


RESEARCH AND DATA OUTPUT

Overall summary of the ESG Entity, Instrument and Framework ratings giving their ESG Rating, associated score, together with the type of Framework assessment (if applicable)

Details the instruments credentials and alignment with relevant standards (ICMA, EU Green Bond Standard and Transition Bond), as appropriate

Displays the relevance of the instrument, in the context of the overall debt of the issuer

Helps to contextualise the use of proceeds of the bond with the overall business activities of the issuer


Corporates
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Fictional Entity GmbH

ESG Ratings

	ESG Rating*	Score	Analysis Type
Entity	2	72	Full entity
Instrument	2	85	Integrated debt
Framework	2	83	Green

* ESG Rating of 1-5, where 1 is the strongest. Date ESG Rating and Score assigned: 6 May 2021.
Note: For Framework, analysis types can be green, social, sustainability, sustainability-linked, conventional or other.

The Entity - Highlights

Fictional Entity GmbH develops and operates renewable and conventional energy assets across Europe.

Gross operating capacity was 25GW at the end of 2020, split between 74% solar, 23% wind and 3% fossil fuel. 30 projects are currently under development across multiple countries that will add 5GW of renewable capacity. There are no fossil fuel-based projects planned.


Fictional Entity GmbH is a market leader in solar power, its main segment, which benefits from price support mechanisms and good cash flow visibility in its countries of operation.


Risk management is well documented with updates provided in an annual Environmental Risk Disclosures report. Risk management includes core operations, regulatory compliance and financial risks such as purchasing of major project components, as well as ethics and internal controls.


Sustainability Accounting Standards Board framework is used in ESG reporting and a separate SASB Index is published. ESG reporting refers to Global Reporting Initiative (GRI) disclosures and a separate GRI Index is included but the reporting is currently not in accordance with GRI standards. Despite Fictional Entity GmbH business model is aligned with transitioning to a low-carbon economy, no specific targets are set or impacts are measured against UN Sustainable Development Goals (SDG).

Source: Sustainable Fitch, Fictional Entity GmbH Rating Report, December 2020

Credentials


Transition


ICMA


EU Green Bond Standard

See Appendix A for definitions of Transition and ICMA; other details.

The Transaction - Highlights

- Proceeds of the bond will finance investment for the acquisition, development, construction and renovation of projects (as described in the *Use of Proceeds* section below) aimed to transition to low carbon and climate resilient growth and a sustainable economy.
- These projects are part of the plan to build out 11GW-12GW of renewable energy capacity in house by 2025 and divest completely fossil fuel power stations by 2026.
- This bond is a hybrid capital (subordinated) bond.

Source: Sustainable Fitch, Fictional Entity GmbH Green Bonds Framework, June 2019

Key Debt Details

Instrument	Issue Date	Currency	Amount	Coupon	Maturity Date	Type*
Bond	23 Jul 19	EUR	0.65 billion	1.50%	21 August 2031	Green

* As defined by issuer. Note: Issued by Fictional Entity International. Guaranteed by Fictional Entity GmbH. ISIN: XXXXXXXXXXXX.

Instrument Relevance

(%)	Instrument(s)	Debt of the same type	Any ESG-related debt
Versus gross lease adj. debt	16.3	27.2	27.2
Versus capex	43.4	72.4	72.4
Versus CFO	64.0	106.7	106.7

* Excluding non-recourse debt. CFO = cash flow from operations.

Business Activity Overlap with Use of Proceeds

85%

Note: Share of the entity's total business activities that can use proceeds from the instrument above. Based on revenue.

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Introduction to the entity and the transaction, focussing on the key Environmental, Social and Governance factors of the issuer as well as the key features of the instrument

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Information and analysts view on the green and social qualities of the predefined Use of Proceeds, referring to the EU Taxonomy and UN SDGs for assessing the E and S factors of these instruments



