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Second Party Opinion

Energo-Pro Green Financing Framework

Aug. 30, 2024

Location: Czechia **Sector:** Power generation, distribution, and supply

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Alignment With Principles

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

See Alignment Assessment for more detail.

Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

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Strengths

98% of Energo-Pro's energy generation is from hydropower. Renewable energy sources are crucial to the transition to a low-carbon future and Energo-Pro's strategy focuses on expanding its renewable energy operations.

Energo-Pro's framework includes several potential synergistic investments. Investments in renewable energy generation could, for example, reduce Energo-Pro's Scope 2 emissions from electricity losses, while potential investments in electric vehicle charging infrastructure could help create conditions that favor the purchase of electric rather than hybrid vehicles.

Energo-Pro is in the process of strengthening its sustainability approaches in relevant areas. In the fourth quarter (Q4) of 2024, for example, it expects to formalize stricter climate requirements for suppliers and introduce a biodiversity management plan. The benefits of such initiatives depend on sound and timely implementation, among other things.

Weaknesses

No weaknesses to report.

Areas to watch

Energo-Pro may issue various types of debt under the framework, including convertible bonds and short-term instruments (such as commercial paper). Convertible bonds could lead to investors becoming shareholders in the event of conversion. In addition, reporting on short-term instruments may be challenging due to their tenor. Nevertheless, we consider it a mitigating factor that Energo-Pro has committed to having sufficient eligible projects to fund before issuing any such instruments. It will also consider providing allocation and impact information to investors before instruments mature.

Eligible Green Projects Assessment Summary

Eligible projects under Energo-Pro's green finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

Renewable energy	**Dark green**
Financing related to hydropower.	
Financing related to wind energy.	
Financing related to solar energy.	
Financing related to energy storage.	

Renewable energy	**Medium green**
Financing related to transmission and distribution of electricity.	

Clean transportation	**Medium green**
Financing related to zero direct-emission and hybrid vehicles.	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Czechia-headquartered Energo-Pro generates, distributes, and supplies electricity primarily in Bulgaria, Türkiye, Georgia, and Spain. It owns, operates, and manages a network of 49 hydroelectric power plants and one gas turbine plant, infrastructure networks for the distribution of electricity, and two ferroalloy plants, as well as engaging in power trading. Founded in 1994, Energo-Pro is fully owned by DK Holding Investments.

Material Sustainability Factors

Climate transition risk

Power generation is the largest direct source of greenhouse gas emissions globally, making the sector highly susceptible to growing public, political, legal, and regulatory pressure to accelerate climate goals. Renewable energy technologies have a vital role to play in reducing emissions associated with power. At present, natural gas contributes approximately 25% of worldwide electricity production, according to the International Energy Agency (IEA). Although some regions have used it to replace coal power and reduce annual emissions, its future is becoming more uncertain in a world where nonpolluting renewable energy sources can prevail in the long term. Climate transition risks are also important for stakeholders, particularly in electricity networks, which have a critical role in the energy delivery value chain and are directly exposed to upstream generation activity.

Physical climate risk

Given their fixed, and in the case of distribution, geographically extensive asset base, power generation and distribution are more exposed to physical climate risks than many other sectors, and severe weather events can result in power outages for large populations of users. Water is the key resource for hydropower, meaning flooding, drought, or warmer temperatures can pose significant risks. Physical climate risks generally involve significant financial losses for operators due to repairs, exposure to extreme power price spikes, or claims due to business disruption. These dynamics, coupled with regulatory pressure to preserve security of supply, are in turn driving companies in the industry to enhance the resilience of assets.

Biodiversity and resource use

Renewable power generation requires large areas of land that often encompass sensitive habitats, where it can alter ecosystems, harm threatened species, and compete with other valuable land uses (such as agriculture). This is especially pertinent for hydropower plants, which, if not properly managed, may pose biodiversity risks, such as habitat disruption, modified water flow, and hindrances to fish migration. The distribution of electricity also involves interventions in nature, and a lack of biodiversity considerations can lead to habitat loss, landscape fragmentation, and disruptions to species, undermining biodiversity and ecosystem services.

