Methodology Document

for

Second Party Opinion

December 2025

TABLE OF CONTENTS

1. INTRODUCTION

1.1. Purpose of the methodology document

This methodology document details approach and criteria of CARE ESG Ratings Limited (CareEdge-ESG) on Second Party Opinions (SPO) offered to companies and institutions to evaluate their sustainable finance frameworks and instruments.

With the increasing focus on sustainable finance and Environmental, Social and Governance (ESG) considerations, there is a growing demand for transparent, consistent, and credible evaluation of Green, Social, Sustainability and sustainability-linked (GSS+) instruments. This methodology document is designed to guide stakeholders on the principles, criteria and processes applied by CareEdge-ESG in providing SPOs on sustainable finance instruments and frameworks. It sets out who the document is intended for and the rationale for formalising and disclosing the underlying assessment approach, thereby fostering transparency, consistency and confidence in the SPOs issued. A formal SPO methodology document to intends the following:

- Promotes transparency by clearly explaining the analytical framework, data inputs, assessment criteria and rating scales used to form Second Party Opinions, thereby helping stakeholders understand what an SPO does and does not cover.
- Enhances comparability and consistency across different SPO engagements by codifying the approach, so that issuers and investors can interpret results on a like-for-like basis across instruments, sectors and time.
- Builds trust and credibility by demonstrating independence, structured processes and alignment with recognised market standards such as green, social and sustainability bond/loan principles and emerging regulatory expectations.
- Supports better market functioning by giving issuers clarity on expectations when designing sustainable finance frameworks, which in turn leads to more robust use-of-proceeds definitions, governance, impact metrics and reporting commitments.
- Contributes to the growth of sustainable finance by reducing information asymmetry between issuers and investors, enabling capital to be more efficiently allocated towards projects and activities that genuinely advance environmental and social objectives.

Second Party Opinion (SPO) methodology document of is intended for the following users:

- **Issuers:** Issuers of green, social, sustainability and sustainability-linked instruments who seek an independent assessment of their frameworks and use-of-proceeds against recognised ESG standards and market best practices.
- **Investors:** Institutional and retail investors, lenders and other capital providers who rely on SPOs to evaluate the credibility, transparency and robustness of issuers' sustainable finance commitments and to inform their investment decisions.
- **Intermediaries:** Underwriters, arrangers, and other intermediaries in debt capital markets who use the methodology to understand the analytical approach underpinning SPOs and to structure instruments that align with leading principles and guidelines.

- **Regulators & Exchanges:** Regulatory bodies, stock exchanges and industry associations that may reference SPOs and their methodologies as part of broader sustainable finance policies, listing requirements or voluntary market standards.
- **Academia & industry:** Organisations, academia, ESG analysts and other stakeholders interested in the quality, consistency and rigour of external reviews in the sustainable finance market.

By establishing a standardized methodology aligned with regulatory guidelines and global best practices, the document promotes market confidence, facilitates informed decision-making, and supports the growth and integrity of the sustainable finance market.

1.2. Definition of Second Party Opinion

Second party opinion is an independent evaluation conducted to assess the sustainability credentials of a financing framework or financial instrument, including but not limited to green bonds, social bonds, sustainability-linked bonds, and sustainability-linked or green loans. The purpose of an SPO is to provide investors and market participants with independent, evidence-based assurance on the environmental and/or social integrity of the financing structure under review.

1.3. Benefits of Second Party Opinion

- **Enhanced Credibility**

  An SPO issued by a reputable provider significantly strengthens the credibility of the sustainability claims linked to a bond or loan. This independent validation is especially important as investors increasingly scrutinize greenwashing risks.
- **Investor Confidence**

  By offering an expert, independent assessment, SPOs boost investor confidence. This verification is vital for attracting a broader investor base, including institutional investors with strong Environmental, Social, and Governance (ESG) mandates, thereby facilitating capital flow toward sustainable projects.
- **Risk Mitigation**

  SPOs help reduce reputational and financial risks associated with greenwashing allegations. A positive SPO demonstrates the issuer's genuine commitment to sustainability, serving as a proactive step to minimize negative perceptions.
- **Market Access**

  Second Party Opinions (SPOs) can facilitate greater access to capital and may enable issuers to achieve more favourable pricing for sustainable finance instruments. As investors increasingly view SPOs as a key element of credibility and transparency, the absence of one may constrain market acceptance.
- **Communicating ESG and sustainability development initiatives**

  Issuers can showcase commitment to sustainability by transparently sharing development efforts and ongoing initiatives with stakeholders and shareholders.

1.4. Scope

CareEdge-ESG acts as an independent provider of SPOs, delivering point-in-time assessments of sustainable finance frameworks, and issuer's ESG characteristics. CareEdge ESG's comprehensive assessment reports evaluate green bond and sustainability bond frameworks, offering clear insights that help stakeholders understand how these frameworks align with industry standards and sustainability goals, fostering transparency and confidence in sustainable investment decisions.

CareEdge-ESG's evaluation process is structured around three main analytical pillars: Issuer ESG Assessment, Alignment with the Principles, and Expected Impact. Each pillar is assessed independently, based on clearly defined criteria, to ensure a comprehensive evaluation.