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Framework Analysis

Use of Proceeds – Eligible Projects

ESG Rating: 1

Company Material	Fitch's View
Solar Generation and other renewable energy	
<ul style="list-style-type: none"> Investment activities related to development, construction and installation of solar arrays. Investments can be related to solar panels, frameworks, foundations, cables, transmission assets and any other element relating to the completion of a solar array. To ensure limited negative impacts on surroundings, environmental impact assessments are conducted by specialists before new arrays are constructed. Other renewable energy production types. 	<ul style="list-style-type: none"> 83% of the proceeds of this bond have been used for renewable energy projects that are as of the 2019 Bond Report either in operation or under construction. Specifically, 69% of the proceeds have been allocated to solar projects and 14% to hydroelectric projects. Clean energy is critical for reducing greenhouse gas (GHG) emission. We recognise the positive environmental contribution of renewables in our assessment of this UoP. More specifically, solar photovoltaic (solar PV) power generation is currently aligned with the EU taxonomy (Technical Screening Criteria, currently derogated). Regarding hydroelectric generation, we have no further information on eligibility of the specific plants where UoPs of this bond have been allocated.
Bioenergy	
<ul style="list-style-type: none"> Conversion of central power stations by replacing coal and gas with sustainable biomass. Biomass must be sustainable so that the incineration is CO₂ neutral and biodiversity is protected. 	<ul style="list-style-type: none"> Long-term need to replace carbon-intensive energy sources to reduce climate change and achieve UN targets. According to the Fictional Entity, the biomass projects will be selected via additional analysis/criteria aligned with the World Bank's Environment, Health and Safety Guidelines, and with particular focus on the main challenges such as: 1) sustainable sourcing (sustainable raw material and sourcing process, including transport and land use); 2) competition with food.

Source: Fictional Entity GmbH Green Bonds Framework, June 2019

Use of Proceeds – Other Information

ESG Rating: 2

Company Material	Fitch's View
<ul style="list-style-type: none"> To finance the acquisition, development and construction of new eligible projects. To renovate and upgrade existing eligible projects. Eligible projects may include projects finalised or taken into operation up to 12 months prior to approval for green bond financing by Fictional Entity's sustainability committee. Eligible projects mean a selected pool of projects, funded in whole or in part, by Fictional Entity that promote the transition to low-carbon and climate-resilient growth and a sustainable economy as determined by Fictional Entity. Fictional Entity will not finance fossil energy generation projects through green bonds. <p style="font-size: x-small; margin-top: 5px;">Source: Fictional Entity GmbH Green Bonds Framework, June 2019</p>	<ul style="list-style-type: none"> Fictional Entity says at least 70% of proceeds are intended for new investments with a lookback period of one year. Clear exclusion and identification of "non-financeable" assets. Clear definition of the rationale for asset selection, even though no targets are assigned to the specific assets. <p style="font-size: x-small; margin-top: 5px;">Source: Sustainable Fitch</p>

Evaluation and Selection

ESG Rating: 1

Company Material	Fitch's View
<ul style="list-style-type: none"> Eligible projects will be evaluated, selected and prioritised by Fictional Entity's sustainability and finance departments in addition to the operational departments pre-selection. Prioritised projects will be presented to the joint committee on a quarterly basis for final approval of allocation of green bond proceeds. Proceeds from the green bonds will be used exclusively for eligible projects and that are evaluated to deliver long-term positive net environmental effects. <p style="font-size: x-small; margin-top: 5px;">Source: Fictional Entity GmbH Green Bonds Framework, June 2019</p>	<ul style="list-style-type: none"> We view positively the fact that the project selection process is specific and pre-defined. Need for an impact analysis of each projects. Involvement of multiple departments showing how important sustainability is for the company. Explicit involvement of the sustainability department in assessing risk and impact for each project is considered as evidence of the sustainability quality. <p style="font-size: x-small; margin-top: 5px;">Source: Sustainable Fitch</p>

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Information and analysts view on the issuer's announced E, S and G targets that relate to the Use of Proceeds


Information and analysts view on the evaluation and selection, including; selection process, internal checks, balances and control structure

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Information and analysts view on the management of proceeds, including; proceeds tracking method, unallocated proceeds and allocation monitoring

Information and analysts view on the reporting and transparency, including; allocation reporting commitment, allocation reporting frequency and type, impact reporting commitment and reporting

Analysts view on how the issuance under scrutiny specifically contributes to the UN SDGs




