

Green Evaluation Criteria

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Introduction

(Editor's Note: We originally published this criteria article on 16 October 2019. We updated the author contact information and republished it on 16 October 2024.)

This report sets out our criteria for green evaluations, which provide a relative ranking of debt instruments based on our forward-looking opinion on their ability to deliver environmental benefits via their financing or refinancing of specific assets. The debt instruments we may evaluate under these criteria include, without limitation, bonds, loans, and other fixed-income financing vehicles whose proceeds are earmarked, either wholly or partially, for environmentally beneficial assets.

Green evaluations are not credit ratings. They do not, in any way, reflect an issuer's ability and willingness to fulfill its financial obligations on time and in full. They also do not account for a debt instrument's likelihood of default or recovery prospects in the event of default. Instead, green evaluations are designed as a tool for issuers, investors and other market participants to decide whether a debt instrument's green attributes are consistent with their internal environmental objectives.

Our green evaluation framework is structured with reference to the Green Bond Principles (GBP), which are a set of voluntary process guidelines for green bond issuance. The GBP have four core components: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. These components are the foundation of our scoring system, which consists of factors and sub-factors intended to discern a debt instrument's potential contribution to a low-carbon and climate-resilient society.

We recognize that the green finance market is relatively nascent and rapidly evolving. While the GBP provide an overarching framework for green bond issuance, the guidelines therein are intentionally broad to encourage widespread adoption. Where circumstances require, we may supplement our analysis with references to definitions, classifications, standards and methodologies published by other industry and regulatory bodies. As a result, our evaluation is necessarily principle-based rather than rule-driven.

The product of our green evaluation is a score out of five that corresponds to one of five categories ranging from "Very Strong" to "Very Weak". Our evaluation is conducted at the issuance level. It is, therefore, possible for an issuer to have different green evaluation scores and categories assigned to different instruments across its capital structure.

Our green evaluations may be performed either pre- or post-issuance. In either case, our forward-looking analysis is based on the information available to us as of the time of the assessment. Given the lack of consistency in post-issuance reporting standards across issuers and jurisdictions, our assessments do not carry Outlooks as do conventional credit ratings. However, we may periodically update our green evaluation of a particular instrument, should there be sufficient information for us to do so.

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Scope of Criteria

Our green evaluations provide a relative ranking of debt instruments based on our forward-looking opinion on their ability to deliver environmental benefits via their financing or refinancing of specific assets. Green evaluations are designed as a tool for issuers, investors and other market participants to decide whether a debt instrument's green attributes are consistent with their internal environmental objectives.

In these criteria, we use the term "green bonds" to denote a vast range of debt instruments, which include, but are not limited to, bonds, loans, and other fixed-income financing vehicles whose proceeds are earmarked, either wholly or partially, for environmentally-beneficial assets. These instruments may be issued by multilateral development banks, governments, corporates, financial institutions, project-specific entities, or under structured finance transactions.

Green bonds may be labeled or unlabeled. The former refers to instruments that are designated as "green" by the issuers, subject to local market regulations and conventions. By contrast, unlabeled green bonds are those that could demonstrably deliver positive environmental impacts, but are not specifically designated as "green" by their issuers. An example of an unlabeled green bond is a plain-vanilla senior unsecured bond issued by a company that derives close to all of its revenues from renewable energy. Our criteria are intended to cover both labeled or unlabeled green bonds.

A green bond is typically structured in one of four ways, as described in Exhibit 1. Our green bond evaluations are intended to cover all of these types of instruments, as well as any variation that meets our green bond definition above.