CareEdge-ESG issues SPOs for green, social, sustainable (GSS) and sustainability-linked (SLB) debt instruments, collectively referred to as "GSS+ instruments", as well as their frameworks. These include entity level secured and unsecured debt instruments such as bonds and loans issued by

- Financial Intermediaries (Banks, NBFCs, Lending Institutions)
- Multilateral Development Banks and Development Financial Institutions (DFIs')
- Sovereign Pension and Wealth Funds
- PE/VC Investors, Asset Managers
- Corporate Finance groups of Industries

The SPO determines whether the instrument and their framework is aligned with internationally recognized market standards. For bond issuances, these include the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and Sustainability-Linked Bond Principles (SLBP). For loan instruments, these include the Green Loan Principles (GLP), Social Loan Principles (SLP), and Sustainability-Linked Loan Principles (SLLP). CareEdge-ESG also considers regional frameworks such as the ASEAN Green, Social, and Sustainability Bond Standards (ASEAN Standards), the European Union Green Bond Standard and Taxonomy Regulation (EU Taxonomy) and regulatory guidance from Reserve Bank of India (RBI), SEBI and International Financial Service Centre Authority (IFSCA). These frameworks are hereafter collectively referred to as the "Principles." The SPO also assesses the Expected Environmental and/or Social Impact of the use of proceeds or the key performance indicators (KPIs) included in the instrument. To assess the strategic alignment of an issuer's strategy with sustainability goals, key reporting standards such as the Global Reporting Initiative (GRI), International Financial Reporting Standards Sustainability Disclosure Standards S1 and S2 (IFRS S1, S2), Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD), Business Responsibility and Sustainability Reporting (BRSR) are considered where applicable.

2. METHODOLOGY OVERVIEW

2.1. Methodology summary

This methodology governing the issuance of SPOs are structured around three main analytical pillars: Issuer ESG Assessment, Alignment with the Principles, and Expected Impact. Each pillar is assessed independently, based on clearly defined criteria, to ensure a comprehensive evaluation.

- **Issuer ESG alignment and risk management**: This pillar evaluates the issuer's overall sustainability profile by analysing two key dimensions: the strategic alignment with sustainability goals and the strength of ESG risk management policies. It provides context on the issuer's commitment to and implementation of sustainable practices.
- **Alignment with the Principles**: Evaluation of issuance or framework follows either a use of proceeds or a sustainability-linked approach.
  - For Use of Proceeds (UoPs) instruments, this assessment examines the framework's alignment with four core components based on ICMA principles and standards such as EU taxonomy, ASEAN standards, regulatory guidance from RBI, SEBI, IFSCA and alignment with key reporting standards such as GRI, IFRS S1 & S2, TCFD, BRSR.
    - Use of Proceeds
    - Process for Project Evaluation and Selection
    - Management of Proceeds
    - Reporting
  - For Sustainability-Linked instruments, the evaluation considers five elements drawn from ICMA/LMA principles and alignment with key reporting standards
    - Key Performance Indicators (KPIs)
    - Sustainability Performance Targets (SPTs)
    - Instrument features
    - Reporting
    - Verification
- **Assessment of project impacts**
  - For Use of Proceeds instruments, this pillar evaluates the relevance and significance of the projects financed by the instrument, focusing on how materially they contribute to sustainability objectives. It assesses the ambition level of these projects in terms of their environmental and/or social impact, ensuring that the financed activities meaningfully advance sustainability goals. Additionally, this pillar reviews the issuer's commitment to transparency through impact reporting and allocation reporting, verifying that the proceeds are tracked and reported accurately and that the outcomes of the financed projects are clearly communicated to stakeholders.
  - For Sustainability-Linked instruments, this pillar evaluates the relevance and materiality of the selected Key Performance Indicators (KPIs) chosen by the issuer. It assesses whether these KPIs effectively capture the most significant environmental or social factors related to the

issuer's business and sustainability strategy. Additionally, it examines the ambition and robustness of the associated Sustainability Performance Targets (SPTs), evaluating how meaningful these targets are in driving measurable improvements. This assessment helps determine the expected environmental or social impact of the instrument, ensuring it contributes credibly to sustainability goals.

2.2. Assessment outcome

The final SPO report presents the assessment results in a clear, structured order. It begins with a detailed analysis of the Issuer's ESG alignment and risk management followed by an evaluation of the framework's alignment with the relevant Market Principles (ICMA or LMA, depending on the instrument). The report concludes with Assessment of Project Impacts, which reviews each project category individually and assigns a final opinion based on materiality and ambition.