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Framework Analysis

Management of Proceeds ESG Rating: 2	Report and Transparency ESG Rating: 4
<p>Company Material</p> <ul style="list-style-type: none"> Upon green bond issuance, an amount equal to the net proceeds will be credited to a separate account ("green account") that will support and document Fictional Entity's funding of eligible projects. As long as Fictional Entity has any green bonds outstanding and the green account has a positive balance, funds will, on a quarterly basis, be allocated from the green account to Fictional Entity's green project portfolio in respect of financing and/or refinancing eligible projects. Until all net green bond proceeds have been allocated to eligible projects, the balance of the green account will be included in Fictional Entity's traditional cash management. It will be managed in accordance with liquidity management policies and investment mandates. <p><small>Source: Fictional Entity GmbH Green Bonds Framework, June 2019</small></p>	<p>Fitch's View</p> <ul style="list-style-type: none"> Separation of proceeds managed via the separate and specific account. Eligible projects will be allocated on a quarterly basis until the "green account" has positive balance. Unallocated proceeds will be parked in liquidity reserves. No clarity on the cash management policy and its greenness. Projects quality will be monitored once allocated as they will need to remain eligible during their whole lifetime otherwise they will be removed. <p><small>Source: Sustainable Fitch</small></p>
<p>Company Material</p> <ul style="list-style-type: none"> Fictional Entity will provide an annual green bond investor document which will include a list of the eligible projects financed including a description of the projects, allocated amounts. Corresponding impacts can be disclosed where possible. Fictional Entity has the ambition to report on, for example, renewable energy capacity installed and negative environmental impacts avoided and/or reduced. The internal tracking method, the allocation of funds from the green bond proceeds as expressed in the investor letter, will be verified by an external auditor appointed by Fictional Entity with the relevant expertise and experience. <p><small>Source: Fictional Entity GmbH Green Bonds Framework, June 2019</small></p>	<p>Fitch's View</p> <ul style="list-style-type: none"> Fictional Entity is clearly committed to report on allocation of proceeds annually until full allocation and it has fulfilled its commitment so far. The company is transparent with reporting and reporting documents are easily available in company's website. There is a lack of information at the project level on allocation (only available at the portfolio level) and no details are available on the mix between capital expenditure and operating expenses. Allocation tracking is checked by external auditor verification. While Fictional Entity intends to report on impact, it has not engaged in a full commitment. <p><small>Source: Sustainable Fitch</small></p>

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Framework Analysis

Relevant UN Sustainable Development Goals – Instrument

- 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services.
- 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- 13.2: Integrate climate change measures into national policies, strategies and planning.
- 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



Source: Sustainable Fitch, United Nations

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Independent review by ESG analyst for alignment with EU Green Bond Standards, with clear reference to Environmental Objectives, Technical screening criteria, DNSH and Social Safeguards.

Sustainable Fitch ESG analysts also use Rep Risk, a global data science firm, founded in 1998 and headquartered in Switzerland, specialized in ESG due diligence and business conduct risk research solutions www.reprisk.com



Sector trajectory and company direction shows how entities in the sector are generally behaving (in the short and long term) and how the entity under scrutiny is performing compared to similar peers



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Framework Analysis

Alignment with EU Green Bond Standards

Framework	
- Strategy and rationale – aligned with EU taxonomy	Yes
- Issuer selection process	No
- Issuer evaluation process verified	No
- Project description	Yes
- Management of proceeds	Yes
- Reporting	Yes
Overall framework alignment	No

Allocation Reporting

- Statement on EU GBS	No
- Project breakdown (sector level)	Yes
- Geographic distribution	No
- External verification	Yes
- Frequency	Yes
Overall allocation reporting alignment	No

Impact Reporting

- Project descriptions	Yes
- Environmental objectives	Yes
- Breakdown by type and by financing /refinancing	No
- Impact metrics	Yes
- Frequency	Yes
Overall impact reporting alignment	No

Source: Sustainable Fitch


Green Projects

Use of Proceeds	Contribution to EU Environmental Objectives						Technical Screening Criteria	Do No Significant Harm	Minimum Safeguard
	EO1	EO2	EO3	EO4	EO5	EO6			
Solar generation and other renewable energy	Yes	n.a.	n.a.	n.a.	n.a.	n.a.	Yes, currently derogated. That said, Fictional Entity's solar generation has lifecycle emissions lower than the 100g CO2e/kWh.	Yes, Fictional Entity does not do any significant harm to other environmental objectives with the proceeds of this bond. While there have been some regarding water treatment, none have been confirmed.	Yes, due to alignment with UN Global Compact at entity level and evidence of no infringements.
Bioenergy	Yes						No, lack of available information / technical features to perform check.		

