



Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank

Second-Party Opinion – Sustainability Framework

Excellent
Good
Aligned
Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none"> Sustainable Fitch considers the use of proceeds (UoP) included in Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank's (UICB) framework aligned with the ICMA Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP) and Sustainability Bond Guidelines 2021 (SBG); it is also aligned with the Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP) of the LMA, LSTA and APLMA. The framework outlines 14 categories that contribute to UICB's environmental and social objectives and sustainable development strategy to promote sustainable finance.
Use of Proceeds – Other Information	Good	<ul style="list-style-type: none"> UICB set an exclusion list for activities in certain sectors. The projects can be new and existing projects; however, the bank does not commit to keeping a certain level of new projects in its portfolio, which would increase the instrument's additionality.
Evaluation and Selection	Excellent	<ul style="list-style-type: none"> We consider the evaluation and selection to be multi-layered, with involvement of the green banking department, credit committee and relevant experts including on sustainability. The process involves environmental and social impact and risk assessment.
Management of Proceeds	Good	<ul style="list-style-type: none"> UICB's proceeds are not segregated into a separate account; however, a proper process to register the UoP and allocated projects is in place. Ineligible projects are replaced, and the process to manage unallocated proceeds is disclosed in the framework as per ICMA requirements.
Reporting and Transparency	Excellent	<ul style="list-style-type: none"> The allocation and impact reporting will be provided annually at the project level until full allocation, and in the event of material developments, to be extended until maturity. Allocation reporting will be externally reviewed annually until full allocation. The impact report indicators are specifically measurable and relevant.

Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> ✓ Green Bond Principles 2021 (ICMA) ✓ Social Bond Principles 2023 (ICMA) ✓ Sustainability Bond Guidelines 2021 (ICMA) ✓ Green Loan Principles 2023 (LMA/ LSTA/APLMA) ✓ Social Loan Principles 2023 (LMA/ LSTA/APLMA)
Date assigned	12 July 2024
See Appendix B for definitions.	

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Relevant UN Sustainable Development Goals



Use of Proceeds Summary

Green	<ul style="list-style-type: none"> Green buildings Renewable energy Energy efficiency Clean transportation Environmentally sustainable management of living natural resources and land use Pollution prevention and control Circular economy adapted products, production technologies and processes Sustainable water and wastewater management Terrestrial and aquatic biodiversity conservation Climate change adaptation
Social	<ul style="list-style-type: none"> Affordable basic infrastructure Access to essential services Affordable housing Employment generation (through SME financing and microfinancing)

Source: UICB sustainable finance framework (July 2024)

Framework Highlights

We consider the transactions under this sustainable finance framework to be aligned with the ICMA GBP, SBP and SBG; it is also aligned with the LMA, LSTA and APLMA GLP and SLP. Our opinion is that the alignment is 'Good'.

UICB established its sustainable finance framework with the objective of issuing sustainable financing instruments. The proceeds will be used to finance or refinance eligible projects including projects, loans, investments and expenditures to private individuals, legal entities, municipalities, the public sector and equity investments to pure-play companies.

Projects include developing renewable energy sources, transitioning to sustainable transportation systems and promoting energy efficiency. Investments will also be made in constructing and maintaining green buildings; controlling pollution; implementing climate change adaptation measures; promoting circular economy-adapted products; ensuring environmentally responsible management of natural resources and land, and terrestrial and aquatic biodiversity; and sustainable water and wastewater management.

The sustainable financing instruments will additionally support social projects related to essential services in the fields of affordable basic infrastructure, healthcare and education, affordable housing, and employment generation and protection including micro-, small- and medium-size enterprises (MSME) financing.

UICB is committed to enhancing sustainability in its operation and value chain, and this framework will provide the bank with a further opportunity to communicate its commitment to investors and other market participants through the promotion of green, social and sustainability instruments. The framework also supports the achievement of the UN Sustainable Development Goals (SDGs).

The framework is articulated through four core components recommended by the aforementioned principles and guidelines. The components are UoP, process for project evaluation and selection, management of proceeds, and reporting.

In line with its sustainable policies and strategy, UICB puts emphasis on the financing of environmental projects to combat climate change, as well as promoting and facilitating the funding of businesses and activities that positively affect the environment, including the reduction of carbon use and adaptation of more climate resilient systems.

The ICMA GBP, SBP and SBG, and the LMA, LSTA and APLMA GLP and SLP recommend that eligible projects are clearly described in the legal documentation for transactions. We only reviewed the sustainable finance framework for this Second-Party Opinion and have not reviewed any transaction legal documents or marketing materials; however, the framework provides the description of the projects.

Source: Sustainable Fitch, UICB sustainable finance framework (July 2024)

Entity Highlights

UICB is a universal commercial bank in Uzbekistan, headquartered in Tashkent. The bank reported total assets of USD6 billion as of end-2023, and it is the second-largest bank in Uzbekistan by assets and loan portfolio. The bank operates under the license of the Central Bank of Uzbekistan as a state-owned bank for trade facilitating and corporate lending in the country.

The bank's sustainable development strategy actively supports energy and resource conservations, the promoting of renewable energy sources and the financing of green projects that lead to environmental protection and sustainable developments. The bank aims to achieve Scopes 1 and 2 carbon neutrality by 2030; it plans to start calculating the Scope 3 emissions, including the financed emissions, in 2024.

UICB's sustainable development is also guided by its ESG and sustainable development policy, which articulates the bank's objectives and relevant initiatives including the participation in the UN Global Compact and cooperation with relevant ministries of Uzbekistan, sustainability governance, and environmental and social risk and impact management.

The environmental and social risk management is governed by the bank's environmental and social risk management policy and the law of the republic of Uzbekistan on environmental expertise. The risk management department and the green banking department are primarily responsible for the development of the environmental and social risk management system, and they also conduct screening and monitoring of client activities according to the bank's internal policies.

UICB provides banking services to individuals, SMEs, states and municipalities, and corporates. The bank offers various sustainability financing related to categories as define in the sustainable finance framework, and it assesses ESG risks in the credit processes.

The bank provided around USD450 million of financing in 2023 that contributed to sustainable development, accounting for around 10% of its loan portfolio in 2023. The bank set a target to increase such financing to USD750 million by 2026.

We positively view UICB's intention to continue expanding its sustainability related financing from an ESG perspective, as it will contribute to the country's targets to reduce GHG emissions per unit of GDP by 35% below 2010 levels by 2030 and increase renewable energy integration to 25% of the total primary energy supply by 2030. However, the bank has exposure to some high-emitting sectors, including oil and gas, considering Uzbekistan's presence as one of the largest natural gas producers.

The social-focused lending is in line with UICB's aim to increase the social responsibility and to support projects that could improve life in society in fields such as health, education, culture, construction and modernisation of infrastructures, as well as contributing to various SDGs.

UICB publishes its non-financial disclosure primarily in its ESG report, with reference to requirements of the Global Reporting Initiative and the Sustainability Accounting Standards Board for Banking Companies.

Source: Sustainable Fitch, UICB company materials, UICB investor presentation (March 2024), UICB ESG and sustainable development policy, UICB environmental and social risk management policy



Use of Proceeds – Eligible Projects

Alignment: Good

Company Material

Sustainable Fitch's View

Green buildings

- This UoP covers the financing related to the planning, design, construction, operation, maintenance, renovation, acquisition and ownership of energy-efficient buildings, which meet at least one of the following criteria.
- Buildings with a recognised international certification (at least applied or pre-certified) with a minimum certification level of LEED Gold, BREEAM Excellent, EDGE certified, or other equivalent or higher level of certification with high level of energy efficiency, selection of sustainable materials and sustainability clauses included in leasing contracts.
- Buildings that belong to the top 15% of most energy-efficient buildings at national level based on local building codes in accordance with the rating system for assessing green residential and public buildings by the Ministry of Construction Republic of Uzbekistan from 2019, building years and energy performance certificate (EPC); or buildings with a minimum EPC class A, where an assessment of the top 15% most energy-efficient buildings is not possible.
- Building renovations, which lead to the reduction of net primary energy demand (PED) or carbon emissions of at least 30% in comparison with the performance of the building before the renovation.
- Buildings that are used for the purpose of occupation by fossil fuel extraction or manufacturing of fossil fuel activities are explicitly excluded.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's renewable energy category.
- The UN Environment Programme – Finance Initiative (UNEP FI) reported that the real estate sector was responsible for 40% of global GHG emissions in 2022. This highlights the need for climate change mitigation in this sector.
- Enhancing energy efficiency and circularity of buildings can have a direct positive impact on the environment, as the residential sector in Uzbekistan accounted for the second-largest shares of the country's total CO2 emissions in 2021, and buildings in Uzbekistan also constitute the largest share of total final energy consumption in the country, according to the International Energy Agency (IEA).
- We consider buildings built before 31 December 2020 that belong to the top 15% of the most energy-efficient buildings at the national level or have an EPC class A rating, as well as renovation that leads to 30% reduction in PED, to be in line with international standards such as the EU taxonomy, contributing to climate change mitigation.
- However, additional visibility on how UICB will determine the top 15% of the most energy-efficient buildings in Uzbekistan and EPC level for buildings that were built before 2016, considering the requirements for the EPC for the new buildings were only implemented in 2016 in the country, would allow us to assess the UoP's environmental contribution at a deeper level.
- We also view the eligibility criteria's inclusion of certification under green building schemes such as LEED and BREEAM as environmentally positive, as it ensures buildings meet certain environmental standards in terms of energy performance, water usage, waste reduction and pollution control.



Renewable energy

- This UoP covers the financing related to equipment purchase, acquisition, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects including wind power, solar power, hydropower, geothermal, biomass and other low-carbon energy sources with life-cycle emissions lower than 100gCO2e/kWh.
- Hydropower is to be run-of-river without artificial reservoir, low-storage capacity, and new projects are subject to an environmental impact assessment.
- Alternatively, hydropower facilities should either comply with power density above 5W/sqm or direct GHG emissions below 100gCO2e/kWh. The power density should be above 10W/sqm or direct emissions below 50gCO2e/kWh if operated after 2020.
- Geothermal projects should be with direct emissions lower than 100gCO2/kWh according to GHG life-cycle assessment, and biomass projects exclude biomass from sources depleting biomass and carbon pools, sources grown on land with high biodiversity and sources that use land that competes with food sources.
- It also covers energy storage projects; smart grid solutions for efficient transmission and distribution of energy as well as the monitoring of energy consumption; and construction, renovation or refurbishment of electricity grids that partly transmit renewable energy and increase the share of renewables in the national electricity grid.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's renewable energy category.
- The promotion of renewable energy enables Uzbekistan to transition away from its dependency on natural gas, accounting for 90.5% of its total energy production as of 2019, according to the IEA. The promotion of renewable energy also contributes to the country's target to increase the share of electricity generation by renewable energy to 25% by 2030 compared to 10.2% in 2022, according to the IEA's 2022 energy policy review for Uzbekistan.
- We consider UICB's wind, solar and hydropower energy projects to substantially contribute to climate change mitigation, as we consider the eligibility criteria defined in its framework to be aligned with major international taxonomies, such as the EU taxonomy.
- Geothermal projects with direct life-cycle emissions of less than 100gCO2e/kWh are considered mostly aligned with the EU taxonomy technical screening criteria for substantial contribution to climate change and to contribute to climate change mitigation; however, we cannot ensure full alignment due to limited information on the GHG calculation method and third-party verification.
- We also consider financing biomass energy, energy storage, smart grid solutions and electricity grid for renewable energy to be environmentally positive, as it contributes to the increased production and distribution of renewable energy as well as the reduction of GHG emissions; however, major



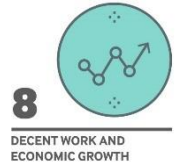


international taxonomies have more stringent requirements compared to the eligibility criteria defined in the framework.

Energy efficiency

- This UoP covers financing related to the development, implementation, maintenance or repair of products or technologies that reduce energy consumption or improve resource efficiency.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's energy efficiency category.
- Financing projects that reduce energy consumption and increase energy efficiency positively contributes to climate change mitigation.
- UICB's framework lists products or technologies that could be financed under this UoP, including energy efficiency improvement of an industrial production process in a factory, with aim to achieve an at least 20% improvement in energy efficiency, energy-efficient lighting and fibre-optic networks with minimal environmental impact to replace more energy-intensive alternative networks.
- However, the eligibility criteria include a broad range of energy efficiency projects compared to the criteria defined in major international taxonomies such as the EU taxonomy, which are more stringent to classify sustainable activities.



Clean transportation

- This UoP covers financing related to the development, construction, manufacturing, acquisition, operation, upgrade and modernisation of zero- and low-carbon vehicles and related infrastructure, as well as the development, manufacture or purchase of key components for clean transportation.
- Financing of zero-carbon transport includes investments in public transportation such as buses, trains, trams and ferries, as well as passenger and freight vehicles with zero tailpipe emissions, such as electric vehicles, hydrogen vehicles and trucks.
- It also covers financing of infrastructure related to zero-carbon transport, such as charging stations for electric vehicles and bicycle paths.
- Financing of low-carbon transport includes investments in low-carbon public transportation such as buses, trains, trams, ferries and passenger vehicles with maximum tailpipe emissions intensity of 50gCO₂/km until 2025 and only vehicles with emission intensity of 0gCO₂/km from 2026 onwards.
- The UoP excludes vehicles that are used for the purpose of transportation and storage of fossil fuels; eligible infrastructure does not include parking facilities.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's clean transportation category.
- Financing zero- and low-carbon transportation and related infrastructure supports the decarbonisation of the transport sector, providing access to sustainable transport and improving air quality.
- According to the IEA, the transport sector's total final energy consumption has increased significantly since 2016 in Uzbekistan, which was partly due to the increase use of natural gas, leading to increased GHG emissions. The transportation sector accounts the third-largest shares of the country's total CO₂ emissions in 2021, making it a key sector to decarbonise.
- Decarbonisation through promotion of zero- and low-carbon transportation would also contribute to Uzbekistan's target to reduce GHG emissions per unit of GDP by 35% by 2030.
- We consider the eligibility criteria defined in the framework for zero-carbon transportation and low-carbon transportation, which exclude the transportation of fossil fuels, to be in line with the requirements defined in major international taxonomies such as the EU taxonomy.
- Financing of supporting infrastructure, such as charging stations for electric vehicles, is also considered to contribute to climate change mitigation and be aligned with the EU taxonomy, as it contributes to the climate change mitigation and explicitly excludes storage of fossil fuels in addition to transportation.



Environmentally sustainable management of living natural resources and land use, agriculture and forestry

- This UoP includes financing related to environmentally sustainable management of living natural resources and land use including sustainable forestry and sustainable agriculture.
- Sustainable forestry includes afforestation, reforestation, preservation or restoration of natural landscape providing compliance or alignment with international forest certification standards, such as the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) or an equivalent standard. It also includes urban greening projects, such as park and green areas development and restoration.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's environmentally sustainable management of living natural resources and land use category subject to these certifications being adopted in Uzbekistan.
- The UoP helps conserve ecosystems, maintain biodiversity and ensure the long-term viability of natural habitats, which is environmentally positive in Uzbekistan, which faces environmental problems such as soil salinisation, overgrazing, deforestation and reduction of biodiversity.
- Reforestation projects also contribute to the voluntary national contribution of the republic of Uzbekistan towards achieving the UN strategic plan for forests 2017 to 2030.





- Sustainable agriculture includes acquisition, maintenance and management of certified agricultural practices under sustainable certification schemes, such as EU Organic, Global G.A.P. and equivalent national certification schemes (at least applied or pre-certified), supporting the adoption, promotion and implementation of conservation agriculture practices, excluding projects constructed on land with high biodiversity and protected land and meeting the requirements of the Food and Agriculture Organization (FAO) of the UN, or equivalent national or international standards; and land rehabilitation and remediation projects.
- The transforming of rain-fed agricultural land into irrigated land and the purchasing of agricultural or forest land are excluded; projects will also be excluded from the eligible portfolio in case of a denied certification or a not sufficient final certification.

- The eligibility criteria for sustainable forestry and agriculture include activities related to forests certified with FSC, PEFC or equivalent certification, as well as of certified agricultural practices under sustainable certification schemes, such as EU Organic, Global G.A.P. and equivalent national certification schemes. We view this as environmentally positive, as it assures that forest and agricultural management activities comply with national legislation, respect local use rights and maintain the ecological functions of its biodiversity.
- We consider the UoP, particularly the sustainable forestry, to be partially aligned with the internationally recognised taxonomies such as the EU taxonomy, as obtaining certifications, such as FSC or PEFC, can demonstrate compliance with some of the taxonomy criteria.
- However, details about the forest management plan and the climate benefit analysis are not required by the framework.
- There has not been an agreed certification standard for forestry, and no forest management unit has been certified by FSC or PEFC in Uzbekistan, according to a 2019 report by the FAO of the UN, which limits the current applicability of this UoP.
- Additionally, providing further clarity on sustainable agriculture, such as the use of regenerative agriculture practices or use of GMOs, could allow further assessment on the UoP's environmental impact.



Pollution prevention and control

- This UoP covers financing related to the development, operation and upgrade of recycling plants for waste prevention, reduction and recycling; recycling activities such as for metals, plastic and paper, excluding chemical recycling of plastics; and the purchase of new and refurbishment of existing equipment, technologies and facilities that provide at least a 20% reduction in carbon emissions and serve as fossil fuel replacements.
- For the recycling plants and related activities, electronic waste will be accompanied by a robust waste management plan to mitigate associated risks; source segregation of waste will also be carried out before waste collection. Only zero direct emission waste collection vehicles will be financed.

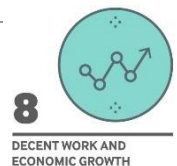
- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's pollution prevention and control category.
- We positively view that this UoP can help reduce the amount of waste and air, water and soil pollution, which could negatively affect the environment and human health.
- Proper waste management helps prevent pollution and contributes to the low-carbon, circular economy transition.
- Recycling also reduces the need for extraction or production of various materials, and it reduces processes to obtain raw material, thus mitigating GHG emissions in production.
- Only 23% of Uzbekistan's waste is currently being recycled, although the government's waste management strategy for 2019-2028 sets an ambitious target of achieving 60%, according to the US International Trade Association. This UoP could contribute to the promotion of recycling activities and support the nation's target.
- Projects related to reducing environmental pollution and waste are considered eligible in taxonomies such as the EU taxonomy for their environmental contribution, and we positively view that the eligibility criteria excludes the chemical recycling of plastics.
- However, the eligibility criteria in UICB's framework do not provide sufficient information to confirm the alignment with such taxonomies.



Eco-efficient circular economy adapted products, production technologies and processes

- This UoP covers financing related to resource use efficiency and circular, and recyclable products for circular design and production projects including solutions that extend the product life cycle, such as applying modular design or design for disassembly, take-back schemes and redeploying products, reuse, repair, and products regeneration and refurbishment.
- It also includes production technologies and processes that use recycled resources such as bio-based materials, and products that can be recycled or composted, where the input feedstock derives from recycled and reused waste.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's circular economy-adapted products, production technologies and processes category.
- Eco-efficient and circular economy-adapted products, production technologies and processes could minimise waste, reduce resource consumption and lower environmental pollution, leading to a more sustainable use of natural resources and decreased ecological footprint.
- The eligibility criteria could include a broad range of activities related to eco-efficient and circular economy-





- For bio-based materials, materials should have certifications such as EU Ecolabel, International Electrotechnical Commission certification and Roundtable on Sustainable Biomaterials certification, excluding virgin plastic-based solutions.

related activities, and thereby are not aligned with more stringent requirements of the EU taxonomy.



Sustainable water and wastewater management

- This UoP covers financing related to the development, construction, acquisition, installation, operation, maintenance and upgrade of sanitary and sustainable water and wastewater management projects and facilities, such as sustainable water and sewage infrastructure.
- It also includes wastewater collection and treatment; water treatment facilities and sanitation facilities including activities and technologies that increase water quality; and water collection, treatment and supply systems with improved energy efficiency by either decreasing the net average energy consumption of the system or improving the average leakage by at least 20% compared to its own baseline performance averaged for three years.
- This UoP also covers technologies that increase water-use efficiency, water recycling and reuse, water saving systems and technologies and water metering, and flood mitigation infrastructure.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's sustainable water and wastewater management category.
- Uzbekistan relies heavily on water for agricultural production. The World Resources Institute (WRI) and WRI's Aqueduct Water Risk Atlas classifies Uzbekistan within the high water stress list of countries, thus financing sustainable water and wastewater management in Uzbekistan could lead to substantial environmental benefits by addressing the critical challenges of water scarcity and pollution, as well as promoting better health outcomes, agricultural productivity and resilience to climate change for its rapidly growing population.
- We consider the UoP to be partially aligned with international taxonomies, such as the EU taxonomy, on activities related to the water collection, treatment and supply systems with improved energy efficiency.
- However, the UoP also includes a broad range of activities related to water management, and it does not include specific requirements related to, for example, energy consumption or leakage level, which limits our ability to assess their alignment with international taxonomies.
- Nevertheless, we recognise environmental benefits of this UoP in the country context.



Terrestrial and aquatic biodiversity

- This UoP covers financing related to terrestrial and aquatic biodiversity conservation including the protection of coastal, marine and watershed environments, with a focus on three dimensions including the conservation of biological diversity such as genetic diversity, species diversity and habitat diversity; the sustainable use of biological diversity; and the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources.

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's terrestrial and aquatic biodiversity category.
- Channelling financing into the conservation and enhancement of terrestrial and aquatic biodiversity in Uzbekistan could bolster ecosystem resilience, protect endemic species and sustain its natural resource.
- The eligibility criteria list projects that could be financed under the UoP including safeguarding and developing protected terrestrial and marine natural habitats, as well as landscape conservation and restoration including reducing emissions from deforestation and forest degradation.
- We recognise the environmental benefit of this UoP in the country context; however, the eligibility criteria could include a broad range of terrestrial and aquatic biodiversity projects, which we cannot ensure the alignment with stringent criteria defined in taxonomies for some of the projects.



Climate change adaptation

- This UoP covers financing adaptation projects focused on enhancing preparedness and resilience to expected changes in the climate, as well as any actual changes experienced that seek to moderate or avoid potential harmful effects on people, nature, economic activities and assets.
- It also includes investments that provide sustained adaptive solutions and enhance the overall resilience to climate change.
- Projects are categorised into the type of climate hazards including temperature-related (heatwaves, increasing heat stress and temperature variability), wind-related (dust,

- We expect the UoP to align with the ICMA GBP's and the LMA, LSTA and APLMA GLP's climate change adaptation category.
- Investing in climate change adaptation measures in Uzbekistan could enhance the country's resilience to the adverse impacts of climate variability, as well as ensure long-term environmental sustainability in the face of a changing climate.
- The eligibility criteria could include broad activities related to different types of climate hazards including temperature, wind, water and land.





storms and sandstorms), water-related (floods, droughts, and heavy precipitation) and land-related (mudflows, avalanches, landslides and locust invasion).

- Therefore, the criteria are not considered aligned with major taxonomies such as the EU taxonomy, which requires risk assessments to be done through specific methodology and adaptation solutions.
- The description of projects that could be financed focuses on the hazards and risks.
- Providing more information on what measures can be included for potential adaptation would improve the transparency and contribution assessment of this UoP.



Education and vocational training

- This UoP covers financing related to access to public and publicly subsidised educational services, as well as investments that support childhood development through the provision of loans for construction and upgrading of facilities and equipment.
- The target populations include unemployed individuals, low-income individuals defined using the international poverty line of USD1.90 per day in purchasing power parity in Uzbekistan, and children and young adults from under-served communities.
- UICB defines under-served as owing to a lack of quality access to essential goods and services in underdeveloped regions including all 13 regions in Uzbekistan.

- We expect the UoP to be part of the access to essential services category defined in the ICMA SBP and the LMA, LSTA and APLMA SLP.
- Supporting education and vocational training for target populations provides the social benefit of empowering marginalised groups with the skills and opportunities necessary for economic self-sufficiency and societal advancement, as well as fostering social inclusion.
- We positively view that UICB specified the target population, although we consider some of the definition of the target population, such as unemployed individuals, and children and young adults from under-served communities, to be broad.
- Specifically for the under-served communities, the framework indicates all 13 regions in Uzbekistan to be considered as under-served communities, which provides limited insight to the investors on the target population. Additional information on how target population is defined and determined would allow us to assess the UoPs' social impact at a deeper level.
- This UoP supports SDG 4 (quality education), particularly 4.2 (ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education by 2030), 4.3 (ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university by 2030) and 4.4 (substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship by 2030), by providing affordable and quality education that fosters inclusive and equitable learning opportunities in communities that would not have such access otherwise.



Access to essential services – health services and affordable basic infrastructure

- This UoP covers financing related to construction, renovation, expansion, modernisation, equipment purchases or maintenance of healthcare facilities for provision of free or subsidised healthcare services, including hospitals; diagnostic and other laboratory services; rehabilitation centers, treatment centers, nursing homes and assisted living; and homes for the elderly.
- This UoP also covers the production and distribution of vital medication, medical equipment and medical supplies needed for the prevention and treatment of public health emergencies, which are particularly common among a vulnerable group.
- It also covers regional development and infrastructure, including public transport and related infrastructure; sanitation infrastructure; high-speed internet; telecommunications and electricity-related infrastructure; firefighting and rescue equipment; and access to clean drinking water in under-served and underdeveloped regions in Uzbekistan, where access to such infrastructure is currently not present or is inadequate.

- We expect the UoP to align with the ICMA SBP and the LMA, LSTA and APLMA SLP's access to essential services and affordable basic infrastructure categories.
- The UoP addresses the increasing healthcare and infrastructure demand due to increasing populations among factors in Uzbekistan by providing more people with access to affordable and quality healthcare, and basic infrastructure who would not have easy access otherwise; this improves beneficiaries' quality of living and life expectancy.
- We view positively that the UoP defines a target population; however, more visibility on how the target populations are defined and selected would be useful to assess the extent of the social impact.
- The UoP supports SDGs 3 (good health and well-being) and 11 (sustainable cities and communities), particularly 3.8 (achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all by 2030), by expanding public access to free and subsidised healthcare and 11.2 (safe, affordable, accessible and sustainable transport systems), by





- The target population includes low-income individuals, children and young adults from under-served communities, the elderly vulnerable groups, and people with disabilities.

increasing public access to urban infrastructure, leading to more efficient resource use, and more inclusive public services.

Affordable housing

- This UoP covers financing related to the construction, renovation and maintenance of social and affordable housing through co-operative housing associations, building societies, nonprofit organisations and public utility housing enterprises with the aim of providing suitable homes for individuals and families.
- Social and affordable housing is defined as below market rents charged in accordance with the relevant regulated rent standards and consumer standards of housing service, which is highly regulated under national laws; entitled persons must comply with a set of socioeconomic criteria to ensure that social and affordable housing is made available to vulnerable persons. If the country does not have such national legislation, 80% of national average income threshold is applied.
- It also covers financing related to the purchase of affordable apartments sold on the primary housing market that are built in cities and in rural areas in line with local regulation in Uzbekistan, which intend to increase demand and availability of mortgages to individuals, as well as the subsequent development of the mortgage market in Uzbekistan.
- The target population includes unemployed individuals, low-income individuals, children and young adults from under-served communities, and elderly vulnerable groups.

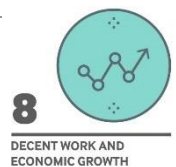
- We expect the UoP to align with the ICMA SBP and the LMA, LSTA and APLMA SLP's affordable housing category.
- Financing affordable housing could contribute significantly to reducing the housing deficit the country faces and to improving living conditions for its citizens, especially the population who would not have access to secure housing otherwise.
- UICB has communicated that it has worked with Uzbekistan mortgage refinancing companies, Energy saving Fund Under the Ministry of Energy, Ministry of construction and housing, Building Materials Association and others, to provide affordable housings.
- The eligibility criteria also cover financing to purchase affordable apartments sold on the primary housing markets in line with the local regulation in Uzbekistan, including the Decree of the President of the Republic of Uzbekistan, dated 28 November 2019 No. UP-5886, on the additional measures to improve the mechanism of mortgage lending.
- The purpose of the aforementioned regulation is to improve the living conditions of the population by expanding the scale of construction of affordable residential and apartment buildings; however, the criteria do not clearly state UICB's responsibility and how the UoP will be used explicitly to support the affordable housing.
- Similar to the social UoPs detailed above, more visibility on how the target populations are defined and selected would be useful to assess the extent of the social impact.
- This UoP supports SDG 11, particularly 11.1 (ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums by 2030), through the creation of inclusive and sustainable communities with equitable housing opportunities.



Employment generation and protection: MSME financing

- This UoP covers financing related to enterprises that meet the definition of MSMEs, in line with the EU's definition of MSMEs, and that are located in under-served, underdeveloped and rural regions in Uzbekistan.
- The eligibility criteria further specify the target population to MSMEs that are women, sexual and gender minorities, under-served groups, young borrowers and unemployed individuals.

- We expect the UoP to align with the ICMA SBP and the LMA, LSTA and APLMA SLP's employment generation (through SME financing and microfinancing) category.
- The UoP can foster community cohesion and individual well-being by mitigating the adverse social effects associated with joblessness, such as increased crime and mental health issues.
- Supporting MSMEs in Uzbekistan could also have significant positive social impact, considering more than 50% of the country's GDP and 80% of the workforce are associated with SMEs, according to the report by European Bank for Reconstruction and Development (EBRD).
- We positively view that UICB has defined target population, however, there seems to be a disconnect between some target population, such as unemployed individuals, and the UoP.
- We consider this UoP to contribute to SDG 8 (decent work and economic growth), particularly 8.3 (development-oriented policies and encourage growth of SMEs) and 8.5 (achieve full and productive employment and decent work for all), as it can improve social stability by providing individuals with income security and the means to support their families, thereby reducing poverty and enhancing overall economic growth.



Source: UICB sustainable finance framework (July 2024), IEA 2022 energy policy review for Uzbekistan, IEA Uzbekistan, UNEP FI climate risk in the real estate sector (March 2023), UN FAO State of Forests of the Caucasus

Source: Sustainable Fitch

and Central Asia 2019, the US International Trade Association, WRI, EBRD private sector competitiveness in Uzbekistan

Use of Proceeds – Other Information

Company Material

- An amount equivalent to the sustainable financing instrument's net proceeds will be used to finance and refinance, in part or in full, eligible green and social projects with a positive environmental and social impact.
- Eligible projects may include projects, loans, investments (and other lending structures) and expenditures to private individuals, legal entities, municipalities and the public sector, as well as equity investments into pure-play companies that meet the eligibility criteria specified in this framework.
- Pure-play companies are defined as companies that derive 90% or more of turnover from activities that align with the eligibility criteria set out in the framework. The part of the turnover that is not classified as "green" is not allowed to be in any of the excluded sectors that are on the exclusion list of the current framework.
- UICB intends to allocate the full amount of net proceeds of its sustainable financing instrument issuances to projects that have been financed within three calendar years prior to issuance, the calendar year of issuance and three calendar years following issuance.
- The framework includes exclusion criteria that cover activities such as thermal coal mining or coal-fired electricity generation; upstream oil exploration; upstream oil development projects; nuclear energy; large hydro (larger than 25MW); tobacco; and weapons.

Source: UICB sustainable finance framework (July 2024)

Alignment: Good

Sustainable Fitch's View

- The framework indicates that sustainable financing instruments would finance or refinance projects that are aligned with the eligibility criteria.
- Additional visibility on the estimated share or reporting the share of projects to be financed and refinanced using the sustainable financing instrument proceeds could, although it is not required, increase transparency to investors per the recommendations of the ICMA, LMA, LSTA and APLMA.
- The lookback period for refinanced projects is a maximum of three years, which is in line with standard market practice.
- The framework includes financing or refinancing to pure-play companies, which derive 90% or more of turnover from activities that are in line with the eligible UoP categories and criteria. The turnover of such companies, including the share that is not considered aligned with the framework, is not to conflict with the exclusion list stated in the framework. However, the framework does not provide information on how the 90% limit is going to be monitored.
- The exclusion criteria are clearly defined in the framework and cover environmentally and socially sensitive sectors, such as fossil fuel energy, upstream oil exploration and development, nuclear energy, tobacco and weapons. This provides assurance to external stakeholders that the funds will not be used for financing activities that are considered environmentally and socially harmful.

Source: Sustainable Fitch

Evaluation and Selection

Company Material

- Eligible projects are subject to UICB's standard credit process in line with the normal course of business, including the know-your-customer procedure, compliance, credit risk analysis relevance assessment and sector policies for communication sensitive business areas, and code of conduct. Only projects approved through the standard regular credit process can be considered eligible for a sustainable financing instrument.
- The counterparty and assets that passed the regular credit process are assessed by the green banking department on their environmental and social impact and risks, which the department reports to the credit committee. The department also perform eligibility checks for the Climate Assessment for Financial Institutions platform provided by International Finance Corporation and the Green Technology Selector platform from EBRD's Green Economy Financing Facility.
- The credit committee comprises management and expert team from treasury, communication, sales management, risk controlling, credit risk management and compliance. The committee is responsible for reviewing, selecting and validating the eligible, annual review of the eligible project portfolio, ensuring alignment with relevant policies and reporting.
- Projects that no longer meet the eligibility criteria will be removed from the register and replaced as soon as a substitute has been identified.

Source: UICB sustainable finance framework (July 2024)

Alignment: Excellent

Sustainable Fitch's View

- The selection and evaluation process and eligibility criteria are clearly defined in the framework and align with the requirements set out in the guidelines of the ICMA, LMA, LSTA and APLMA.
- We consider the evaluation and selection to be multi-layered, as it involves multiple departments including the green banking department, which is responsible for the assessment of eligible project's environmental and social impact and risk, as well as the credit committee, which is responsible for the decision-making on the projects to be financed by proceeds of sustainable financing instruments.
- The multi-layer decision process provides assurance on the internal controls and balances. The credit committee comprises representatives from different job functions to ensure there is sufficient discussion in the bank.
- We also positively view the involvement of the green banking department from an ESG perspective, which we assume provides sustainability expertise in the bank, although it is not a requirement of the ICMA, LMA, LSTA and APLMA.
- UICB's evaluation and selection process involves the environmental and social risk identification and mitigation process including trade-off analysis with regards to the material environmental and social risks, in addition to alignment with applicable national and international environmental and social standard and regulations, which is positive from an ESG perspective.

Source: Sustainable Fitch

Management of Proceeds

Company Material

- An amount equivalent to the net proceeds of any UICB green, social and sustainability financing instrument will be registered in the bank's

Alignment: Good

Sustainable Fitch's View

- The proceeds will be deposited in UICB's sustainability portfolio, which is aligned with the requirements of the ICMA, LMA, LSTA and APLMA;



<p>sustainability portfolio on an aggregated basis for multiple sustainable financing instruments. The bank will strive to maintain a volume of eligible projects in the portfolio that matches or exceeds the balance of net proceeds of outstanding sustainable financing instruments.</p> <ul style="list-style-type: none"> The sustainability portfolio is reviewed by the bank’s green banking department on a quarterly basis. If any allocated eligible projects are not deemed eligible, they are removed from the sustainability portfolio and the bank will strive to substitute the projects with other eligible projects on a best-efforts basis, as soon as and within 24 months. Unallocated net proceeds will be held in form of temporary investments, such as cash, cash equivalents and other liquid marketable investments, in line with UICB’s treasury management policies. The loans must meet the eligibility criteria at the time they are flagged as eligible projects, but subsequent changes to the framework will not apply to outstanding sustainable financing instruments. Any new sustainable financing instruments shall be aligned with the most recent version of the framework. 	<p>however, in our view, a fully segregated bank account could ensure a better segregation of proceeds.</p> <ul style="list-style-type: none"> The unallocated proceeds will be managed in accordance with the bank’s treasury management policies, which aligns with the ICMA, LMA, LSTA and APLMA requirements to disclose the intended types of temporary placement for unallocated proceeds; however, investing unallocated proceeds in activities that are compliant with the sustainable financing instrument goals would align with the best practices. We positively view that there is a process in place to monitor the eligibility of the allocated eligible projects and ineligible projects are replaced with new eligible projects, providing assurance to external stakeholders that the eligible assets comply with the eligibility criteria.
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Source: UICB sustainable finance framework (July 2024)

Source: Sustainable Fitch

Reporting and Transparency

Company Material

- UICB commits to publish allocation and impact reports that will provide information on the environmental and social impacts of the eligible project portfolio on an annual basis, starting one calendar year after issuance, until full allocation and until the maturity in the event of any material changes.
- The allocation report will contain information on the total volume and net proceeds of outstanding sustainability bonds; total net proceeds allocated to eligible projects; a breakdown of allocated net proceeds by eligible category; eligible projects financed including a description of the projects and their geographic distribution, where feasible and subject to confidentiality consideration; the proportional allocation of net proceeds between existing and new projects; and the balance of unallocated proceeds, if any.
- UICB will provide impact reporting at the eligible category level, project-level information and case studies. The bank intends to align the impact reporting as outlined in the ICMA’s Harmonized Framework for Impact Reporting (June 2023) on a best-effort basis.
- The bank defines example of impact reporting metrics per eligible green and social categories including metrics such as annual energy savings, GHG emission avoided and number of beneficiaries.
- The bank’s external auditor will provide an assurance report on the allocation of net proceeds of any eligible projects on an annual basis, starting one year after issuance and until full allocation of sustainable financing instruments.

Source: UICB sustainable finance framework (July 2024)

Alignment: Excellent

Sustainable Fitch’s View

- UICB has fully committed to provide an allocation and impact report on an annual basis until full allocation and in the event of material developments, to be extended until maturity; this is aligned with the requirements set out by the ICMA, LMA, LSTA and APLMA.
- The allocation and impact reporting will be provided per green or social project, which is aligned with the requirements of the ICMA, LMA, LSTA and APLMA. The bank will also provide a brief description of the projects financed, where feasible as required by the ICMA, LMA, LSTA and APLMA.
- The reports will be provided on an aggregated basis for multiple bonds. Reporting of allocation and impact of proceeds on a bond-by-bond basis, although not required by the ICMA, LMA, LSTA and APLMA, could increase the transparency for investors.
- UICB intends to provide impact reporting with reference to the ICMA’s Harmonized Framework for Impact Reporting, providing investors assurance on the reporting quality and placing it in line with best practice.
- It is positive from an ESG perspective that the quantitative indicators of the impact reporting are specifically measurable and relevant to the UoP categories, which provides transparency to investors.
- We also positively view UICB’s commitment to obtain annual external review on the allocation reporting until full allocation. Obtaining external review on the impact reporting could provide further assurance to the investors.

Source: Sustainable Fitch

Relevant UN Sustainable Development Goals

<ul style="list-style-type: none"> 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters. 	 <p>1 NO POVERTY</p>
<ul style="list-style-type: none"> 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality. 	 <p>2 ZERO HUNGER</p>
<ul style="list-style-type: none"> 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. 	 <p>3 GOOD HEALTH AND WELL-BEING</p>
<ul style="list-style-type: none"> 4.2: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education. 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. 	 <p>4 QUALITY EDUCATION</p>
<ul style="list-style-type: none"> 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. 	 <p>6 CLEAN WATER AND SANITATION</p>
<ul style="list-style-type: none"> 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3: By 2030, double the global rate of improvement in energy efficiency. 	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>
<ul style="list-style-type: none"> 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead. 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>
<ul style="list-style-type: none"> 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. 	 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>



Relevant UN Sustainable Development Goals

- **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- **11.2:** By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
- **11.3:** By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
- **11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



- **12.2:** By 2030, achieve the sustainable management and efficient use of natural resources.
- **12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.2:** Integrate climate change measures into national policies, strategies and planning.



- **14.2:** By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.



- **15.1:** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
- **15.2:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.



Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Sustainability

Four Pillars

1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

Independent External Review Provider

Second-party opinion	Yes
Verification	Yes
Certification	No
Scoring/Rating	No
Other	n.a.

1) Use of Proceeds (UoP) – based on expected or actual instrument allocation

UoP as per Green Bond Principles (GBP)

Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	Yes
Environmentally sustainable management of living natural resources and land use	Yes
Terrestrial and aquatic biodiversity conservation	Yes
Clean transportation	Yes
Sustainable water and wastewater management	Yes
Climate change adaptation	Yes
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	Yes
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.

Use of Proceeds as per Social Bond Principles (SBP)

Affordable basic infrastructure	Yes
Access to essential services	Yes
Affordable housing	Yes
Employment generation (through SME financing and microfinancing)	Yes
Food security	No
Socioeconomic advancement and empowerment	No
Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	No
Other	n.a.

Target Populations

Living below the poverty line	Yes
Excluded and/or marginalised populations and /or communities	No
People with disabilities	Yes
Migrants and/or displaced persons	No
Undereducated	No
Under-served, owing to a lack of quality access to essential goods and services	Yes
Unemployed and/or workers affected by climate transition	Yes

Type of Instrument: Sustainability

Women and/or sexual and gender minorities	Yes
Aging populations and vulnerable youth	Yes
Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	Yes
Other	n.a.

2) Project Evaluation & Selection

Evaluation & Selection

Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation & Selection/Responsibility & Accountability

Evaluation/selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds

Tracking of Proceeds

Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	Yes
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

4) Reporting

UoP Reporting

Project-by-project	Yes
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

UoP Reporting/Information Reported

Allocated amounts	Yes
Sustainability bond-financed share of total investment	No
Other	n.a.

UoP Reporting/Frequency



Type of Instrument: Sustainability

Annual	Yes
Semi-annual	No
Other	n.a.

Impact Reporting

Project-by-project	Yes
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

Impact Reporting/Information Reported (exp. ex-post)

GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	Yes
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	Certification standards; energy use; renewable energy capacity and generation; smart meter installed; number of public transportation vehicles and EV charging stations; distance; reduction in air pollutants; land area; treated and prevented waste; treated and saved water; increase in grid energy generation, resilience; transmission and storage capacity; reduction in emergency; reduction in repair cost.

Impact Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	n.a.

Means of Disclosure

Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.

Source: Sustainable Fitch, ICMA

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer’s green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, “alignment” should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch

SOLICITATION STATUS

The Second Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products provided by Sustainable Fitch include an ESG Entity Rating, ESG Framework Rating, ESG Instrument Rating, ESG Scores and ESG Second-Party Opinion, among other ESG analytical products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established certain policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: www.sustainablefitch.com.

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