The outcome of analysis of each of the pillar is represented below:

S. No.	Pillar		Component	Assessment scale
1	**Issuer ESG alignment and risk management**	-	Strategic alignment with sustainability goals	Adequately consistent Strongly consistent
		-	Strength of ESG risk management policies	Limited Moderate Substantial High
2	**Alignment with the principles**	Use of proceeds SPOs	Use of proceeds Project evaluation and selection Management of proceeds Reporting and transparency	Not Aligned Partially Aligned Aligned Best Practice
		Sustainability linked instruments SPOs	KPI Sustainability Performance Targets (SPTs') Instrument features Reporting Verification	Not Aligned Partially Aligned Aligned Best Practice
3	**Assessment of project impacts**	-	Materiality Ambition	Limited Moderate Substantial High

2.3. Detailed description of assessment pillars

Following sections describes CareEgde-ESG's methodological approach to the SPO assessment in detail for each of the three assessment pillars. These pillars serve as the foundation for evaluating performance and impact, ensuring a comprehensive and consistent assessment process across all relevant areas.

2.3.1. Issuer ESG alignment and risk management

This pillar evaluates the extent to which an organization integrates environmental, social, and governance (ESG) principles into its strategy and risk management practices. It is divided into 2 components:

1) Strategic Alignment with Sustainability Goals

This criterion assesses how well the issuer's overall strategy aligns with recognized sustainability goals, such as the UN Sustainable Development Goals (SDGs), Paris Agreement targets, or industry-specific ESG frameworks such as GRI, IFRS-S1, S2, BRSR, TCFD, TNFD, SASB.

Strongly Consistent

The issuer's overall business strategy and sustainability strategy are fully aligned with the financed projects or Sustainability-Linked instrument KPIs across the entire company (not limited to a specific division or project). This indicates a comprehensive and integrated approach where sustainability objectives drive decision-making at all levels.

Adequately Consistent

The issuer's broad business strategy and sustainability goals show some alignment with the financed projects or sustainability KPIs, but notable gaps remain. This reflects an incomplete integration where certain projects or KPIs may not fully support the company's overall sustainability vision.

2) Strength of ESG Risk Management Policies

This criterion measures the robustness and comprehensiveness of the issuer's policies to identify, assess, and manage ESG-related risks. CareEdge-ESG conducts an independent identification of the most material ESG risks associated with the issuer's sector of activity, based on industry benchmarks, sectoral ESG frameworks, and recognized regulatory guidance such as OECD Guidelines on Multinational Enterprises, GRI, EU Taxonomy, Business Responsibility and Sustainability Reporting (BRSR) and National guidelines such as National Guidelines on Responsible Business Conduct (NGRBC), Companies Act, 2013 (CSR Provisions – Section 135). A blended approach is followed which ensures that the assessment reflects both global best practices and local regulatory expectations, capturing a comprehensive and context-specific view of ESG risk exposure. CareEdge-ESG also assesses issuer's robustness of ESG related policies in line with standards such as ISO 14001, UN Guiding principles on Business and Human Rights, IS0 45001, Principles of Responsible Banking and other sectoral standards. CareEdge-ESG evaluates how ESG policies are operationalized across the issuer's activities, ensuring that sustainability considerations are embedded into everyday business practices. Key aspects reviewed include the presence of ESG audit systems, employee training programs, continuous monitoring of ESG performance, and processes for corrective actions where needed. This operationalization is further verified through transparent reporting, third-party assurances, and relevant certifications obtained by the issuer. Based on this analysis issuers outcome can be categorised as,

High

Company-wide ESG policies comprehensively address all key risks, align with major international standards, and are overseen by strong governance.

Coverage: ESG practices are robustly and consistently implemented across all operations and supply chains, ensuring thorough risk mitigation and accountability.

Substantial

Most key ESG risks are covered by company-wide policies aligned with recognized standards and supported by effective governance. ESG practices are well integrated and consistently enforced, with only minor gaps or areas for improvement.

Coverage: ESG practices are implemented across majority of operations and supply chains.

Moderate

Some ESG policies or standards are adopted for selected risks, but coverage and implementation are inconsistent across business units or regions. ESG integration shows genuine effort but remains incomplete, with notable gaps and variability in enforcement.

Coverage: ESG practices are implemented across some operations mostly at Headquarter level and few branches/ sites only.

Limited

ESG policies are fragmented, high-level, or largely absent, with little evidence of alignment to recognized international standards. ESG considerations are poorly integrated into operations, and monitoring, training, or enforcement mechanisms are sporadic or lacking.

Coverage: ESG practices are implemented across few operations only.

2.3.2. Alignment with the principles

CareEdge-ESG evaluate a framework or instrument's alignment with the ICMA/ LMA principles to assess whether it complies with the core requirements established under the international standards. Where appropriate, CareEdge-ESG provide recommendations on how the framework's alignment with recognized best practices can be strengthened to enhance its potential to deliver meaningful environmental and social outcomes. Evaluation of issuance or framework follows either a use-of-proceeds or sustainability-linked (KPI/SPT) approach.

2.3.2.1 Use of proceeds instrument assessment

Our assessments include verifying that

1) use of proceeds;
2) process of project evaluation and selection;
3) management of proceeds and;
4) reporting and verification

adheres to the ICMA/LMA principles and domestic and international standards.