Source: Sustainable Fitch; n.a. = not applicable

EU Environmental Objectives: climate change mitigation (EO1); climate change adaptation (EO2); sustainable use and protection of water and marine resources (EO3); transition to a circular economy, waste prevention and recycling (EO4); pollution prevention and control (EO5); protection of healthy ecosystems (EO6)

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Entity Analysis

Broader Perspective on Sector

Sector Trajectory	Fitch's View
Short term	<ul style="list-style-type: none"> This sector is facing increasing urgency to decarbonise assets and generate more energy from renewable sources. In the short and medium term, this is likely to result in an increase in the financial footprint for investments in renewable energy companies. Therefore, a strategy with short-, medium- and long-term targets for full decarbonisation and net zero alignment is expected in this specific sector at a minimum. Companies in the renewables sector need to focus on the latest technology and manage the local natural environment when setting up plants and facilities. Biomass and biofuels can be used tactically in the short term subject to strict controls on production and treatment (water management, wood supply, sustainable harvesting) across the value chain.
Long term	<ul style="list-style-type: none"> Transitioning to the use of only the most renewable forms of energy is an integral part of meeting the Paris Climate Change Agreement goals, in particular to limit global temperature rise to 2 degrees above pre-industrialisation levels, aiming for 1.5 degrees over. This means an increasing use of solar, wind and hydro energy sources to generate cleaner energy. A focus on the indirect negative impact of this should be maintained, with scrutiny placed on the impact on areas such as biodiversity, water stress and community engagement as it is important that climate benefits are also matched by limited externalities. Companies in this sector should show increasing expenditure in new or innovative energy generation methods such as hydrogen and biofuels, as well as increased efficiency through improvements in energy generation, for example through increasing the size of wind turbines.

Source: Sustainable Fitch

Broader Perspective on Company

Company Direction	Fitch's View
Short term	<ul style="list-style-type: none"> Fictional Entity is continuing to move with conviction as a leader in sustainability within the energy sector, having nearly totally decarbonised its business activities and performed a structural pivot from previous operations. While there have been material and significant divestments, some fossil fuel-related assets are still owned by the company. The conversion process is not finished and needs to be monitored until completed (expected by 2026). In the short-term, the company should focus on transitioning its business model to fully renewable.
Long term	<ul style="list-style-type: none"> Fictional Entity has a comprehensive view of how it want to progress sustainability in the short and long term and has taken action over several years to meet goals. This encompasses strategic thinking on its key sustainability challenges, actions needed and governance structure, as well as demonstrating this through continued reporting and monitoring and targets and indicators (covering both environmental and social targets). Fictional Entity should continue to raise the bar with more innovative and efficient forms of sustainable energy generation, e.g. more efficient solar farms, investments in new technologies (hydrogen, carbon and capture) and progression with waste to energy technologies


Source: Sustainable Fitch

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Analysts view of the breakdown of the company's underlying business activities and provides their view on their Environmental alignment, inspired by the EU Taxonomy and the Social alignment, inspired by the UN SDGs

Analysts view on the key underlying dimensions of the **Environmental** profile, together with the sub-score for each dimension



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Entity Analysis

Business Activities

Company Material	Fitch's View		ESG Rating
	Environmental	Social	
Solar Power <ul style="list-style-type: none"> Develop and build large scale solar arrays. Operate and maintain solar arrays. Utilise our partnership model and crystallise value. It represents 81% of overall revenue.	<ul style="list-style-type: none"> Clear support to a transition to a net-zero emissions economy. Fictional Entity needs to ensure that it uses best practice standards and adequately performing technologies in the longer term. Solar PV technology is eligible for EU taxonomy alignment and exempt from GHG lifecycle assessment. 	We find generation of electricity to be neutral from a social perspective, regardless of the source of generation.	2
Wind Power <ul style="list-style-type: none"> Fictional Entity has started to develop, own, and operate onshore wind farms It represents 4% of overall revenue.	<ul style="list-style-type: none"> Moving towards phasing out fossil fuel businesses, Fictional Entity is aiming to increase the size of wind in the portfolio, in addition to solar where it is already focused. Surrounding ecosystem to be protected. Although exempt from GHG lifecycle assessment for the EU taxonomy, these wind farms have a very low stated GHG lifecycle profile. 	We find generation of electricity to be neutral from a social perspective, regardless of the source of generation. However, legal proceedings have commenced against the company by people affected by one of the windfarm projects. We will partially reflect this in our social alignment assessment.	2