Impact on communities

Sites with high renewable energy potential are often in or near communities, which can prompt strong local opposition, including in cases of shared resources such as water. Stakeholder impacts also arise from the construction and siting of power lines.

Issuer And Context Analysis

Through its framework, Energo-Pro seeks to address climate transition risk, a material sustainability factor, via investments in renewable energy generation and storage, electricity distribution, and lower-emission vehicles in its fleet. The energy storage project category also partly addresses physical climate risks; stored energy, for example, will be useful when adverse weather conditions prevent electricity generation from renewable assets. On the other hand, the framework also introduces risks, for example related to biodiversity and to local communities, while financed assets are exposed to physical climate risk.

Eligible projects align with elements of Energo-Pro's sustainability strategy, for example its focus on increasing investments in renewable energy and reducing grid losses. Pillar 1 of Energo-Pro's sustainability strategy focuses on climate change and, among other things, Energo-Pro aims to increase its investments in renewable energy and to ensure that emissions from all its generation assets are lower than 100 grams of carbon dioxide equivalent per kilowatt hour (gCO2e/kWh). Distribution losses account for 86.9% of Energo-Pro's Scope 2 emissions, and the company has a target of reducing such emissions by 46% by 2050 from a 2019 baseline, though

this target may become more ambitious as its feasibility becomes clearer. Measures to achieve this target focus on increasing the efficiency and modernization of distribution systems. However, it is difficult for Energo-Pro to influence emissions from electricity trading, which is its largest source of emissions and accounts for about 98% of its Scope 3 emissions. Energo-Pro therefore does not have a target for reducing emissions from energy trading and eligible projects will not have an impact on such emissions.

As well as via the distribution and trading of fossil-based electricity, Energo-Pro has some direct fossil fuel exposure through a gas turbine power plant and its ferroalloy production operations. In 2023, Energo-Pro had a total of 1,415 megawatts (MW) of installed electricity generation capacity, with 1,305 MW from its 48 hydropower plants and 110 MW from the Gardabani gas turbine power plant. The Gardabani plant, located in Georgia, accounted for about 25% of Energo-Pro's Scope 1 emissions in 2023. We understand the plant represents reserve capacity (for example, used during winter shortages) and falls within the scope of Energo-Pro's target that the emissions intensity of all its generating assets should be below 100 gCO2e/kWh, albeit unlikely to be achieved in the plant's lifetime (15-20 years remaining). Ferroalloy production accounts for about 33% of Energo-Pro's Scope 1 emissions and involves the use of coal, representing 1.59% of Energo Pro's overall emissions. Using the Science Based Targets Initiative's framework, Energo-Pro is in the process of adopting a Scope 1 and 2 target for its ferroalloy plants of a 4.2% linear annual reduction and a 90% overall reduction before 2050. Measures to achieve this include replacing mineral coal with charcoal and future investments in carbon capture projects. According to Energo-Pro, it is not seeking to expand either its fossil fuel power generation operations or ferroalloy production.

Energo-Pro's assets are exposed to physical climate risk, particularly because they are fixed and widespread geographically. Energo-Pro recently conducted a climate change adaptation risk assessment, which relied primarily on qualitative data and expert discussions, rather than on climate scenarios and modelling. This assessment identified 18 potential climate related risks. These include that its distribution and generation assets may be susceptible to floods, heatwaves, windstorms, and drought. Energo-Pro is pursuing measures to mitigate these risks and also considers physical climate risk explicitly in its investment decisions.

The second pillar of Energo-Pro's sustainability strategy relates to biodiversity risks. This includes priorities to reduce nature loss and minimize nature impacts, rehabilitate sites, and compensate for biodiversity and ecosystem loss, while its sustainability strategy emphasizes a "no net loss" approach. According to Energo-Pro, among other things, it undertakes environmental and social impacts assessments before starting new projects, which may include the use of international benchmarks, such as the IFC Performance Standards. Energo-Pro engages local ecology experts to assist with identifying risks and implement measures, and uses ongoing monitoring to inform its programs for ecosystem and habitat enhancement. Energo-Pro intends to introduce a Group Biodiversity Management Plan in Q4 2024, as part of its recently developed Group Environmental Social Health Safety-Management System.

