EthiFinance

EU Green Bond
External Review Methodology

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I. INTRODUCTION

Purpose and scope of this document

This document provides an overview of our pre-issuance review (Pre-IR) as well as post-issuance review (Post-IR) methodology to transparently convey our analytical approach.

It covers the external review for European Green Bonds (EUGB) in accordance with Regulation (EU) 2023/2631.

Below are the components of this document:

Pre-IR	Alignement to EUGBS
	Issuer analysis
Post-IR	Allocation Report
	Impact Report

II. OVERVIEW OF THE PRE-ISSUANCE REVIEW METHODOLOGY

Key elements of the Pre-Issuance Review

Our pre-IRs provide a point-in-time assessment of a sustainable finance instrument or factsheet, as well as the strategic consistency between the projects financed by the EUGB issuance and the issuer's overarching business strategy. The result of the pre-IR may change over time due to updated market trends or information. Furthermore, our analysis is highly dependent on the information provided by the issuer and is based on the assumption that the data is accurate, timely, and complete. While this approach enables a thorough assessment, it may introduce some limitations if the data provided is incomplete or subject to interpretation, potentially influencing the overall evaluation.

Our methodology applies to all asset categories listed under Article 4 of the Regulation , including both the 'gradual approach' and the 'portfolio approach'.

EthiFinance's Pre-IR encompasses two main components, providing investors with a comprehensive opinion:

1. **Alignment to the EU Green Bond Standard**:
   We assess the issuer's compliance with the requirements outlined in the EUGBS, including the Article 10 Factsheet. Our analysis delivers a clear, binary opinion: either "Aligned" or "Not Aligned," providing a straightforward conclusion regarding the issuer's adherence to the EUGBS. Each pillar and sub-pillar is assessed individually using the same binary framework, and if any pillar / sub-pillar is deemed "Not Aligned," the entire pillar is considered "Not Aligned."
2. **Issuer Analysis**:
   We assess the overall consistency of the planned issuance by analyzing its strategic alignment with the issuer's overarching business strategy. It seeks to determine how the planned EUGB supports the issuer's broader environmental objectives and contributes to their long-term sustainability goals. Additionally, this analysis provides insights into the issuer's ability to maintain alignment with the EUGB over time. This analysis will result in a final scale ranging from, not consistent, partially consistent, or consistent. "Not Consistent" result indicates misalignment with the issuer's strategy or sustainability objectives, while "Partially Consistent" reflects some alignment but lacks clarity or a comprehensive connection. "Consistent" result signifies strong alignment, where the bond supports sustainability goals and fits within the issuer's broader strategy.

   The following table illustrates the scale applied to each pillar:

	Pillar	Assessment scale	Overall Scale
Part 1: Alignment to EUGBS			
	Factsheet	Aligned/Not-aligned	Aligned/Not-aligned
	Use of Proceeds (5 sub-pillars)	Aligned/Not-aligned	
	Grandfathering	Aligned/Not-aligned	
	Reporting	Aligned/Not-aligned	
	Publishing	Aligned/Not-aligned	
	Securitization	Aligned/Not-aligned	
Part 2: Issuer analysis			
	Strategic Consistency	Not consistent / partially consistent / consistent	Not consistent / partially consistent / consistent

III. DETAILED PRESENTATION OF THE PRE-ISSUANCE REVIEW KEY COMPONENTS

A. Part 1 – Alignment to the EU Green Bond Standard

Our assessment of this first component is based on the following five pillars (plus one additional pillar for securitized assets):

1. Assessment of factsheet
2. Use of Proceeds alignment:
    a. Asset type
    b. Traceability
    c. EU Taxonomy: eligibility & alignment
    d. Verification of allocation to 85%
    e. Verification of allocation to 15% pocket of exception
3. Grandfathering
4. Reporting
5. Securitization

1. Assessment of factsheet

Our analysts assess the completeness and accuracy of the issuer's factsheet to ensure alignment with 'Annex I European Green Bond Factsheet' of the Regulation, verifying that all necessary information is correctly included. We also assess if the information is transparent, meaning that the information provided by the issuer is clear, easily understandable, and free from ambiguity, and in line with EU Taxonomy objectives, and backed by clear, measurable data.

