



°CICERO  
Shades of  
Green

## Leading global provider of Second Opinions on green bonds

CICERO Shades of Green is a leading provider of independent, research-based evaluations of green bond investment frameworks to determine their environmental robustness. Our Second Opinions includes a green shading to show how well a green bond aligns with a low-carbon climate resilient future.

Our mission is to shift the bond market towards greener investments and improved transparency without creating undue transaction costs for the financial sector.

**CICERO'S SECOND OPINION WAS A KEY PART OF THE GREEN BOND MODEL DEVELOPED FOR THE FIRST WORLD BANK GREEN BOND TOGETHER WITH SEB IN 2008, WHICH HAS HELPED THE MARKET DIVERSIFY WITH INTEGRITY.**

*HEIKE REICHELT, HEAD OF INVESTOR RELATIONS AND NEW PRODUCTS AT THE WORLD BANK*

### CICERO Shades of Green - our approach

CICERO Shades of Green's award-winning Second Opinions build on renowned climate research, drawing on competence from CICERO Center for International Climate Research, one of the world's foremost institutes for interdisciplinary climate research. Our researchers and experts have completed more than 100 Second Opinions, reviewing bonds valued at over \$125 billion out of the over \$450 billion worth of global outstanding green bonds. In order to professionalise the work on Second Opinions, CICERO Shades of Green AS was established in December 2018 as a CICERO subsidiary.

We assess whether a given activity or technology supports a low-carbon and climate resilient society in the long-term. In some cases, activities or technologies that reduce emissions in the near-term result in a prolonged use of high-emitting infrastructure and an increase in net emissions in the long term. CICERO Shades of Green strives to avoid locking-in of emissions through careful infrastructure investments and moving towards low- or zero-emitting infrastructure. Together with our global partners we also provide Second Opinions on sustainability bonds.

Our Shades of Green methodology gives transparent information on how well a green or sustainability bond aligns with a low-carbon resilient future. Our Second Opinions are graded **dark**, **medium** and **light green**:



**Dark green** is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated. Examples include wind energy projects with a strong governance structure that integrates environmental concerns.



**Medium green** is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered. Examples include bridging technologies such as plug-in hybrid buses.

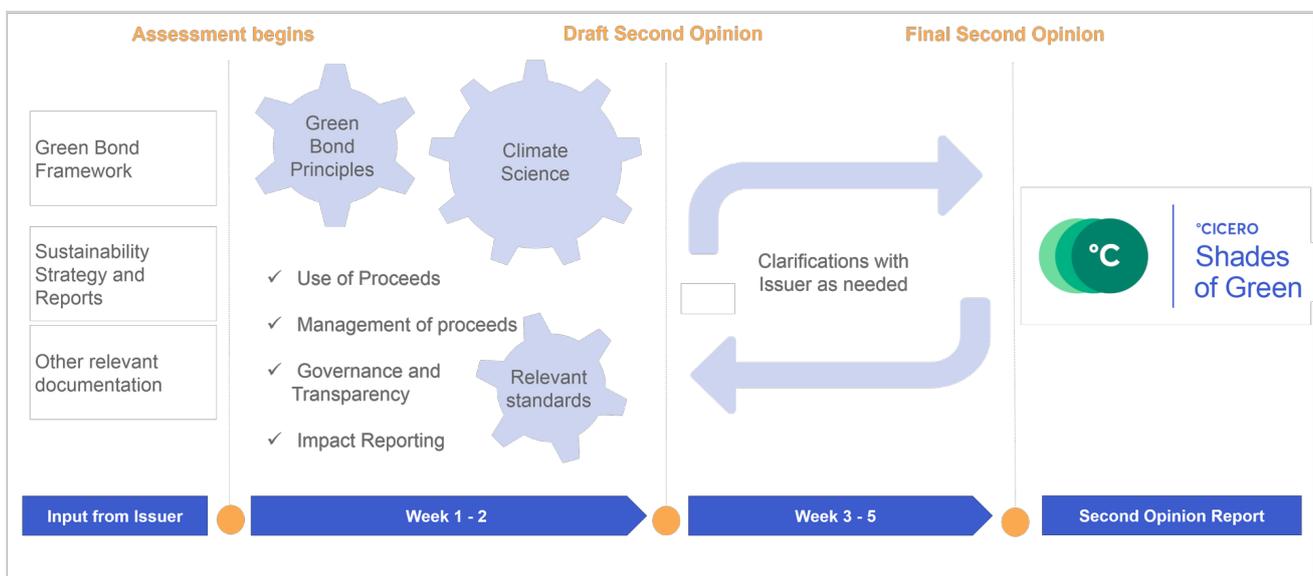


**Light green** is allocated to projects and solutions that are climate friendly but do not by themselves represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them. Examples include efficiency investments for shipping technologies where clean alternatives are not available.

## Shades of Green methodology

- The Green Bond Principles outline voluntary guidance for green bonds, but do not take a position on the quality of green solutions. This is where CICERO Shades of Green finds its pivotal role, to connect climate change science with the financial markets.
- We assess the environmental soundness of green projects: mitigation projects for their potential to reduce or abate emissions, and adaptation projects for their potential to help society adapt to concrete efforts of climate change.
- Governance and transparency considerations also factor in as they give an indication of the capabilities of the issuer to implement the climate and environmental ambitions of the investment framework. Our methodology includes assessment of the governance structure of the issuer graded Excellent, Good or Fair.
- Our Second Opinions are desk reviews, based on documentation provided by the issuer and information gathered during meetings, teleconferences and e-mail correspondence with the issuer.
- CICERO Shades of Green provides an ex-ante assessment based on knowledge that is available at the time of issuance.

## Second Opinion process



## Global reach

CICERO Shades of Green works with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO) to broaden the technical, language and regional expertise.

The ENSO network consists of independent non-profit research institutions specialising in climate change, environment and society. ENSO members currently include the Basque Center for Climate Change (BC3), the International Institute for Sustainable Development (IISD), the Stockholm Environment Institute (SEI), and Tsinghua University's Institute of Energy, Environment and Economy. ENSO operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of Second Opinions.