Exhibit 1: Typical Green Bond Structures

Green Bond Structure	Description	Recourse to Issuer
Use of Proceeds Bond	A standard debt obligation with recourse to the issuer in the event of default	Yes
Use of Proceeds Revenue Bond	Asset-related revenue streams are pledged to bondholders, who do not have recourse to the issuer in the event of default	No
Project Bond	Bondholders are exposed to project-specific risks, but may have recourse to the issuer in the event of default depending on the covenants	Yes or No
Securitized Bond	Asset-backed securities, mortgage-backed securities, covered bonds etc.	No

Other key features of our green evaluations include the following:

- **Green evaluations are not credit ratings.** Our green evaluations do not, in any way, reflect an issuer's ability and willingness to fulfil its financial obligations on time and in full. They also do not consider the likelihood of default or recovery prospects of a particular financial instrument. Our green evaluation criteria are separate and distinct from and do not form part of our criteria for conventional credit ratings;
- **Green evaluations are issuance-specific.** We perform green evaluations at the issuance level, as instruments across an issuer's capital structure may each have unique green characteristics. However, we may be able to evaluate issuance programs, such as medium-term note facilities, as if they were a single issuance.
- **Green evaluations are forward-looking.** Our green evaluations incorporate our forward-looking views on an instrument's green attributes based on the information available to us as of the time of the assessment. Given the lack of consistency in post-issuance reporting standards across issuers and jurisdictions, our assessments do not carry Outlooks as do conventional credit ratings. However, we may periodically update our green evaluation of a particular instrument, should there be sufficient information for us to do so.
- **Green evaluations may be performed pre- or post-issuance.** We envisage that many of our assessments will be conducted at the pre-issuance stage to aid primary-market investors in determining a green instrument's goodness of fit with their internal environmental objectives. However, our evaluations could also be performed post-issuance, subject to the availability of information as of the time of our analysis.

Our Guiding Principles

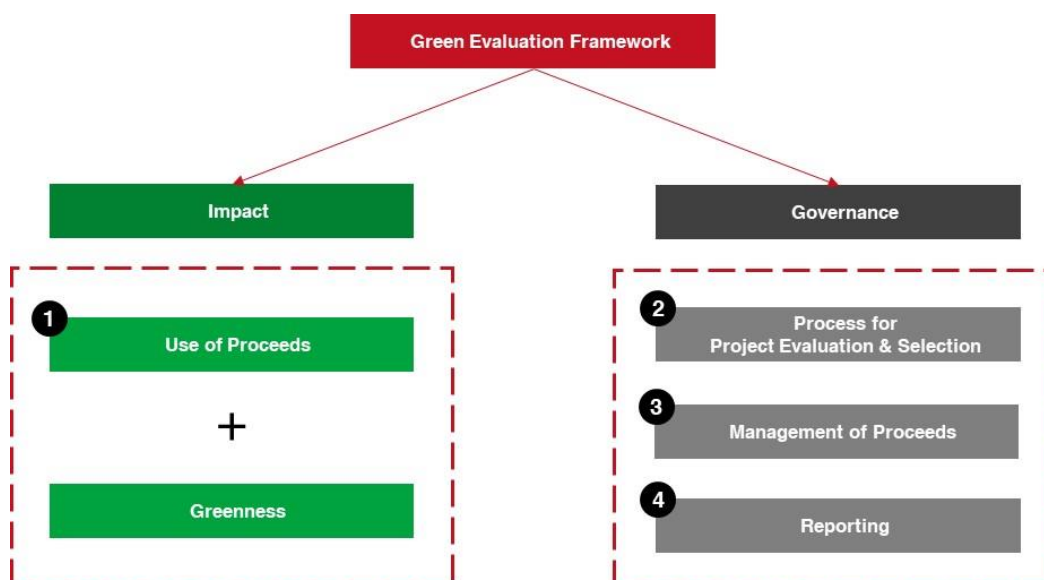
Green finance is a relatively nascent and rapidly evolving part of the fixed-income markets. Since the first green bond was issued by the European Investment Bank in 2007, many industry and regulatory bodies have published guidelines that seek to standardize the definition of environmentally-beneficial assets and promote best practices for the issuance of related financing instruments. Efforts to unify green bond standards are led, at the highest level, by governments, regulators, industry associations, and non-governmental organizations.