The assessment involves verifying the inclusion of required information, such as the issuer name and bond details, confirming the EUGB designation statement, and disclosing the allocation of proceeds to taxonomy-aligned or non-aligned activities, along with justifications. Key aspects include alignment with the issuer's environmental strategy, anticipated environmental impacts, and progress on CapEx plans. Reporting commitments must ensure transparency by providing a link to where the reports will be published, clearly defining the timelines for the full allocation of proceeds to Taxonomy aligned activities and specifying the first reporting date. In case of missing or incomplete information specifically required in Annex I, this will be considered as non-alignment under this pillar.

2. *Use of Proceeds*

The chart below provides a summary of the share of proceeds allocated to economic activities aligned with EU Taxonomy requirements and those allocated to the 15% pocket of exception. Potentially non-aligned proceeds would be indicated in the dedicated column.

	Fully aligned (art.4)	15% Pocket (art.5)	Not aligned
Project 1	40%	5%	X%
Project 2	45%	10%	X%
Total Allocation	85%	15%	X%

The cornerstone of the EUGBS is ensuring that bond proceeds are allocated to eligible economic activities that align with the environmental objectives under Regulation (EU) 2020/852 (EU Taxonomy regulation) and meet the three required elements and their associated criteria:

- substantial contribution (Technical Screening Criteria, TSC),
- Do No Significant Harm (DNSH),
- and minimum safeguards (MS), (hereafter referred to as "taxonomy requirements").

The purpose of this use of proceeds assessment is to evaluate whether the economic activities to be financed are (or will be) fully aligned with the taxonomy requirements and to verify the transparency of the allocation based on the methodology elaborated below.

a) Asset Category

Our evaluation of the use of proceeds under the EUGB begins by verifying that the issuer has clearly specified the approach of allocation, including the ‘gradual approach’ or ‘portfolio approach,’ and the asset type. The ‘gradual approach’ is defined by the allocation of proceeds to one or more of the asset categories defined under Article 4.1, which includes fixed assets, CapEx, OpEx, financial assets, and assets and expenditures of households. The ‘portfolio approach’ involves the allocation of proceeds to a portfolio of fixed assets or financial assets in accordance with the taxonomy requirements.

This step is important as it directly influences eligibility and alignment with the EU Taxonomy. Different assets, such as CapEx or financial assets, require distinct criteria and tracking mechanisms for traceability.
Once the approach and asset type are defined, we can evaluate the correct application of eligibility and alignment rules, as different assets have specific alignment requirements. The issuer must clearly describe the approach and the asset type, as outlined under Article 4, as well as whether there will be an allocation of proceeds according to Section 3 of Article 4, which includes the allocation of proceeds to sovereign expenditures. This expenditure may include expenditures listed under article 4. 3 such as tax relief.

b) Transparency of allocation

The traceability of proceeds is fundamental to ensuring the integrity and credibility of green bonds. While the direct allocation of proceeds to fixed assets, CapEx, OpEx, or household assets is generally straightforward, the traceability of funds allocated to financial assets, portfolios of fixed or financial assets, or securitization structures can be more complex. For these approaches, the challenge lies in the fact that proceeds may be distributed across various financial instruments, making it harder to directly link them to the initially intended economic activities. Non-traceability increases the risk that proceeds may be used for non-compliant activities or subject to double counting, undermining the green bond's environmental objectives. In our analysis to such bonds, we will evaluate the traceability of proceeds based on the demonstration of robust internal processes that ensure EUGB proceeds are properly tracked and ultimately allocated to taxonomy-aligned projects.

In the simplest scenario, funds from a green or social bond are allocated directly to a single taxonomy-aligned project via one financial instrument. In more complex cases, proceeds may flow through up to three financial instruments before reaching the final projects, requiring additional safeguards and continuous monitoring to ensure transparency and compliance. To manage this, issuers must establish robust processes with clear documentation, well-structured procedures, and safeguards and control throughout the investment chain. Finally, the issuer should demonstrate that the last financial instrument are directed to approved uses under relevant regulations, such as Article 4(1)(a)-(c),(e) or Article 4(3), by applying detailed verification procedures.

c) Taxonomy Alignment

The economic activities that are eligible and comply with the taxonomy requirements are considered aligned.

Our analysis follows two steps:

- **Eligibility Check** – In order to determine that the proceeds are allocated to projects with clearly defined environmental objectives, it is crucial that they are eligible under the EU Taxonomy. In order to determine this, we first verify that the activity is listed in the EU Taxonomy and contributes to one of the six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems. For climate change mitigation and adaptation, analysts reference Delegated Regulation (EU) 2021/2139, and for the other four objectives, Delegated Regulation (EU) 2023/2486.

- **Alignment Check -** To be fully aligned with the EU Taxonomy, a project must meet the three following core criteria:

- **Technical Screening Criteria**, ensuring a substantial contribution to one of the 6 environmental objectives,
- **Do No Significant Harm (DNSH)** to other environmental goals, verified in conjunction with the technical screening criteria.
- **Minimum Safeguards**, ensuring alignment with social and governance standards.

In order to verify the above requirements, analysts will review the issuer's documentation, including, where applicable, documents such as the Investor presentations, CapEx plans, Sustainability Reports, CSRD reports, and questionnaire responses, cross-checking these against Taxonomy's technical screening criteria to ensure full alignment.

When assessing DNSH alignment, Ethifinance will consider incorporating the flexibility recommended by the Technical Expert Group (TEG). The TEG stated that for DNSH criteria that reflect legal requirements under EU regulations, "it would be reasonable for Taxonomy users to assume these criteria have been met in the normal, lawful conduct of business, unless evidence to the contrary is demonstrated." This guidance allows some flexibility in assuming alignment with DNSH requirements if the issuer can demonstrate lawful business practices and adherence to existing EU regulations.

d) Allocation to Taxonomy-aligned economic activities (≥ 85%)

Article 4 of the EUGB stipulates that at least 85% of bond proceeds must be allocated to environmentally sustainable projects that fully align or will fully align before the maturity of the EUGB with the Taxonomy requirements.
To meet this 85% threshold, the first step is to ensure that the asset type is clearly defined and falls under the categories described in Article 4 (e.g., fixed assets, CapEx, OpEx, financial assets, or household assets) or under the portfolio of fixed assets or financial assets. Secondly, each project must comply with the Taxonomy's criteria, following the process outlined under "taxonomy alignment."

For allocation to asset category defined under article 4 (b) and (c), our analysts will review the CapEx plan to ensure the issuer has a clear plan for alignment with the taxonomy requirements before the maturity of the EUGB. If there are discrepancies between the factsheet and the CapEx plan, the issuer can provide specific supporting documents to clarify or offer additional evidence of alignment with the EUGB.

After verifying that each economic activity is (or will be) aligned with the Taxonomy requirements and is (or will be) clearly traceable, a final verification will be conducted to ensure that the total allocation of these proceeds meets the 85% requirement.

e) Allocation to Economic Activities Not Aligned with the Technical Screening (≤ 15%)

The economic activities under this 15% exception are deemed “aligned” if there is a commitment to allocate proceeds to:

EITHER

A. economic activities with Technical Screening Criteria (TSC) that have yet to enter into force by the date of issuance of the EUGB and are completely aligned to the remaining taxonomy requirements,

OR

B. economic activities that are unable to fully comply with the TSC but demonstrate alignment through the best-effort basis. These activities should be cited in the internationally agreed guidelines including the United Nations Framework Convention on Climate Change and Development Assistance Committee of the Organization for Economic Cooperation and Development and meet the remaining Taxonomy requirements to be considered aligned.

In the case of allocation of proceeds to the maximum 15% pocket of exception, the issuer must provide a justification for why the TSC cannot be applied, along with a clear explanation of how they plan to ensure alignment with the rest of the taxonomy requirements. The exact amount and share of allocation to the economic activities that fall under this maximum15% pocket will be verified to ensure it does not surpass the 15% limit. The allocation of proceeds that surpass 15% of total allocation will be considered as not aligned.

To determine alignment to the requirements under **scenario A**, the methodology for taxonomy alignment will be applied, with the exception of the TSC. Following the same logic as in standard taxonomy alignment, if issuers cannot fully demonstrate alignment to DNSH and MS through appropriate supporting documents, the project will be considered non-aligned.

For **scenario B**, where the issuer seeks to comply with the TSC on a best-efforts basis, the process will involve confirming a concrete plan for alignment with both the TSC and to ensure that the economic activities is in accordance with the aforementioned internationally agreed guidelines.

To ensure that the allocation contributes to the intended environmental objectives, a comprehensive analysis of the environmental benefits will be conducted, based on the alignment plan's credibility and adherence to specific international guidelines. This evaluation will play a critical role in assessing the impact and legitimacy of the activities financed under the 15% exception.

In **exceptional** circumstances, certain activities, despite not having associated TSC within the EU Taxonomy (EUT) can still qualify for the 85% allocation under the EU Green Bond Standard due to their clear and inherent environmental benefits. For example, electricity generation from solar photovoltaic (4.1) or wind power (4.2) inherently contributes to climate change mitigation, which is a core environmental objective of the EU Taxonomy.

3. Grandfathering

Under this pillar, the issuer's commitment to adhere to the article 8's grandfathering clause will be confirmed by ensuring their commitment to allocate proceeds in accordance with the specified requirements. The issuers of EUGB must demonstrate in the factsheet or CapEx plan, if necessary, that the proceeds are allocated in alignment with the TSC applicable at the time of issuance. If these criteria are amended after the bond has been issued, issuers are required to allocate any unallocated proceeds, or proceeds covered by a CapEx plan that have not yet met the taxonomy requirements, to economic activities in alignment with the updated criteria. This reallocation must occur within seven years from the date the amended criteria become applicable, ensuring that the bond proceeds continue to meet the latest environmental standards over time.

Where the proceeds of an outstanding bond risks being no longer covered by the CapEx plan according to the requirements under article 7, the issuer shall also prepare, submit for external review, and publish a plan to align them, as far as possible, with the amended technical screening criteria. This plan must also outline measures to mitigate any negative consequences resulting from the lack of full alignment with the updated TSC. The issuer is required to publish this plan before the expiry of the 7-year period.

In case of allocation to 'portfolio approach', issuers must include in their portfolio only those assets whose underlying economic activities align with any TSC that were applicable at any time within the seven years preceding the publication date of the allocation report.

4. Reporting

Under this pillar, the issuer's commitment to reporting on the required indicators under Articles 11 and 12 of the EUGBS will be assessed.

The reporting process under the EUGBS is designed to promote transparency and ensure accountability in the allocation and impact of bond proceeds. It emphasizes the importance of using structured templates set out in Annex II of the EUGBS, and a consistent approach to detail how funds are allocated, whether toward eligible economic activities or transitional initiatives. This process should provide clarity on the methods used, the proportions allocated, and the overall alignment with sustainability goals.

Issuers are encouraged to offer a comprehensive breakdown of activities financed, ensuring that their contributions to environmental objectives are clear and well-documented. This includes articulating progress on planned investments, addressing any challenges or deviations, and explaining how these align with broader EUGB issuance. A detailed presentation of environmental and social outcomes is expected, emphasizing measurable impacts and providing insights into the issuer's sustainability contributions.

Finally, the framework should provide ongoing disclosure of key developments, such as progress updates, unallocated funds, and refinanced portions, ensuring stakeholders have a full clarity of the bond's alignment with its stated objectives and broader sustainability commitments.

5. Securitization

For the specific case of a bond based on securitized assets, we assess whether the allocation of EUGB proceeds to a securitized asset complies with the requirements set out under EUGBS Article 16. This also includes cases where securitized exposures are created by multiple originators. These must also comply with allocation and reporting requirements outlined in the same article, also ensuring that the exclusion criteria under Articles 16 and 17 are applied, including the explicit exclusion of synthetic securitization.

To provide transparency about the environmental characteristics of the securitized exposures, we will apply the methodology described in Part 1-2, 'Use of Proceeds,' to determine the allocation of proceeds to taxonomy-aligned assets or the 15% exception pocket. An important aspect will also be ensuring the traceability of these proceeds according to the methodology described under 6. Transparency of allocation.

Originators, which in the context of securitization are considered issuers, must provide transparency through disclosures in the EUGB factsheet and demonstrate compliance to relevant authorities upon request.

6. Main Conclusions of the Alignment to EUGBS

The alignment to the EUGB will be determined based on the analysis of Part 1.Each pillar which consists of sub-pillars will be identified as "Not aligned" or "Aligned" according to the respective requirements and finally contribute to the final alignment score.

The main conclusions of our analysis can be as follows:

Not Aligned: Less than 85% of the proceeds are allocated to the projects that are fully aligned to taxonomy requirements.

Aligned: The economic activities are fully aligned with the taxonomy requirements, with a clear definition of asset type and traceability, accounting for at least 85% of the total proceeds. A maximum of 15% of the proceeds can be aligned with the requirements under the EUGBS.

B. Part 2 – Issuer's Strategic Consistency

This second component of our review evaluates whether the issuer provides a clear and credible rationale for issuing a bond under the EUGBS and how it aligns with their business plan and transition plan if available.

1. Scope of analysis

The strategic alignment of the bond is evaluated by assessing whether its purpose aligns with the issuer's overarching business and sustainability goals. This involves analyzing how the bond proceeds will finance or refinance projects that significantly contribute to environmental objectives, as defined by the EU Taxonomy, and how these projects fit within the issuer's broader strategy. The evaluation compares the issuer's company-wide business and sustainability goals, rather than focusing on a limited portion of their operations or isolated CSR initiatives, with the projects outlined in the factsheet.

As part of this assessment, the issuer must provide a clear and credible rationale for issuing the bond under the EUGBS, demonstrating how the bond aligns with their business plan. The rationale should articulate the connection between the bond proceeds and the issuer's strategic objectives, emphasizing how these proceeds support meaningful contributions to sustainability and long-term business goals.

2. Methodology & Sources

The methodology involves a systematic review of relevant documents and disclosures to ensure the bond aligns with the issuer's strategic objectives and regulatory requirements. The analysis begins with the examination of key documents, including the issuer's Corporate Sustainability Reports, Annual Reports, potential ESG ratings, and the Article 10 factsheet. These are cross-referenced with the bond's issuance framework to validate the alignment of the projects with the EU Taxonomy and the issuer's business strategy.

Additionally, the issuer's rationale for the bond issuance is analyzed for credibility. This includes evaluating whether the projects financed address material environmental risks and are aligned to the Taxonomy requirements. For issuers in carbon-intensive sectors, the evaluation extends to a thorough review of transition plans, verifying that the taxonomy-aligned projects meaningfully support the issuer's transition to a low-carbon economy.

Sources such as the issuer's website and public disclosures, issuance framework, and regulatory documents provide the basis for a comprehensive evaluation.

3. Main conclusions

A final scale, ranging from "not consistent", "partially consistent" to "consistent" is applied based on the results of the analysis.

A result of “not consistent” indicates a lack of alignment, where the bond contradicts or fails to integrate with the issuer’s overall strategy or sustainability objectives.

“Partially consistent” reflects some degree of alignment, where the bond contributes to sustainability objectives but lacks a clear or comprehensive connection to the issuer’s broader business or transition plans.

In contrast, “consistent” signifies a strong and credible alignment, where the bond clearly supports meaningful contributions to sustainability goals and fits seamlessly within the issuer’s overarching strategy, particularly in carbon-intensive sectors, where alignment with a transition plan is critical.

The aim of this assessment is to provide a comprehensive overview of the issuer’s sustainability practices and the alignment of the proposed issuance with its broader sustainability strategy.

IV. OVERVIEW OF THE POST-ISSUANCE REVIEW METHODOLOGY

Our Post-Issuance Review is divided into two parts: One is focused on the allocation of proceeds and the other on impact reporting, the two ensuring a comprehensive assessment of the bond's alignment with the Regulation one the one hand, and the issuer’s sustainability objectives on the other.

1. ***Review of the Allocation Report:***

Every issuer must publish an allocation report on an annual basis, within 12 months from the issuance date of the EUGB, and until full allocation of the proceeds and we will conduct the Post-IR after the full allocation of proceeds and following any corrections to the allocation of proceeds. An issuer using the portfolio approach to allocate proceeds must publish an allocation report annually throughout the bond's lifetime. In the case of a portfolio approach, an external review is required for each report unless there have been no changes to the portfolio of assets or the allocation of any asset within the portfolio.
The report must be prepared in compliance with the European Green Bond allocation report template provided in Annex II of the EUGBS. Additionally, it must be ensured that the issuer publicly discloses the allocation report, along with its review if applicable, within 270 days of the end of each 12-month period.
Our analysts evaluate the alignment of the actual use of proceeds with Articles 4 to 8 of the regulation and verify whether the allocation was made in accordance with the commitments outlined in the Pre-IR.

2. ***Review of the Impact Report:***

A Post-Issuance review (Post-IR) of the impact reporting is optional. However, we offer a methodology for issuers who wish to ensure that their impact reporting aligns with the EUGBS. In our assessment, we determine whether the bond issuance has contributed to the issuer’s broader environmental strategy. The impact assessment also focuses on evaluating the environmental outcomes achieved through the use of European Green Bond proceeds, as detailed in the issuer's publicly disclosed impact report. Prepared using the Annex III template of the EUGBS, this report is required after full allocation and at least once during the bond's lifetime. It may also cover multiple issuances, offering a comprehensive perspective on the overall environmental impact achieved.

The following table illustrates the scale applied to each pillar:

	Pillar	Assessment scale	Overall Scale
Part 1: Allocation Report			
	Art 4	Aligned/Not-aligned	Aligned/Not-aligned
	Art 5	Aligned/Not-aligned	
	Art 6	Aligned/Not-aligned	
	Art 7	Aligned/Not-aligned	
	Art 8	Aligned/Not-aligned	
	Factsheet	Aligned/Not-aligned	
Part 2: Impact Report			
	Strategic Consistency	Not consistent / partially consistent / consistent	Not consistent / partially consistent / consistent
	Environmental Impact	No Impact/Moderate Impact/ High Impact	No Impact/Moderate Impact/ High Impact

V. DETAILED PRESENTATION OF THE POST-ISSUANCE REVIEW ALLOCATION REPORT

1. Article 4: Use of the proceeds of European Green Bonds

We assess whether at least 85% of the proceeds have been allocated to EU Taxonomy-aligned economic activities, in line with the commitments made during the Pre-IR. Our alignment assessment follows the methodology outlined in the Pre-IR, as detailed under 'EU Taxonomy: Eligibility & Alignment' in Part I. We verify that the initial objectives are upheld and that each economic activity complies with the Technical Screening Criteria (TSC), Do No Significant Harm (DNSH) requirements, and Minimum Safeguards (MS), ensuring adherence to social and governance standards.

We also assess alignment with Article 4 under special circumstances, such as divestments resulting from mergers or acquisitions or changes in regulatory frameworks that may impact the issuer's economic activities. In such cases, we evaluate whether these changes affect the initial commitments and Taxonomy alignment. We conduct additional verification where necessary to ensure that proceeds continue to support eligible and aligned activities under revised conditions, preserving the integrity of the bond's objectives.

We also verify compliance with DNSH criteria, particularly in relation to legal requirements under EU regulations, to ensure alignment with any regulatory changes since the issuance of the EUGB.

For CapEx or OpEx allocations, we review the progress of allocation by assessing the CapEx plan to confirm that allocations adhere to the predefined timeline. For proceeds yet to be allocated but covered under the CapEx plan in accordance with Article 7, we perform further analysis under the grandfathering provisions to ensure continued compliance.

Under the portfolio approach, since a Post-IR is only required when there are changes to the portfolio of assets or the allocation of any asset within the portfolio, we will evaluate the changes that occurred and their implications for alignment with Article 4 by applying the pre-IR methodology to ensure continued compliance with the Taxonomy requirements. We also assess whether the total value of assets in the portfolio exceeds the total value of outstanding EuGBs.

To verify these aspects, we review the issuer’s allocation report and supporting documentation, including the CapEx plan and other relevant records, to confirm that all requirements and commitments are met.

2. Article 5: Flexibility in the use of the proceeds of European Green Bonds

We assess whether the maximum 15% exception threshold has been exceeded and that the proceeds were allocated to EU Taxonomy aligned economic activities, with the exception of TSC as required under article 5 of the EUGBS.

We evaluate the allocation scenario to determine whether proceeds are allocated to: (1) economic activities with Technical Screening Criteria (TSC) that have not yet entered into force, or (2) economic activities that cannot fully comply with the TSC but demonstrate alignment on a best-effort basis. For scenario 1, where the TSC has come into effect post-issuance of the EUGB, we assess whether the issuer has complied with the criteria or has established a plan for alignment. For scenario 2, we review progress on the alignment plan, ensuring compliance with both the TSC and the internationally agreed guidelines committed to in the pre-issuance review. For both scenarios, we verify full alignment with the remaining Taxonomy requirements.

We also review any technological, regulatory, or international standards developments since the bond's issuance, as activities accepted under Article 5 may no longer meet eligibility criteria.

3. Article 6: Financial Assets

We assess whether allocations involving financial assets comply with the requirements of the EUGBS, verifying that proceeds are routed through no more than three financial instruments and that the final financial asset in the sequence allocates its proceeds to Taxonomy-aligned projects. This assessment includes reviewing the issuer's internal processes, examining supporting documentation, and evaluating safeguards such as the ring-fencing of funds. Any findings must demonstrate transparency, compliance, and alignment with the environmental objectives of the EUGB.

4. Article 7: Capex

We assess the progress and any delays in allocating proceeds to Taxonomy-aligned CapEx or OpEx, ensuring alignment with the commitments made during the Pre-IR.

First, the timing of the Post-IR must be verified. The external review should be conducted no later than 60 days before the deadline specified in the CapEx plan. To facilitate this, the issuer must provide all necessary information to EthiFinance at least 90 days prior to the specified deadline.

In terms of progress, we evaluate and identify any delays or material changes compared to the CapEx outlined during pre-issuance. This assessment also ensures to what extent the CapEx or OpEx meets the Taxonomy requirements. This means verifying which aspects of the Taxonomy requirement the issuer is aligned to, as verified using the EU Taxonomy methodology detailed in 'EU Taxonomy: Eligibility & Alignment' in Part I.

For any delays, the issuer must provide a clear justification along with a revised estimated completion date for the projects.

5. Article 8: Grandfathering

We assess the issuer's compliance with the grandfathering clause under Article 8 by verifying their commitment to allocate proceeds in accordance with the TSC applicable at the time of issuance. For any unallocated proceeds covered by the CapEx plan that have not yet met Taxonomy requirements, we review whether these funds have been reallocated to economic activities aligned with the updated criteria within the stipulated seven-year timeframe. This process ensures that the bond proceeds remain aligned with evolving environmental standards.

Additionally, if a plan for alignment is available, we confirm whether the issuer has prepared it in line with the updated TSC, scheduled it for external review, and made arrangements for its publication. If no plan has been finalized, we assess the issuer's commitment to completing and publishing such a plan before the seven-year deadline. This evaluation is particularly crucial if the CapEx plan no longer satisfies the requirements under Article 7. We examine the measures outlined in the alignment plan and verify the issuer's adherence to the commitments made during the pre-issuance phase, ensuring transparency, accountability, and consistency in the allocation process.

For the portfolio approach, we assess whether the proceeds were allocated exclusively to economic activities aligned with the Taxonomy's TSC that were applicable at any point during the seven years preceding the publication date of the allocation report, ensuring that the allocation aligns with the pre-IR commitments. This assessment will be verified using the issuer's factsheet and CapEx plan.

6. Factsheet Compliance

We assess whether the post-issuance allocation report aligns with the commitments outlined by the issuer in the pre-issuance factsheet, particularly under Section 4: 'Intended Allocation of Bond Proceeds.' This involves a detailed comparison of the intended allocation presented in the factsheet with the actual allocation documented in Table A of the post-issuance report. Any discrepancies, material changes, or deviations from the pre-issuance commitments must be clearly justified by the issuer, including an explanation of the reasons for the changes and any measures taken to address potential impacts on the bond's alignment with its stated objectives.

7. Main Conclusions of the Allocation Reporting Assessment

The allocation reporting assessment evaluates alignment with EUGB article 4-8, ensuring adherence to defined standards. Each pillar is assessed as "Not Aligned" or "Aligned," contributing to the overall determination of alignment with the Taxonomy.

Not Aligned: Less than 85% of proceeds are allocated to EU Taxonomy-aligned economic activities, or traceability and compliance with TSC, DNSH, or MSG requirements are not demonstrated. Misalignment may also occur if exceptions under Article 5 exceed the 15% threshold or fail to meet best-effort alignment.

Aligned: At least 85% of proceeds are allocated to EU Taxonomy-aligned economic activities, with clear traceability and adherence to all requirements. Up to 15% of proceeds may be aligned under Article 5 exceptions, provided best-effort alignment is demonstrated. Progress in CapEx/OpEx allocation, compliance with grandfathering provisions under Article 8, and consistency with pre-issuance commitments are also confirmed.

VI. DETAILED PRESENTATION OF THE POST-ISSUANCE REVIEW IMPACT REPORT

Our assessment of impact reporting consists of two pillars:

1. Contribution to the issuer's environmental strategy

- We assess whether the impact report provides a credible rationale for how allocated proceeds support the issuer's business plan and sustainability goals. This includes assessing how funded projects align with the issuer's overarching strategy and contribute to measurable sustainability outcomes.
- We assess whether the reported outcomes align with the bond's stated purpose in the pre-issuance factsheet, confirming that proceeds supported critical projects. For issuers in carbon-intensive sectors, we assess whether the funded projects have con-

tributed meaningfully to their transition plan toward a low-carbon economy. This includes evaluating whether the allocations align with credible steps toward decarbonization and long-term sustainability, addressing the issuer's environmental challenges comprehensively.

