



Second Party Opinion (SPO) Methodology 2026

January 1, 2026

TABLE OF CONTENTS

1. OVERVIEW	3
1.1 Purpose	3
1.2 Scope	3
2. METHODOLOGY	4
2.1 Assessment Standards	4
2.2 Assessment Process and Outcomes	4
2.3 Assessment Criteria (Our Proprietary “CSV” approach)	6
2.3.1 Criteria 1 – Credibility	6
2.3.2 Criteria 2 – Standardization	7
2.3.3 Criteria 3 – Visionary	7
3. DETAILED APPLICATION OF THE CSV CRITERIA	8
4. GOVERNANCE	14
5. APPENDIX	15
Summary of Assessment Outcomes	15
Contact Information	16

Version Control	Date	Contributors	Reviewers	Summary
1	01 Jan 2026	Andy Yap	<i>Leadership Team</i>	First version of the methodology

For further information, please reach out to: contact@climatesmartventures.com

1. OVERVIEW

1.1 Purpose

This document describes how Climate Smart Ventures (CSV) conducts a Second Party Opinion (SPO) assessment on sustainable finance frameworks and instruments (“products”). Our SPOs are typically delivered at the pre-issuance phase to provide an independent, comparable and ex-ante opinion on the credibility, ambitiousness and alignment of the product to relevant sustainability-related standards at that point of writing. Given the market acceptance of Use-of-proceeds (UoP) and sustainability-linked (SL) approaches, our process of evaluation is detailed herein to reflect the respective nuances. In the event where other approaches are considered, we will also review the specific circumstances and elaborate how our criteria shall be applied. Our SPOs should not be regarded as a substitute or inference of a credit rating or “ESG score” of the borrower or issuer concerned.

1.2 Scope

The methodology covers green, social, sustainable, and sustainability-linked (“GSSS labelled”) financing (e.g., bonds, loans, trade finance) themes. It may also be extended to include non-debt instruments such as derivatives or investing activities, as well as other specific labels such as gender, transition or nature / biodiversity. Whilst not limited to, typical counterparties (“entities”) involved include corporates, financial institutions, multilateral development banks, as well as sovereign, regional, and local governments, and project finance vehicles.

2. METHODOLOGY

2.1 Assessment Standards

Our assessments are premised on international guidelines, practices and taxonomies (and their revisions where applicable), including *inter alia*:

- Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), Sustainability-Linked Bond Principles (SLBP), Climate Transition Bond Guidelines (CTBG) and Climate Transition Finance Handbook (CTFH), published by the International Capital Markets Association (ICMA)
- Green Loan Principles (GLP), Social Loan Principles (SLP), Sustainability-Linked Loan Principles (SLLP) and Guide to Transition Loans (GTL), jointly published by the Loan Syndications and Trading Association (LSTA), Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA)
- Climate Bonds Taxonomy, European Union Taxonomy, China-EU Common Ground Taxonomy, ASEAN Taxonomy, Singapore-Asia Taxonomy for Sustainable Finance, Hong Kong Taxonomy for Sustainable Finance
- United Nations Sustainable Development Goals (SDGs)

2.2 Assessment Process and Outcomes

Assessments are conducted based on a combination of primary (e.g. sharing of confidential information, stakeholder interviews, etc.) and secondary research (publicly available data) as well as CSV's domain knowledge; in broad accordance with the following steps:

- a) **Inception:** Kick-off meeting to align expectations, applicable standards, key milestones and timelines. Thereafter, a detailed information request list will be sent by CSV.
- b) **Research:** Primary and Secondary desktop research (including peer benchmarking and local contextualization) is performed and calibrated by CSV's domain knowledge.
- c) **Draft Assessment:** High level preliminary findings of our assessment may be shared with the involved debt origination or bilateral/syndicated lending parties and covered entity with sufficient time (i.e. at least 3 working days) for factual corrections and justifications to be provided.
- d) **Quality Control:** 2 layers of systematic critical review is carried out internally by CSV. The first involves a separate individual/team that critiques key findings and preliminary grading, followed by a reviewer that will reconcile and finalize all internal and external inputs (such as in step c) prior to any formal issuance of the report.

e) **Reporting:** Formal circulation of our finalized opinion which covers the following core components:

- Summary of respective grade
- Contextual information around dates, entity, product, relevant standards, etc
- Detailed assessment justifications
- Recommendations (optional)
- Populated copy of the ICMA External Review Form (for bonds)¹

- Appendix containing (anonymized or generalized where necessary) list of information reviewed and publicly referenced.