Business Activities

Company Material	Fitch's View		ESG Rating
	Environmental	Social	
Oil and Gas <ul style="list-style-type: none"> Discontinued. Company refocused its objectives on green energy and in particular on offshore wind farms bioenergy, green distribution and power & heat generation. Oil and gas activity has been discontinued as no longer regarded part of long-term strategic business. It represents 15% of overall revenue.	<ul style="list-style-type: none"> Processing and using fossil fuel generates significant CO₂ emissions. As a consequence, it contributes to global warming and climate change. Although the process to disinvest has started, showing company commitment to the green agenda as well as delivery of the strategy, this business area currently is still part of Fictional Entity's activities. 	Not applicable	4

Source: Fictional Entity GmbH Sustainability Report, 2020

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Entity Analysis

Environmental View

Profile	Fitch's View	ESG Rating
Policies	<ul style="list-style-type: none"> Fictional Entity has policies that cover key environmental sustainability areas for the business, such as biodiversity, water management, resource management and stakeholder management as well as a code of conduct for business partners. It should maintain specificity and rigour across these, so that all they meet their intended purposes effectively. Fictional Entity embeds the UN SDG goals in its sustainability planning and commits to other goals such as net zero emissions by 2045. 	2
Disclosure	<ul style="list-style-type: none"> Disclosure from Fictional Entity on environmental issues is very detailed. The company discloses on natural resources use and reports on progress towards targets that have been set for some of them. We see reporting on water, waste, emissions as well as some other pollution metrics like NOx and SO₂. Moreover, we have a full picture for GHG emissions with data available for scope 1, 2 and 3. 	1
Evolution	<ul style="list-style-type: none"> Fictional Entity reduced emissions significantly over the past three years and is approaching its targets for 2022 and 2026. This has been helped by the change in strategy. The company is on track to achieve its self-assigned targets. A similar trend has been recorded for flaring as well as for natural resources and waste management (i.e. hazardous waste treatment). 	2
Targets and supply chain	<ul style="list-style-type: none"> Fictional Entity has a series of ESG targets spanning its various activities. These targets are measurable and set a clear short- and long-term roadmap. Suppliers are asked to comply with the sustainability requirements as it has implemented a range of environmental certification schemes. Independent third-party auditors monitor and certify that suppliers meet the requirements. 	2
Risks and incident treatment	<ul style="list-style-type: none"> Multiple environmental incidents occurred in 2020. Furthermore we only have partial visibility on risks and incidents as reporting of those started only recently. Fictional Entity recorded 85 cases of environmental disputes in 2020 (no indication of severity), while for the same year the company paid about EUR123 million in environmental fines (a 32% increase compared to the year before). 	5

Source: Sustainable Fitch, based on Fictional Entity GmbH Sustainability Report, 2020


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Analysts view on the key underlying dimensions of the **Social** profile, together with the sub-score for each dimension

Provides the analysts view on the key underlying dimensions of the **Governance** profile, together with the sub-score for each dimension



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Entity Analysis


Social View

Profile	Fitch's View	ESG Rating
Human rights	<ul style="list-style-type: none"> Fictional Entity is a signatory to the UN Global Compact, a strategic framework for incorporating 10 principles on human rights, labour rights, and anti-corruption as well incorporating the environment and the climate into companies' strategies and processes. No examples of infringements have been identified or reported. 	1
Labour rights	<ul style="list-style-type: none"> Working conditions are monitored through surveys. Employee satisfaction and loyalty rates are progressively improving, while turnover is reducing (e.g. stress indicator). There have been a limited number of incidents that have caused fatalities or permanent disability over the past three years among employees and contractors, highlighting an area where the company could improve. 	3
Diversity	<ul style="list-style-type: none"> Fictional Entity has a global diversity and inclusion policy. It reports on gender diversity at the company, middle management, upper management, executive committee and board level. However, targets and disclosure on diversity, other than gender, is very limited. There is gender predominance across different levels of seniority, even though the company is trying to rebalance with new hires. This lack of diversity is also reflected at the senior management level and in pay gap statistics. 	4
Community and customers	<ul style="list-style-type: none"> Customer satisfaction is a key factor and it is monitored across different channels and activities. Fictional Entity is actively involved in the communities where it operates as it is present through programmes ranging from "local engagement" to "responsible business partners" and "responsible tax management". Almost all have measurable targets and indicators. 	2
Targets and supply chain	<ul style="list-style-type: none"> Fictional Entity has a variety of social targets in place covering a range of SDGs and a time span from the short to the longer term. Those social targets apply across the whole group and are embedded in the company's strategy. As with the environmental targets, social objectives apply across the supply chain as well with possible terminations in case of non-compliance (there have been multiple examples). 	2
Risks and incident treatment	<ul style="list-style-type: none"> No critical external incidents involving the general public have been recorded in the previous three years. 	1

