Second-Party Opinion

REG Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the REG 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 2018. Sustainalytics considers that investment in the production of low-emissions biofuels will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

PROJECT EVALUATION / SELECTION REG has defined within its Framework the project which will be financed by the proceeds of the bond. Sustainalytics considers this disclosure to be in line with market expectations.

MANAGEMENT OF PROCEEDS REG's finance and executive teams will oversee the allocation of proceeds to the eligible project, which will occur primarily over the next two calendar years. Pending allocation, proceeds will be temporarily held in cash or equivalents, or used to repay past indebtedness. Sustainalytics considers this to be in line with market practice.

REPORTING Renewable Energy Group, Inc. intends to report on the allocation of proceeds on its website on an annual basis, in addition to providing quantitative impact metrics related to both fuel production and avoided emissions. Sustainalytics considers this to be in line with market practice.

Evaluation Date	April 23, 2021
Issuer Location	Ames, Iowa, USA

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Introduction

Renewable Energy Group, Inc. ("REG", or the "Company") is North America's largest producer of advanced biofuels. Headquartered in Ames, Iowa, REG employs more than 800 people and produced over 500 million gallons of biofuels in 2019 in the United States and Europe.

REG has developed the REG Green Bond Framework (the "Framework") under which it intends to issue green bond(s) and use the proceeds to finance and/or refinance, in whole or in part, the expansion of its Geismar facility which produces renewable diesel fuel.

REG engaged Sustainalytics to review the REG Green Bond Framework, dated April 2021, and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).[1] This Framework has been published in a separate document.[2]

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics independent[3] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework's alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of REG's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. REG representatives have confirmed (1) they understand it is the sole responsibility of REG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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

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

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability

[1] 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/.
[2] The REG Green Bond Framework is available on REG's website at: http://regi.com/green-bond.
[3] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

or completeness of any facts or statements and related surrounding circumstances that REG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the REG Green Bond Framework

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

- Use of Proceeds:
  - The eligible project defined in the Framework is aligned with the project categories recognized by the GBP, namely renewable energy.
  - The proceeds of REG's green bond will be dedicated to the expansion of its existing Geismar renewable diesel production facility in Louisiana. Specifically, the new initiative will expand its existing production capacity ("Train B"), using the same technology as the current "Train A". This development will allow the production of 250 million gallons per year (MMGY) of renewable diesel, in addition to the current capacity of 90 MMGY.
  - The output of the financed facility will be renewable diesel,[4] a low-carbon fuel which is primarily used in transportation applications. Renewable diesel is particularly valuable as it can be used as a direct substitute for conventional petroleum diesel without any modification to engine technology.
    - Renewable diesel may be produced from a variety of feedstocks. 100% of planned feedstocks will consist of waste products including animal residues (beef tallow, pork grease, and other animal fats), used cooking oil, and distiller's corn oil.[5] The Geismar facility is outfitted with a specialized pretreatment system allowing its use of low-quality or high-impurity feedstocks. Sustainalytics considers this intended use of waste products to help ensure the sustainability of feedstock sourcing.
    - The lifecycle emissions intensity of renewable diesel varies based on the feedstocks selected, as well as the technical specifications of its production and various other supply chain factors.[6] REG has disclosed that the renewable diesel they intend to produce at the financed facility is expected to have an average intensity of approximately 35gCO_2e/MJ.[7] This represents a 65% reduction from petroleum diesel (100.45 gCO_2e/MJ[8]). REG also notes that it intends to continue to use lower-carbon feedstocks going forward, and that across its biodiesel and renewable diesel operations its "best-in-class" fuel has an intensity of 12 gCO_2e/MJ (88% improvement against fossil fuel comparator).
- Project Evaluation and Selection:
  - The Framework states that the proceeds of REG's green bond will be used solely to finance the expansion of its Geismar facility. Sustainalytics considers this disclosure to remove the necessity of defining a process for evaluation and selection, and therefore to be aligned with market expectations.
- Management of Proceeds:
  - REG has charged its executive and finance teams with responsibility for tracking the allocation of green bond proceeds to the eligible project.

[4] 90% of the fuel produced by the plant will be renewable diesel. The remaining share consists of approximately equally parts Naphtha and Liquid Petroleum Gas. These coproducts have similar carbon intensities to the primary renewable diesel product.
[5] Distiller's corn oil is a waste by-product from the distillation of ethanol (or other alcohols).
[6] According the pathways modeled by the California Low Carbon Fuel Standard (LCFS), approved feedstocks may have emissions intensities ranging from 16.89 to 78.6 gCO_2e/MJ. See: https://ww2.arb.ca.gov/resources/documents/lcfs-pathway-certified-carbon-intensities
[7] 35 gCO_2e/MJ is equivalent to 126 gCO_2e/kWh. Sustainalytics notes that 100 gCO_2e/MJ is generally considered a threshold within the green bond market for considering an energy source to be green. Nevertheless, in the context of this project, it is recognized that these biofuels result in substantial saving against the fossil fuel baseline, and that the deviation from the best practice threshold is not substantial.
[8] This value is the approved figure per the LCFS