1) Use of proceeds:

CareEdge-ESG evaluates how the framework clearly defined the eligible projects, objectives aligned with the international standards such as ICMA, EU Taxonomy, ASEAN standards, Climate Bonds Initiative and UN SDGs'. The following aspects are reviewed,

- **Categorization of activities:** The issuer's green categories of activities align with project categories outlined by the Green Bond Principles (GBP), administered by the International Capital Market Association (ICMA), and the Green Loan Principles (GLP), administered by the Loan Market Association

(LMA). Additionally, the activities should correspond with applicable Indian taxonomies, including SEBI's ESG Framework Taxonomy and the International Financial Services Centres Authority (IFSCA) framework for transition bonds, as well as relevant global taxonomies. These activities are mapped to clearly defined project categories, including renewable energy, clean transportation, sustainable water management, and circular economy initiatives.

- **Outcome-based mapping:** Each activity category is linked to expected environmental and social outcomes using historical data and case studies. These outcomes may include reductions in greenhouse gas emissions, improvements in biodiversity, or enhanced resource efficiency. The methodology ensures that the project impacts are measurable, material, and aligned with sustainability objectives.
- **Alignment with sustainability goals:** Activities are assessed for their contribution to broader sustainability goals, ensuring they do not cause significant harm to other environmental or social objectives.
- **Exclusion criteria:** Projects that conflict with sustainability principles such as those involving fossil fuel-based energy, production and trade in weapons and munitions are excluded to maintain the integrity of the financing.
- **Disclosure of refinancing shares:** The issuer clearly defines the percentage of allocation that will go for refinancing.
- **Clear identification of E&S issues:** The financing framework explicitly identifies E&S issues across four key areas, environment, human rights, labour rights and corruption.
- **Taxonomy and standards alignment:** The financing frameworks and projects are aligned with official or market-wide taxonomies and reference recognized green standards or certifications, following best market practices.

Other information considered includes:

Lookback period: CareEdge-ESG assesses the age of the projects and activities financed by the labelled instrument under analysis to evaluate the incremental future impact of the debt instrument. Proceeds allocated entirely to new projects are considered to have a stronger ESG impact. CareEdge-ESG apply a reasonable lookback period for projects of no more than three years to ensure that the financed activities contribute to recent and forward-looking sustainability outcomes.

Controversial projects: CareEdge-ESG check for explicit bans on controversial projects, both from environmental and social perspectives, to ensure that funds are not allocated to activities with potentially harmful ESG impacts. Additionally, CareEdge-ESG assesses the presence of robust environmental and social safeguards designed to prevent, mitigate, and manage adverse effects throughout the project lifecycle. These safeguards may include strict exclusion criteria, impact assessments, stakeholder engagement processes, and ongoing monitoring mechanisms to uphold responsible and sustainable financing standards.

An issuer or borrower can achieve the following outcomes for each component and at the aggregate level for the whole framework:

Best practice	The issuer/ borrower goes beyond the basic requirements of the framework and demonstrates highest standards and expectations
Aligned	The issuer/ borrower fully meets the ICMA/ LMA principles
Partially aligned	The issuer/borrower meets some but not all requirements; improvements are needed since there are notable gaps
Not aligned	The framework or component fails to meet key expectations under the ICMA/LMA Principles

2) Process of project evaluation and selection:

- **Pre-defined selection process:** CareEdge-ESG assesses whether a clear and pre-defined process exists for identifying and selecting eligible projects and activities to which the proceeds will be allocated
- **Internal checks and balances among relevant teams:** CareEdge-ESG evaluates whether multiple teams or an ad-hoc multi-skilled committee are involved in the Use of Proceeds decision-making process, as opposed to decisions being made by a single department or team regardless of their sustainability expertise. CareEdge-ESG consider that committees comprising representatives from various business units help mitigate the risk of greenwashing or social washing by promoting diverse perspectives and accountability
- **Internal control structure:** CareEdge-ESG review the project selection process to determine whether there is a clear division of duties between those proposing eligible projects and those responsible for approving or rejecting them. This division of responsibilities encourages robust internal debate on project eligibility, ensuring that proceeds are allocated in a way that promotes genuine positive environmental and/or social impact
- **Risk assessment:** CareEdge-ESG evaluates whether environmental and social risks are considered when selecting projects, and checks if there are mitigation strategies incorporated to address potential negative impacts
- **Transparent communication:** The issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, and involves various stakeholders in this process, in line with best market practice
- **Integration with strategic objectives:** The selection process reflects the issuer's long-term sustainability goals and operational priorities

3) Management of proceeds:

CareEdge-ESG verify the issuer or borrower's ability to track, allocate, and safeguard proceeds through dedicated tracking systems, fund segregation practices, periodic adjustments, and transparent disclosure of unallocated funds and temporary investments. CareEdge-ESG assesses if the issuer is performing eligibility monitoring on the allocated UoPs. If an allocated project loses its eligibility, CareEdge-ESG seek to see if there is a procedure in place to remove such a project from the allocation. CareEdge-ESG also encourage issuers to obtain external audits for their internal systems to manage and track proceeds in order to strengthen their commitments to investors.

