

# Second-Party Opinion

## Hydro Ottawa Green Bond

### Evaluation Summary

Sustainalytics is of the opinion that the Hydro Ottawa 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 four Eligible Categories for the use of proceeds – (i) Renewable Energy Generation, (ii) Clean Transportation, (iii) Green Buildings, and (iv) Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers the Eligible Categories to have positive environmental impact and to advance the UN Sustainable Development Goals, specifically 7, 11, and 12.



**PROJECT EVALUATION / SELECTION** Hydro Ottawa's Treasury department, with advice from internal stakeholders including the company's project development and construction team and select members of Hydro Ottawa's Executive Management Team, will conduct the project selection process. Sustainalytics considers this to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Hydro Ottawa will track the net use of proceeds through a Green Bond Register. The proceeds of transaction will be held in segregated account(s) consisting of cash and/or short-term money market instruments. This is in line with market practice.



**REPORTING** Hydro Ottawa intends to publish annual information, as required, on its website or in its financial statements. The allocation reporting will include the amounts allocated to Eligible Categories and the balance of unallocated proceeds. The reporting may also include the amount allocated by Eligible Category, the examples of Eligible Investments being financed, as well as impact reporting on relevant metrics, where feasible. Sustainalytics views Hydro Ottawa's allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	February, 2019
<b>Issuer Location</b>	Ottawa, Canada

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## Introduction

Hydro Ottawa Holdings Inc. (“Hydro Ottawa”, or the “Issuer”) is wholly-owned by the City of Ottawa, and is headquartered in Ottawa, Canada. Hydro Ottawa engages in electricity distribution, renewable energy generation (run-of-river hydroelectric generation), and energy conservation and management services in the City of Ottawa and the Village of Casselman.<sup>1</sup> The company also provides street lighting installation and maintenance services.

Hydro Ottawa has developed the Green Bond Framework (the “Framework”) under which it will issue green bonds and use the proceeds to finance Eligible Investments. The Framework defines eligibility criteria in the following four areas:

1. Renewable Energy Generation
2. Clean Transportation
3. Green Buildings
4. Pollution Prevention and Control

Hydro Ottawa engaged Sustainalytics to review the Green Bond Framework and provide a second-party opinion on the Framework’s environmental credentials, as well as the alignment of the Framework with the Green Bond Principles 2018 (the “GBP 2018”), as administered by the International Capital Market Association (the “ICMA”). This Framework has been published in a separate document.

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

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

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<sup>1</sup> Hydro Ottawa, Overview: <https://hydroottawa.com/about/governance/overview>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Hydro Ottawa Green Bond Framework

#### Summary

Sustainalytics is of the opinion that the Hydro Ottawa Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The four use of proceeds categories ("Eligible Categories") are recognized as impactful by the GBP 2018. The eligible projects ("Eligible Investments") in these categories will provide meaningful environmental contributions.
    - The run-of-river hydroelectricity generation facilities generate electricity by utilizing the natural flow of river streams and elevation differences with little to no water storage. Historically, Hydro Ottawa has only constructed run-of-river hydroelectric facilities, and has committed to follow applicable laws and regulations to ensure that the construction of such facilities will prevent any significant negative environmental and/or social impact.
    - Hydro Ottawa's green buildings eligibility criteria are based on third-party certification standards such as LEED (Gold or above), Green Globes (Three Green Globes or above), Living Building Challenge Certification (Living Building Certification), Petal Certification with Energy as one of the Petals, or Zero Energy Certification), or any other green building label with equivalent standards. Sustainalytics has conducted an evaluation of the certifications and considers such certification standards as having a positive impact (see Appendix 1 for additional details on the certification schemes).
  - The exclusionary criteria consider the following: development, acquisition, maintenance, or refurbishment of fossil-fuel-based transportation and supporting infrastructure; and biomass/biofuel derived from feedstock suitable for food production. Sustainalytics believes that these exclusions strengthen the Framework.
- Project Evaluation and Selection:
  - Hydro Ottawa's Treasury department, with advice from internal stakeholders including the company's in-house sustainability team, will conduct the project selection process. The eligibility of investments will be evaluated based on several criteria such as financial, technical, legal, and environmental, and social and governance ("ESG") benchmarks. Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
  - Hydro Ottawa will track the net use of proceeds through a Green Bond Register. Proceeds from the transaction will be deposited in segregated account(s) consisting of cash and/or short-term money market instruments. This is in line with market practice.
- Reporting:
  - Hydro Ottawa intends to publish annual information as required on its website or in its financial statements, providing allocation and impact reporting in line with market practice.
  - The allocation reporting will include the amounts allocated to Eligible Categories and the balance of unallocated proceeds. The reporting may also include the amount allocated by Eligible Category, and the examples of Eligible Investments being financed.
  - The impact reporting will include, where feasible, qualitative and quantitative indicators including installed capacity, renewable energy production, greenhouse gas (GHG) emissions reduced and/or avoided, and green building certifications achieved.

#### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Hydro Ottawa Green Bond Framework aligns with the four core components of the GBP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Performance of the Issuer

### Contribution of the Framework to Hydro Ottawa's sustainability strategy

Sustainalytics is of the opinion that Hydro Ottawa has demonstrated a commitment to enhance access to renewable energy and mitigate climate change:

- Hydro Ottawa has committed to create "long-term value" as per its Code of Business Conduct; to account for the "interests of all stakeholders" including the communities and environment; and to be a "responsible corporate citizen" while "preserving the environment."<sup>2</sup>
- Hydro Ottawa developed its Environmental Sustainability Strategy, in 2009, with the following priority areas: (i) Carbon Footprint Reduction, (ii) Greening Procurement and the Supply Chain, and (iii) Building a Culture of Environmental Sustainability. Hydro Ottawa was recognized, for the seventh time in 2018, as one of Canada's Greenest Employers.<sup>3</sup>
- Hydro Ottawa's Environmental Policy<sup>4</sup> outlines its commitment to reduce negative environmental impact of its operations and improve its environmental performance.
- According to its Strategic Direction 2016-2020,<sup>5</sup> Hydro Ottawa's Strategic Objectives include Corporate Citizenship as one of the four Key Areas of Focus. Hydro Ottawa is also committed to respect all relevant environmental and regulatory requirements in the jurisdictions in which projects are located.

Considering the above, Sustainalytics is of the opinion that Hydro Ottawa's sustainability strategy and actions demonstrate the importance it places on achieving positive environmental and social impacts. Sustainalytics also believes that Hydro Ottawa's Framework is aligned with Hydro Ottawa's overall sustainability efforts and can support its commitment to Corporate Citizenship.

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

While Sustainalytics recognizes that the use of proceeds from Hydro Ottawa's Framework will be directed towards Eligible Investments that are recognized by the GBP 2018 to have positive environmental impact, Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the Eligible Investments include a lack of pollution control in construction and development projects, an increased exposure of local communities to adverse effects, occupational health and safety, and biodiversity loss.

Sustainalytics is of the opinion that Hydro Ottawa can mitigate such risks through the following policies, systems and processes:

- Hydro Ottawa has a corporate-wide risk management system to track indicative and predictive measures of risk. According to its 2017 Annual Report,<sup>6</sup> Hydro Ottawa's Enterprise Risk Management (ERM) framework, established in 2006, reports on potential risks factors, including government policies relating to the production and procurement of renewable and clean energy, as well as carbon emissions and conservation, to the Board, and the President and Chief Executive Officer.
- Hydro Ottawa's integrated health, safety and environment management system has achieved and maintained the OHSAS 18001 (Occupational Health and Safety Management) and the ISO 14001:2015 (Environmental Management System).
- Hydro Ottawa's Health, Safety & Wellness Policy outlines its commitment to preventing "occupational illness and injury of all employees", and to develop, implement and maintain systems and processes for supporting this commitment.

