

ESG Score Methodology

Scope

This report describes the framework Sustainable Fitch applies to assign and monitor ESG Scores on a global scale. We assign ESG Scores to individual entities and, when issued, to their green, social, sustainable (GSS) and sustainability-linked debt instruments (bonds and loans), collectively referred to as “GSSS or labelled instruments”. The ESG Scores that we assign are:

- ESG Entity Score (ESG ES; to individual entities)
- ESG Framework Score (ESG FS; to labelled instruments)

The focus of the ESG ES is purely on the extent to which an entity’s business activities make a positive or negative contribution towards environmental or social goals, as well as the effectiveness of governance. The ESG FS evaluates the use of proceeds (UoP) from labelled debt instruments, or the key performance indicators (KPIs) and sustainability performance targets (SPTs), and the extent to which they further environmental or social objectives. We also consider project evaluation and selection, as well as monitoring and reporting.

Our ESG Score methodology indicates both the ESG alignment of an entity’s core business activities and instrument frameworks with internationally accepted principles, guidelines and definitions and the impact of its business activities on the environment and on society. When assessing environmental alignment and impact, we refer to the science-based taxonomies such as the EU taxonomy and, for social issues, the social aspects of the UN Sustainable Development Goals (SDGs). ESG Scores are independent of any impact that an ESG approach taken by an entity or debt framework could have on its credit profile.

Key ESG Score Drivers

Key ESG ES Drivers (0–100)

Business activities	Determines whether an entity’s main revenue generating business lines contribute positively to environmental and social goals. Each business activity is benchmarked against internationally recognised environmental taxonomies and internationally recognised documents setting out social goals.
Governance profile	The extent to which an entity’s governance profile furthers environmental and social goals and adheres to sound governance practices.

Key ESG FS Drivers (0–100)

(UoP) / KPIs and SPTs	Analysis of how the funds obtained from GSSS instruments will be allocated or the quality of the Sustainability-Linked instrument KPIs and targets the entity has established.
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Other ESG FS Drivers

Other information on UoP	Evaluation of whether the UoP from debt issuance and loans contribute to environmental and social goals. The analysis may include the pipeline of new projects, restrictions on projects and the transition pathway to achieve goals.
Project evaluation and selection	Evaluation of an entity’s process for selecting projects; beginning with the establishment of eligibility criteria and extending to the governance of the selection process, including an assessment of whether oversight from a sustainable finance team (or similar group) and internal controls are in place.
Management of proceeds	Effectiveness of the tracking and monitoring of proceeds’ allocation.
Reporting and transparency	Availability and breadth of UoP or KPI information, reporting integrity and timeliness.

Source: Sustainable Fitch

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Sustainable Fitch – ESG Scores

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This methodology updates the one published on 03 June 2022. Sustainable Fitch’s methodological approach for ESG Scores has not changed. In this update we have clarified the approach to the tax management section in governance to state the source of information.

Methodology Overview

Components of ESG Entity Scores and ESG Framework Scores



Source: Sustainable Fitch

Scoring Scale and Data

Similar to Sustainable Fitch's ESG Ratings, ESG Scores are expressed through a granular scoring scale from zero to 100, where 100 represents full alignment with ESG best practices and positive environmental and social impact. The individual scores provide a transparent, and quantitative analysis of each ESG factor influencing the entity or its labelled debt instruments.

The main sources of data used to assign ESG Scores are publicly disclosed information (from the entity or an authoritative third-party source). These mainly include the entity's annual report, its non-financial information, the entity and instrument frameworks, and the published allocation and impact reports. ESG analysts may review information published by credible media sources. They may also use non-public information private sourced and must be treated as confidential.

For more information on the scoring scale and definitions please see Appendix 1, for Disclosure, Data and Datasets please see Appendix 2 and for a comparison between ESG Scores and ESG Rating, please refer to Appendix 3.

Reference Taxonomies

Environmental and social factors are key to analysing green and social debt instruments, respectively and both factors drive our sustainability debt instrument analysis. Our environmental evaluation of the business activities and use of proceeds is inspired by science-based taxonomy classifications of environmentally sustainable economic activities, mainly the EU taxonomy. For social alignment, we take inspiration from the social aspects of the SDGs.