The GBP, published by the International Capital Market Association, are a widely followed set of voluntary process guidelines for green bond issuance. The GBP are intended for use by issuers, investors and underwriters, and are primarily based on broad guidance instead of specific rules. The GBP have four core components:

- 1. Use of Proceeds.** The proceeds from a green bond should be used for projects with clear environmental benefits. The GBP explicitly recognize several generic categories of green projects, such as renewal energy, energy efficiency, green buildings, clean transportation, and sustainable water and wastewater management.
- 2. Process for Project Evaluation and Selection.** The issuer should clearly communicate to investors the green bond's environmental objectives, the process by which the issuer determines the eligibility of projects, as well as the process by which potential environmental and social risks associated with the projects are identified and managed.
- 3. Management of Proceeds.** The proceeds raised by a green bond should be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the issuer in an appropriate manner to ensure they are used for eligible projects. Funds that are yet to be allocated to specific projects should be temporarily used or invested according to transparent guidelines.
- 4. Reporting.** The issuer should make available information pertaining to the green bond's use of proceeds at least on an annual basis. The issuer should also disclose the expected green impact of eligible projects using qualitative indicators and, where feasible, quantitative measures.

Given the GBP's wide acceptance by the capital markets and compatibility with a diverse group of debt instruments, they form the foundation of our green evaluation framework. Specifically, we view the GBP's four core components in the context of impact and governance, as illustrated in Exhibit 2 below.

Exhibit 2: Our Green Evaluation Framework and the GBP's Corresponding Components



The GBP's use of proceeds component is addressed under the impact factor of our green evaluation framework. In addition, we include a greenness sub-factor in our assessment. Meanwhile, the process for project evaluation and selection, management of proceeds, and reporting components are assessed under our governance factor.

Evaluation Framework

As illustrated in Exhibit 2, our green evaluation framework analyzes a debt instrument on the basis of two key factors: (1) impact; and (2) governance.

- **Impact** refers to the expected (pre-issuance) or actual (post-issuance) environmental benefits generated by an instrument through its financing or refinancing of green activities. Impact is a function of a transaction's *use of proceeds* and the *greenness* of the assets or projects (re)financed.
- **Governance** refers to oversight functions in place to ensure that a green instrument's proceeds will be appropriately segregated, tracked and utilized to achieve environmental impacts that can be monitored in a transparent manner throughout its term. We focus on an instrument's *process for project evaluation and selection, management of proceeds, and reporting*.

We score each sub-factor individually and aggregate the scores using the guidelines in Exhibit 3.

Exhibit 3: Green Evaluation Scorecard

Factors and Sub-factors	Score Assigned	Sub-factor Weighting	Factor Weighting	Overall Caps
Green Evaluation Score			100.0%	
A. Impact			50.0%	Caps Green Evaluation Score
B. Governance			50.0%	
A. Impact		100.0%	50.0%	
1. Use of Proceeds	1 – 5	50.0%	25.0%	If score = '1', Green Evaluation Score = '1'
2. Greenness	1 – 5	50.0%	25.0%	
B. Governance		100.0%	50.0%	
1. Process for Project Evaluation and Selection	1 – 5	30.0%	15.0%	If score = '1', Green Evaluation Score = '1'
2. Management of Proceeds	1 – 5	40.0%	20.0%	If score = '1', Green Evaluation Score = '1'
3. Reporting	1 – 5	30.0%	15.0%	If score = '1', Green Evaluation Score = '1'

The scorecard above would produce an impact score, a governance score, and an overall green evaluation score.

The green evaluation score is subject to the following caps:

- **Impact Score Cap:** In view of the significance of an instrument's environmental impact to our overall assessment, its green evaluation score is capped by its impact score. For instance, if an instrument is assigned an impact score of '3.0' and a governance score of '4.0', its green evaluation score would be capped at '3.0'.
- **Weakest-link Cap:** An instrument's green evaluation score would be capped at '1' if it is assigned a score of '1' in any one of the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting sub-factors. These four sub-factors are the core components of the GBP and a score of '1' would be considered the weakest link in our assessment.

The final step in our evaluation process is to map the debt instrument's green evaluation score (rounded to one decimal place) to a green evaluation category, according to Exhibit 4.

