Second-Party Opinion

North American Development Bank Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the North American Development Bank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

**USE OF PROCEEDS** The eligible categories for the use of proceeds, Renewable Energy, Sustainable Water and Wastewater Management, Energy Efficiency, and Pollution Prevention and Control, are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG goals 6, 7 and 12.

**PROJECT EVALUATION / SELECTION** Certified projects must comply with NADB’s existing project selection criteria. The NADB’s Board of Directors, which includes representatives from Mexican and U.S. federal agencies and states, is responsible for the certification and approval of selected projects, which must meet various compliance requirements, and provide tangible environmental benefits to the USA-Mexico border region. This is in line with market practice.

**MANAGEMENT OF PROCEEDS** NADB will track the net proceeds on a monthly basis and will provide quarterly updates to management. Pending allocation, the net proceeds will be held in the bank’s investment portfolio or in cash, and will be managed in accordance with NADB’s conservative investment management guidelines. NADB’s processes for management and tracking of proceeds are in line with market practice.

**REPORTING** NADB intends to report on the allocation of proceeds on an annual basis. In addition, NADB is committed to reporting on project certification which includes environmental qualifications and expected benefits of funded projects, and where feasible, quantitative performance indicators will be provided. In Sustainalytics’ view reporting on these metrics is in line with market practice.
Introduction

The North American Development Bank ("NADB", or the "Issuer") is a bi-national institution founded by the governments of the United States of America and Mexico, with the mission to "provide financing, as well as technical and other assistance" to promote and implement projects that protect and enhance the environment of the border region and the well-being of its inhabitants.¹

Eligible projects for NADB support must be located in the border region, defined as 100 km north of the USA-Mexico border, in the states of Arizona, California, New Mexico, and Texas, and 300 km south of the border, in the states of Baja California, Chihuahua, Coahuila, Nuevo Leon, Sonora, and Tamaulipas.

NADB has developed the North American Development Bank Green Bond Framework (the "Framework") under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, projects that provide tangible environmental benefits to the border region. The Framework defines eligibility criteria in four areas:

1. Renewable Energy
   a. Solar (includes production, transmission, and maintenance)
   b. Wind (includes production, transmission, and maintenance)
2. Sustainable Water and Wastewater Management (e.g. potable water supply, wastewater treatment & reuse, water conservation, storm drainage & flood control)
3. Energy Efficiency (e.g. municipal and commercial building upgrades, industrial equipment retrofits, public lighting)
4. Pollution Prevention and Control (e.g. industrial emissions reduction, waste treatment and disposal)

NADB engaged Sustainalytics to review the North American Development Bank Green Bond Framework, dated May 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).² This Framework has been published in a separate document.³

This Framework is an update to NADB’s 2018 Green Bond Framework, which seeks to revise the document to account for current market practice.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independents opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the ICMA Green Bond Principles 2018
- The credibility and anticipated positive impacts of the use of proceeds
- The alignment of the issuers sustainability strategy and performance and sustainability risk management in relation to the use of proceeds

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NADB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NADB representatives have confirmed (1) they understand it is the sole responsibility of NADB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any

³ The North American Development Bank Green Bond Framework is available on North American Development Bank’s website at: [https://www.nadbank.org/for-investors#green-bonds](https://www.nadbank.org/for-investors#green-bonds)
⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.
Second-Party Opinion
North American Development Bank Green Bond Framework

provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NADB.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NADB has made available to Sustainalytics for the purpose of this Second-Part Opinion.

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the North American Development Bank Green Bond Framework

Sustainalytics is of the opinion that the North American Development Bank Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of NADB’s Green Bond Framework:

- Use of Proceeds:
  - The eligible categories, Renewable Energy, Sustainable Water and Wastewater Management, Energy Efficiency, and Pollution Prevention and Control, are aligned with those recognized by the GBP 2018.
  - The types of renewable energy defined by the Framework, solar and wind energy, are well-accepted by the green bond market and are considered to provide net-positive environmental impacts.
  - Within the area of Water and Wastewater Management the Framework allows for a variety of investments to improve water use efficiency and better manage stormwater or effluents. Sustainalytics highlights the following:
    - Investments in water distribution systems specifically include those intended to reduce leakage, leading to positive environmental outcomes.
    - In the geographical context of NADB’s operations, innovative solutions such as water reuse offer the potential to provide significant environmental benefits.
  - NADB has disclosed that Energy Efficiency projects may include municipal and commercial building upgrades, industrial equipment retrofits, and public lighting; investments in fossil fuel equipment are expressly excluded, except as part of comprehensive retrofits, where the fossil-fuel equipment makes up no more than 20% of the overall project. Sustainalytics views positively the intent of this category, in particular considering the exclusion, and encourages NADB to report on the project-level energy performance where feasible to demonstrate the magnitude of impact.
  - The Framework specifies that, within the area of Pollution Prevention and Control, investments in fossil fuel equipment are expressly excluded, which Sustainalytics views as helping provide assurance of the net-positive impacts of the projects being financed.

