



Kestrel Sustainability Analysis and Scores™

FAQ FOR SCORECARDS

This document provides answers to frequently asked questions about Analysis and Scores, which are available via API, Bloomberg Terminal, and Investortools platforms. Beginning in 2025, a summary of Analysis and Scores is included in the form of a “Scorecard” in Kestrel’s Second Party Opinions.

ABOUT KESTREL SUSTAINABILITY ANALYSIS AND SCORES

Kestrel Sustainability Analysis and Scores reveal if bond-financed activities are aligned with sector-specific best practices for sustainability, impact, and resilience. Our methodology is grounded in science-based international standards, summarized in our Sustainable Finance Principles:

1. Transition to a decarbonized economy
2. Integrate resilient and sustainable design features
3. Preserve, enhance, or restore natural capital
4. Promote a more equitable society and a just transition
5. Disclose activities, impacts and risks

Our **numeric scores**—Environmental (E), Social (S), Transparency (Governance) (G), and Composite Scores—provide an industry sustainability benchmark. Using a scale of 1-5, high scores reflect exemplary bonds with positive impact and resilience features. This is an original assessment from subject matter experts, tailored to US public finance at the sub-sector level, using one of our 100+ methods for a taxonomy of 160+ sub-sectors.

Our **Sustainability Themes (Score Rationale)** identify the key drivers of each numeric score. These drivers are sub-sector-specific and support thematic investing strategies.

Our **Use of Proceeds Analysis** is included in Kestrel Sustainability Analysis and Scores, but not shown in Second Party Opinion Scorecards. The field is a helpful summary of what exactly is being financed and what is material to environmental and social impacts, as well as resilience features.

Additional information on our methodology is available on Kestrel’s website: kestrelesg.com/methodology. More detailed methodology documents and additional sector methodologies are available upon request.

FREQUENTLY ASKED QUESTIONS

What does each of the different fields on the Scorecard represent?

The **Environmental (E) Score** reflects the presence or absence of attributes detected in our review that support these Sustainable Finance Principles:

1. *Transition to a decarbonized economy*
2. *Integrate resilient and sustainable design features*
3. *Preserve, enhance, or restore natural capital*

Bonds that are strongly positive include activities that may directly or indirectly reduce greenhouse gas emissions, incorporate renewable energy or include sustainable design features, for example. Climate resilience features are also assessed as part of the E score.

The **Social (S) Score** reflects the presence or absence of attributes that indicate alignment with the Principle of *promoting a more equitable society and a just transition*.

The **Transparency (Governance) (G) Score** reflects transparency on use of proceeds, project details and budgets. G Score indicates alignment with the Principle of *disclosing activities, impacts and risks*.

The **Composite Score** reflects the weighted sum of E, S and G. This score puts the bond's sustainability, impact, and resilience characteristics in a broader market context enabling comparison across sectors.

The **Sustainability Themes (Score Rationale)** identify key drivers of the E, S and G scores, and the percent contribution of each to the Composite Score. Distinct themes provide insight into the activities that contribute to each numeric score.

Why is Kestrel including Scorecards in Second Party Opinions?

While all Green, Social, and Sustainability Bond designations recognize leadership by an issuer, Scorecards are a way to highlight how an issuer's bonds stand out relative to peers in the same sectors. Scorecards allow investors to evaluate bonds against an industry "benchmark" and contribute quantitative metrics to the designation, adding transparency and making Second Party Opinions even more valuable and useful to investors.

Does Kestrel score all bonds, besides those for which it provides Second Party Opinions?

Yes! Kestrel covers all municipal primary market deals that are rated investment grade and \$20 million par or greater. Coverage of the secondary market is currently over \$2 trillion par and is continuously expanding. Kestrel also scores client portfolios and scores bonds "on demand" on an ongoing basis.

How are Kestrel Sustainability Analysis and Scores used?

Selected use cases include...

- **Sustainability Integration in Bond Trading:** Identify bonds that meet certain sustainability criteria to support efficient buy/sell decisions in primary and secondary markets. Find the right bond faster. Enhance exclusionary strategies.
- **Construct and Manage Portfolios:** Use Kestrel Sustainability Analysis and Scores to construct fixed-income portfolios that target reductions in carbon emissions over time. Understand and communicate the sustainability attributes of bonds in portfolios. Be efficient and find ways to differentiate.
- **Impact Reporting:** Communicate the true impact of bond holdings with our Sustainability Analysis and alignment to UN Sustainable Development Goals at the Target level. Additionally, our Use of Proceeds Analysis summarizes Kestrel findings, including key bond-financed activities and their material sustainability attributes, as well as resilience features.
- **Thematic Investing:** Identify bonds that qualify for specific sustainability themes, like Clean Energy, Access to Education, Affordable Housing or the Just Transition. Build out a net-zero approach with municipal bonds.

- **Identify Unlabeled Green, Social & Sustainability Bonds:** Identify unlabeled but eligible bonds in the primary and secondary markets.
- **Compliance:** Meet your net zero investing and social equity commitments. Show compliance with internal and external investment mandates.

Where can I view scores for other issuers?