CSV evaluates the product based on its proprietary three-pronged “CSV” approach (refer to Section 2.3) and presents the respective outcomes against four possible grades corresponding to “Requires improvement”, “Moderate”, “Strong” and “Exemplary”.

GRADE	WHAT IT MAY REPRESENT
Requires Improvement	Entity’s overall sustainability-related strategy and operational capabilities remain questionable. Product fails to consider all essential practices of the relevant principles or/and results in marginal environmental or social impact.
Moderate	Entity’s overall sustainability-related strategy and operational capabilities are adequate but possibly fragmented. Possible reputational risks exist. Product incorporates the essential practices of the relevant principles or/and results in environmental or social impacts.

¹ International Capital Market Association (ICMA), *Sustainable Bonds Database*, <https://www.icmagroup.org/sustainable-finance/sustainable-bonds-database/>.

Strong	Entity's overall sustainability-related strategy and operational capabilities are robust. Product fulfills all required practices of the relevant principles and may adopt certain recommended / market best practices. Product's environmental or social impacts are grounded and quantifiable within a period.
Exemplary	<p>Entity's overall sustainability-related strategy and operational capabilities are robustly enforced and governed. Product incorporates both essential and recommended / market best practices outlined in the relevant principles.</p> <p>Product's environmental or social impacts are rooted in science, quantifiable and immediate. Potentially set an exemplary model for the market to adopt.</p>

2.3 Assessment Criteria (Our Proprietary “CSV” approach)

Our criteria ensure that the product is comprehensively evaluated per the alleged objectives and in alignment with the standards in Section 2.1. The following definitions will provide objectivity in how we access and in bespoke situations where the criteria or definitions require calibration per se, such differences will be communicated as early as possible in the assessment process and detailed accordingly in the assessment outcome.

2.3.1 Criteria 1 – Credibility

We assess both the entity (i.e. borrower or issuer) and the product (e.g. Green Loan Framework, Sustainability-Linked Notes Program, Transition Framework, etc.).

At the entity level, we analyze the sustainability related readiness at the management and operational levels. For the former, we gauge the articulated sustainability-related commitments (e.g. PRI, TCFD, PCAF, ISO, OECD Guidelines, UN Guiding Principles, etc.), sector-related certifications (e.g. LEED or

Green Mark for real estate) strategy and policies. If the entity is a subsidiary, we also consider the same elements at group level. For the latter, we examine whether the entity has a clear process for measuring and reporting sustainability progress.

We highlight any known controversies (if any, including at group level or across other subsidiaries), seek clarification and document our findings.

Where issuers are raising funds explicitly for their climate transition strategy or wish to apply a “Transition labelled” theme, additional assessment as prescribed in the first component (i.e. “Entity-level Transition Strategy”) of the Transition Loan Principles (particularly for UoP loans) or the four key elements as described in the Climate Transition Finance Handbook (CTFH) for bonds, comprising of i) *issuer’s climate transition strategy and governance*; ii) *business model environmental materiality*; iii) *climate transition strategy and targets to be “science-based”* and iv) *Implementation transparency*.

At the product level, we examine the related attributes and strategic intents of the framework / transaction. We appraise the alleged environmental or/and social objectives in relation to the entity’s readiness (as described above) and how material they are vis-à-vis the entity’s operating context (i.e. applicable geography, sector and regulatory landscape).

2.3.2 Criteria 2 – Standardization

This is mainly a product level evaluation where we weigh up the related attributes of the framework / transaction against the applicable standards in Section 2.1. For clarity, standardization stresses alignment to the core tenets of the respective standards rather than evaluating how “similar” the product is with market norms. We identify and highlight any material variances. We may also suggest how the product can be augmented to mitigate the gaps.