4) Reporting and verification:

- **Allocation Reporting**

  CareEdge-ESG evaluates whether the proceeds are allocated effectively, the commitment to reporting frequency, and the level of detail provided. We also consider whether reporting is a mandatory requirement or a less binding commitment.
- **Impact Reporting**

  Impact reports are assessed based on their frequency, quality, and data granularity. Positive recognition is given when issuers follow a recognized standard for impact reporting. Reports may include data at the asset or project level, aggregated by groups of similar projects, or at the portfolio level. Greater detail and transparency in disclosures benefit the market.
- **KPI and SPT Reporting**

  CareEdge-ESG reviews the availability of publicly accessible reports on Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs), including reporting frequency and the comprehensiveness of the information provided.
- **Verification**

  Evaluation includes the frequency, publication, and type of verification conducted. Emphasis is placed on the rigor of the verification or technical analysis performed. Verification by a qualified, independent body or individual especially when done annually and covering asset allocations as well as their green and social impacts, is regarded as highly positive.

2.3.2.2. Sustainability-Linked instrument assessment

For sustainability-linked instruments, CareEdge-ESG analysis includes verifying:

(1) Selection of KPIs,

(2) Calibration of Sustainability Performance Targets (SPTs),

(3) Instrument features,

(4) Reporting adherence to the principles.

1) Selection of KPIs:

CareEdge-ESG verifies the KPIs based on the following parameters:

- It should be clearly defined, measurable, and strategically relevant to the issuer's core business activities, in line with ICMA's Sustainability-Linked Bond Principles.

- Assessment of the clarity of the KPI description, including its scope, unit of measurement, calculation methodology, and baseline disclosure, as well as the rationale behind the KPI's selection.
- Materiality evaluation based on the KPI's significance to the issuer's operations and sector specific sustainability challenges, using references such as ICMA's Illustrative KPIs Registry, SASB, and GRI.
- Assessment of KPIs' scope and coverage, including the percentage of the issuer's business or emissions that the KPI represents, as broader coverage is more likely to result in meaningful and scalable sustainability impacts.
- Review of benchmarking against credible international standards or science-based targets, and whether it has been previously measured to establish a baseline and enable trend analysis.
- Verification that the KPI can be externally verified, that clear calculation methodologies are disclosed, and that a back-up mechanism exists in case the KPI becomes unobservable due to extraordinary events.

2) Calibration of SPTs:

CareEdge-ESG assesses the SPT's based on the following parameters,

- **Quality**: Targets are qualified based on verification by credible frameworks such as the Science Based Targets initiative (SBTi), CDP or inclusion within a recognized framework, or alignment with a broader net-zero entity strategy. For targets focused on social dimensions, special emphasis is placed on their contribution to relevant Sustainable Development Goals (SDGs) and their targeted impact on vulnerable populations.
- **Ambition**: The ambition of each target is evaluated by comparing it against multiple reference points, including the entity's internal baseline performance, the performance of peer entities within the same sector, and, where applicable, the relevant country or regional context.
- **Time of target observation:** The timing of when targets are observed and measured is critical to maintaining their integrity and relevance. Observations conducted too early in the lifecycle of the bond or instrument may undermine the significance of the targeted ambition, while observations made too late may reduce the practical impact of achieving or missing the target.

  Peer comparison: An entity's key ESG targets are benchmarked against peer organizations. This involves determining whether targets are absolute or relative, assessing if they are based solely on company performance, and understanding how they compare within the broader competitive landscape.

3) Instrument features:

Instrument characteristics (if available) are evaluated as:

- **Incentive mechanisms:** CareEdge-ESG evaluates whether variations in bond or loan terms such as changes in coupon rates, call options, or other financial mechanisms are sufficiently meaningful to incentivize the issuer to achieve its SPTs.

- **Fallback mechanisms:** CareEdge-ESG examine the presence and clarity of fallback provisions for scenarios where SPTs cannot be calculated or observed due to exceptional circumstances (e.g., mergers and acquisitions, regulatory changes). These provisions must be clearly defined within the bond documentation.
- **Disclosure transparency:** Full disclosure of the instrument's structural terms, including timing, conditions, and location of disclosures, is reviewed to ensure transparency and market confidence.
- **Impact of instrument:** The impact of meeting or failing to meet the corresponding SPT is assessed from both financial and structural perspectives. Financial impacts are benchmarked against typical market practices based on instrument type. Larger impacts on funding costs or instrument structure translate to stronger incentives for the issuer to meet targets, increasing the KPI's value in CareEdge-ESG assessment.
- **Dynamic vs. Static targets:** CareEdge-ESG analyse the potential for future organizational changes such as mergers and acquisitions (M&A), any major restructuring, or other changes to the entity's perimeter that could affect the KPI or target definition. Ideally, companies identify and address such transformations in the target-setting process.

4) Reporting:

- CareEdge-ESG assesses the availability of publicly accessible reporting on KPIs' and SPT's.
- Evaluation includes reporting frequency, and the level of detail provided in disclosures. Disclosures must include baseline values, progress against SPTs and any resulting financial implications.
- Issuers are also expected to obtain independent external verification of performance data for each reporting period, and this verification must be made publicly accessible.

