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Nasdaq Green Designation Assessment

This document provides a description of the methodology used for the Nasdaq Green Designation assessment. Under the methodology, companies can be designated as:

- Aligned with the Nasdaq Green Equity Designation
- Aligned with the Nasdaq Green Equity Transition Designation

The assessment is based on four pillars:

- Green and fossil fuel-based turnover
- Investments in green activities
- Environmental targets and
- Alignment with the EU Taxonomy

Assessments are developed:

- using publicly available information
- using a process that solicits company interaction
- and using proprietary methodologies from the Moody's ESG Solutions Group

ABOUT US

V.E (Vigeo Eiris) is a part of the Moody's ESG Solutions Group. This group serves the growing global demand for ESG and climate insights. The group leverages Moody's data and expertise across ESG, climate risk, and sustainable finance, and aligns with Moody's Investors Service (MIS) and Moody's Analytics (MA) to deliver a comprehensive, integrated suite of ESG and climate risk solutions including ESG scores, analytics, Sustainability Ratings and Sustainable Finance Reviewer/certifier services.

For more information go to moodys.com/esg

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Overview

The assessment is structured under four pillars:

1. An assessment of company turnover derived from both green and fossil fuel activities
2. An assessment of company investments in green activities
3. An assessment of company environmental targets
4. An assessment of the alignment of company activities with the EU Taxonomy for Turnover, CAPEX and OPEX

The table below provides an overview of the requirements necessary to meet the prerequisites of a Green Equity or Green Equity Transition Designation:

TABLE 1

	Green Equity Designation	Green Equity Transition Designation
Turnover	>50% Green Turnover	<50% Fossil Fuel Turnover
	<5% Fossil Fuel Turnover	
Investments	> 50% of total Investments on green activities (sum of CAPEX and OPEX)	
Environmental Targets	Alignment with ≤ 2 ° Scenario	
EU Taxonomy	EU Taxonomy Alignment for Turnover, CAPEX and OPEX	

Turnover and Investments

- A company can only be considered for the Green Equity Designation if it has >50% of its total turnover and investments (sum of CAPEX and OPEX) considered as green as well as <5% of total turnover from fossil fuels.
- A company can only be considered for the Green Equity Transition Designation if it has <50% of its total turnover from fossil fuels and >50% of its total investments (sum of CAPEX and OPEX) considered as green.

Fossil Fuel turnover is defined as the proportion a company's commercial activity derived from the exploration, production, transportation, refining of fossil fuels as well as fossil fuel-based power generation.

Green turnover and investments are identified by reference to two elements. Firstly, an underlying taxonomy of goods and services that have net positive contribution to the achievement of 17 Sustainable Development Goals (SDGs). Secondly, by reference to the EU Taxonomy activities[1].

Goods and services that contribute to the UN SDGs are determined by applying the Sustainable Goods and Services Methodology[2] developed by V.E, part of Moody's ESG Solutions. Under this methodology, sustainable goods or services are those that function in a manner whereby they contribute to sustainable

[1] [1] For the more information on this: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en#documents

[2] For more information on this, please contact james.burke@vigeo-eiris.com or visit the V.E website https://vigeo-eiris.com/solutions-investors/sustainable-goods-services/

development objectives as outlined by international texts and reference standards. These goods and services should generate net positive impacts for stakeholders, which may be in the form of correcting past/present harms or in the form of supporting progress towards a development goal. Companies are qualified in terms of the proportion of their commercial activities (sale of goods or services) and investment activities (CAPEX and OPEX) that are linked to the products mentioned above. Some examples of green turnover and investment activities are outlined in Table 2 (below). These include many activities that can also be found in the International Energy Agency's ETP Clean Energy Technology Guide[3] .

TABLE 2

SUSTAINABLE GOODS & SERVICES INVENTORY			
Access to Energy	Energy Demand-Side Management	Light-Emitting Diodes (LEDs)	Smart Meters
Afforestation	Energy from Waste	Materials Allowing Energy Efficiency	Sustainably Sourced Biofuel
Building Materials from Wood	Energy Storage	Photocatalytic Materials	Transportation-Sharing Services
Electric Engines	Fuel Cell Engine	Renewable Energy	Smart Grids
Electric Vehicle Technology	Green Buildings	Renewable Energy Technology	Smart Grid Technology
Electric Vehicles	Hybrid Engines	Insulation Materials	

Environmental Targets

A company can be considered for the Nasdaq Green Equity Designation and the Nasdaq Green Equity Transition Designation if it provides information on its relevant environmental targets and KPIs such as science-based targets and climate KPIs in line with the Paris agreement.