Eligible projects can affect Energo-Pro's relationship with local communities. Energo-Pro has, for example, faced community opposition during the development of its hydropower plant in Colombia. Nevertheless, it has stated that it has been able to continue the project because of active engagement and regular meetings with the local communities and authorities. More specific targets for community engagement are set for 2030; for example, in the event of displacement, each member of the population will have basic essential facilities such as housing, water, sewage, and electricity.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Loan principles.

Alignment With Principles

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

✓ Use of proceeds

All the framework's project categories are assigned a Shade of Green (see the "Analysis Of Eligible Projects", below) and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible projects. Eligible projects relate to climate change mitigation and cover renewable energy generation and storage, electricity distribution, and clean transportation. Energo-Pro will report on the proportion of proceeds used for financing versus refinancing, and the look-back period for operational expenditure is two years, in line with market practice; however, there is no look-back period for capital expenditure.

According to Energo-Pro, the framework applies to the whole group, with each consolidated subsidiary able to issue under it. The green finance register (see Management of Proceeds, below) will, however, be at group level, so as to mitigate double-counting risks.

Convertible bonds and--though these are not currently envisaged--commercial paper are among the framework's eligible instruments. Convertible bonds may potentially lead to investors becoming shareholders of Energo-Pro, while its business model is not focused exclusively on low emission sectors (since it includes ferroalloy production and electricity trading). In addition, Energo-Pro commits to having sufficient eligible projects to fund before issuing any instrument, including commercial paper.

The framework excludes financing of projects related to the acquisition, development, operation, and maintenance of new or existing fossil fuel-based electricity generation capacity. It also excludes financing infrastructure projects dedicated to directly and solely connecting or expanding existing direct connections to fossil fuel-based production plants.

✓ Process for project evaluation and selection

The framework outlines the process of selecting and approving eligible projects. Energo-Pro has established a Green Finance Committee (GFC) comprising members of its senior management team, including the head of its Environmental and Social Group, and other members of its sustainability and finance teams, among others. The GFC is responsible for selecting and monitoring eligible projects, and it will meet once per year, and as required, for specific issuances. Environmental and social risks are identified and managed through Energo-Pro's existing sustainability and risk management framework, as well as through double materiality assessments, which consider the financial impacts of sustainability issues on Energo-Pro and Energo-Pro's impact on people and the environment.

✓ Management of proceeds

Energo-Pro's treasury team is responsible for managing the allocation and tracking of net proceeds. It will use a portfolio approach and establish a green financing register, which will be annually monitored by Energo-Pro's ESG Committee. If a project fails to meet the eligibility criteria, the GFC will remove the project from the register and replace it as soon as an alternative project is identified. Unallocated proceeds will be invested in cash, cash equivalents, and/or liquid marketable instruments in accordance with Energo-Pro's treasury management policies.

✓ Reporting

Energo-Pro will report annually on the allocation of proceeds, and the impacts of eligible green projects, until full allocation of proceeds or, in case of material changes, until the relevant maturity date. The allocation reporting will include net proceeds, allocated and unallocated proceeds, a list of eligible projects (with descriptions and, where feasible, geographic distribution), and the proportion of proceeds used for financing versus refinancing. The impact report will provide data on environmental impacts at the project category level, including information on individual projects where possible.

Energo-Pro has stated it will consider providing allocation/impact information to investors before short-term debt instruments mature. In our view, this mitigates reporting challenges relating to such instruments.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

Energo-Pro expects a significant majority of its eligible green project portfolio to consist of hydropower investments focusing on acquisitions and capital expenditure. Investments in electricity distribution grids are envisaged, though potential investments in solar, wind, and storage are not yet beyond the feasibility assessment stage. Should there be investments in hybrid vehicles under the clean transportation project category, according to Energo-Pro, these would represent a very minor part of the overall funding allocation.

Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our Shades of Green Analytical Approach >

Overall Shades of Green assessment

Based on the project category Shades of Green detailed below, and consideration of the environmental ambitions reflected in Energo-Pro's Green Financing Framework, we assess the framework Dark green.