Exhibit 4: Green Evaluation Scale

Green Evaluation Category	Green Evaluation Score	Description
Very Strong	≥ 4.5	The instrument has a very strong ability to deliver environmental benefits via its (re)financing of specific assets.
Strong	3.5 – 4.5	The instrument has a strong ability to deliver environmental benefits via its (re)financing of specific assets.
Moderate	2.5 – 3.5	The instrument has a moderate ability to deliver environmental benefits via its (re)financing of specific assets.
Weak	1.5 – 2.5	The instrument has a weak ability to deliver environmental benefits via its (re)financing of specific assets.
Very Weak	< 1.5	The instrument has a very weak ability to deliver environmental benefits via its (re)financing of specific assets. An instrument would be considered "Very Weak" if it is assigned a score of '1' on any of the use of proceeds, process for project evaluation and selection, management of proceeds, or reporting sub-factors.

Impact Score

The impact factor in our framework addresses two questions that are pertinent to our overall evaluation of a green debt instrument:

- How much of the funding raised by the instrument will go towards green projects? To answer this question, we must first have some clarity on how green projects are defined. As of now, there are no universally applied definitions and classifications of green projects or assets. The GBP provide guidance on broad categories of what may be considered eligible green projects, and are often supplemented by taxonomies published by industry and regulatory bodies. Allocation of funding issues are assessed under our *use of proceeds* sub-factor.
- How “green” are the green projects (re)financed by the instrument? Across green sectors and technologies, projects produce varying levels of environmental benefits. At their core, green projects attempt to either mitigate the effects of climate change or strengthen communities’ ability to adapt to climate change. Our evaluation seeks to provide a generic ranking of mitigation and adaptation strategies. Our analysis on individual instruments will be further informed by external environmental impact studies at the project level. The *greenness* sub-factor assesses these issues.

Use of Proceeds

In determining whether a particular project or asset is “green”, our intention is not to create a definitive taxonomy that explicitly includes or excludes certain sectors or technologies. We believe that role is best fulfilled by the climate science community in conjunction with the relevant regulators and industry bodies. Instead, we aim to provide users with a practical set of guidelines that are commonly imposed by regulators and followed by capital markets. In our view, regulations and market conventions will continue to guide the supply of and demand for green capital in the foreseeable future.

In our pre-issuance green evaluations, our focus is on an instrument’s expected allocation of proceeds to environmentally-beneficial projects. In post-issuance assessments, our emphasis shifts towards the actual use of funding, evaluated against the instrument’s original issuance documentation.

We employ three points of reference in our analysis of an instrument’s use of proceeds:

1. **The GBP.** The GBP explicitly recognize a list of eligible green projects, which includes the categories in Exhibit 5. As this list may be subject to change, we will refer to the latest version of the GBP as of the time of each green evaluation exercise and seek to update Exhibit 5 below at least on an annual basis. For the purposes of our evaluations, we consider all the categories that are explicitly recognized by the GBP to qualify in our eligible use of proceeds calculations.

Exhibit 5: Green Project Categories Explicitly Recognized by the GBP

Green Categories	Examples
Renewable Energy	Production, transmission, appliances and products
Energy Efficiency	New and refurbished buildings, energy storage, district heating, smart grids, appliances and products
Pollution Prevention and Control	Reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy
Environmentally Sustainable Management of Living Natural Resources and Land Use	Environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate-smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes
Terrestrial and Aquatic Biodiversity Conservation	Protection of coastal, marine and watershed environments
Clean Transportation	Electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions
Sustainable Water and Wastewater Management	Sustainable infrastructure or clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation
Climate Change Adaptation	Information support systems, such as climate observation and early warning systems

Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes

Development and introduction of environmentally sustainable products, with an eco-label or environmental certification, resource-efficient packaging and distribution

Green Buildings

Buildings that meet regional, national or international recognized standards or certifications

Source: Green Bond Principles, June 2018

2. Regulatory Standards. In some jurisdictions, the regulators that supervise the issuance of green instruments apply national green bond definitions and classifications that must be followed by the issuers. An example of national standards is China's Green Bond Endorsed Project Catalogue published by the country's Green Finance Committee and ultimately enforced by the People's Bank of China.