- Project Evaluation and Selection:
  - NADB’s project selection process includes the evaluation of financial, environmental, and social aspects of all projects, which must demonstrate environmental merit as well as compliance with...
all relevant environmental regulations. Projects which meet these qualification criteria are then presented to the NADB Board of Directors for certification and approval. The NADB Board includes representatives from U.S. and Mexican federal agencies and states, including the US Environmental Protection Agency and the Mexican Ministries of Environment and Natural Resources. The NADB Board will also include a representative from a border state government in each country as well as a representative of the residents of a border state in each country.

- Based on the Board-level approval of qualified projects, Sustainalytics considers this process to be in line with market practice.

• Management of Proceeds:
  - NADB has an internal system in place to track the allocation of proceeds, including monthly tracking and quarterly reporting.
  - Unallocated proceeds will be held in the bank’s investment portfolio or in cash, and will be managed under conservative guidelines, investing in US Treasuries or issues of the US Agencies, Mexican Government US Dollar denominated securities or investment grade corporate notes and bonds. NADB intends to allocate bond proceeds within 24 months of issuance.
  - Based on the use of a formal internal tracking system and the disclosures regarding unallocated proceeds, Sustainalytics considers this process to be in line with market practice.

• Reporting:
  - NADB has committed to make information regarding the allocation of proceeds and impact reporting readily available via its website. The report will be updated annually until the proceeds have been fully allocated, and will include amounts disbursed as well as a brief description of each project. Impact reporting will include detailed information on the certification of projects and the expected environmental benefits.
  - Where feasible, quantitative performance indicators, including renewable energy generated and estimated emissions (CO₂, SO₂, and NOₓ) avoided will be published on the NADB website.
  - Sustainalytics views NADB’s reporting commitments to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the North American Development Bank Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of NADB

Contribution of Framework to North American Development Bank’s sustainability mandate

Supporting the development of environmental infrastructure is the core mandate of NADB, primarily through financing of infrastructure projects in the USA-Mexico border region. The NADB Charter states that its purpose “shall be to help preserve, protect and enhance the environment of the border region in order to advance the well-being of the people of the United States and Mexico.” The Charter further specifies that NADB may achieve this goal either by providing assistance and support to public and private entities developing such projects in the border region, or by providing funding or financing to such environmental infrastructure projects. Within NADB’s policy projects that “provide maximum environmental benefits” should be prioritized. Since its founding in 1994, NADB has funded 262 projects, with a total value of US$9.9 billion. This includes 151 water treatment and conservation projects, 26 solid waste projects, 34 clean energy projects, and 15 air quality projects, benefitting over 18 million residents within the project areas.

The NADB and Border Environmental Cooperation Commission Certification Criteria & Process document, a updated in 2019, elaborates on the mandate specified in the Charter. In particular, it states that the projects it certifies will either prevent or reduce environmental pollutants, improve drinking water supplies, or protect flora and fauna. Additionally, such projects must either improve human health, promote sustainable development, or contribute to a higher quality of life. The Process document provides examples of sectors that are eligible for certification – all four use of proceeds categories specified in NADB’s Framework are listed in this section of the document.

Given this stated mandate, the project certification criteria, and NADB’s sustainability efforts to date, Sustainalytics considers the use of proceeds to contribute to the advancement of NADB sustainability mandate.

Sustainalytics is of the opinion that the North American Development Bank Green Bond Framework is aligned with the company’s overall sustainability strategy and initiatives and will further the company’s action on its key environmental priorities.

**Well positioned to address common environmental and social risks associated with the projects**

As with any environmental infrastructure project, there are potential environmental and social risks associated with construction and operation. For projects associated with the use of proceeds categories described in the Framework such risks may include, for example, alterations to natural hydrology by water management programs, worker health and safety during project construction and operation, and disruption to local populations.