Green project categories

Renewable energy--Hydropower

Assessment	Description
Dark green	Financing related to the construction, development, acquisition, maintenance, and operation of hydropower generation facilities that meet any of the following criteria: • Hydropower generation facility is a run-of-river plant and does not have an artificial reservoir; • Power density of the facility exceeds 5 watts per square meter (W/m^2); or • Lifecycle greenhouse gas emissions from the facility are lower than 100g CO_2e/kWh. For new hydropower projects, necessary environmental and social impact assessments will be undertaken and no significant controversies should be identified.

Analytical considerations

- Renewable energy sources are crucial to the transition to a low-carbon future. Nonetheless, hydropower operations can entail significant lifecycle emissions, particularly from reservoirs and construction. We assess this project category as Dark green, primarily because the eligibility criteria restrict investments to plants that are run-of-river without a reservoir, have power

density greater than 5W/m^2, or lifecycle emissions below 100g CO_2e/kWh. In respect of its hydropower investments, Energo-Pro primarily expects to make acquisitions in its core markets and capital expenditure in current plants.

- Although reservoirs are typically the largest source of hydropower emissions, emissions from construction (such as from the use of concrete and steel) can be significant. According to Energo-Pro's procurement policy, the company "expects" suppliers to reduce their climate change impacts, including emissions. According to Energo-Pro, it is currently developing its approaches to such sustainability issues in its procurement scoring and more formalized climate requirements for contractors and subcontractors. These approaches are expected to be finalized in Q4 2024.
- Hydropower assets can be heavily exposed to physical climate risk, often related to increased water scarcity or flood risk. According to Energo-Pro, the sustainability due-diligence process for all investments (including those under the framework) considers physical climate risk. At a broader level, Energo-Pro recently undertook a climate change adaptation risk assessment, which relied primarily on qualitative data and expert discussions, rather than on climate scenarios and modelling. Based on the results, the company adopted a climate change adaptation plan, which, according to Energo-Pro, integrates relevant control measures for such risks into its operations and procedures.
- Hydropower production entails local environmental risks, such as biodiversity loss resulting from the creation of reservoirs. The second pillar of Energo-Pro's sustainability strategy focuses on minimizing impacts on nature, including biodiversity loss, rehabilitating sites, and compensating for biodiversity and ecosystem loss. The company's sustainability strategy also emphasizes a "no net loss" approach. According to Energo-Pro, among other things, it undertakes environmental and social impact assessments (which can include the use of international standards such as the IFC Performance Standards) before starting new projects. It also engages local ecology experts to assist with identifying risks and implementing measures, and uses ongoing monitoring to inform its programs for ecosystem and habitat enhancement.
- Energo-Pro states that power will be fed into the grid, and it does not have dedicated power purchase agreements (PPAs) or connections. It has furthermore confirmed that PPAs with companies in the oil and gas sector are excluded under the framework.

Renewable energy--Solar power

Assessment	Description
Dark green	Financing related to the construction, development, acquisition, maintenance, and operation of solar power generation facilities using solar photovoltaic technology.

Analytical considerations

- Renewable energy sources are crucial to the transition to a low-carbon future. We assess this project category as Dark green, reflecting primarily that solar power is typically considered to entail low lifecycle emissions.
- The same approaches for local environmental risks, embodied emissions, lifecycle risks in the supply chain, and physical climate risk, set out in the hydropower project category above, also apply to solar investments.
- According to Energo-Pro, power will be fed into the grid, and it does not have dedicated PPAs or connections. It has furthermore confirmed that PPAs with companies in the oil and gas sector are excluded under the framework.

Renewable energy--Wind power

Assessment	Description
Dark green	Financing related to the construction, development, acquisition, maintenance, and operation of onshore and offshore wind energy generation facilities.

Analytical considerations

- Renewable energy sources are crucial to the transition to a low-carbon future. We assess the project category as Dark green, reflecting primarily that wind power is typically considered to entail low lifecycle emissions.
- The same approaches for local environmental risks, embodied emissions, lifecycle risks in the supply chain, and physical climate risk, set out in the hydropower project category above, also apply to wind investments.
- According to Energo-Pro, power will be fed into the grid, and it does not have dedicated PPAs or connections. It has furthermore confirmed that PPAs with companies in the oil and gas sector are excluded under the framework.