Due to the above-mentioned policies, systems and processes with C-level involvement, Sustainalytics believes that Hydro Ottawa has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the use of proceeds.

<sup>2</sup> Hydro Ottawa, Corporate Social Responsibility Report 2013: [https://static.hydroottawa.com/documents/publications/CSR\\_report\\_en.pdf](https://static.hydroottawa.com/documents/publications/CSR_report_en.pdf)

<sup>3</sup> Hydro Ottawa, News Releases: <https://hydroottawa.com/media/news-releases?nid=200>

<sup>4</sup> Hydro Ottawa, Environmental Policy: <https://hydroottawa.com/about/policies/environmental-policy>

<sup>5</sup> Hydro Ottawa, Strategic Direction 2016-2020: <https://static.hydroottawa.com/documents/publications/Strategic-Direction-2016-2020-EN.pdf>

<sup>6</sup> Hydro Ottawa, 2017 Annual Report: <https://static.hydroottawa.com/documents/publications/annual-report/2017-Annual-Report-EN.pdf>

### Section 3: Impact of Use of Proceeds

The four eligible categories are recognized as impactful by the GBP 2018.

#### Contribution of renewable energy to a low-carbon economy

In order to achieve the commitments of the Paris Agreement, to limit global average temperature increases to well below 2°C and aim to limit the increase to 1.5°C, drastic decreases to global emissions will be required.<sup>7</sup> Considering that greenhouse gas emissions from electricity and heat production made up approximately 49% of total fuel combustion in 2014,<sup>8</sup> increasing the share of renewable energy generation has the potential to have significant impact on meeting climate goals. According to the International Renewable Energy agency (IRENA), the total share of renewable energy must rise to approximately 66% of the total primary energy supply (TPES) by 2050 in order to meet the 2°C target.<sup>9</sup> Although renewable energy grew more rapidly than other forms of generation in 2017, meeting a quarter of the global demand growth,<sup>10</sup> this rate of deployment must be ramped up to meet international targets.

Sustainalytics believes that Hydro Ottawa is well positioned to make an impact through the use of proceeds categories and that Hydro Ottawa's green bonds will promote the adoption of renewable energy and support a shift towards a low-carbon economy.

#### Alignment with/contribution to SDGs

The UN Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Hydro Ottawa's green bonds advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy Generation	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Clean Transportation Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, and resilience to disasters.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

### Conclusion

Hydro Ottawa has developed a Green Bond Framework to finance, or refinance, several Eligible Investments that intend to deliver positive environmental outcomes. Hydro Ottawa has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for the allocation and impact reporting. Sustainalytics believes that the Eligible Categories are aligned with Hydro Ottawa's overall sustainability strategy and will also contribute to the advancement of the UN Sustainable Development Goals, specifically 7, 11, and 12. Additionally, Sustainalytics believes that Hydro Ottawa has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

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

<sup>7</sup> European Commission, Paris Agreement: [https://ec.europa.eu/clima/policies/international/negotiations/paris\\_en](https://ec.europa.eu/clima/policies/international/negotiations/paris_en)

<sup>8</sup> World Bank Group, CO<sub>2</sub> emissions from electricity and heat production: <https://data.worldbank.org/indicator/EN.CO2.ETOT.ZS>

<sup>9</sup> IRENA, Global Energy Transformation: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA\\_Report\\_GET\\_2018.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA_Report_GET_2018.pdf)

<sup>10</sup> IEA, Global Energy & CO<sub>2</sub> Status Report- 2017: <https://www.iea.org/publications/freepublications/publication/GECO2017.pdf>