We refer to the EU taxonomy for its science-based technical screening criteria and do no significant harm (DNSH) criteria). As it only covers a limited number of activities, we will also refer to other science-based taxonomies of choice. For example, the Climate Bond Initiative's taxonomy. We may add other widely recognised and science-based taxonomies in the future. We will build on our experience and knowledge to identify major themes and drivers relevant to the analysis for activities not currently covered by any taxonomy of reference with a focus on impact.

Peer Comparison

Each ESG ES and ESG FS is published alongside peer comparisons. This information is helpful for market participants wishing to assess the relative positioning of the entity and its labelled instruments. Peer averages are calculated using an average of all ESG Scores that we assign to all entities performing similar business activities and their labelled instruments. Peer averages are point-in-time calculations and may vary as new entities and debt are scored and rated.

Methodology for ESG Entity Score

The ESG ES is calculated as a weighted aggregate of the entity's environmental (45%), social (30%) and governance (25%) Scores. Each ESG category is assigned a Score from zero to 100, where 100 represents full alignment with best practices and has a positive impact on the environment and on society.

Factors Analysed in ESG Entity Scores

Factor	Weight (%)	Scope of analysis
Environmental profile	45	Impact of an entity's business activities on environmental factors, assessed using definitions included in major science-based environmental taxonomies.
Social profile	30	Impact of an entity's business activities on society, assessed using best-practice guidelines, notably the social aspects of the UN SDGs.
Governance profile	25	Entity-wide governance profile across various aspects (e.g. financials and reporting, board composition, top management and control, remuneration, risk and tax management).

Source: Sustainable Fitch



Business Activities

An evaluation of the environmental and social aspects of an entity's business activities lies at the core of the ESG ES. Each activity is weighted - based either on its contribution to the entity's total revenues, cash flows or other specific metrics - in order to assess the relative importance of each business activity to an entity's total business mix. These metrics may vary by sector (e.g. revenue is normally preferred for non-financial corporates, while pre-impairment operating income is generally used for financial institutions). A Score from 1 to 5 (1 is best and 5 is worst) is assigned to each business activity from an environmental and social perspective.

The environmental and social factors of each business activity are assessed, scored and classified according to EU Nomenclature of Economic Activities (NACE) codes in order to ensure direct comparability of business activities across our universe of scored and rated entities. Governance aspects are assessed at the company level.

The review of environmental alignment is inspired by major science-based environmental taxonomies, while the evaluation of social aspects is largely based on our assessment of a business activity's support of the SDGs. Governance is assessed on an entity-wide level as it is applicable across the whole company. The scores are described below:

Score		Environmental	Social
1	Best	Activity fully aligned to major science-based taxonomies.	Activity directly contributing to social SDGs (assessed in terms of both activity and target population, e.g. vulnerable communities).
2		Activity subject to technical science-based thresholds which are marginally not met, or may cause minimal damage	Activity contributing to social SDGs (focusing on activity but not on a target population).
3		Neutral (with no direct positive or negative impact).	Neutral (with no direct positive or negative impact).
4		Activity subject to technical science-based thresholds which are significantly not met, or may cause high damage.	Activity with marginal or limited negative impact on social SDGs; or high negative impact but partially mitigated.
5	Worst	Activity not aligned with technical science-based thresholds.	Activity with negative impact on social SDGs; or significant or high negative impact and not mitigated.

"Negative"
activity
flag

Governance Profile

The Governance profile analysis includes:

Financials and Reporting: We assess whether the entity has been subject to any critical fines or investigations, or to significant external audit remarks related to fraud or the quality of financial reporting, during the past three years.

Top Management and Control: We review the board composition, independence and employee representation, including the diversity of its members. For example, we review whether the board includes diversity in the minority or majority of its members, and whether the minority or majority are independent, as well as employee representation. We also consider the split of functions between the CEO and chairperson.

Remuneration: We review the remuneration criteria and metrics. We also review pay gap ratios across employee levels (to the extent that such information is available), the CEO pay gap ratio, and the linkage of senior executive remuneration to environmental and social objectives. The information helps us assess whether an entity's remuneration policies are fair and how likely they are to drive positive environmental and social outcomes.

