sub-score, which is translated in four different performance levels: poor (1-3 points), limited (4-6 points), good (7-9 points) and excellent (10-12 points). The overall Framework score is an average of the performance of all dimensions and ranges from non-alignment with the GBP (one red leaf) to complete alignment with the GBP and transformative environmental contributions (three green leaves). The ambitions within the defined green project categories qualify for the respective leaf scores. In the case of multiple project categories, the aggregated average assessment of alignment with the four-level criteria yields the overall score.

Leaf score	Performance score	Description
	Excellent	Transformative environmental contribution and complete alignment with relevant national and industry standards
	Good	Significant environmental contribution and at least partial alignment with relevant market standards
	Limited	Environmentally friendly but insufficient quantifiable impact metrics and limited alignment with relevant market standards
	Poor	No significant or negative environmental impact; lack of alignment with relevant market standards

3. The GBP: 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	Description
	<p>The eligible project descriptions are clear, very detailed and transparent. The stated use of proceeds definitions comply with international standards. The issuer regularly publishes updated lists of green projects. The defined projects are innovative in terms of selected assets and expected impact compared to existing green bond frameworks in the industry.</p>
	<p>The eligible projects are clear, detailed and comply with the GBP. The issuer regularly publishes updated lists of green projects.</p>
	<p>The eligible projects comply with the GBP. The issuer commits to non-regular updates of the project list.</p>
	<p>The issuer does not communicate the list of green projects, or the green projects listed do not comply with the GBP.</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 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	Description
	<p>The issuer has a precise project selection process and identifies material ESG objectives associated with the chosen projects. The issuer commits to monitoring the selected projects in case of any controversy and commits to performing necessary adjustments throughout the life of the green bond.</p>
	<p>The issuer has a well-defined project selection process and identifies material ESG objectives associated with the chosen projects.</p>
	<p>The issuer provides limited information on the project selection process and associated ESG risks.</p>
	<p>The issuer has not defined a process to select projects and has not identified associated ESG risks.</p>





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 GBP encourage a high level of transparency and traceability.

Leaf score	Description
	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. Temporary investments finance ESG/green products or at least prevent investment controversies.
	The issuer has a well-designed and transparent process to track the net proceeds. Liquid temporary investments are transparently disclosed.
	The issuer has a process to track the investments but lacks transparency to track the net proceeds.
	The issuer does not have a designed process to track investments.

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	Description
	The reporting process is fully aligned with the GBP and provides additional information on the use of proceeds to produce environmental benefits at project level and/or regular impact reporting.
	The reporting process is fully aligned with the GBP.
	The reporting process is partially aligned with the GBP.
	The reporting process is not aligned with the GBP.

4. Scope ESG's impact and risk assessment

4.1 Overall 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 strategy². This part of the assessment extends beyond the obligatory alignment check of a Framework with the GBP.





Leaf score	Description
	<p>The issuer has published quantitative and qualitative ESG targets and a sustainability strategy addressing relevant risks with ambitions beyond observed market practice in the industry. Environmental and social considerations are incorporated in all aspects of business decision-making. Business partners and suppliers are held to the same ESG standard, including an established and recurrent monitoring process.</p>
	<p>The issuer commits to a publicly available sustainability strategy, including transparent targets in line with the average industry standard. The issuer complies with relevant environmental certifications and standards. The issuer holds suppliers and business partners accountable to apply relevant ESG standards without recurrent monitoring.</p>
	<p>The Framework is aligned with the GBP. The issuer's commitment to a sustainability strategy is limited in terms of defined quantitative impact targets and publicly disclosed metrics.</p>
	<p>The issuer does not formally commit to an ESG strategy.</p>

² 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 Alignment with EU taxonomy





Where applicable, this category assesses the alignment of the selected green projects with the EU taxonomy, as well as the willingness of the issuer to comply with these criteria. We always refer to the official EU legislation at the time of writing the SPO. Changes to the EU taxonomy after publication of the SPO are deemed irrelevant for the existing Framework's alignment with the EU taxonomy. This part of the assessment extends beyond the obligatory alignment check of a Framework with the GBP.

If the selected projects within the Framework are not covered by economic activities under the EU taxonomy, this category is excluded from the analysis without impacting the overall score.

Leaf score	Description
	The issuance is fully aligned with the EU taxonomy, providing all documents required to verify alignment with the technical screening criteria and the DNSH criteria of the mentioned economic activities.
	The issuance is partially aligned with the EU taxonomy, providing all documents required to verify alignment with the technical screening criteria and limited documentation to verify at least partial alignment with the DNSH criteria or minimum social safeguards. The activity underlying the issuance may not be fully aligned with the EU taxonomy, but the issuer has adopted best practices within the sector.
	The alignment of the issuance with the EU taxonomy is limited. It complies with the technical screening criteria but does not disclose information pertaining to the DNSH criteria and minimum social safeguards.
	The issuance fails to comply with technical screening criteria, DNSH or minimum social safeguards of the EU taxonomy.





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 part of the assessment extends beyond the obligatory alignment check of a Framework with the GBP.

Leaf score	Description
	<p>The projects are highly relevant to an environmental objective within the sector of activity. The scope of the impact is significant and goes beyond current market practice. Best practices are adopted by the issuer in executing the activity.</p>
	<p>The projects are aligned with relevant market standards and contribute to the ESG-related objectives of the relevant sector. Best practices are adopted by the issuer in executing the activity.</p>
	<p>The projects are at least partially aligned with relevant market standards and provide a meaningful contribution to the ESG-related objectives of the relevant sector.</p>
	<p>The projects are not aligned with relevant market standards and unlikely to provide a meaningful contribution the ESG-related objectives of the sector.</p>

4.4 ESG management risks

ESG management risks is the category that assesses the ESG-related risks associated with the eligible projects defined in the Framework, as well as the processes to mitigate and manage the risks. This part of the assessment extends beyond the obligatory alignment check of a Framework with the GBP.

Leaf score	Description
	<p>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 conducts a full risk assessment before engaging in a project and ensures that risks are minimised to the best of knowledge.</p>
	<p>Social and environmental risks are considered and standards are required from suppliers. Whether risks are mitigated throughout all activities in the supply chain is not guaranteed to be monitored.</p>
	<p>The issuer's risk management is limited in scope, considering risks partially, for example, disregarding substantial risks in the supply chain.</p>
	<p>The issuer does not take risks into account even though significant risks accompany the issuance activity.</p>



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