2.3.3. Assessment of project impacts

CareEdge-ESG's impact assessment is divided into two key components: materiality and ambition, with the final rating expressed on a four-level scale, low, moderate, substantial, and high. By integrating both materiality and ambition, CareEdge-ESG provide a holistic and balanced evaluation of a project's expected environmental or social outcomes. Materiality ensures that the project addresses meaningful and context-specific challenges, while ambition assesses the depth, durability, and technical robustness of the proposed solution. This dual approach allows us to distinguish between projects that merely comply with minimum sustainability expectations and those that deliver long-term, significant impact.

CareEdge-ESG emphasises transparent and rigorous impact reporting to track and communicate the real-world outcomes of projects over time. Impact reporting involves:

- Regular measurement and disclosure of key performance indicators (KPIs) aligned with the project's material issues
- Quantitative and qualitative evidence demonstrating the environmental or social changes achieved
- Assessment of progress toward stated impact goals, enabling stakeholders to understand the effectiveness and scalability of the project

- Identification of any unintended consequences or risks, fostering continuous improvement.

Impact reporting ensures accountability and supports data-driven decision-making for investors, implementers, and beneficiaries.

To complement impact reporting, CareEdge-ESG considers allocation reporting, which provides transparency on the use of financial and resource inputs allocated to the project. Allocation reporting covers:

- Detailed disclosure of capital deployment and resource allocation across different project activities and phases
- Breakdown of expenditures by category (e.g., technology development, community engagement, monitoring & evaluation)
- Linkages between financial inputs and expected impact outcomes, helping stakeholders understand how investments translate into tangible environmental or social benefits
- Verification processes to ensure funds are used as intended and aligned with the project's impact objectives.

Allocation reporting strengthens trust and ensures that resources are efficiently and effectively directed to maximize impact.

4-point scale	Use of proceeds
High	The project demonstrates highly advanced corporate governance attributes that generate significant spillover effects, influencing other businesses by exemplifying best practices. It addresses a top-priority, urgent challenge that is integral to the issuer's strategy and enjoys strong policy support. Utilizing best-in-class technologies or, in social contexts, precisely targeting the most vulnerable populations, the project fully complies with transparency criteria. These benefits not only meet but often exceed international standards, positioning the project as a model for sustainable and impactful development. The project has a large direct or indirect contribution to most of the Sustainable Development Goals. Impact reporting is incorporated, providing transparent evidence of progress and outcomes to stakeholders. Transparent reporting on use and distribution of financial and resource inputs fosters accountability and ensures responsible management of funds.
Substantial	Corporate governance practices are good enough to affect positively the views of investors about investing in the country. The project addresses a significant challenge that aligns well with the issuer's strategic objectives and relevant policy recommendations, although it is not considered the most urgent priority. It employs proven and effective solutions or, in the case of social projects, focuses on underserved or marginalized groups, demonstrating strong, though not comprehensive, adherence to the fully complies with transparency criteria. As a result, the project delivers substantial and lasting benefits, with only minor gaps when compared to best practices or international standards. The project has a large direct or indirect contribution to most of the Sustainable Development Goals.
Moderate	The project addresses a recognized but less urgent need that contributes to the issuer's broader strategic objectives. It utilizes adequate, mainstream solutions or, in the case of

	social projects, serves a broader or mixed population with only partial targeting of vulnerable groups. Alignment with the fully complies with transparency criteria is moderate, resulting in positive but limited impacts that are generally short- to medium-term in nature. The project demonstrates partial adherence to best practices, delivering some benefits but falling short of transformational or long-lasting outcomes. Corporate governance practices are good but needs improvement. Development implications could be higher.
Low	The project addresses a marginal issue with low urgency and limited strategic relevance to the issuer's core objectives. It relies on outdated or less effective solutions or, in the case of social projects, lacks clear targeting of vulnerable populations. Performance across the fully complies with transparency criteria is weak or inconsistent, resulting in only minor or incidental benefits. Overall, the project demonstrates limited alignment with established standards and delivers minimal meaningful social impact. Low performance may lead to rejection of a project or reconsideration under a concreate commitment of mitigating measures.

4-point scale	**Sustainability-Linked Instruments**
High	The KPI is core to the issuer's overall strategy, encompassing more than 50% of its operations and directly addressing urgent policy priorities. Its target is science-based, demonstrating performance that surpasses both industry peers and the issuer's historical benchmarks. Furthermore, it is fully aligned with top international standards, reflecting a high level of ambition, credibility, and impact.
Substantial	The KPI is significant, either representing a core aspect of the issuer's strategy or covering more than 50% of operations, though it is not the top strategic priority. It is well-aligned with regional policy priorities and demonstrates a target that goes well beyond past performance. The KPI is on par with leading industry peers and aligns with strong, though not best-in-class, international benchmarks, reflecting a solid level of ambition and relevance.
Moderate	The KPI is relevant to the issuer's sustainability strategy but is not a core focus, or it applies to a moderate portion (approximately 20–30%) of the issuer's operations or value chain. The target reflects incremental improvement over historical performance and aligns broadly with common industry practices, without setting a new standard or clearly outperforming peers. Alignment with regional or sectoral benchmarks is only partial, and the level of ambition is moderate, either in terms of scope or timeframe.