Risk Management: We assess the strength of the entity's risk management systems, including the management's ability to identify and mitigate risks. We consider risks related to cyber, legal, compliance and competition. This allows us to evaluate an entity's overall risk profile.

Tax Management: We assess the entity's behaviour in relation to its international tax strategy and transfer pricing policy. We search for any fines it may have received in the past three years related to tax management practices. To understand an entity's motivation behind the establishment of its headquarters or a subsidiary in a jurisdiction other than its natural market, we conduct research. In order to identify abusive tax practices, we use information from the [Tax Justice Network](#), an NGO which focuses on providing information on tax abuse across countries with a 20-year track record.

Limited Public Information Regarding Governance Practices

Where public information required to inform our views on governance is absent (such as financial statements, or risk-management and tax-related policies), this could have a detrimental impact on assigned governance Scores. In this scenario, analysts endeavour to use alternative data, assumptions and proxies to assess an entity's governance profile. A significant lack of information may in itself lead to low governance Scores and can have a negative impact on the overall ESG Score.



Methodology for ESG Framework Score

Where relevant, we assign an ESG FS to evaluate the ESG profile of an entity's labelled debt instrument framework and to assess UoP and reporting and monitoring practices relating to issued labelled debt instruments. These characteristics are assessed on a standalone basis (i.e. not considering any of the issuer's broader activities) regardless of any self-assigned labels. The analysis focuses on the UoP or the sustainability-linked targets and KPIs and SPTs associated with the labelled debt instrument. An important part of our analysis is determining the effectiveness of the framework being used to contribute to the advancement in environmental and social goals.

An ESG FS can be assigned without assigning an ESG ES.

Factors Considered for GSS Debt Instruments and their Frameworks

The table below shows the five key factors considered for the ESG FS, as well as their respective weightings and analytical scope.

Factor	Weight (%)	Scope of analysis
UoP	40	Degree and strength of the contribution of each UoP to further environmental and social improvement, with reference to generally accepted international standards and taxonomies.
Other data on UoP	10	Strength of the framework in relation to the UoPs.
Project evaluation and selection	15	Strength of the framework in relation to the evaluation and selection process of various projects financed.
Management of proceeds	15	Strength of the framework in relation to how the proceeds are managed.
Reporting and transparency	20	Strength of the framework in relation to the allocation and impact reporting.

Source: Sustainable Fitch

Use of Proceeds

The UoP of a particular instrument is the most significant part of our analysis to arrive at the ESG FS. The instrument's legal documentation, offering memorandum or framework are checked to determine if the debt instrument has predefined UoPs. The main documents used to determine the UoPs for labelled instruments include:

- bond prospectus and final terms (or equivalent for loans or other instruments);
- GSSS framework (if available);
- investor presentations;
- allocation report (if available); and
- impact report (if available)

Once each UoP is identified, it is indexed to the NACE classification, where relevant; and the percentage share of each UoP is calculated. If the percentage share is not available (for example, because the instrument was issued less than a year before the analysis date) or no guidelines on allocation are available, then Sustainable Fitch may assume that the UoPs are equally apportioned to the portfolio of eligible projects.

We do not categorise debt instruments as GSS based on the label chosen by the entity; instead we select the most appropriate categorisation and form a view based on the main areas covered by the UoP, and assess the instrument on that basis. For example, if the entity labelled the bond as a sustainability bond, but there are no social aspects to be assessed in the bond UoPs, we will assess it as a green bond.



UoP is graded from 1 to 5 (1 is best and 5 is worst) from an environmental and/or social perspective. The analysis of environmental alignment and impact takes inspiration from major science-based taxonomies, while the evaluation of social aspects is largely based on contributions to the social part of the SDGs. (See Reference Taxonomies described in Page 2).

Score		Environmental	Social
1	Best	Activity is aligned to the EU taxonomy under any circumstance, i.e. no additional thresholds, meets screening criteria or meets DNSH criteria.	Activity directly contributing to the social SDGs (for both activity and target population, e.g. vulnerable communities).
2		Activity subject to threshold, screening criteria marginally not met, and/or minimal damage albeit mitigated.	Activity contributing to the social SDGs (focusing on activity but not on a target population).
3		Neutral.	Neutral to the social SDGs (with no direct positive or negative impact).
"Negative" activity flag	4	Activity subject to threshold, screening criteria significantly not met, and may cause potential high damage.	Activity with marginal or limited negative impact on the social SDGs; or activity with high negative impact on social SDGs that is partially mitigated.
	5	Worst	Always negative impact with potential for high damage
			Activity with significant or high negative impact on social SDGs that is unmitigated.