2.3.3 Criteria 3 – Visionary

We first ascertain that the alleged BAU, baselines and problem statements are clear and factual. With that in mind, we then examine the product’s potential to generate immediate (both direct or indirect) and quantifiable impact. We may also perform a peer benchmarking exercise to ascertain the underlying theory of change and how potentially impactful the environmental and social attributes or outcomes of the products are.

3. DETAILED APPLICATION OF THE CSV CRITERIA

This section describes how we apply the CSV Approach (i.e. evaluation criteria) to various archetypes of products, namely *Use of Proceeds*, *Sustainability-Linked*, *Transition-labelled* and *Others*.

PILLAR	WHEN APPLIED TO	CORE COMPONENTS FOR EVALUATION	DESCRIPTION
Credibility (Criteria 1)	All Types	Entity's sustainability readiness	See Section 2.3.1 for definition
		Product's meaningfulness	
Standardization (Criteria 2)	Use of Proceeds Type	Use of Proceeds	<ol style="list-style-type: none"> Alignment with eligible categories of the UoP Principles and relevant taxonomies Clarity in objectives, benefits (e.g. environmental outcome, social issue, target population) and disclosure (e.g. exclusion criteria, new vs refinancing disclosure, look-back periods, etc.) <p>This is performed individually for each of the UoP categories / type of projects intended</p>
		Process for Project Evaluation & Selection	<ol style="list-style-type: none"> Alignment of stated process (e.g. decision tree, eligibility criteria, etc.) with the UoP Principles Clarity in the role of entity's internal departments in enforcing independence and traceability

		Management of Proceeds	<ol style="list-style-type: none"> 1. Robustness of the mechanisms (e.g. ring-fencing/ear-marking) that monitor the allocation of funds and management of unallocated proceeds. 2. Process to identify and manage any environmental or social risks.
		Reporting	<ol style="list-style-type: none"> 1. Commitment and frequency of impact reporting and granularity of the content 2. Commitment of post-issuance verification, frequency and type
	Sustainability-Linked Type	KPI Selection	<ol style="list-style-type: none"> 1. Relevance and materiality of selected KPIs 2. Clarity of definitions around scope, units and calculation methodology 3. Baseline disclosures and future measurability
		SPT Calibration	<ol style="list-style-type: none"> 1. Accuracy of baselines and BAU scenario. 2. Credibility of the targets (e.g. scientific or policy-aligned pathways) and observation dates (e.g. no opportunistic adjustments around testing) 3. Does the trajectory of the targets demonstrate clear additionality

		Financial Characteristics	<ol style="list-style-type: none"> 1. Clarity around how sustainability-linked performance is embedded into product attributes and financial outcomes 2. Clarity of definitions around fallback mechanisms where SPTs cannot be calculated (due to extenuating circumstances such as regulatory changes or M&A) or around trigger/check-in mechanisms where SPTs become irrelevant (e.g. rendezvous clause for longer tenured products) 3. Margin ratchets in relation to market norms 4. Transparency on product's disclosure location, timing and conditions
		Reporting	<ol style="list-style-type: none"> 1. Commitments to regular, comprehensive and up-to-date disclosures of SPT performance throughout the full period as well as financial implications. Interim performance updates are ideal
		Verification	<ol style="list-style-type: none"> 1. Mechanisms for post-issuance tracking (i.e. arrangements by independent third parties) and public accessibility of performance data for each reporting period

	<p>Transition Type</p>	<p>Additional product attributes in relation to:</p> <p>Science-based pathways, avoidance of lock-in risks, absence of low carbon alternatives and specific requirements of relevant taxonomy</p>	<p>Broadly, labelled transition finance products may be structured as either Use of Proceeds or Sustainability Linked in nature. Consequently, the respective core components, processes and evaluation will apply. However, additional guidance provided by the CTFH and CTBG (for bonds) and Guide to Transition Loan (for loans) will be considered. Key safeguards include:</p> <p>For Use of Proceeds,</p> <ol style="list-style-type: none"> 1. Application of Do no significant harm (DNSH) principles for transition loans 2. Application of the CTBG's preliminary and non-exhaustive list of eligible climate transition project ("CT Projects") categories for climate transition bonds ("CTB") where applicable 3. Unfeasibility of low-carbon alternatives 4. Mitigation of carbon lock-in. For CTB, application of Annex 2 of the CTBG should be referenced where applicable <p>For Sustainability-Linked,</p> <ol style="list-style-type: none"> 1. Inclusion of material Scope 1,2, and 3 emissions. Justification for exclusions clearly justified by recognized sectoral science-based standards. In cases where a Scope 3 is not feasible, supportive proxy KPIs (e.g. CapEx KPI) may be used. 2. For high-emission bond issuers, targets should align with
--	------------------------	---	--

