

# Second-Party Opinion

## AES Gener Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the AES Gener 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 category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in renewable energy will lead to positive environmental impacts and advance UN Sustainable Development Goal 7: Affordable and Clean Energy.



**PROJECT EVALUATION / SELECTION** AES Gener's internal process for evaluating and selecting projects is in line with market practice. The evaluation and selection will be carried out by an internal committee comprised with members from the Sustainability, Finance and Development teams.



**MANAGEMENT OF PROCEEDS** AES Gener will establish an internal tracking system to monitor and account for an amount equal to the net proceeds. Pending allocation, AES Gener will hold net proceeds in cash and/or cash equivalents or repurchase outstanding debt. This is in line with market practice.



**REPORTING** AES Gener intends to report allocation proceeds in a Green Bond Report on an annual basis. In addition, AES Gener is committed to reporting net proceeds allocated to Eligible Green Projects, as well as pending amount yet to be allocated and impact reporting on relevant metrics where feasible. Sustainalytics views AES Gener's allocation and impact reporting as aligned with market practice.

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<b>Evaluation date</b>	September, 2019
<b>Issuer Location</b>	Santiago, Chile

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## Introduction

AES Gener S.A. (“AES Gener” or the “Company”) is a Chile-based company, which is a subsidiary of AES Corporation. AES Gener is an energy producer and provider operating hydroelectric, solar and thermoelectric plants with a total capacity of 5,047 MW in Chile, Colombia, and Argentina.

AES Gener has developed the AES Gener Green Bond Framework (the “Framework”) under which it intends to issue multiple green bonds and use the proceeds to finance/refinance, in whole or in part, existing and future projects that will provide a positive environmental impact, such as reducing GHG emissions and the generation of electric power through renewable energy projects. The Framework defines eligibility criteria as the development, construction, installation, and acquisition of renewable energy including:

1. Wind
2. Solar
3. Battery storage facilities

AES Gener engaged Sustainalytics to review the AES Gener Green Bond Framework, dated September 23, 2019 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of AES Gener’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 AES Gener’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

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<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> The AES Gener Green Bond Framework is available on AES Gener’s website at: <https://www.aesgener.cl/investors/news/>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the AES Gener Green Bond Framework

#### Summary

Sustainalytics is of the opinion that the AES Gener Green Bond Framework is credible, impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of AES Gener's Green Bond Framework:

- Use of Proceeds:
  - Renewable Energy is recognized as a category with clear environmental benefits by the Green Bond Principles 2018. Sustainalytics is of the opinion that eligible projects in this category will provide meaningful environmental contributions and will support the transition towards a low carbon economy.
  - The Framework allows for funds to be used for the development, construction, installation, and/or acquisition of renewable energy including wind, solar and battery storage facilities.
- Project Evaluation and Selection:
  - AES Gener has created an internal committee comprised with members from the Sustainability, Finance and Development teams. The committee will select Eligible Green Projects that meet the criteria set forth in the Framework.
  - Based on the establishment of a dedicated team that will oversee the evaluation and implementation of the Framework, Sustainalytics considers this to be aligned with market practice.
- Management of Proceeds:
  - The AES Gener Finance team will establish an internal tracking system to monitor and account for an amount equal to the net proceeds.
  - Pending allocation, the Company intends to hold net proceeds in cash and/or cash equivalents or repurchase outstanding debt. This is in line with market practice.
- Reporting:
  - AES Gener intends to publish a Green Bond Report containing allocation and impact information annually on its website. Allocation reporting will include the amount of net proceeds allocated to Eligible Green Projects, as well as the pending amount yet to be allocated to eligible projects.
  - Impact reporting, where feasible, will include the expected GHG emissions avoided and expected electricity output in GWh.
  - Sustainalytics considers the commitment to impact and allocating reporting to be in line with market practice.

#### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the AES Gener Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of the Issuer

### Contribution of framework to issuer's sustainability strategy

Sustainalytics considers AES Gener to have a strong sustainability mandate as outlined in their Greentegra (2018-2023) strategy. The plan focuses on five business solutions which are (i) *Coal to Green* to supply the mining sector with renewable energy sources (ii) *Blextend* to incorporate the delivery of renewable energy to their customers; (iii) *GenerFlex* which is aimed at new customers by integrating energy supply agreements; (iv) *Transflex* seeks to integrate energy storage solutions; and (v) *Water Purchase Agreement (WPA)* to develop seawater desalination technologies to provide water solutions to industrial and residential customers.<sup>3</sup> The Company's strategy also excludes any future additions of coal-based power plants to its energy mix. AES Gener's approach is also aligned with its parent company AES Corporation's plan of reducing the carbon intensity of its portfolio by 50% by 2022, and by 70% by 2030 from a 2016 baseline.<sup>4,5</sup> The Company has communicated its current carbon intensity measured at 0.60 CO<sub>2</sub> metric tonnes/MWh (equity adjusted values) at the end of 2018, and that it expects to decrease that carbon intensity in the medium term.<sup>6</sup>

AES Gener has also signed a voluntary bilateral agreement with Chile's Ministry of Energy for the disconnection of two existing coal-fired units, Ventanas 1 and Ventanas 2, in order for them to be incorporated in the new Strategic Backup Operational State called "ERE" serving as a backup for up to 5 years before being fully disconnected from the system.<sup>7</sup>

Sustainalytics is of the opinion that the use of proceeds to increase its electricity generation from renewable sources aligns with the Company's sustainability strategy and will contribute to the decarbonization of the energy mix in the countries it operates.

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

While the delivery of renewable energy projects and energy storage is anticipated to deliver overall environmental benefits, as recognized by use of proceeds categories under the GBP 2018, there may be associated environmental and social risks. For example, the construction of the various projects funded by the bond(s) can pose challenges to worker health and safety, have an adverse impact on land use and biodiversity, and impact community relations. In their commitment for environmental, social management and worker safety, the Company has sought to achieve high standards across its operations, by incorporating the Standards of AES Corporation, national regulations, and international standards into their own management system called GENERA (structured according to ISO 14001:2015 and OHSAS 18001:2007). The system covers all the operations of the Company and its affiliates in Chile, Colombia (AES Chivor) and Argentina (TermoAndes), and AES Gener and its subsidiaries are certified under ISO 14001:2015, and ISO 55001:2014 (asset management systems). In addition, AES Gener is certified under OHSAS 18001:2007, AES Chivor is certified under ISO 9001:2015, and TermoAndes holds ISO 9001:2015, and OHSAS 18001:2007 certifications.<sup>6</sup>

In addition, the Company has a Risk Management Committee which is responsible for risk identification and assessment, with permanent involvement from the CEO of AES Gener and the Risk Officer of the Company. The Risk Committee reports the risk management results to the Senior Management and Directors of AES Gener where the overall risks are identified. In addition to this mechanism, the Company also has in place, a regional Chief Risk Management Officer, and a Chief Corporate Affairs Officer who is responsible for Corporate Social Responsibility and sustainable development. These two officers have regular meetings with Management and report to the Board.<sup>6</sup>

Based on the above, Sustainalytics is confident that AES Gener has a robust internal process to assess and manage environmental and social risks related to the projects financed.

<sup>3</sup> AES Gener, "Integrated Annual Report 2018", (2018), at: [http://www.aesgener.cl/about-us/images/pdf/annual\\_report\\_2018.pdf](http://www.aesgener.cl/about-us/images/pdf/annual_report_2018.pdf)

<sup>4</sup> Measured in tons of carbon dioxide per megawatt-hour.

<sup>5</sup> AES Announces Carbon Intensity Reduction of 70 Percent by 2030; Published Climate Scenario Report", at: <https://www.aes.com/investors/press-releases/press-release-details/2018/AES-Announces-Carbon-Intensity-Reduction-of-70-Percent-by-2030-Publishes-Climato-Scenario-Report/default.aspx>

<sup>6</sup> Measured in tonnes of CO<sub>2</sub> per megawatt-hour (tCO<sub>2</sub>/MWh).