  - The Framework discloses that the proceeds will be deployed within the 2021, 2022 and 2023 calendar years, as the construction of the Geismar facility occurs; the Company intends this facility to be operational by late 2023. Pending allocation proceeds will be held in cash or liquid instruments, or used to repay past indebtedness.
  - Based on the disclosure of responsible parties, as well as the commitment to an allocation timeline, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - REG intends to provide annual updates, made available on its website, on the allocation of proceeds to eligible projects, including information on discrete expenditures.
  - In regards to impact reporting, the Framework states that reporting will include GHG emissions avoided and total renewable diesel production. In addition, REG intends to continue to develop and provide other sustainability impact metrics at the company level in its Environmental, Social and Governance report, available on its website.
  - Based on the commitment to annual allocation and impact reporting, including the intent to report on the amount of low-carbon fuel produced and avoided emissions, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

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

Section 2: Sustainability Performance of REG

Contribution of framework to Renewable Energy Group, Inc.'s sustainability strategy

Sustainalytics is of the opinion that investments planned under this Framework are a core component of REG's strategy to expand manufacturing capacity of renewable diesel, and that this strategy will in turn deliver environmental benefits through expanding the use of low-carbon fuels. The Company considers renewable diesel as its largest growth generator and expects a significant uptick in demand in the medium term. The Geismar facility is the only facility where the Company currently manufactures renewable diesel and the intended expansion is a critical component of REG's plan to nearly triple renewable diesel manufacturing capacity from the current 90 MMGY to ~340 MMGY by 2025.[9]

REG considers sustainability to be central to its mission as it is engaged in the business of converting fats and oils into cleaner fuels such as biodiesel and renewable diesel with a significantly better emissions profile than fossil fuels. Sustainalytics considers that further investments in expanding manufacturing capacity could increase the supply of low-carbon fuel alternatives in the market while also increasing recycling options for waste generated in other sectors. In recognition of its contribution and significance to a transition to clean energy, Corporate Knights named REG to its Clean200 list of publicly traded firms that are developing solutions to have a positive impact on the planet.[10]

Accordingly, Sustainalytics is of the opinion that the REG Green Bond Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

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

While Sustainalytics recognizes that the net proceeds from the bond issued under the Framework will be directed towards a project recognized by the GBP to have positive environmental impact, Sustainalytics is aware that it could also be associated with negative environmental and social outcomes. Some key environmental and social risks associated with the project could include occupational health and safety concerns at the manufacturing facility, air and water pollution from its productions process, as well as any environmental or social impacts related to its feedstocks.

Sustainalytics is of the opinion that REG is able to manage and/or mitigate potential risks through implementation of the following:

[9] Framework
[10] Corporate Knights, The Carbon Clean200: Leading transition to a clean energy future, published February 2020 at: https://www.corporateknights.com/reports/2020-clean-200/2020s-carbon-clean200-top-200-leading-transition-clean-energy-future-15815808/

- Regarding health and safety, the Company has the following mitigation mechanisms in place:
    - In line with its VisionZero program aimed at achieving a performance of zero injuries, environmental or process incidents, each facility develops an Environmental, Health and Safety (EHS) matrix to track activities with EHS implications, monitor progress, evaluate performance and is periodically shared internally. This is supplemented by various internal policies including REG's EHS Policy that delineates responsibility to each employee and contractor to work safely, in accordance with policies, and stop work if there is a perceived safety concern.[11,12]
    - From beginning of 2014 through September 30,-2020, REG demonstrated a 63% reduction in safety incidents to a total incident rate of 0.92 per 200,000 work hours. This is an above average performance in the chemical manufacturing sector as per the average reported by the Bureau of Labor Statistics.[13]
    - The Company also has safety training programs for its employees customized to the requirements of their jobs, Safety Committees at each location to educate and make safety applicable to daily work, and SEE Signals which are spotlights installed at each facility that function as a safety reminder to all employees.[14]
- REG has submitted an air quality permit application to the Louisiana Department of Environmental Quality (LDEQ) and anticipates the permit for the facility with additional capacity to show as "minor" for federal air rules. Further, REG also intends on filing a permit with Louisiana Pollutant Discharge Elimination System (LPDES) that will permit discharge from the facility.
- REG complies with the "food THEN fuel" philosophy for sourcing raw materials for production. The majority of the feedstock used are wastes, which include animal fats, vegetable oils, and used cooking oil which are by-products of processes such as meat production, human consumption, or cooking.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that REG has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

Increasing the share of biofuels to accelerate the transition to clean energy in transportation.

The transportation sector is one of the largest contributors to anthropogenic greenhouse gas (GHG) emissions in the United States[15]. In 2018, it was the highest GHG contributor accounting for 28% of total US GHG emissions, with the CO_2 emissions from this sector resulting primarily from burning fossil fuels for cars, trucks, commercial aircraft, and railroads, of which light-duty vehicles were the most significant accounting for 59% of GHG emissions. Moreover between 1990 and 2018, GHG emissions in the transportation sector increased more in absolute terms than any other sector[16].

