

**Sustainability - Linked
Bond/Loan Second
Party Opinion:**

Methodology and Research Process

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ISS-Corporate Sustainability-Linked Bond/Loan Second Party Opinion

Sustainability-linked Bonds (SLB) and Sustainability-linked Loans (SLL) are finance instruments with financial and/or structural characteristics 'linked' to environmental, social, and/or governance (ESG) objectives. This 'link' usually comes in the form of a potential variation of the coupon (i.e., a step up or step down of the initial interest rate of the bond/loan), which results from the non-achievement or achievement of sustainability performance targets (SPT) defined by the issuer/borrower. The SLB and SLL Second Party Opinions (SPO) display and evaluate information related to the sustainability characteristics of a transaction undertaken by an issuer/borrower against the requirements set by international market standards. SLB/SLL SPO assess the alignment of a transaction with the Sustainability-Linked Bond Principles (SLBP) as administered by the International Capital Markets Association (ICMA), and/or the Sustainability-Linked Loan Principles (SLLP) as administered by the Loan Market Association (LMA), as the reference framework. The product is designed to check whether the stated characteristics of the financing instrument are aligned with international benchmarks for sustainability-linked transactions.

Outputs

The final output of SLB/SLL SPO consists of a research report detailing the items below in a descriptive manner, accompanied by signals (e.g., "aligned" / "not aligned" with the applicable reference framework) and data points (related to both the transaction and the issuer/borrower). An SPO thus provides a qualitative assessment of a transaction's stated sustainability characteristics.

The analysis results are aggregated in a summary and categorized in three different sections:

- An opinion on the overall alignment of the financing framework and its governance processes with the market principles.
- An opinion on the robustness of the selected Key Performance Indicators – KPI and the corresponding SPTs linked to the transaction.
- An overview of the consistency of the financing framework with the issuer's/borrower's sustainability strategy and its ESG profile.

Research Process

An SPO is a one-time assessment, and it is valid as long as the issuer's/borrower's financing framework does not change. SLB/SLL SPO may also be updated on an ad-hoc basis, upon client request. ISS-Corporate's SPO research process can be broken down as follows:

- Data collection: ISS-Corporate relies on the issuer's/borrower's written financing framework or, as an alternative, a questionnaire completed by the issuer/borrower. Corporate disclosures such as annual reports, sustainability reports, company websites,

investor presentations, and others are screened in order to collate qualitative and quantitative data to be used in the assessment.

- ESG research: ISS-Corporate proprietary methodologies are applied.
- Quality assurance: Draft analyses are systematically proofread and reviewed by experienced analysts.
- Company feedback: A comprehensive dialogue with the assessed issuers/borrowers is carried out throughout the SPO process, with the feedback utilized within the SPO.
- Final report: A final report with the qualitative analysis results is published.

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