Source: Sustainable Fitch, based on Fictional Entity GmbH Sustainability Report, 2020

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Entity Analysis

Governance View

Profile	Fitch's View	ESG Rating
Financials and reporting	<ul style="list-style-type: none"> Fictional Entity publishes detailed financial information. Audited financial statements are prepared according to IFRS. No major issues have been raised in the past by auditors. 	1
Top management and control	<ul style="list-style-type: none"> The nominations and governance committee is in charge of evaluating and reviewing board's composition to ensure it features the right skills, diversity and knowledge. It is exclusively composed of independent non-executive directors which appointment is validated by shareholders during the annual general meeting. The executive committee is only partially diverse in terms of gender with only four women out of the 14 members. The board counts a majority of independent members (80%) and is adequately supervised by external committees. 	2
Remuneration	<ul style="list-style-type: none"> Remuneration of senior management and the general workforce is not readily disclosed on company website. The compensation advisory committee is composed of independent external directors and advised by the group president. Remuneration is included in annual reporting and discusses bonuses linked to performance but quantifiable details are not given. Reporting should include more details on salaries across the company and include ratios such as chief executive officer pay compared to median employee. 	4
Risk management	<ul style="list-style-type: none"> Robust policies and reporting are in place for competition, procurement and anti-corruption. Cyber, IT and legal risk are not set out in specific policies or reports but updates are included in annual reports. The company undertakes scenario analysis using the Task Force on Climate-Related Financial Disclosures framework and includes this in reporting. Risk management is included in project management planning from inception. 	2

Governance View

Profile	Fitch's View	ESG Rating
Tax management	<ul style="list-style-type: none"> Fictional Entity operates in several countries globally and jurisdictions, and uses transfer prices for intragroup transactions. The company specifies that those are aligned with OECD standards and local regulations. It does not use tax havens. 	2

Source: Sustainable Fitch, based on Fictional Entity GmbH Annual Report, 2020


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Analysts view on how the company contributes to the UN SDGs

List of definitions and typical nomenclature used in the report







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Entity Analysis

Relevant UN Sustainable Development Goals - Entity


- 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.
- 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- 7.3: By 2030, double the global rate of improvement in energy efficiency.
- 9.2: Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.
- 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.
- 13.2: Integrate climate change measures into national policies, strategies and planning.
- 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Source: Sustainable Fitch, United Nations

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Appendix A: Key Terms

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.

Term	Definition
Standards	
Transition	A term applied to green, social, sustainable or sustainability-linked instruments, only when the purpose of the debt instrument is to enable the issuer to achieve a climate change-related strategy according to Fitch criteria or methodology.
ICMA	International Capital Market Association. The "ICMA" credential on page 1 refers to alignment with ICMA's Green Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked (or KPI-linked) instruments.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".
Other terms	
ESG debt	Green, social, sustainability and sustainability-linked types of debt.
Short term	Within five years.
Long term	At least six years away.
Entity's business activity overlap with use of proceeds	The share of the entity's total business activities that can use proceeds from the debt instrument in question.
NACE	An industry standard classification system for economic activities in the EU, based on the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC).

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

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Description of the ESG Rating methodology and analytical process

Rating Scale for all the ESG Ratings at Entity, Instrument and Framework level explaining the meaning of the 1-to-5 scale

More granular scale can be obtained via the database.



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Appendix B: Methodology and ESG Rating Definitions

Fitch's ESG Ratings are designed to indicate an entity's Environmental, Social and Governance (ESG) performance and commitment, as well as its integration of ESG considerations into its business, strategy and management, with a focus on actions and outcomes rather than purely on policies and broader commitments.

There are three ratings: the ESG Entity Rating (ESG ER), ESG Instrument Rating (ESG IR) and, for debt instruments linked to ESG key performance indicators (KPIs) and/or use of proceeds, the ESG Framework Rating (ESG FR). ESG Ratings are on a scale from one to five, where one represents full alignment with ESG best practice. Behind each rating sit scores of zero to 100, as well as sub-scores for even greater granularity.

Sustainable Fitch's analysts assess all the business activities of an entity and more than 40 additional headline factors, covering all three ESG pillars. For debt instruments, they assess use of proceeds and more than 20 additional headline factors.

Fitch provides individual datasets with grades and commentary through a feed. The score and sub-score database allows direct comparison of entities and instruments, on a full ESG basis or on selected fields.

ESG ERs consider the issuer's strategy, how it relates to sustainability, and how sustainability is embedded in the issuer's business, including ESG policies, procedures and outcomes. The entity is broken down into constituent business units, with NACE codes, for a granular assessment of E and S factors. Fitch assesses G aspects at the company level.

ESG FRs consider any type of bond, with varying analysis if there is a defined use of proceeds, KPI-linked coupon or conventional bond. The rating aims to identify the strength of the bond framework on a standalone basis, separate to the entity, regardless of any self-assigned descriptions. Fitch analysts categorise bonds as Green, Social or Sustainability (GSS) types independently, based on their view of the main area covered by the use of proceeds, rather than automatically using the entity's categorisation. They will also determine if the bond should be classed as a transition bond and if it aligns with the EU Green Bond Standard and ICMA principles. Analysis considerations include the use of proceeds and sustainability-linked targets that form the primary purpose of the instrument, and the structure and effectiveness of the framework being used to further that purpose.

ESG IRs consider different types of debt instruments in the context of the issuing entity, enabling absolute ESG credentials comparisons for similar types of instruments issued by different types of entities, different types of instruments issued by different issuers, as well as different types of instruments issued by a single entity.

Analytical Process


Analysis considers all available relevant information (ESG and financial), including the entity's ESG report. Fitch's ESG Rating Reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed.

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An important part of the analysis is the assessment of the E and S aspects of the use of proceeds and business activities. In considering those aspects, the rating framework is inspired by major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects). Once the analyst has completed the model, with commentary for the related ESG Ratings, it is submitted to the approval committee, which reviews the model for accuracy and consistency. ESG Ratings are monitored annually or more frequently if new information becomes available.

- Use Cases**
Sustainable Fitch's ESG Ratings can help inform decisions related to:
- Investment strategy
 - Asset allocation and portfolio construction
 - Benchmarking and index construction
 - Risk management and stress testing
 - Transition management
 - Disclosure and reporting



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Appendix B: Methodology and ESG Rating Definitions

Rating Scale and Definitions

	ESG Entity	ESG Instrument	ESG Framework
1	ESG ER of '1' indicates that the entity analysed evidences an excellent ESG profile. Entity is excellent both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '1' indicates that the debt instrument in the context of the ultimate issuing entity evidences an excellent ESG profile. Entity is excellent both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is excellent in terms of framework structure and proceeds destination.	ESG FR of '1' indicates that the framework for the instrument evidences an excellent ESG profile. Framework structure is excellent in terms of alignment with ambitious best practises and proceeds are dedicated to excellent environmental and/or social activities/projects according to taxonomies of reference.
2	ESG ER of '2' indicates that the entity analysed evidences a good ESG profile. Entity is good both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '2' indicates that the debt instrument in the context of the ultimate issuing entity evidences a good ESG profile. Entity is good both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is good in terms of framework structure and proceeds destination.	ESG FR of '2' indicates that the framework for the instrument evidences a good ESG profile. Framework structure is good in terms of alignment with ambitious best practises and proceeds are dedicated to good environmental and/or social activities/projects according to taxonomies of reference.
3	ESG ER of '3' indicates that the entity analysed evidences an average ESG profile. Entity is average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '3' indicates that the debt instrument in the context of the ultimate issuing entity evidences an average ESG profile. Entity is average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is average in terms of framework structure and proceeds destination.	ESG FR of '3' indicates that the framework for the instrument evidences an average ESG profile. Framework structure is average in terms of alignment with ambitious best practises and proceeds are dedicated to average environmental and/or social activities/projects according to taxonomies of reference.
4	ESG ER of '4' indicates that the entity analysed evidences a sub-average ESG profile. Entity is sub-average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '4' indicates that the debt instrument in the context of the ultimate issuing entity evidences a sub-average ESG profile. Entity is sub-average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is sub-average in terms of framework structure and proceeds destination.	ESG FR of '4' indicates that the framework for the instrument evidences a sub-average ESG profile. Framework structure is sub-average in terms of alignment with ambitious best practises and proceeds are dedicated to sub-average environmental and/or social activities/projects according to taxonomies of reference.
5	ESG ER of '5' indicates that the entity analysed evidences a poor ESG profile. Entity is poor both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '5' indicates that the debt instrument in the context of the ultimate issuing entity evidences a poor ESG profile. Entity is poor both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is poor in terms of framework structure and proceeds destination.	ESG FR of '5' indicates that the framework for the instrument evidences a poor ESG profile. Framework structure is poor in terms of alignment with ambitious best practises and proceeds are dedicated to poor environmental and/or social activities/projects according to taxonomies of reference.

Source: Sustainable Fitch

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ICMA tables on the main features of the labelled bond analysed. They will vary with the type of bond under scrutiny.


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Appendix C: ICMA Principles and Guidelines			
ICMA Labelled: Green Bond			
Four Pillars			
1) Use of proceeds (UoP)	Yes	Defined and transparent criteria for projects eligible for green bond proceeds	Yes
2) Project evaluation & selection	Yes	Documented process to identify and manage potential ESG risks associated with the project	No
3) Management of proceeds	Yes	Summary criteria for project evaluation and selection publicly available	No
4) Reporting	Yes		
Independent External Review Provider			
Second-party opinion	Yes	Evaluation & Selection/Responsibility & Accountability	
Verification	No	Evaluation/selection criteria subject to external advice or verification	No
Certification	No	In-house assessment	Yes
Scoring/rating	No		
1) Use of Proceeds (UoP)			
UoP			
Renewable energy	Yes	3) Management of Proceeds	
Energy efficiency	No	Tracking of Proceeds	
Pollution prevention and control	No	Green bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Environmentally sustainable management of living natural resources and land use	No	Disclosure of intended types of temporary investment instruments for unallocated proceeds	No
Terrestrial and aquatic biodiversity conservation	No		
Clean transportation	No	Additional Disclosure	
Sustainable water and wastewater management	No	Allocations to future investments only	No
Climate change adaptation	No	Allocations to both existing and future investments	Yes
Eco-efficient and/or circular economy adapted products, production technologies and processes	No	Allocation to individual disbursements	No
Green buildings	No	Allocation to a portfolio of disbursements	Yes
Unknown at issuance but currently expected to conform with green bond principles (GBP) categories, or other eligible areas not yet stated in GBPs	No	Disclosure of portfolio balance of unallocated proceeds	No
2) Project Evaluation & Selection			
Evaluation & Selection			
Credentials on the issuer's environmental sustainability objectives	Yes	4) Reporting	
Documented process to determine that projects fit within defined categories	Yes	UoP Reporting	
		Project-by-project	No
		On a project portfolio basis	Yes
		Linkage to individual bond(s)	No
		UoP Reporting/Information Reported	
		Allocated amounts	Yes
		Green bond-financed share of total investment	No
		UoP Reporting/Frequency	

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Appendix C: ICMA Principles and Guidelines			
ICMA Labelled: Green Bond			
Annual	Yes		
Semi-annual	No		
Impact Reporting			
Project-by-project	No		
On a project portfolio basis	Yes		
Linkage to individual bond(s)	No		
Impact Reporting/Information Reported (exp. ex-post)			
GHG emissions/savings	Yes		
Energy savings	No		
Decrease in water use	No		
Other ESG indicators			
Impact Reporting/Frequency			
Annual	Yes		
Semi-annual	No		
Means of Disclosure			
Information published in financial report	No		
Information published in ad hoc documents	Yes		
Information published in sustainability report	No		
Reporting reviewed	No		
Source: Sustainable Fitch, ICMA			

RESEARCH AND DATA OUTPUT

Table showing the most relevant classification NACE code for the Use of Proceeds specified in the bond.

Historical evolution of entity instrument and framework ratings.



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Appendix D: Further Information


Use of Proceeds - Eligible Projects

Use of Proceeds	NACE Section-Level Code
Solar arrays and other renewable energy	D35.11
Bioenergy	D35.11

Source: Sustainable Fitch

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Appendix E: Debt Record

Evolution of ESG Ratings

ESG Entity Rating	ESG Instrument Rating	ESG Framework Rating
63 (Previous Year), 72 (Current Year)	80 (Previous Year), 85 (Current Year)	83 (Previous Year), 83 (Current Year)

Source: Sustainable Fitch

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