US federal and state governments have enacted policies in an effort to reduce GHG emissions and expand the nation's renewable fuels sector while reducing reliance on imported oil.[17] This has been done most prominently through the Renewable Fuel Standard (RFS) and the California Low-Carbon Fuel Standard.[18] Under the RFS, biodiesel and renewable diesel must meet a 50% lifecycle GHG emissions reduction as compared to a 2005 petroleum baseline[19]. It is also noted that the International Energy Agency has estimated that annual

[11] REG, Social Responsibility at: https://www.regi.com/about/our-sustainability/social-responsibility
[12] REG, EHS Policy at: https://www.regi.com/docs/default-source/uspublicdocuments/reg_ehs_policy.pdf?sfvrsn=fe0b1612_2
[13] REG, ESG Report 2019 at: https://www.regi.com/docs/default-source/default-document-library/reg_esg_report_2019.pdf
[14] REG, Social Responsibility at: https://www.regi.com/about/our-sustainability/social-responsibility
[15] EPA, Fast Facts on Transportation Greenhouse Gas Emissions (2020), at https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions
[16] EPA, Fast Facts US Transportation Sector Greenhouse Gas Emissions 1990-2018 (2020), at https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockey=P100ZK4P.pdf
[17] EPA, Carbon Pollution from Transportation (2020), at https://www.epa.gov/transportation-air-pollution-and-climate-change/carbon-pollution-transportation
[18] Sustainalytics notes that while other state-level regulatory schemes are currently operational or in development, at this time the LCFS remains the most important standard-setter in this sector.
[19] EPA, Overview for Renewable Fuel Standard (2020), at https://www.epa.gov/renewable-fuel-standard-program/overview-renewable-fuel-standard

biofuel production in the US needs to increase by 7% by 2030 to be on track with the Sustainable Development Scenario (SDS)[20].

Renewable diesel is a transportation fuel that is chemically the same as petroleum diesel and may be used in its pure form (R100) or mixed with petroleum diesel[21]. Renewable diesel is distinct from biodiesel, having different physical properties and fuel specifications, which enables it to be used as a direct substitute for petroleum diesel (a "drop-in" fuel) and is produced through a very different process. While biodiesel is produced via transesterification,[22] renewable diesel uses processes such as hydrotreating/isomerization, gasification, pyrolysis, and other thermochemical and biochemical means. Renewable diesel qualifies as an advanced biofuel under the RFS.[23] Sustainalytics notes positively that the average REG biofuel achieves a 65% CO_2 reduction vs petroleum diesel[24]. REG will use the proceeds to fund the construction of a new plant focused on the production of renewable diesel at Geismar, Louisiana. This plant will add 250 MMGY to the existing plant's 90 MMGY of operating capacity. Sustainalytics is of the opinion that this project is therefore impactful and could support the transition to clean energy in transportation in the US.

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 and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy 9.Industry, innovation and infrastructure	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

REG has developed the REG Green Bond Framework under which it will issue green bonds and the use of proceeds to finance its expansion of the Geismar renewable diesel production facility. Sustainalytics considers that the project funded by the green bond proceeds will provide positive environmental impact through its production of low-carbon fuels.

The REG Green Bond Framework outlines 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. Furthermore, Sustainalytics believes that the REG Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics is of the opinion that REG has adequate 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 Renewable Energy Group, Inc. is well-positioned to issue green bonds and that the REG Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

[20] IEA, Transport Biofuels (2020), at https://www.iea.org/reports/transport-biofuels
[21] EIA, Biofuels explained, biomass-based diesel fuels (2020), at https://www.eia.gov/energyexplained/biofuels/biodiesel-in-depth.php
[22] Transesterification is a chemical process that converts fats and oils into fatty acid methyl esters (FAME)
[23] EIA, Biofuels explained, biomass-based diesel fuels (2020), at https://www.eia.gov/energyexplained/biofuels/biodiesel-in-depth.php
[24] REG, ESG Report 2019 at: https://www.regi.com/docs/default-source/default-document-library/reg_esg_report_2019.pdf

Appendices

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

Section 1. Basic Information

Issuer name:	Renewable Energy Group, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	REG Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 23, 2020
Publication date of review publication:	

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 GBP:

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that investment in the production of low-emissions biofuels will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

REG has defined within its Framework the project which will be financed by the proceeds of the bond. Sustainalytics considers this disclosure to be in line with market expectations.

Evaluation and selection

☒	Credentials on the issuer's environmental sustainability objectives	☒	Documented process to determine that projects fit within defined categories
☒	Defined and transparent criteria for projects eligible for Green Bond proceeds	☒	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)*:

REG's finance and executive teams will oversee the allocation of proceeds to the eligible project, which will occur primarily over the next three calendar years. Pending allocation, proceeds will be temporarily held in cash or equivalents, or used to repay past indebtedness. Sustainalytics considers this to be 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):

Renewable Energy Group, Inc. intends to report on the allocation of proceeds on its website on an annual basis, in addition to providing quantitative impact metrics related to both fuel production and avoided emissions. Sustainalytics considers this to be line with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

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

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☐ Energy Savings
☐ Decrease in water use
☒ Other ESG indicators (please specify): Renewable Diesel Production

Frequency

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

Means of Disclosure

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

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

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

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider