

European Green Bond Review Methodology

This document describes the process used by Anthesis to review European Green Bonds (EuGB) emission, detailing the methodology used in accordance with the Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds (EuGBR) and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

Background and Experience

Offering a wide range of sustainability expertise combined with human and operational capabilities needed to conceive and deliver the real change the planet needs. Lavola 1981, S.A.U. (hereinafter “Anthesis”) is driven to sustainability by helping organizations transition to more sustainable and resilient business models.

As a sustainability consultancy, Anthesis provides several services related to sustainable finance, counting with a team dedicated to this purpose. Anthesis offers, among other, services related to EU Taxonomy assessment and financial products under the following principles:

- **Project-based financing products (Use of proceeds):**
 - Green Bond Principles (GBP)
 - Green Loan Principles (GLP)
 - Social Bond Principles (SBP)
 - Social Loan Principles (SLP)
- **Target-based financing products (Sustainability-linked):**
 - Sustainability-Linked Bond Principles (SLBP)
 - Sustainability-Linked Loan Principles (SLLP)
- **Green Bond European Regulation (EuGBR)**

Anthesis provides Second Party Opinion (SPO) on the pre-issuance of Green, Social and Sustainability-linked financings, as well as SPO on Sustainable Financing Frameworks. Post-issuance, Anthesis verifies the progress of sustainability-linked instruments, through annual follow-up reports, and also verifies the progress of sustainable use of proceeds through SPOs of allocation and impact reports. In addition, Anthesis assesses compliance with the European Union Green Bond Regulation ensuring alignment with regulatory requirements.

Anthesis recognizes the need for independent teams in order to foster and demonstrate transparency and integrity. Therefore, the company counts with separated teams doing the Initial SPO and the opinion of such SPO. In addition, Anthesis counts with a specific procedure to verify potential conflicts of interest (MembersSubgroup@anthesisgroup.com).

Review Process

The review process for EuGB is comprehensive and involves several key steps to ensure transparency, credibility, and alignment with environmental objectives. Anthesis methodologies align with EU Taxonomy requirements, ESMA supervision standards, and financial transparency rules to provide independent and robust assessments of green bond issuances.

Within Anthesis services the following types of reviews may be conducted:

1. **Pre-issuance Review of EuGB Factsheet:** The assessment determines whether the issuer's pre-issuance EuGB factsheet is comprehensive and meets the EuGBR requirements. This includes verifying the stipulated use of proceeds, the issuer's project selection methodology and the proper alignment with the EU Taxonomy.
2. **Post-issuance Review of Allocation Reports:** The assessment validates whether the issuer has allocated the proceeds according to the EuGBR requirements and if the allocation matches the intended pre-issuance plan. Also, it reviews the progress of the CapEx plan, EU Taxonomy alignment and check whether required public disclosures are made accordingly.
3. **Impact Report Review:** The assessment reviews whether the issuance aligns with the issuer's overall environmental strategy and the stated environmental impact of the bond's proceeds. According to the EuGBR, this review is optional and not mandatory for alignment. The external reviews are conducted as point-in-time analyses and are not subject to ongoing monitoring. These assessments are based on information provided by the issuer, along with relevant external sources. When necessary, additional details are requested from the issuer to ensure a comprehensive evaluation of alignment throughout the various steps. Hence, the reviews depend on the precision and completeness of the information provided by the issuer.

Alignment with the EUGBs regulation		
Alignment	Statement describing if the review considers that all features under review are aligned or if there are one or more missing.	
Opinion	Not aligned	Aligned
Alignment Features		Opinion
Use of proceeds		●
EU Taxonomy		●
CapEx Plan		●
Reporting		●

Table 1. Example of table included in pre-issuance and post-issuance reviews.

1. Pre-issuance Review of EU Green Bonds Emission

Anthesis pre-issuance review process ensures that EuGB comply with the requirements outlined in the EuGBR, in particular **Articles 4 to 8**. The review assesses the issuer's European Green Bond Factsheet (Annex I), verifying that the use of proceeds, project selection, and management of funds meet the required criteria, and ensuring alignment with the EU Taxonomy (Regulation 2020/852). Additionally, Anthesis reviews the consistency and robustness of further information requested through the factsheet, such as the "Environmental strategy and rationale" of the green bond, and the "Environmental impact of bond proceeds"

Anthesis examines the issuer's European Green Bond Factsheet to verify that the proposed use of proceeds is aligned with **Article 4** of the EuGBR. For this effect, Anthesis conducts a cross-check between the projects descriptions, supporting documentation and the Technical Screening Criteria (TSC) outlined in EU Taxonomy (Regulation 2020/852). The review verifies whether:

- The projects fall under one or more of the following categories: fixed assets that are not financial assets; Taxonomy-aligned CapEx; Taxonomy-aligned OpEx;

financial assets that were created no more than five years after the issuance of the EuGB; assets and expenditure of households.

- The use of proceeds complies with the TSC, which includes the Substantial Contribution (SC) to at least one environmental objective, and the Do Not Significant Harm (DNSH) criteria for the remaining five environmental objectives.
- The issuer's procedures adhere to the minimum safeguards' requirements.
- The issuer has a CapEx plan aimed at achieving the alignment with the EU Taxonomy requirements within the set time frames, in case the economic activity is not aligned with the TSC.

If the use of proceeds falls within one of the aforementioned categories, the **Use of proceeds** component of the EuGB will be considered as **aligned**. Also, if the use of proceeds complies with the TSC, the **EU Taxonomy** component will also be considered as **aligned**. Further down this document there are some exceptions to this rule.

According to **Article 5** of the EuGBR, issuers are permitted to allocate up to 15% of an EuGB's proceeds to economic activities that comply with taxonomy requirements, except for the (TSC), provided these activities do not yet have applicable TSC at the time of issuance or that these are activities "in the context of international support". If so, the **EU Taxonomy** component will also be considered as **aligned**.

As is stipulated in **Article 6** of the EuGBR, the proceeds of financial assets must be allocated to activities aligned with Article 4, which defines the rules for the uses of proceeds. Also, issuers may reinvest the proceeds in other financial assets, provided that no more than three successive financial assets are involved before reaching the final allocation aligned with Article 4. Accordingly, Anthesis evaluates the issuer's commitments in regard to the final allocation of proceeds, examining, if applicable, the transparency in the use of various financial assets.

As per **Article 7**, issuers are required to publish a CapEx plan specifying a clear deadline before the bond's maturity, ensuring that funded activities achieve taxonomy alignment. That is the case if the use of proceeds is aligned with taxonomic CapEx and/or OpEx. For other use of proceeds defined in **Article 4**, a CapEx plan is not required. For the purpose of the external review, if the previous requirement is followed, the **CapEx Plan** component is considered **aligned**. As part of its review process, Anthesis ensures that the issuer's CapEx Plan includes a well-defined timeline, verifying that the proceeds are used appropriately and in accordance with the EU Taxonomy.

Article 8 of the EuGBR outlines how issuers must respond to updates in the EU Taxonomy's Technical Screening Criteria (TSC). It requires that issuers allocate proceeds in alignment with the TSC applicable at the time of issuance and, when updates occur, ensure compliance with the revised criteria within seven years. Anthesis ensures, through its reviewing methodology, that issuers maintain transparency in their

application of the evolving TSC, guaranteeing compliance with Article 8 and the comprehensive EuGBR framework.

Qualitative analysis

Furthermore, Anthesis examines the issuer's methodology for identifying, assessing and mitigating potential environmental, social and governance risks in project selection. At an early process stage, it identifies key documents and information that will be revised to assert the sustainable characteristics of the project being financed, which can include items such as benefits, risks, impacts and mitigation measures. In addition, the assessment examines how the financing aligns with the issuer's most significant sustainability factors, considering the sector and operational activities. The issuer's strategy is evaluated through a revision of its public statements, goals and policies.

Anthesis issues a **Pre-Issuance External Review** redacted according to **Annex IV** of the EuGBR, affirming whether the European Green Bond factsheet fully aligns with the EuGBR.

2. Post-issuance Review of Allocation Reports

With its post-issuance review of Allocation Reports, Anthesis assesses whether the issuer has allocated the proceeds in accordance with **Article 11** of the EuGBR's requirements and in line with the established pre-issuance factsheet. To ensure compliance, transparency and accountability Anthesis verifies that issuers have committed to the mandatory submission of the Annual allocation reports, providing detailed updates on the use of proceeds (according to articles 4 to 8), allocation status and EU Taxonomy alignment.

Anthesis evaluates compliance through its rigorous post-issuance reviews, guaranteeing all reports are aligned with the regulatory disclosure template and contents according to **Annex II** of the EuGBR.

This process involves a detailed examination of newly allocated assets, **verifying that they align with the issuer's original commitments and meet EU Taxonomy requirements.**

In case any misallocations or inconsistencies are identified, Anthesis ensures that the necessary adjustments are made in accordance with **Article 11** and that the revised allocation report is subjected to an additional external review.

Anthesis also verifies compliance with public disclosure requirements (**Article 15**) by ensuring that post-issuance reports are accessible to investors and stakeholders for at least 12 months after bond maturity.

Similarly to Pre-issuance reviews, Post-issuance reviews will provide a summary table assessing the **alignment** with **Use of proceeds**, **EU Taxonomy**, **CapEx Plan** (where applicable) and **Reporting**.

Anthesis issues a **Post-issuance External Review** redacted according to **Annex IV** of the EuGBR, affirming whether the European Green Bond Allocation Report fully aligns with the EuGBR.

3. Impact Report Review

Under the EuGBR, issuers are requested to publish an EGB impact report on the environmental impacts of the Green Bonds. This report must be issued at least once during the bond's lifetime and also after full allocation of proceeds. In any case, an external review of the impact report is not mandatory for alignment with the EuGBR.

In this review of the Impact Report, Anthesis evaluates the alignment of the bonds with the issuer's comprehensive environmental strategy, ensuring that the reported outcomes are consistent with the environmental objectives set. Anthesis' review also assesses whether the Impact Report communicates in a transparent way any deviations from the expected contributions of the bond to the issuer's sustainability goals.

A key component of this assessment is the evaluation of the Key Performance Indicators (KPIs) established in the issuance, including their rationale, level of ambition, materiality, and calculation methodology. The impact report review verifies:

- How bond proceeds contribute to the issuer's taxonomy-aligned assets, turnover, CapEx, and OpEx KPIs.
- The linkage between financed activities and the issuer's broader transition plans.

In addition, the review assesses the consistency of the issuer's conclusions with the environmental objectives of the financed activities and the issuer's publicly disclosed reports. This ensures that the impact report does not present conflicting information and that the reported outcomes are aligned with the issuer's broader sustainability commitments.

Where relevant, the assessment also incorporates information from the impact report on how the EuGB has contributed to the issuer's EU Taxonomy key performance indicators, such as CapEx, OpEx, assets, and revenue.

Anthesis issues an **Impact Report External Review** redacted according to **Annex IV** of the EuGBR, affirming whether the European Green Bond Impact Report fully aligns with the EuGBR.