Sustainalytics is of the opinion that NADB is well-positioned to mitigate the environmental and social risks associated with infrastructure development based on its project eligibility and certification criteria as follows:

- All projects must be in compliance with relevant environmental and other regulations, and obtain the necessary permits based on the jurisdiction in which they are located. This includes environmental permits or assessments from state and/or federal agencies where applicable.
- NADB requires that project sponsors demonstrate that they possess sufficient capacity to implement and operate the project as intended, including the ability to secure appropriate financing as well as any necessary technical expertise.
- All projects must be documented to be technically feasible, which may include reviews by independent engineers where appropriate.
- All project sponsors must prepare a plan detailing the expected benefits of the project, a comparison to the no-action alternative, and a plan to mitigate any environmental risks associated with the project.
- Environmental risks identified and mitigation strategies along with project details are made available for public comment by NADB to encourage public sector engagement.

Given NADB’s eligibility criteria and certification process, and lack of involvement in significant controversies, Sustainalytics considers NADB to be well-positioned to mitigate potential environmental and social risks related to the use of proceeds.

**Section 3: Impact of Use of Proceeds**

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

**State and federal commitments to renewable energy and greenhouse gas reductions**

The government of Mexico is a signatory to the Paris Agreement, and has committed to reducing greenhouse gases and black carbon emissions by 25% from the business-as-usual baseline by 2030; as part of this commitment it has set a target of 35% clean energy generation by 2024 and 43% by 2030. NADB has supported the preparation of emissions inventories for the Mexican states along the border with the United States, in order to provide a starting point for future policy development. Some states have policies that encourage renewable energy and greenhouse gas reductions, including Coahuila and Baja California. These policies generally support and encourage climate and energy goals without providing specific targets or timelines.

All four U.S. states along the border region have implemented Renewable Portfolio Standards (RPS), mandating that certain percentages of electricity generation come from renewable sources. The US State of California has also set greenhouse gas reductions targets under state legislation, with a commitment of a 40% reduction from 1990 levels by 2030. According to the Good Neighbor Environmental Board’s report, an advisory agency reporting to the U.S. Congress and President, constitutional and regulatory changes in

---

12 Arizona’s target is 45% by 2030; California’s target is 50% by 2030; New Mexico’s target is 50% by 2030; Texas’ target is 10,000 MW by 2025, with certain additional targets based on the type of renewable generation.
13 California Air Resources Board: https://www.arb.ca.gov/cc/scopingplan/scopingplan.htm
Mexico are likely to further foster increased energy trade, and there is potential for increased development of renewables in Mexico with increased electricity export to the United States.

Sustainalytics believes that the renewable energy use of proceeds category will support the achievement of state energy targets, and that the renewable energy and energy efficiency use of proceeds categories will support the achievement of Mexico’s greenhouse gas emissions reductions plans.

Importance of water management and treatment in the border region

The climate in the US-Mexico border region is generally semi-arid to arid. Average annual rainfall is as low as 80mm in some desert areas, and maximum temperatures can reach 40°C in the central desert. According to the Intergovernmental Panel on Climate Change, the Mexican border states are particularly vulnerable to droughts.15

In addition to water scarcity, water quality and wastewater treatment are ongoing issues in the region. According to the U.S. Environmental Protection Agency “many residents of small, economically distressed communities along the U.S.-Mexico border have inadequate or no access to basic drinking water and sanitation”.16 The Good Neighbor Environmental Board echoes this reality by stating that “because of rapid urban growth and scarce infrastructure funding, U.S. and Mexican border communities have chronic deficits of basic urban services, including portable water, sewage treatment and proper solid-waste disposal”.17

As of December 2019, 151 projects have been certified in the water and wastewater area, which cumulatively provide the capacity to treat 477 million gallons per day of wastewater, equivalent to the output of approximately 13 million people. It is Sustainalytics’ view that the sustainable water and wastewater management use of proceeds category will allow the continuation of initiatives that provide impactful environmental benefits in these areas.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

<table>
<thead>
<tr>
<th>Use of Proceeds Category</th>
<th>SDG</th>
<th>SDG target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>7. Affordable and Clean Energy</td>
<td>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</td>
</tr>
<tr>
<td>Sustainable Water and Wastewater Management</td>
<td>6. Clean Water and Sanitation</td>
<td>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</td>
</tr>
<tr>
<td></td>
<td>6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate</td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>7. Affordable and Clean Energy</td>
<td>7.3 By 2030, double the global rate of improvement in energy efficiency</td>
</tr>
<tr>
<td>Pollution Prevention and Control</td>
<td>12. Responsible Consumption and Production</td>
<td>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</td>
</tr>
</tbody>
</table>

Conclusion

NADB has developed the North American Development Bank Green Bond Framework under which it will issue green bonds to finance and refinance expenditures and investments in the categories of Renewable Energy, Sustainable Water and Wastewater Management, Energy Efficiency and Pollution Prevention and Control, as certified by NADB according to their project certification process.