			regional/sectoral pathways and where possible referencing Annex 1 of CTBG's preliminary and non-exhaustive overview (of official sector and market-based tools)
	Others	Customized around themes of relevance, credibility, impact and transparency	<p>Core components to be evaluated will be documented in the annex section of the SPO report, encompassing (but not limited to) the following:</p> <ol style="list-style-type: none"> 1. Materiality of product attributes with respect to entity's context (i.e. geographically, by sector, or regulatory environment) 2. Overall commitment to transparency around current assumptions and alleged additionality as well as ability to implement the same (i.e. whether by processes or reputation) 3. Comparability with similar and existing products 4. Impact potential
Visionary (Criteria 3)	All Types	Product's potential for strong and quantifiable impact	<ol style="list-style-type: none"> 1. Speed of direct and indirect impacts, as well as measurability 2. Outcomes of benchmarking and comparison with peers in similar or relevant sectors.

4. GOVERNANCE

The methodology document is reviewed semi-annually and updated/published (if necessary) on an annual basis.

CSV performs SPOs in alignment with the respective external review guidance published by ICMA and APLMA/LMA/LSTA². These include upholding key ethical and professional principles such as integrity, objectivity, due care, confidentiality and professional behavior. Further, we also adopt³ the Monetary Authority of Singapore ("MAS") Code of Conduct for ESG Rating and Data Product Providers; which builds upon the International Organization of Securities Commissions' (IOSCO) recommendations for good practices and establishes baseline industry standards of transparency in methodologies and data sources, governance, and management of conflicts of interest that may compromise the reliability and independence of the products.

Consequently, our assessments are objectively reviewed to avoid biases and conflicts of interest or disclosed when in doubt. We ensure that our policies and personnel prioritize data accuracy and confidentiality in adherence to relevant regulations, and well attuned to latest industry standards and practices

² Available at

<https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf> and <https://www.lsta.org/content/guidance-for-green-social-and-sustainability-linked-loans-external-reviews/>

³ Available at

<https://www.lsta.org/content/guidance-for-green-social-and-sustainability-linked-loans-external-reviews/>

5. APPENDIX

Summary of Assessment Outcomes

Pillar/Grade	Questionable	Moderate	Strong	Exemplary
Credibility (Criteria 1)	Entity's overall sustainability-related strategy and operational capabilities remain uncertain.	Entity's overall sustainability-related strategy and operational capabilities are adequate but fragmented. Possible reputational risks.	Entity's overall sustainability-related strategy and operational capabilities are robust.	Entity's overall sustainability-related strategy and operational capabilities are robustly enforced and governed.
	Product's sustainability objectives are immaterial to the entity or its context.	Product's sustainability objectives are mostly relevant to the entity and its context.	Product's sustainability objectives are clearly relevant to the entity and its context.	Product's sustainability objectives are significant to the entity, its context and beyond.
Standardization (Criteria 2)	Product fails to consider all essential practices of the relevant principles.	Product aligns with the essential practices of the relevant principles.	Product fulfills all required practices of the relevant principles and adopts certain recommended / market best practices.	Product incorporates both essential and recommended/market best practices outlined in the relevant principles.
Visionary (Criteria 3)	Product is likely to deliver marginal environmental or social impact.	Products should deliver reasonable environmental or social impacts.	Product's environmental or social impacts are grounded and quantifiable within a period.	Product's environmental or social impact are rooted in science and immediate, with potential to deliver long term benefits.

Contact Information

Climate Smart Ventures Pte. Ltd. (CSV)



🏢 10 Anson Road #22-02 International Plaza Singapore 079903

✉️ contact@climatesmartventures.com

🌐 <https://climatesmartventures.com/>