<sup>7</sup> AES Gener, "2Q-2019 Earnings Report", (2019) at: <https://www.aesgener.cl/investors/wp-content/uploads/2019/08/AES-Gener-2Q-2019-Earnings-Report.pdf>

### Section 3: Impact of Use of Proceeds

The use of proceed category, Renewable Energy, is categorized as impactful by the GBP. Sustainalytics has focused below on the impact in the local context.

#### Advancing the energy transition

As signatory of the Paris Agreement, Chile has committed to reducing its CO<sub>2</sub> emissions per GDP unit by 30-45% below their 2007 levels by 2030. As a part of these efforts Chile has passed Law 20/25, which promotes the diversification of Chile's energy mix through the roll-out of non-conventional renewable energy, with a target of generating 20% of the country's energy and 45% of all electric generation capacity from renewable sources by 2025.<sup>8</sup> In order to achieve these goals, Chile has developed its National Action Plan for Climate Change 2017-2022, which further commits the country to achieving 60% of electricity generation from renewable sources by 2035, and 70% by 2050.<sup>9</sup>

#### *Wind and Solar Energy*

In Chile, the energy sector represents over 78% of national GHG emissions. Having high solar radiation and great potential for wind energy, there has been an increase in investment in the renewable energy sector in recent years. By the end of 2018 the National Electric System (SEN), which supplies 97% of the population with electricity, had an installed generation capacity of 24.586 MW out of which 46.3% came from renewable energy sources including 30% hydroelectric, 8% solar, 6% wind, 2% biomass & 0,2% geothermal. The fast uptake in renewable energy sources can be seen with the quick rise in solar energy for which most solar capacity was installed since 2014.<sup>10</sup> AES Gener's green bonds which will be used to finance projects in the two most rapidly growing sources of renewable energy in Chile, will directly contribute to the reducing GHG emissions.

In this context, Sustainalytics is confident that AES Gener's projects are in line with meeting the national targets to increase the production of electricity generation from renewable energy sources and help advance the energy transition away from fossil fuels.

#### *Battery Storage*

Energy Storage can be used for diverse means to make electric systems more resilient and flexible. In addition to spinning reserve, for example, energy storage systems can have different applications for the network, including but not limited to transmission and distribution enhancement, integration of renewables, microgrids and islands. One of the limitations of renewable energy sources like wind and solar power is the fact that they are intermittent, and this volatility can be problematic in the distribution of renewable energy. This challenge can be addressed by energy storage technologies which store excess energy for periods of peak usage and reinforce electricity reliability. It is estimated that the storage capacity of battery electricity storage has to increase by a factor of at least 17 compared to 2017 levels, to meet the requirements for doubling renewables in the global energy mix.<sup>11</sup> Technical hurdles and cost-effectiveness are some of the barriers in the deployment of battery storage. With an increasing capacity of renewable energy, the Chilean government recognized the need to integrate and regulate battery storage systems connected to the national grid in Law 20.936 of 2016.<sup>12</sup> While the regulation for the coordination and operation of the national electric system is still being elaborated.<sup>13</sup> As such, there is a clear need for additional participation from the market, and AES Gener has the capacity to contribute on building this infrastructure.

Considering the above, Sustainalytics is of the opinion that investing in renewable energy projects and battery storage, in Chile and the region, AES Gener will support the integration of renewable sources to the electrical network and contribute to the achievement of the objectives as described in the national climate plans.