## Appendices




### Appendix 1: Comparison of Green Building Certification Schemes

	LEED <sup>11</sup>	Green Globes <sup>12</sup>	Living Building Challenge <sup>13</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Green Globes is a science-based building rating system, developed by the Green Building Initiative (GBI) for existing and new buildings. It includes both prescriptive measures and performance metrics to validate building projects that achieve a variety of sustainability requirements.	The Living Building Challenge is an international green building certification program and sustainable design framework run by the International Living Future Institute, a US non-profit organization seeking to tackle climate change by pushing for a built urban environment free of fossil fuels.
<b>Certification levels</b>	Certified Silver Gold Platinum	One Green Globes Two Green Globes Three Green Globes Four Green Globes	Zero Energy Certification Petal Certification Living Building Certification
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Project Management (only for new buildings)</li> <li>• Site (only for new buildings)</li> <li>• Energy</li> <li>• Water</li> <li>• Resources (and Materials for new buildings)</li> <li>• Emissions</li> <li>• Indoor Environment</li> <li>• Environmental Management (only for existing buildings)</li> </ul>	<ul style="list-style-type: none"> <li>• Place</li> <li>• Water</li> <li>• Energy</li> <li>• Health and Happiness</li> <li>• Materials</li> <li>• Equity</li> <li>• Beauty</li> </ul>
<b>Requirements</b>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>There are no prerequisites, however, there are few eligibility requirements for buildings, including for the occupancy, the conditioned space, the minimum square footage, and the minimum changes required for major renovation projects.</p> <p>There are several green certification types designed to apply to specific needs (e.g. new construction, new multifamily, existing multifamily core &amp; shell, existing buildings, and sustainable interiors).</p> <p>The assessment to get Green Globes rating based on the percentage of total points (of 1000) verified by a third-party</p>	<p>The Living Building Challenge is organized into seven performance areas called Petals. Each Petal is further sub-divided into Imperatives, which address specific issues through detailed requirements.</p> <p>All Imperatives assigned to a Typology are mandatory.</p> <p>Living Building Challenge certification requires actual, rather than anticipated, performance demonstrated over twelve consecutive months.</p>

<sup>11</sup> USGBC, LEED: [www.usgbc.org/LEED](http://www.usgbc.org/LEED)

<sup>12</sup> Green Building Initiative, Green Globes Ratings: <https://www.thegbi.org/green-globes-certification/how-to-certify/>

<sup>13</sup> International Living Future Institute, Living Building Challenge Certification: <https://living-future.org/lbc/certification/>

		which is specialized in green building design practices, engineering, construction and operations of the facility.	
<b>Performance display</b>			

## Appendix 2: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

<b>Issuer name:</b>	Hydro Ottawa Holdings Inc.
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Hydro Ottawa Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	January 22, 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

## 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 four Eligible Categories for the use of proceeds – (i) Renewable Energy Generation, (ii) Clean Transportation, (iii) Green Buildings, and (iv) Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers the Eligible Categories to have positive environmental impact and to advance the UN Sustainable Development Goals, specifically 7, 11, and 12.

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

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input checked="" 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 checked="" 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 checked="" 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):

Hydro Ottawa's Treasury department, with advice from internal stakeholders including the company's in-house sustainability team, will conduct the project selection process. Sustainalytics considers this to be in line with market practice.

#### 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

- 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*):

Hydro Ottawa will track the net use of proceeds through a Green Bond Register. The proceeds of transaction will be held in segregated account(s) consisting of cash and/or short-term money market instruments. This is 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):

Hydro Ottawa intends to publish annual information on its website or in its financial statements. The allocation reporting will include the amounts allocated to Eligible Categories and the balance of unallocated proceeds. The reporting may also include the amount allocated by Eligible Category, the examples of Eligible Investments being financed, as well as impact reporting on relevant metrics, where feasible. Sustainalytics views Hydro Ottawa's allocation and impact reporting as aligned 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*): the balance of unallocated proceeds.

**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
- Decrease in water use
  Other ESG indicators (*please specify*): installed capacity of renewable energy; renewable energy production; green buildings certifications achieved; and energy efficiency improvements.

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report
- Information published in ad hoc documents
  Other (*please specify*): website or financial statements.
- 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.)

**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.

## Disclaimer

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The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

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The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support 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. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

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

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