In the absence of a science-based target already set by the company, in order to assess whether the company's climate targets are aligned with the Paris Agreement goals we use two approaches:

Sector Decarbonisation Approach (SDA):

Emission reduction targets disclosed by companies are assessed on whether they are aligned with the International Energy Agency's (IEA) below 2°C decarbonisation pathways for high emitting sectors covered by the Energy Technology Perspectives (ETP 2020) and World Energy Outlook (WEO 2020) models.
Eligible sectors: Airlines, Aluminium, Autos, Cement, Steel, Oil and Gas, Electricity, Paper, Shipping.

Absolute Reduction Approach (ARA):

Emission reduction targets disclosed by companies are assessed on whether they are aligned with the global average year on year (YoY) reduction rates required under a 1.5°C and 2°C decarbonisation

[3] For more information see : https://www.iea.org/articles/etp-clean-energy-technology-guide

pathway as per IPCC's 1.5° C consistent scenarios with low or limited overshoot and 2° C consistent scenarios with >66% likelihood. All sectors are eligible with this approach.

In the absence of any emissions reduction target (i.e. pure renewable energy generators) a qualitive justification will be provided in the assessment report.

EU Taxonomy Alignment

A company can only be considered for the Nasdaq Green Equity Designation and the Nasdaq Green Equity Transition Designation if it discloses its alignment with the EU Taxonomy for environmentally sustainable activities (proportion alignment for turnover, CAPEX and OPEX, and is part of the environmental objectives as per table 3), taking into consideration criteria for Minimum Safeguards and Do No Significant Harm as defined in the EU Taxonomy.

We make the assessment of the company's alignment based on the best available information. Our methodology for assessing EU Taxonomy Alignment provides an overlay of controversy screening to ensure that the activities of the company in each area "**Do No Significant Harm**" (DNSH) to the other environmental objectives.

This is also done to ensure that the company is respecting the "**Minimum Social Safeguards**" (MSS) as defined by the EU Taxonomy. For activities that are not part of the existing EU taxonomy, the DNSH and MSS principles will remain applicable.

TABLE 3

THE EU TAXONOMY'S SIX ENVIRONMENTAL OBJECTIVES
Climate Change Mitigation
Climate Change Adaptation
Protection of Water and Marine Resources
Transition to a Circular Economy
Pollution Prevention and Control
Protection and Restoration of Biodiversity

Case Study

Company A is a European company from the electric and gas utilities sector. It is aligned with the Nasdaq Green Equity Designation requirements. The company has more than 50% of its total turnover from renewable energy production, mainly from wind power generation. Its fossil fuels turnover represents less than 5% percent of turnover. The company has set an emissions reduction target which is aligned with a below 2 degrees scenario and is on track of achieving it. Finally, three activities of the company are EU taxonomy aligned.

TABLE 4

PILLAR	GREEN EQUITY	COMPANY A
TURNOVER	>50% Green Revenue	>86% turnover (mainly wind power generation)
	<5% Fossil Fuel Revenue	<5% (natural gas and coal power generation)
INVESTMENTS	> 50% of total Investments on Green Activities (sum of CAPEX and OPEX)	The company plans to invest an estimated USD 32 billion in the period from 2019 through 2025, with more than 95% earmarked for offshore wind and onshore renewables.
ENVIRONMENTAL TARGETS	Alignment with ≤ 2 ° Scenario	Aligned with ≤ 2 ° C Scenario Target: The company commits to reduce Scope 1 and 2 GHG emissions 98% per kWh by 2025 from a 2006 base year. The target boundary includes bioenergy emissions and removals from biogenic sources. Scenario used: IEA B2DS (ETP 2017)
EU TAXONOMY	EU Taxonomy Alignment	Aligned Activities: - Wind Generation - Energy Storage - Transmission and Distribution of electricity - DNSH (Do no significant harm) & MSS (Minimum Social Safeguards) principles respected

Assessment Process

1. Kick-off

A kick-off meeting is organised with the company to discuss and validate a detailed work plan and schedule. A list of required information will be provided at the end of the kick-off meeting to guide the data collection process.

2. Data collection and analysis

Data requirements are defined, communicated, and received. This requires one to two weeks, as the company might need to collect information from different internal departments. Any company may request an extension if necessary. Once data has been collected from the company, the analysis takes up to six days.

3. Draft report

The draft report is first presented to the company through a meeting, to ensure an open and collaborative working process. The draft is a working document that details our preliminary conclusions. The company will then have the opportunity to discuss and provide feedback on this draft.

4. Final report

After the revision and integration of the company's feedback, we will provide a final report to the company. The deliverable is produced in English.

Assessment Sources

In addition to the information provided by the company, if required, we will also collect information from other sources to complement our assessment. Some examples of information sources include but are not limited to:

» **Corporate Reporting**: CSR Reports, Annual Reports, 10K forms, public policies etc

» **Press Databases**: we are able to access news stories extracted from thousands of global press sources to identify additional ESG information that may impact the company's assessment.

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