Kestrel Sustainability Analysis and Scores are accessible via API, Bloomberg Terminal, and Investortools platforms. Kestrel's numeric scores can be viewed by all Bloomberg Terminal users, and Bloomberg Terminal users who subscribe to Kestrel have access to unique and actionable sustainability intelligence including information on uses of proceeds, resilience features and impact, sources of repayment and potential flashpoints, alignment with UN SDGs at the target level, and eligibility for green, social or sustainability bond designation, regardless of whether the bond is labeled at issuance.

Can issuers or deal teams provide comments on the Scorecard?

Scorecards are developed using Kestrel Sustainability Analysis and Scores' standardized, sector-specific methodology, which is applied consistently across issuances within a given sector. Bonds with Second Party Opinions are evaluated using the same methodology as bonds without Second Party Opinions. Therefore, Kestrel Sustainability Analysis and Scores, and their summarized results in Second Party Opinion Scorecards, will not be altered in response to comments from the issuer or deal team.

Kestrel only provides Second Party Opinions on bonds that are eligible for Green, Social, or Sustainability Bond designation according to internationally accepted standards. We don't provide negative Opinions. In general, we expect bonds with Opinions from Kestrel to have positive environmental or social impacts and additional transparency around uses of proceeds. Thus, they may be more likely to have high E, S or G scores. However, scores are not automatically higher because a Second Party Opinion is present.

How can I increase my scores?

When Kestrel reviews bonds, we identify whether sector-specific, operationally feasible best practices are present in bond-financed activities. Therefore, scores can be increased through inclusion of sector-specific best practices, as defined in our sector methodologies. Kestrel evaluates the environmental and social characteristics of bond-financed activities for alignment with the five Sustainable Finance Principles which are described above under "About Kestrel Sustainability Analysis and Scores." Our research includes: a review of the offering documents, reviews of publicly available information from the issuer and other reputable sources, and our own independent research.

Additional information on our methodology is available on Kestrel's website: kestrelsg.com/methodology. More detailed methodology documents, additional sector methodologies are available upon request.

Will scores or score percentiles change over time?

For bonds for which Kestrel provides a Second Party Opinion, scores are “frozen” and remain the same for one year post-issuance. Once a year has elapsed, bonds may be updated in response to new developments in the financed projects or issuer activities. For example, if a project was designed to meet a LEED Silver minimum standard at the time of writing the Opinion, but ultimately obtains LEED Gold certification, Kestrel Sustainability Analysis and Scores will be updated to reflect this development.

Score percentiles are calculated by comparing a bond’s score to all other bonds scored by Kestrel in the same sector or sub-sector at the time of scoring. As more bonds are issued and scored over time, the distribution of scores in a given sector may change. Therefore, the score percentile included in a Scorecard should be understood as a point-in-time comparison.

What green building standards does Kestrel screen for?

Kestrel reviews bond-financed activities for the presence of the following green building standards: LEED (Certified, Silver, Gold, Platinum); LEED for Neighborhood Development (Certified, Silver, Gold, Platinum); Green Globes; Collaborative for High Performance Schools (CHPS); Enterprise Green Communities (EGC / EGC Plus); Envision (Verified, Silver, Gold, Platinum); Fitwel; WELL Building; Living Building Challenge; Passive House; Energy Star; Net Zero Energy; Net Zero Ready; Zero Energy Ready Homes; CALGreen; Other/Regional Green Building Standards.

In cases where a project is required to meet one of multiple possible green building standards, Kestrel denotes the project as “Standard Present – Multiple Options.” When some financed projects are built green, but not all, we provide a ‘Yes’ in the ‘Partial Certification’ field.

Do Kestrel Scores affect credit ratings?

No. Kestrel operates independently from credit rating agencies and Kestrel Scores are provided based on Kestrel’s standardized, sector-specific methodologies.

Are Kestrel Sustainability Analysis and Scores aligned with other market standards?

Yes. Kestrel examines how each bond aligns with the 17 Goals and 169 Targets defined by the **United Nations Sustainable Development Goals (SDGs)**. Kestrel maps the impact of each bond to the Target level to provide specific insights and transparency about the environmental and social benefits of the intended use of proceeds. Our approach is also shaped by studies, plans, initiatives and international standards, as described further on Kestrel’s website: kestrel360.com/methodology.

Every bond that Kestrel scores—whether or not Kestrel provides a Second Party Opinion—is also reviewed for eligibility for a Green, Social, or Sustainability Bond designation under the **ICMA Green Bond Principles, Social Bond Principles, or Sustainability Bond Guidelines**. Our analysis reveals unlabeled but eligible Green, Social or Sustainability Bonds. Approximately 60% of the unlabeled municipal market is eligible for Green, Social or Sustainability Bond designation under the ICMA principles.

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About

Kestrel Sustainability Intelligence™ for municipal markets helps set the market standard for sustainable finance. We do this through verification and our comprehensive Sustainability Analysis and Scores.

Kestrel is a leading provider of external reviews for green, social and sustainability bond transactions. We are qualified to evaluate corporate and municipal bonds in all sectors worldwide for conformance with international green and social bond standards.

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