Other Information on UoP

In this section, we analyse five key areas:

Financing Versus Refinancing: An understanding of the debt instrument's contribution to achieving sustainability goals is key in this section of our analysis. We calculate the split of funding allocated to new and existing projects. This is important as the higher the share of new projects funded, the better the expected impact from the instrument's proceeds, in terms of additionality to environmental and social objectives.

Look-Back Period: We assess the age of the projects and activities financed by the labelled debt instrument. This allows us to evaluate the incremental future impact of the debt instrument. We consider proceeds used entirely for new projects to have a better ESG impact, and that a reasonable look-back period for projects is no more than three years.

Transition Pathway: We review the associated transition pathway for labelled instruments with transition-related UoPs, which covers the targets for projects and investments that are helping the issuers successfully transition to a low-carbon environment.

UoP Definition: We review UoP definitions, and whether there are any restrictions or covenants that will ensure enforceability in case of potential breaches from a sustainability point of view.

Controversial Projects: Based on the UoP selected, we check if there are explicit bans on controversial projects, either from an environmental or social perspective, to ensure that funds are not allocated to projects with a potentially harmful ESG impact.



Project Evaluation and Selection

In this section we analyse four key areas:

Predefined Selection Process: We identify whether a pre-defined and clear process is in place to identify and select eligible projects and activities that the debt instrument proceeds would be allocated to.

Internal Checks and Balances Among Relevant Teams: We evaluate whether there are multiple teams or an ad-hoc multi-skills committee involved in the UoP decision-making process, or whether decisions are taken by a single department or team. We believe decisions taken by committees made up of representatives from a range of business units can help to avoid the risk of greenwashing and social washing.

Internal Control Structure: We evaluate and review an entity's project selection process to understand whether there is a division of duties between the group of people who propose eligible projects and those making the decision to approve or reject them. This reinforces internal debate on project eligibility so that proceeds are assigned to in a manner that promotes positive environmental and/or social contribution.

Sustainability Team Involvement: We review whether a sustainable finance team (or a group with similar skills or attributes) are represented in the project selection process as their presence should help to ascertain that the selection criteria are correctly applied.

Management of Proceeds

The process for tracking and monitoring of the debt instrument proceeds focuses on four key topics:

Proceeds Tracking Method: We assess whether the issuer is using a suitable tracking method to guarantee appropriate usage of proceeds raised by the instrument. Setting up an SPV to segregate the proceeds or using a dedicated bank account can help ensure that the proceeds are used for specific eligible assets and that commingling of funds with those for non-eligible projects can be avoided.

Unallocated Proceeds: We assess how the entity plans to use, or is using, the unallocated proceeds, and whether funds are applied to environmental or social projects or are invested in the same manner as the entity's other treasury investments.

Allocation Monitoring: We assess if, and how, the issuer is performing eligibility monitoring on the allocated UoPs. If an allocated project loses its eligibility status, there should be a procedure in place to remove such a project from the allocation.

External Verification of Tracking: We assess if, and how, the tracking method and allocation is verified by an external entity. This could be through a financial auditor or other specialised companies. We expect proceeds to be used as stated by the entity in its framework.

Reporting and Transparency

We review the company's allocation and impact reporting with a specific focus on:

Allocation Reporting: This is a key transparency metric to allow us to understand the effective allocation breakdown and allocated projects, the frequency and duration of reporting, and informative details (e.g. the split of capex to opex). We review whether the commitment in the allocation reporting is a mandatory obligation or is a less binding, intention-based commitment included in the debt instrument framework.

Qualified Verification: We assess the frequency and type of verification provided. We view it as positive when asset allocations are independently verified and reviewed by a qualified, independent body or individual, ideally on an annual basis.

Impact Reporting: The environmental and social impact from labelled bonds or loans are important to our analysis. We assess the impact report, as well as its frequency, quality, relevance and data details. We view it as positive when the issuer has used a recognised



standard for impact reporting. The report can include data provided at asset or project level, aggregated by a group of similar projects or at portfolio level. The more detailed the disclosure and the transparency provided is, the better for the market.

Reporting on Transition: Should the debt instrument have transition-related UoPs with dedicated transition pathways, we assess the reporting on those targets and their degree of achievement. An example would be the entity issuing a bond to reposition certain business activities that have Ratings of 4 or 5 under our methodology, with it identifying some targets for improvement.

Factors Considered for Sustainability-Linked Instruments

The five key factors we review when assessing the ESG FS for Sustainability-Linked debt instruments are:

Factor	Weight (%)	Scope of analysis
KPI selection	25	Strength of the KPI selection.
Performance targets	20	The quality and ambition of the performance targets.
Instrument features	25	Strength of the ESG-related instrument features in the framework.
Reporting	15	Strength of the reporting and disclosure.
Verification	15	Strength of the verification process.

Source: Sustainable Fitch

We also assess the soundness of the defined KPIs and associated targets. The indicators should be relevant, ambitious, credible and measurable. Performance should be tracked over a time period against a pre-defined benchmark.

KPI Selection

In this section we review the selection of KPIs focusing on three key topics:

Measurement: We assess the KPIs considered in the instruments, reviewing the relevance for the entity from an ESG perspective; the proportion of the entity covered (i.e. the whole entity or partial); and the metric's transparency. For example, if the KPI is related to an external ESG rating, then the transparency of this underlying metric, as well as its dynamics, should be disclosed.

Historical Disclosure: We assess whether the KPI has been determined and disclosed in previous years. This helps us understand the company's track record and ambition. We give more value to the KPI if it has been used over a number of years and if we are able to understand the company's track record and ambition.

Qualified Verification: We assess whether a qualified independent specialist or auditor was involved in the verification of the KPI at issue date and historically, enabling an understanding of the importance of the target.

Performance Targets

In this section, we assess certain parameters related to the performance targets:

Transition Pathway: Targets can be established using a scientific approach and, if they are not, we review the extent to which measurable and quantifiable targets are available, and assess the quality of the targets and whether they are aligned with the company's strategy.

Time of Target Observation: Observation dates for targets are important as their positioning could result in opportunistic behaviour and misleading readings. For example, testing too early in the life of the debt instrument may reduce the relevance of the targeted ambition. Similarly, testing too late during the life of the debt instrument may limit the impact of achieving or missing the target.

Peer Comparison: We assess the key ESG targets of each entity and address relevant comments about the target where necessary. In order to carry out our evaluations, we need to gain an understanding as to whether the identified target is absolute and based on company-only performance and how it compares with the performance of other parties.

Target Scope: We review the target and assess whether it is multidimensional, i.e. covering multiple ESG aspects, as this may magnify the target's impact.



Instrument Features

The two key factors evaluated are:

Impact of Instrument: We assess the impact of meeting (or not meeting) the target by considering different types of impact, including financial and structural impacts. For the financial impacts, we differentiate between investment grade and sub-investment grade. The bigger the impact on the company's funding costs or instrument structure, the bigger the incentive to meet the target, which increases the value of the KPI in our analysis.

Dynamic or Static Target: We analyse the potential future transformations that the entity could be subject to when defining the KPI or target (e.g. M&A, disposals, and other changes to the entity perimeter). Ideally, a company should identify ways to incorporate such a parameter change in the calculation of its KPIs and targets.

Reporting and Verification

Our review of reporting and verification for KPI-linked debt instruments is similar to that for GSS instruments:

Reporting: We assess the availability of publicly available reporting on KPIs and targets, reporting frequency and informative details.

Qualified Verification: We assess the frequency and type of verification provided and the publication of verification results. In particular, we assess the strength of the verification or technical analysis sought by the issuer. The verification is stronger if an external technical specialised body or individual conducts the verification. It can weigh negatively on the entity's ESG Score if verifications are performed by consultants with limited visibility of the overall picture of the issuer's ESG profile.



Appendix 1: ESG Scoring Scale

Scoring Scale

The ESG Scoring Scale is applicable to both ESG ES and ESG FS. The ESG FS relates to individual labelled instruments (bonds and loans) as this Score considers the UoP and related considerations applicable to a particular instrument within the strength of the overall framework. The ESG Scores that we assign are monitored, at least, annually. For ESG ES and ESG FS, we assign the following:

- A granular score (from zero to 100)
- An accompanying report, summarising our views and evaluation.

Mapping the Grade to a More Granular Score

Description	Band (range)	Mid-point
Fully ESG aligned	100–87.5	93.75
Mostly ESG aligned	87.5–62.5	75
Neutral	62.5–37.5	50
Mostly ESG unaligned	37.5–12.5	25
ESG unaligned	12.5–0.0	6.25

Note: In this context “aligned” means level of alignment with best practises and taxonomies of reference.
 Source: Sustainable Fitch

Sustainable Fitch ESG Score Definitions

Score	ESG Entity Scores Definition	Band (range)	Mid-Point
1	Indicates that the entity analysed evidences an excellent ESG profile and impact. Entity is excellent in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business.	100–87.5	93.75
2	Indicates that the entity analysed evidences a good ESG profile and impact. Entity is good in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business.	87.5–62.5	75
3	Indicates that the entity analysed evidences an average ESG profile and impact. Entity is average in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business.	62.5–37.5	50
4	Indicates that the entity analysed evidences a sub-average ESG profile and impact. Entity is sub-average in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business.	37.5–12.5	25
5	Indicates that the entity analysed evidences a poor ESG profile and impact. Entity is poor in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business.	12.5–0.0	6.25

Source: Sustainable Fitch

Score	ESG Framework Scores Definition	Band (range)	Mid-Point
1	Indicates that the debt instrument and its framework evidence an excellent ESG profile. Framework structure is excellent in terms of alignment with ambitious best practices, and proceeds are dedicated to excellent environmental and/or social activities or projects according to taxonomies of reference.	100–87.5	93.75
2	Indicates that the debt instrument and its framework evidence a good ESG profile. Framework structure is good in terms of alignment with ambitious best practices, and proceeds are dedicated to good environmental and/or social activities or projects according to taxonomies of reference.	87.5–62.5	75
3	Indicates that the debt instrument and its framework evidence an average ESG profile. Framework structure is average in terms of alignment with ambitious best practices, and proceeds are dedicated to average environmental and/or social activities or projects according to taxonomies of reference.	62.5–37.5	50
4	Indicates that the debt instrument and its framework evidence a sub-average ESG profile. Framework structure is sub-average in terms of alignment with ambitious best practices, and proceeds are dedicated to sub-average environmental and/or social activities or projects according to taxonomies of reference.	37.5–12.5	25
5	Indicates that the debt instrument and its framework evidence a poor ESG profile. Framework structure is poor in terms of alignment with ambitious best practices, and proceeds are dedicated to poor environmental and/or social activities or projects according to taxonomies of reference.	12.5–0.0	6.25

Source: Sustainable Fitch

Appendix 2: Disclosure, Data and Datasets

Individual datasets with grades and commentary will be available through various channels (e.g. CSV and feeds). Access to the score and sub-score database will allow market participants to perform direct comparisons among entities and instruments on a broader ESG perspective using one of the ESG Ratings or Scores offered, or on specific fields or sub-components.

Example of Entity Peer Comparison (in Oil and Gas Sector)

	Entity 1	Band score	Entity 2	Band score
Business activities	4	-18	5	-10
BA 1 Environmental Score	38	-	83	-
BA 2 Environmental Score	62	-	13	-
BA 1 Social Score	0	-	3	-
BA 2 Social Score	44		54	
Governance view		65		50

Source: Sustainable Fitch

Dataset Content

In addition to the ESG ES and ESG FS, users will be able to have full visibility on the sub-components for each Score and on many other sub-factors that are part of the overall analysis. In the next sections, we identify the most relevant data and grades that will be made available. Initially, we will focus on making numerical fields available, with will access to the qualitative data and commentary being available in a second stage.