In our evaluation of use of proceeds, we regard all green projects that are acceptable under applicable regulatory standards to be eligible. As there may be circumstances where a particular project, sector or technology is considered to be green locally but not internationally, we adjust for such differences in our *greenness* sub-factor to enable a more consistent global ranking of instruments.

3. Other Widely Accepted International Standards. Where local regulations do not specify green project definitions and classifications or when it is unclear how a particular project, sector or technology fits into the GBP framework, we may reference other widely accepted international standards. Instruments that conform with these standards, especially when duly verified by a third party and certified by the standard-setting organization, provide us with additional comfort with regards to the nature of the assets being (re)financed. However, as a rating agency, we do not require instruments to be subject to a third-party review process in order for us to evaluate their green attributes.

An example of a widely accepted international standard is the Climate Bonds Standard (CBS) published by the Climate Bonds Initiative. The CBS is intended to be aligned with the GBP, but is more detailed in its approach to defining green assets and assessing conformance. The green project categories that are considered eligible under the CBS are listed in Exhibit 6. As this list may be subject to change, we will refer to the latest version of the CBS as of the time of each green evaluation exercise where applicable and seek to update Exhibit 6 below at least on an annual basis.

Exhibit 6: Green Project Categories Explicitly Recognized by the CBS

Green Categories	Sub-categories
Energy	Solar, wind, geothermal, hydropower, bioenergy, wave and tidal, energy distribution and management, dedicated transmission
Low-carbon Buildings	Residential, commercial, retrofit, products for building carbon efficiency
Industry and Energy-intensive Commercial	Manufacturing, energy-efficiency processes, energy-efficient products, retail and wholesale, data centers, process and fugitive emissions, energy-efficient appliances, combined heat and power
Waste and Pollution Control	Recycling facilities, recycled products and circular economy, waste to energy, methane management, geo-sequestration
Transport	Rail, vehicles, mass transit, bus rapid transport, water-borne transport, alternative fuel infrastructure
Information Technology and Communications	Power management, broadband, resource efficiency, teleconferencing
Nature-based Assets	Agricultural land, forests (managed and unmanaged), wetlands, degraded lands, other land uses (managed and unmanaged), fisheries and aquaculture, coastal infrastructure
Water	Flood defenses, water distribution infrastructure, water capture and storage infrastructure, water treatment plants, assets in energy and production industries

Source: Climate Bonds Standard, Version 2.1

As with other aspects of our green evaluation framework, we adopt a principle-based approach in assessing an instrument's use of proceeds, in light of the current lack of uniformity over green taxonomies. We are also cognizant of the fact that, as climate science advances, green definitions and classifications may change over time. We will seek to update our green evaluation criteria periodically to reflect the latest changes in market conventions and industry standards.

We would generally include the refinancing of projects in the eligible use of proceeds as long as we consider those projects to be green. However, we would typically exclude working capital and general corporate uses in our calculations, as the green

impacts of these types of allocations may not be specifically tagged to individual projects or assets, and their environmental impacts may be significantly lower or more difficult to quantify.

An instrument's use of proceeds is graded according to the scale in Exhibit 7.

Exhibit 7: Use of Proceeds – Scorecard

Score	% Allocation of Net Proceeds to Eligible Green Projects
5	≥ 95%
4	90 – 95%
3	80 – 90%
2	50 – 80%
1	< 50%

For example, if a debt instrument raises USD100mn of net proceeds of which 10% are used for working capital and general corporate purposes, and the remaining 90% are allocated to what we consider to be green projects, the instrument would be assigned a use of proceeds score of '4'.

Greenness

So far, our evaluation of green projects has been binary: we either consider them to be green or not, using the three reference points in the preceding section. Given the wide scope of projects that may fall under our green evaluations, we believe it would be useful to consider the relative ranking of a project's expected or actual environment benefits as well.

In our assessment of greenness, we consider an instrument's potential contribution to a low-carbon and climate-resilient society. Our analysis is mainly informed by our understanding of a particular project, sector or technology's green impacts, as described and quantified by the internal and external environmental impact studies performed as part of an instrument's issuance and/or periodic reporting process.

The dimensions we consider vary by project, sector and technology and may include: the amount of carbon emission reduction achieved relative to the status quo; the quantity of natural resources restored, protected or enhanced; the size of the population benefited; and other relevant environmental sustainability measures as applicable to each case.

In pre-issuance assessments, our analysis is necessarily confined to the expected environmental benefits as per the information available at the time. Post-issuance, our evaluation would place an increasing emphasis on the actual impacts produced, based on evidence supplied by the issuer and/or third-party reviewers. In either scenario, we attempt to understand the expected / actual environmental impacts of a particular project over its useful life, net of any negative sustainability effects that may arise from the project's implementation. For instance, we would compare the carbon footprint of a green building relative to that of a comparable conventional structure, net of the negative environmental impacts that may be produced during the construction process.

The greenness of each instrument we evaluate is scored according to the guidelines in Exhibit 8.

Exhibit 8: Greenness – Scorecard

Score	Expected / Actual Environmental Benefits	Descriptions
5	Very High	Projects with <i>very high</i> expected or actual environmental benefits fundamentally tackle climate change challenges at their source and play a critical role in a low-carbon and climate-resilient society. Typical examples include renewable energy and natural resource preservation.
4	High	Projects with <i>high</i> expected or actual environmental benefits significantly improve a society's carbon footprint or climate resilience and generally involve assets with extensive applications. Typical examples include green buildings, transportation, and water treatment.
3	Moderate	Projects with <i>moderate</i> expected or actual environmental benefits meaningfully improve a society's carbon footprint or climate resilience and generally involve assets with wide applications. Typical examples include recycling facilities and waste management.
2	Low	Projects with <i>low</i> expected or actual environmental benefits marginally improve a society's carbon footprint or climate resilience and generally involve assets with common applications. Typical examples include energy-efficient manufacturing processes and eco-friendly consumer appliances.
1	Very Low	Projects with <i>very low</i> expected or actual environmental benefits improve carbon footprint or climate resilience to an extent, but such benefits may be constrained by the assets' fundamentally carbon-intensive nature or limited applications. Typical examples include clean fossil fuels.

The list of examples above is not meant to be exhaustive and is intended as a first screening tool in our greenness evaluation. We would consider the information available to us on a case by case basis in assigning a greenness score. We may raise or lower an instrument’s greenness score by 1 point from the scores indicated in Exhibit 8, should we decide that the project or technology in question has unique attributes that would warrant such an adjustment. For instance, while low-carbon buildings would be assigned a greenness score of ‘4’ in many cases, structures that have an exceptionally large or small floor area may be assigned a score of ‘5’ or ‘3’, respectively, to reflect our expectation of the scale of carbon reductions that may be achieved.

The greenness score for instruments whose use of proceeds is for more than one project, sector or technology would be weighted by the percentage allocation towards each category.

In cases where local regulatory standards differ materially from international norms, the greenness factor serves to partially adjust for these differences. A project that is eligible for green status locally will typically count towards our use of proceeds score, but it may receive a low score in our greenness factor, making the overall impact score more comparable across jurisdictions.

Governance Score

One of the key distinctions between labeled green bonds and plain-vanilla bonds issued by green issuers is the issuance-level governance structure in place to assure investors that their funds will be channelled towards assets that meet their own environmental objectives. The governance factor of our evaluation framework addresses the adequacy of these instrument-level safeguards. Specifically, we examine an instrument’s process for project evaluation and selection, management of proceeds, and reporting, all of which are core components of the GBP.

Process for Project Evaluation and Selection

Under this sub-factor, we evaluate an instrument’s project evaluation and selection process in the context of the overall governance structure at the issuance level. This element is equally critical to an instrument’s green effectiveness pre- and post-issuance. The checklist of indicators we assess is shown in Exhibit 9.