- We critically examine any discrepancies between reported outcomes and the issuer's stated sustainability strategy. The reasons for divergence could include changes in allocation of proceeds or regulatory changes as well as corporate actions.
  To give a hypothetical example: An issuer in the renewable energy sector could initially have allocated EUGB proceeds to develop offshore wind farms. However, due to unforeseen regulatory delays in permitting, part of the proceeds was reallocated to onshore wind projects. This divergence will be assessed by evaluating the issuer's justification, determining whether the changes still contribute to achieving impacts that align with the bond's environmental objectives and Taxonomy criteria, and ensuring they maintain strategic consistency with the issuer's sustainability goals.
  In certain cases, a significant regulatory shifts can necessitate adjustments to the original strategy, or corporate actions like mergers or acquisitions that align with broader sustainability goals but temporarily disrupt alignment. Such cases require clear, transparent explanations and evidence that the issuer remains committed to achieving its long-term sustainability objectives.

Transparency in communication and external review of the revised allocation will also be evaluated to safeguard the credibility of the bond issuance.

2. *Environmental impact of the bond proceeds*

- We assess the effectiveness of impact indicators by evaluating their ability to demonstrate a meaningful contribution to the environmental objectives outlined in the Pre-IR. This ensures the reported indicators align with the EU Taxonomy's objectives, substantiating the relevance and credibility of the stated environmental impacts. For example, a bioenergy project impact indicator must showcase its contribution to Climate Change Mitigation through metrics such as tons of CO_2e avoided annually, MWh of renewable energy produced, percentage of sustainable feedstock used, or fossil fuels displaced, aligning with the Taxonomy's criteria. Additionally, we evaluate the ability to benchmark these impact indicators against peers and recognized international standards, ensuring they meet or exceed industry best practices and reflect measurable and comparable outcomes.
- Deviations from pre-issuance commitments are critically reviewed to confirm alignment with the Taxonomy framework and the bond's environmental objectives. Transparent reporting and a direct linkage between indicators and Taxonomy compliance are essential for validating the impact assessment's credibility. In cases where proceeds are allocated to the Article 5 pocket of exception, we assess whether the issuer has transparently reported the use of the 15% exception and whether the projects demonstrate best efforts to meet the Taxonomy's objectives and thresholds. Clear

documentation and justification for utilizing this exception are necessary to maintain the credibility of the bond and its alignment with environmental goals.

- Deviations may result from regulatory changes, such as updated Technical Screening Criteria or conflicting national laws, operational challenges like delays, or corporate actions such as mergers or divestments. External events, including natural disasters or geopolitical disruptions, may also affect compliance. In all scenarios, we evaluate the issuer's response, mitigation measures, and transparency to ensure the bond retains its credibility and alignment with environmental goals. Benchmarking these responses against peers and industry standards further ensures the issuer's practices align with international expectations and best practices.

3. Main Conclusions of the Impact Reporting Assessment

Strategic Consistency
The strategic consistency of the impact report is evaluated based on whether the allocated proceeds support the issuer's business plan and sustainability goals. The assessment considers alignment with overarching strategies and meaningful contributions to measurable outcomes. For carbon-intensive issuers, it ensures projects support their low-carbon transition plans. Any discrepancies, such as reallocations due to regulatory changes or corporate actions, are assessed for continued alignment.
The conclusion of our assessment will be one of the following:

- **Not Consistent:** The reported outcomes do not align with the issuer's sustainability strategy or the bond's stated objectives.
- **Partially Consistent:** Some projects align, but there are gaps or inconsistencies in strategy or execution.
- **Consistent:** All projects align fully with the issuer's overarching sustainability strategy and contribute meaningfully to stated objectives.

Environmental Impact
The effectiveness of impact indicators is assessed to determine their contribution to the environmental objectives outlined in the pre-issuance review. Metrics such as CO_2e avoided, renewable energy produced, or fossil fuels displaced are evaluated for alignment with EU Taxonomy criteria and benchmarked against industry standards. Transparency and justifications for deviations, including Article 5 exceptions, are crucial for credibility.
The conclusion of our assessment will be one of the following:

- **No Impact:** Indicators show no measurable contribution to environmental objectives.
- **Moderate Impact:** Indicators demonstrate partial or limited contribution to environmental goals.
- **High Impact:** Indicators demonstrate significant contributions to environmental objectives, fully aligned with Taxonomy criteria.
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For detailed insights and full access to our methodology documentation, please contact our experts (contact.esgagency@ethifinance.com)

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