Low	The KPI addresses some material impacts but remains peripheral to the issuer's primary sustainability challenges, or it applies to a small portion (less than 20%) of operations or the value chain. The target is primarily oriented toward process improvements or basic compliance, demonstrating limited ambition and narrow scope. It lacks alignment with recognized global or sectoral standards, and the improvements it drives are incremental, offering little material advancement in the issuer's overall sustainability performance relative to peers or broader policy objectives.

2.3.4. SDG Mapping

This component evaluates how the categories of activities financed under the use of proceeds contribute to the United Nation Sustainable Development Goals (SDGs) highlighting both direct and indirect sustainability impacts. The objective is to assess the breadth and depth of SDG coverage across the frameworks reviewed.

- Direct and indirect contributions:
    - Activities are mapped to the Sustainable Development Goals (SDGs) based on their measurable environmental and social impacts**.** This mapping considers how a project's outcomes align with specific SDG targets, ensuring that contributions are both relevant and meaningful. By evaluating the tangible effects of activities such as reductions in emissions, improvements in health outcomes, or enhanced access to education projects can be systematically linked to the SDGs they support, either directly or indirectly.
    - Direct contributions relate to projects that explicitly target SDG outcomes (e.g., clean energy for SDG 7). Direct contributions refer to projects that explicitly aim to achieve specific Sustainable Development Goals (SDGs). These projects are designed to deliver measurable outcomes aligned with one or more SDGs. For example, sustainable agriculture projects contribute to SDG 2 (Zero Hunger), and efforts to provide clean water and sanitation relate to SDG 6 (Clean Water and Sanitation). These direct links help demonstrate the tangible impact of financed activities on global sustainability targets.
    - Indirect contributions reflect broader systemic or secondary benefits that support the achievement of Sustainable Development Goals (SDGs), even if the project's primary objective is not explicitly SDG-targeted. For example, investments in energy efficiency may indirectly support SDG 13 (Climate Action) by reducing greenhouse gas emissions, while infrastructure development can enhance SDG 8 (Decent Work and Economic Growth) through job creation and improved economic resilience. Similarly, projects that enhance air quality or access to green spaces can contribute to SDG 3 (Good Health and Well-being) by improving public health outcomes. These indirect impacts often arise through ripple effects across sectors and communities, helping to advance sustainable development in a more integrated and long-term manner.

- Multi-SDG impact recognition:
    - Many activities contribute to multiple SDGs simultaneously. For instance, sustainable agriculture may support SDG 2 (Zero Hunger), SDG 5 (Gender Equality), SDG 12 (Responsible Consumption), SDG 13 (Climate action) and SDG 15 (Life on Land).

3. ASSESSMENT PROCESS

CareEdge-ESG follows a structured 7-step process for delivering a SPO over a typical timeline of 6–8 weeks, ensuring continuous engagement with the issuer for high-quality outcomes. The process begins with a kick-off phase involving the collection of key documents such as the sustainable finance framework and public disclosures. This is followed by detailed issuer engagement, where queries are clarified through physical/virtual interactions. Research and analysis are conducted to determine alignment with SPO methodology which are then reviewed through multiple levels of quality checks. Once all inputs are incorporated, the final SPO report is prepared and shared with the issuer, followed by public dissemination. The process is designed to ensure transparency, credibility, and alignment with international sustainability standards.

4. FINAL OUTPUT

The final output of SPO consists of a detailed opinion report detailing the 3 pillars in a descriptive manner accompanied by signals and data points. The evaluation framework assesses issuers across three core pillars: Issuer ESG alignment and risk management, Alignment with Principles, and assessment of project impacts. The Issuer ESG alignment and risk management examines strategic alignment with sustainability goals and the strength of ESG risk management policies, rated on scales from "Not consistent" to "Consistent" and from "Limited" to "High," respectively. The second pillar evaluates key components such as use of proceeds, project evaluation and selection, management of proceeds, and reporting and transparency. For sustainability-linked instruments, it assesses KPIs, Sustainability Performance Targets (SPTs), instrument features, reporting, and verification, rated from "Not Aligned" to "Best Practice." Finally, the Expected Impact Assessment focuses on the materiality and ambition of projects, rated from "Limited" to "High." This comprehensive approach ensures a nuanced and detailed analysis of sustainability performance across strategic, operational, and impact dimensions. The analysis is summarised and categorised into three different sections:

- An overview of the consistency of the financing framework with the issuer's/borrower's sustainability strategy and its ESG profile
- An opinion on the overall alignment of the instrument and/or financing framework and its governance processes with the market principles.
- An opinion on the sustainability quality of use of Proceeds instruments evaluating the clarity of eligible projects, alignment with international standards, and robustness of project selection, management, and reporting processes
- A detailed opinion report on the of Sustainability-Linked Instruments (SLIs) evaluating the relevance and materiality of selected KPIs, the ambition and clarity of Sustainability Performance Targets (SPTs), and the robustness of reporting and verification processes

5. What SPO is not

A Second Party Opinion (SPO) is not an investment recommendation, financial advice, or an ESG rating. An SPO does not assess the economic profitability or creditworthiness of a bond, security, or financial instrument, nor does it provide guidance on the future market performance or suitability for any particular investor. Instead, an SPO is strictly an independent evaluation that focuses on assessing whether the sustainability features of a financing framework or instrument align with established principles, such as green, social, or sustainability-linked guidelines, and does not replace due diligence or financial analysis required by investors or other stakeholders.