<sup>8</sup> UNDP, "Chile NDC Facts", at: <https://www.ndcs.undp.org/content/ndc-support-programme/en/home/our-work/geographic/latin-america-and-caribbean/chile.html>

<sup>9</sup> Gobierno de Chile, "Plan de Acción Nacional de Cambio Climático 2017-2022", at: <https://www.ndcs.undp.org/content/dam/LECB/docs/pubs-reports/undp-lecb-cpp-chile-action-plan-for-climate-change-spanish-2017-0824.pdf>

<sup>10</sup> Generadoras de Chile, "Generación Eléctrica en Chile", at: <http://generadoras.cl/generacion-electrica-en-chile>

<sup>11</sup> IRENA, "Electricity Storage and Renewables: Costs and Markets to 2030", at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA\\_Electricity\\_Storage\\_Costs\\_2017\\_Summary.pdf?la=en&hash=2FDC44939920F8D2BA29CB762C607BC9E882D4E9](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017_Summary.pdf?la=en&hash=2FDC44939920F8D2BA29CB762C607BC9E882D4E9)

<sup>12</sup> Biblioteca del Congreso Nacional de Chile "Ley 20936", at: <https://www.leychile.cl/Navegar?idNorma=1092695>

<sup>13</sup> Ministerio de Energía, "Las Energías Renovables No Convencionales en el Mercado Eléctrico Chileno", at: [http://4echile.cl/4echile/wp-content/uploads/2019/01/Libro\\_ERNC\\_Chile\\_esp.pdf](http://4echile.cl/4echile/wp-content/uploads/2019/01/Libro_ERNC_Chile_esp.pdf)

### 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 goal and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

### Conclusion

AES Gener has developed the AES Gener Green Bond Framework, under which it intends to issue green bonds, and use of proceeds to finance, or refinance Eligible Green Projects. Specifically, AES Gener may finance the development, construction, installation, and/or acquisition of renewable energy including wind, solar and battery storage facilities.

The use of proceeds category specified in the Framework is aligned with the Green Bond Principles 2018. AES Gener has described a process by which proceeds will be tracked, allocated, and managed and commitments have been made for reporting on the allocation and impact of the use of proceeds, where feasible. Furthermore, Sustainalytics believes that the investments funded by the green bonds are aligned with AES Gener's overall sustainability strategy and will also contribute to the advancement of the UN Sustainable Development Goal 7, Renewable Energy.

Based on the above, Sustainalytics is confident that AES Gener is well-positioned to issue green bonds, and that the AES Gener Green Bond Framework is robust, transparent, and in alignment with the Green Bond Principles 2018.

## Appendices

### Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

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<b>Issuer name:</b>	AES Gener S.A.
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<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	AES Gener Green Bond Framework
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<b>Review provider's name:</b>	Sustainalytics
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<b>Completion date of this form:</b>	September 23, 2019
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<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	
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### 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:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

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 category for use of proceeds, renewable energy, is aligned with the Green Bond Principles. Sustainalytics considers that investment in renewable energy projects will lead to positive environmental impacts and advance the UN Sustainable Development Goal 7: Renewable Energy.

##### Use of proceeds categories as per GBP:

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

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

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

AES Gener's internal process for evaluating and selecting projects is in line with market practice. The evaluation and selection will be carried out by an internal committee comprised with members from the Sustainability, Finance and Development teams.

### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

AES Gener will establish an internal tracking system to monitor and account for an amount equal to the net proceeds. Pending allocation, AES Gener intends to hold net proceeds in cash and/or cash equivalents or repurchase outstanding debt. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

#### 4. REPORTING

Overall comment on section (if applicable):

AES Gener intends to publish a Green Bond Report containing allocation and impact information on an annual basis on its website. Allocation reporting will include the net amount allocated to Eligible Green Projects, as well as the pending amount to be allocated. Impact reporting, where feasible, will include the expected GHG emissions avoided and expected electricity output in GWh. Sustainalytics considers this reporting to be in line with market practice.

##### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

##### *Information reported:*

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts     | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |   |

##### *Frequency:*

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

##### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

##### *Frequency:*

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

##### *Information reported (expected or ex-post):*

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): capacity of renewable energy plant(s) built in GWh |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify):             |
| <input type="checkbox"/> 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.aesgener.cl/investors/news/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):****Date of publication:****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.

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## 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. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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