The four use of proceeds categories outlined in the Framework are recognized as impactful by the Green Bond Principles 2018, and will contribute to the advancement of UN Sustainable Development Goals 6, 7, and 12. Furthermore, the eligible projects align with the NADB’s mission to support infrastructure projects that preserve, protect, or enhance the environment of the area and improve the well-being of residents of the region and will have a positive environmental benefit to the USA-Mexico border region.

NADB has a system in place to track expenditures of the proceeds, which is aligned with market practice. The institution will report the allocated proceeds on an annual basis, and will include information on the amounts allocated to eligible green projects as well as brief descriptions of the projects. Additionally, detailed information regarding the expected environmental benefits will be provided and, where possible, quantitative performance indicators will be reported. Sustainalytics is of the opinion that NADB is able to manage and mitigate the environmental and social risks commonly associated with the eligible projects funded by the use of proceeds through its project eligibility and certification criteria.

Based on the above, Sustainalytics is confident that North American Development Bank is well-positioned to issue green bonds and that the North American Development Bank Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.
Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

<table>
<thead>
<tr>
<th>Issuer name:</th>
<th>North American Development Bank</th>
</tr>
</thead>
</table>

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: [specify as appropriate]  
North American Development Bank Green Bond Framework

<table>
<thead>
<tr>
<th>Review provider’s name:</th>
<th>Sustainalytics</th>
</tr>
</thead>
</table>

Completion date of this form:  
May 5, 2020

Publication date of review publication:  
Update to 2018 Sustainalytics SPO, published May 2018.

Section 2. Review overview

SCOPE OF REVIEW
The following may be used or adapted, where appropriate, to summarise the scope of the review.
The review assessed the following elements and confirmed their alignment with the GBPs:

☒ Use of Proceeds
☒ Process for Project Evaluation and Selection
☒ Management of Proceeds
☒ Reporting

ROLE(S) OF REVIEW PROVIDER

☒ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification
☐ Rating
☐ Other (please specify):

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.
1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds, Renewable Energy, Sustainable Water and Wastewater Management, Energy Efficiency, Pollution Prevention and Control are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG goals 6, 7 and 12.

Use of proceeds categories as per GBP:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings
- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Other (please specify):

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Certified projects must comply with NADB’s existing project selection criteria. The NADB’s Board of Directors, which includes representatives from Mexican and U.S. federal agencies and states, is responsible for the certification and approval of selected projects, which must meet various compliance requirements, and provide tangible environmental benefits to the USA-Mexico border region. This is in line with market practice.

Evaluation and selection

- Credentials on the issuer’s environmental sustainability objectives
- Defined and transparent criteria for projects eligible for Green Bond proceeds
- Documented process to determine that projects fit within defined categories
- Documented process to identify and manage potential ESG risks associated with the project
- Summary criteria for project evaluation and selection publicly available
- Other (please specify):
### Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
- ☐ In-house assessment
- ☐ Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

**Overall comment on section (if applicable):**

NADB will track the net proceeds on a monthly basis and will provide quarterly updates to management. Pending allocation, the net proceeds will be held in the bank’s investment portfolio or in cash, and will be managed in accordance with NADB’s conservative investment management guidelines. NADB’s processes for management and tracking of proceeds are in line with market practice.

**Tracking of proceeds:**

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

**Additional disclosure:**

- ☐ Allocations to future investments only
- ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (please specify):

### 4. REPORTING

**Overall comment on section (if applicable):**

NADB intends to report on the allocation of proceeds on an annual basis. In addition, NADB is committed to reporting on project certification which includes environmental qualifications and expected benefits of funded projects, and where feasible, quantitative performance indicators will be provided. In Sustainalytics’ view reporting on these metrics is in line with market practice.

**Use of proceeds reporting:**

- ☐ Project-by-project
- ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other (please specify)
Information reported:

☒ Allocated amounts
☐ Green Bond financed share of total investment
☐ Other (please specify):

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Impact reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other (please specify):

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☒ Energy Savings
☒ Other ESG indicators (please specify): Other relevant indicators such as renewable energy produced or pollutant emissions avoided (e.g., SO2, NOx)
☒ Decrease in water use

Means of Disclosure

☐ Information published in financial report
☐ Information published in sustainability report
☐ Information published in ad hoc documents
☐ Other (please specify):
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

https://www.nadb.org/for-investors#green-bonds

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer’s adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.
Disclaimer

Copyright ©2020 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit http://www.sustainalytics.com/legal-disclaimers.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.
Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For over 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in the policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 600 staff members, including over 200 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.