This Second Party Opinion is an independent, point-in-time assessment of the sustainability framework and does not constitute, and should not be construed as, a guarantee of future sustainability performance, impact, target achievement, or alignment with any future revisions of applicable principles or market standards. Users of this Opinion remain solely responsible for their own assessment and decisions and should not rely on this document as financial, legal, tax, or investment advice. It needs to be noted that:

- The opinion is "for informational purposes only" and "does not constitute investment advice, an offer, solicitation, or recommendation to buy or sell any security or financial instrument."
- The SPO is only "an independent, point-in-time assessment" of a sustainable finance framework.
- The analysis "does not provide any guarantee of alignment with future versions of market standards, nor of the future performance, impact, or outcomes of the issuer, projects, or KPIs," and "past performance is no guarantee of future results."
- Users of the opinion "remain solely responsible for their own investment and other decisions" and the SPO "is not a substitute for professional advice."

To the maximum extent permitted by applicable law, the SPO provider and its affiliates accept no responsibility or liability for any direct or indirect loss, damage, cost, or expense arising from the use of, or reliance upon, this Second Party Opinion or any of its contents. This limitation of liability is not intended to restrict any rights that cannot be excluded under applicable law, nor to discourage investors from conducting their own careful, well-informed assessment.

6. About CareEdge-ESG

CARE ESG Ratings Limited (CareEdge-ESG), a wholly owned subsidiary of CARE Ratings Limited, is a Securities and Exchange Board of India (SEBI) approved Category I ESG Ratings Provider (ERP), reflecting adherence to regulatory expectations and robust ESG assessment standards.

Building on the CARE group's long-standing presence in the debt and capital markets, CareEdge-ESG has developed a comprehensive ESG rating and research platform that already covers multiple sectors, including banking, power, cement, aerospace and defence, and financial services. Its ESG ratings and opinions are used by issuers and investors to benchmark ESG performance, support sustainable finance transactions and inform strategic decision-making.

As part of its sustainable finance offering, CareEdge-ESG acts as an independent provider of Second Party Opinions (SPOs) on green, social, sustainability and sustainability-linked financing frameworks. These SPOs provide comprehensive evaluations of issuers' frameworks and key performance indicators against leading international principles such as the ICMA Green, Social, Sustainability and Sustainability-Linked Bond Principles and the LMA Sustainability-Linked Loan Principles.

7. CareEdge-ESG's differentiators as an SPO and ESG rating provider

CareEdge-ESG brings a combination of market experience, analytical depth and local relevance that differentiates it in the SPO and ESG ratings space:

- **Strong parentage and capital markets familiarity:** Being part of CARE Ratings Limited gives CareEdge-ESG access to deep sector knowledge, long-standing relationships with issuers and investors, and a strong understanding of Indian credit and capital markets dynamics, which enhances the practical relevance of its ESG and SPO assessments.
- **Robust, data-driven ESG framework:** CareEdge-ESG's methodology is built around a comprehensive indicator-based model, evaluating hundreds of data points across environmental, social and governance themes, with a mix of baseline and sector-specific indicators and a clear materiality-based prioritisation of key issues. This structure supports granular, comparable and decision-useful outputs for issuers and investors.
- **Sector-specialised ESG expertise:** The ESG team has developed sector-specific scorecards and rating rationales for multiple high-impact sectors such as banking, power, cement and financial services, enabling more nuanced analysis of sectoral risks, opportunities and transition pathways. This sector depth enhances the quality and credibility of both ESG ratings and SPOs.
- **Alignment with regulatory and market standards:** As a SEBI-registered Category I ESG Rating Provider, CareEdge-ESG embeds relevant Indian regulations, BRSR expectations and global ESG norms into its assessment models and SPOs, ensuring that opinions are aligned with both domestic regulatory requirements and international investor expectations.
- **Independent and transparent external review:** CareEdge Global positions itself as an independent SPO provider, offering clear articulation of scope, methodology, criteria and limitations in its assessment reports, which promotes transparency, consistency and investor confidence in the underlying sustainable finance instruments.
- **Focus on India-specific context:** The ESG framework and assessments are tailored to the Indian market, combining global best practices with local regulatory, environmental and social realities, enabling more realistic benchmarks and actionable insights for Indian issuers.

CareEdge-ESG is part of the CareEdge Group which is a knowledge-based analytical group offering services comprising Ratings, Analytics, Consulting and ESG Ratings.

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About Us:

CareEdge is a knowledge based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE ESG Ratings Limited (CareEdge-ESG) is one of the India's pioneer ESG rating provider fostering sustainability with ESG insights. With an aim of being a catalyst of change for a sustainable future with the most credible ESG assessments, CareEdge-ESG provides a 360 degree appraisal for the ESG performance benchmarking cum transition enabling ESG risk mitigation and enhanced decision making capabilities for all stakeholders.