

Green Commercial Paper Framework

STANDARDS FOR KESTREL-VERIFIED GREEN COMMERCIAL PAPER

April 2025

PROGRAM OVERVIEW

The Kestrel-Verified Green Commercial Paper Program Framework (“Framework”) establishes standards for issuance of Kestrel-Verified Green Commercial Paper (“Kestrel-Verified Green CP”). The Green Commercial Paper Program (the “Program”) is designed to identify commercial paper which is aligned with sustainability, transition and resilience objectives as defined herein. The Program conforms with the International Capital Market Association recommendations for Sustainability-Linked Commercial Paper.



Kestrel-Verified
Commercial Paper

Kestrel-Verified Green CP denotes commercial paper from an issuer demonstrating leadership in decarbonization, resilience and the transition to net zero as defined herein.

SUSTAINABLE COMMERCIAL PAPER PROGRAM DESCRIPTION

The Framework establishes requirements for Kestrel-Verified Green CP and is designed to provide the transparency that investors need to make informed investment decisions. Designation of Kestrel-Verified Green CP indicates the issuer is verified as a leader according to Kestrel Sustainability Intelligence™, including Kestrel Sustainability Analysis and Scores™ described below.

Purpose of the Kestrel-Verified Green Commercial Paper Program:

- Improve access to short-term investments with sustainability characteristics;
- Enable growth in sustainable finance markets;
- Facilitate sustainable finance leadership by municipal issuers;
- Add transparency for short-term assets; and
- Help investors meet sustainable investment targets.

ICMA Guidance

The International Capital Market Association (“ICMA”) is the leading standard-setting body for sustainable finance and has established sustainability scores and ratings as a valid route to determine eligibility of CP as sustainable.¹ ICMA provides two high-level categorizations of sustainable CP: (1) Use of Proceeds Commercial Paper and (2) Sustainability-Linked Commercial Paper. In general, Use of Proceeds Commercial Paper finances projects or activities that conform with the eligible project categories in the ICMA Green Bond Principles and/or Social Bond Principles. Sustainability-Linked Commercial Paper is linked to sustainability Key Performance Indicators, or more narrowly to sustainability scores/ratings that reflect performance of an issuer’s sustainability strategy.

The Kestrel-Verified Green CP Program uses the Sustainability-Linked approach. To validate eligibility of CP, the Program leverages Kestrel’s Sustainability Intelligence, specifically Sustainability Analysis and Scores and verification of transition plans (a “Verified Transition Plan”). Under the Program, CP may be designated Green CP or Sustainable CP. For the purposes of this document, “Green CP” is intended to refer to CP carrying a Green designation.

The designation is not intended to represent debt that finances individual uses of proceeds that align with ICMA Green Bond Principles. Therefore, there is no risk of double counting. Over time, Green CP or portions of Green CP are expected to be repaid with proceeds of Green Bonds or Sustainability Bonds verified to conform with the ICMA Green Bond Principles or Sustainability Bond Guidelines.

Kestrel-Verified Green CP Requirements

In order to verify a prospective issuer’s leadership in the transition and verify eligibility for Green CP certification, Kestrel provides an independent review and benchmarking of the issuer and the financed activities for sustainability and resilience based on comprehensive methodologies of Kestrel Sustainability Analysis and Scores. Methods are based on sector-specific best practices for sustainability, transition and resilience and enable benchmarking with peers. Results of the evaluation are summarized in a Green Certificate provided by Kestrel.

The Green Certificate verifies conformance of the CP with the Program and includes:

- **Sustainability Profile:** Summarizes key sustainability strategies, financed activities, if applicable, and focuses on what is material to sustainability and resilience. This is an original assessment from subject matter experts, tailored to US public finance at the subsector level, using one of our 100+ methods for a taxonomy of 160+ subsectors.
- **Sustainability Scores and Benchmarks**—Environmental (E), Social (S), Transparency (Governance) (G), and Composite Scores—provide an industry benchmark. Using a scale of 1-5, high scores reflect exemplary best practices for greenhouse gas emission reduction and presence of risk mitigants. The Composite Score is the weighted sum of the E, S and G scores. Weighting is assigned based on where the sector has the greatest opportunity for impact, and is founded in academic research and industry knowledge. Additional information on sector weighting is available in the Methodology for Sustainability Analysis and Scores.

¹ “The role of commercial paper in the sustainable finance market,” International Capital Market Association, October 2024, <https://www.icmagroup.org/assets/The-role-of-commercial-paper-in-the-sustainable-finance-market-October-2024.pdf>.

- **Score Rationale:** Identifies the key drivers of each numeric score. These drivers are sub-sector-specific and support thematic investment strategies.
- **Verified Transition Plan:** Confirms presence of a climate transition plan, sustainability plan, or other plan meeting Kestrel requirements, including presence of adopted net zero targets, interim benchmarks, reporting, evidence of progress, and engagement. Issuers with active Green Bond or Sustainability Bond programs may have existing Verified Transition Plans.
- **Eligibility:** Summarizes results of the eligibility review, confirms results of the controversy check, and provides an expiration date for an issuer's Green Certificate.

The Methodology for Sustainability Analysis and Scores, as well as Sector Methodologies, are available upon request.

Minimum Thresholds

To be eligible for the Program, the Composite Score must be at least 3.0. The threshold provides credibility and assurance on an issuer's sustainability commitments. Eligibility for the Program also requires verification of a prospective issuer's transition plan ("Verified Transition Plan") as described above. Additional discretionary factors evaluated include conformance with ICMA Green and/or Social Bond Principles and checks for significant and ongoing controversies.

Validity of Green CP

A Certificate expires 270 days after the Evaluation Date. Issuers and Kestrel track the total volume of CP issued under the Kestrel-Verified Green CP Program. Upon expiration, Kestrel is engaged to re-verify an issuer as a Kestrel-Verified Green Commercial Paper Issuer. If subsequent verifications identify gaps in validity of transition plans or sustainability commitments, future CP issuance may not be designated as Green CP.

CONCLUSION

The Kestrel-Verified Green Commercial Paper Program is designed to increase transparency and growth in the short-term sustainable finance market. The Program enables issuers with credible transition plans to showcase and benchmark these achievements for investors and market participants. The comprehensive Sustainability Analysis and Scores methodology and eligibility requirements of the Program support issuance of Green CP with meaningful sustainability attributes.

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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 debt transactions. We evaluate transactions in public and private markets for conformance with international sustainability standards.

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By providing Kestrel-Verified Green Commercial Paper Certificates (“Green Certificates”), Kestrel is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects or activities financed by the commercial paper. It is beyond Kestrel’s scope of work to review for regulatory compliance, and no surveys or site visits are conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the financed activities.

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