Exhibit 9: Process for Project Evaluation and Selection – Checklist

Indicators	Yes	No
1. Environmental Objectives		
Does the issuer have a clearly articulated environmental objective statement specific to the green instrument evaluated AND Where feasible, are the objectives quantifiable to allow for post-issuance measurement?		
2. Internal Resources		
Does the issuer have sufficient internal resources, as demonstrated by cross-functional task forces or similar structures dedicated to the issuance, to ensure it is capable of evaluating and selecting projects consistent with its environmental objectives and any relevant external standards adopted?		
3. Policies and Procedures		
Does the issuer have robust policies and procedures in place to ensure the instrument’s process for project evaluation and selection is consistent with its environment objectives and any relevant external standards adopted?		
4. External Review Process		
Has the instrument been subject to a credible external review process with regards to its conformance with regulatory requirements or any other internationally recognized green bond standard?		

This sub-factor is scored according to the guidelines in Exhibit 10.

Exhibit 10: Process for Project Evaluation and Selection – Scorecard

Score	In Reference to the Checklist of Indicators
5 (Very Strong)	All four indicators have been satisfied
4 (Strong)	All but the external review process indicator have been satisfied
3 (Moderate)	One of the first three indicators has not been satisfied
2 (Weak)	Two of the first three indicators have not been satisfied
1 (Very Weak)	None of the first three indicators have been satisfied OR There is a major deficiency in any of the first three indicators

It is important to note that if we believe there is a major deficiency in any one of the environmental objectives, internal resources, and policies and procedures indicators, we would likely assign a score of '1' to the process for project evaluation and selection sub-factor. For example, if an issuer satisfies the first two indicators and we determine that its policies and procedures are not just insufficiently robust but completely lacking, the overall score on process for project evaluation and selection would be capped at '1'.

Management of Proceeds

Management of proceeds mainly concerns the segregation and tracking of proceeds, as well as the allocation of idle funds that have yet to be deployed to designated projects. The checklist of indicators we assess is shown in Exhibit 11.

Exhibit 11: Management of Proceeds – Checklist

Indicators	Yes	No
1. Segregation of Funds		
Are the instrument's proceeds internally ring-fenced to eliminate or minimize the risk of contamination by non-green uses? This may involve the creation and maintenance of a sub-account or a sub-portfolio.		
2. Tracking of Funds		
Is the issuer able to trace the allocation of proceeds to the individual project or asset level to avoid the commingling of funds across projects or assets? This may be relevant to the post-issuance measurement of project-level green performance.		
3. Investment of Unallocated Funds		
Are there clear policies and procedures in place to govern the use of unallocated proceeds so as to ensure that these funds are invested in cash and cash equivalents or assets that are of a low-carbon nature?		
4. External Audit Process		
Is there an external audit process in place to ensure that the management of proceeds is carried out in accordance with the instrument's original documentation?		

This sub-factor is scored according to the guidelines in Exhibit 12.

Exhibit 12: Management of Proceeds – Scorecard

Score	In Reference to the Checklist of Indicators
5 (Very Strong)	All four indicators have been satisfied
4 (Strong)	All but the external audit process indicator have been satisfied
3 (Moderate)	One of the first three indicators has not been satisfied
2 (Weak)	Two of the first three indicators have not been satisfied
1 (Very Weak)	None of the first three indicators have been satisfied OR there is a major deficiency in any of the first three indicators

Reporting

An instrument's reporting documents, which include its original issuance documentation, publicly disclosed green bond framework and subsequent environmental disclosures, are the principal medium through which its green characteristics are communicated to investors and other stakeholders. The quality, transparency and frequency of a green instrument's disclosures are, therefore, integral to its governance structure.

In our evaluations, we focus on the availability of project- or project category-level disclosures. In our view, such granularity would afford the market an opportunity to assess an instrument's green attributes more comprehensively. In particular, we evaluate the quality and transparency of an instrument's operational, use-of-proceeds, and impact studies disclosures, as well as their frequency. The checklist of indicators we assess is shown in Exhibit 13.

Exhibit 13: Reporting – Checklist

Indicators	Yes	No
1. Operational Disclosures		
Does the issuer disclose, at the project- or project-category level, operational details (e.g. location, percentage of project completion etc.) at least on an annual basis?		
2. Use-of-Proceeds Disclosures		
Does the issuer disclose, at the project- or project-category level, an instrument's expected (pre-issuance) or actual (post-issuance) allocation of proceeds at least on an annual basis?		
3. Impact Studies Disclosures		
Does the issuer disclose, at the project or project-category level, an instrument's expected (pre-issuance) or actual (post-issuance) environmental impacts at least on an annual basis? AND Are these impact studies based on credible scientific evidence?		
4. Frequency		
Does the issuer provide high-quality and transparent operational, use-of-proceeds and impact studies disclosures at least on a semi-annual basis? AND Are timely disclosures made or expected to be made in case of unexpected developments?		

This sub-factor is scored according to the guidelines in Exhibit 14.

Exhibit 14: Reporting – Scorecard

Score	In Reference to the Checklist of Indicators
5 (Very Strong)	All four indicators have been satisfied
4 (Strong)	All but the frequency indicator have been satisfied
3 (Moderate)	One of the first three indicators has not been satisfied
2 (Weak)	Two of the first three indicators have not been satisfied
1 (Very Weak)	None of the first three indicators have been satisfied OR there is a major deficiency in any of the first three indicators

Green Evaluation Score and Category: A Hypothetical Example

Scorecard		Evaluation Sub-factors		Green Evaluation Category	
Entity	ABC Green Financing Co Ltd	Use of Proceeds	90% solar energy generation, 10% general working capital	Very Strong	4.5
Sector	Infrastructure				
Country of Risk	Hong Kong, China				
Gross Proceeds	USD1 billion				
Issuance Date (mm/dd/yyyy)	2/1/2018				
Tenor	10 years	Greenness	We consider solar energy generation to have a "Very High" degree of greenness		
Primary Analyst	XXX				
Secondary Analyst	XXX				
Date of Evaluation (mm/dd/yyyy)	1/1/2018	Process for Project Evaluation and Selection	The instrument satisfies all relevant indicators, with the exception of external review(s)		
Reviewer(s)	N/A				
Verifier(s)	N/A	Management of Proceeds	The instrument satisfies all relevant indicators		
Green Bond Standard(s)	N/A				
External Green Score(s)	N/A	Reporting	The instrument satisfies all relevant indicators, with the exception of the frequency indicator		

Evaluation Framework

Impact										
Sub-factors	Description	Value	Score	Scoring Guide					Weight	Weighted Score
				1	2	3	4	5		
1. Use of Proceeds	Eligible green projects as a % of net proceeds	90.0%	4 / 5	< 50%	50 - 79%	80 - 89%	90 - 94%	≥ 95%	50%	2.00
2. Greenness	Greenness of eligible projects	Very High	5 / 5	Very Low	Low	Moderate	High	Very High	50%	2.50
Impact Score									100%	4.50

Governance										
Sub-factors	Description	Value	Score	Scoring Guide					Weight	Weighted Score
				1	2	3	4	5		
1. Process for Project Eval and Selection	Objectives, resources, policies and procedures	Strong	4 / 5	Very Weak	Weak	Moderate	Strong	Very Strong	30%	1.20
2. Management of Proceeds	Fund segregation and tracking and use of idle funds	Very Strong	5 / 5	Very Weak	Weak	Moderate	Strong	Very Strong	40%	2.00
3. Reporting	Quality, transparency and frequency of disclosures	Strong	4 / 5	Very Weak	Weak	Moderate	Strong	Very Strong	30%	1.20
Governance Score									100%	4.40

Green Score		
Very Strong	≥ 4.5	
Strong	3.5 - 4.5	
Moderate	2.5 - 3.5	
Weak	1.5 - 2.5	
Very Weak	< 1.5	
Impact Score	50%	4.50
Governance Score	50%	4.40
Weighted Score	100%	4.45
After Impact Score Cap		4.45
After Weakest Link Cap		4.45
Green Evaluation Score		4.5
Green Evaluation Category		Very Strong

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