Framework Analysis for GSS Instruments

- UoP Analysis (Grade, NACE, allocation share for each UoP, where appropriate)
- UoP/Other Info Analysis (Grade, targets, refinancing share, look-back period)
- Project Evaluation & Selection Analysis (Grade)
- Management of Proceeds (Grade, tracking method)
- Reporting & Transparency (Grade, verifier, frequency, capex/ opex mix)
- Transition Label (if applicable; Sustainable Fitch-defined)
- ICMA alignment (full external review form)
- Contribution to SDGs
- EU Green Bond Standards alignment (reference to Environmental Objectives, Technical Screening Criteria, DNSH and Social Safeguards for each UoP)
- Instrument relevance & Instrument/business activity integration

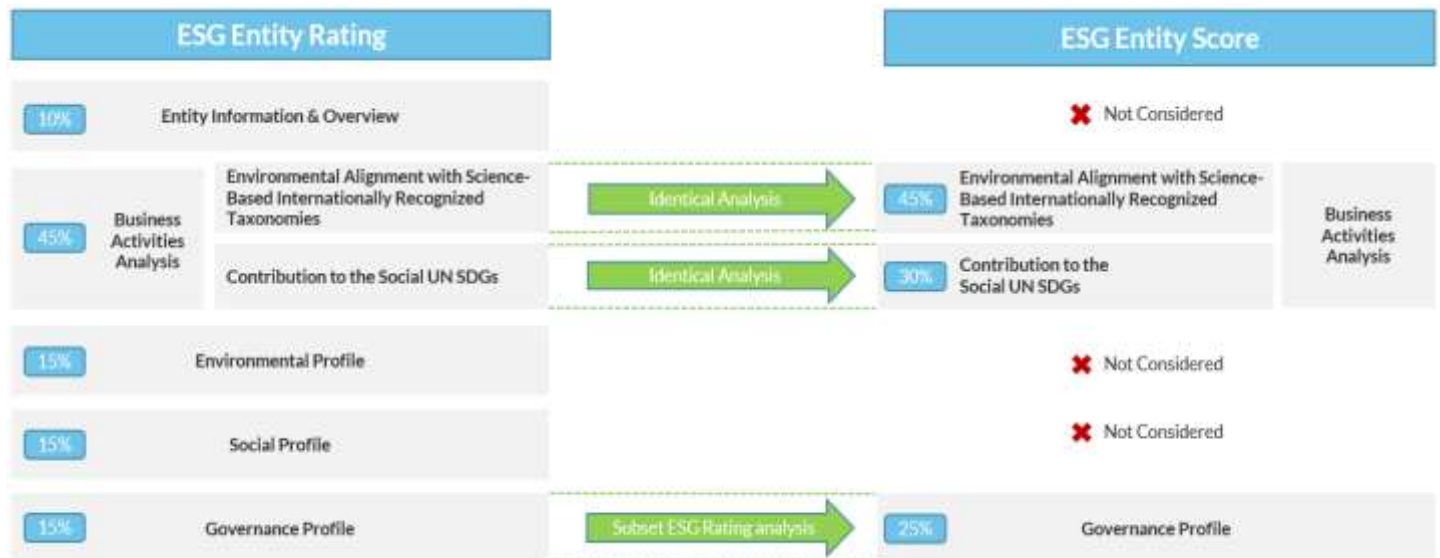
Framework Analysis for Sustainability-Linked Instruments

- Full details on KPI(s), Performance Target(s), Bond Features, Reporting Frequency and Verification
- Transition Label (if applicable)
- ICMA alignment (full external review form)
- SDGs alignment contribution
- Instrument relevance & Instrument/Business Activities integration

Entity

- Issuer's business activities (Environmental and Social Grade, NACE, impact on revenue or another relevant/available financial metric for each business activity)
- Governance (Grade)
- Contribution to SDGs
- Issuer's Environmental/Social Impact metrics (selected principle adverse indicators)
- Pure Player label (Sustainable Fitch-defined)

Appendix 3: Comparison Between ESG Ratings and ESG Scores



Source: Sustainable Fitch

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products provided by Sustainable Fitch include an ESG Entity Rating, ESG Framework Rating, ESG Instrument Rating, ESG Scores and ESG Second-Party Opinion, among other ESG analytical products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established certain policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: www.sustainablefitch.com.

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