Renewable energy--Associated grid infrastructure

Assessment	Description
Medium green	Financing related to the construction, development, acquisition, maintenance, and operation of electricity transmission and distribution infrastructure or equipment in an electricity system that meets any of the following criteria: • The system is the interconnected European system, that is, the interconnected control areas of EU member states, Norway, Switzerland and the U.K., and its subordinated systems; • Over 67% of newly enabled generation capacity in the system is below the generation threshold value of 100gCO2e/kWh over a rolling five-year period; or • The grid's average emissions factor is below the threshold value of 100gCO2e/kWh, on a lifecycle basis over a rolling five-year period. Financing related to activities that are one of the following: • Construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100gCO2e/kWh measured on a lifecycle basis to a substation or network. • Construction or installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation. • Installation of equipment to increase controllability and observability of the electricity system and enable development and integration of renewable energy, including: - Sensors and measurement tools, such as meteorological sensors for forecasting renewable production. - Communication and control, including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralized renewable infeed. • Installation of transmission and distribution transformers that comply with the Tier 2 (July 1, 2021) requirements set out in Annex I to Commission Regulation (EU) No 548/2014 and, for medium power transformers with highest voltage for equipment not exceeding 36 kilovolts, with AA0 level requirements on no-load losses set out in Standard EN 50588-1, published by Comitato Elettrotecnico Italiano. • Installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and Council, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs.

- Construction or installation of equipment to allow for exchange of specifically renewable electricity between users.
- Construction and operation of interconnectors between transmission systems if one of the systems is compliant.
- Construction and operation of electric vehicle charging stations and supporting electric infrastructure for the electrification of transport.

Analytical considerations

- The electrification of high emitting sectors and processes relies, among other things, on modern, efficient, and reliable electricity transmission and distribution networks. Such networks will likely suffer from lower electricity losses (and the emissions associated with this), while investments are necessary to connect renewable energy sources to networks. Nonetheless, the climate impact of electrification--and therefore also of the transmission and distribution of electricity--corresponds to the emissions intensity of the electricity used. This implies the largest benefits arise from electrification using renewable energy sources. These considerations are reflected in the project category's Medium green shade: while investments in the Bulgarian and Georgian grids are crucial, the Bulgarian grid, in particular, has one of the highest grid emission intensities in the EU.
- According to Energo-Pro, investments under this project category are limited to its electricity distribution operations in Bulgaria and Georgia. In Georgia, potential investments would likely involve rehabilitation (such as upgrades to reduce losses and installation of smart meters) and development (such as connections for new customers or renewable energy producers). In Bulgaria, which has a more modern grid, investments would focus more on development.
- According to Energo-Pro, it is still screening its distribution assets to identify those eligible under the EU Taxonomy and therefore also under the framework's project eligibility criteria. Nonetheless, because Bulgaria is a member of the European interconnected system, its Bulgarian grid investments will satisfy the eligibility criteria. According to the IEA, about 36% of Bulgaria's electricity generation in 2021 was fueled by coal, and the European Environment Agency states that Bulgaria's electricity generation emission intensity in 2022 was 455 gCO2e/kWh, the fourth highest in the EU.
- Because Georgia is not currently a part of the European interconnected system, potential investments must satisfy one of the other eligibility criteria. These are that the Georgian grid must have 67% of new capacity with a generation threshold value below 100 gCO2e/kWh, an emissions factor below 100 gCO2e/kWh, or an investment must be one of the specific activities listed, many of which focus specifically on the integration of renewables. These criteria provide good safeguards, since they ensure investments in grids that have low emissions, show demonstrable integration of renewables, or that the investments are needed to achieve this. According to the IEA, in 2021, hydropower and wind accounted for about 81% of Georgia's electricity generation, but the electricity the country produces meets only about one-fifth of local energy demand.
- Energo-Pro has committed to using the proceeds of debt issued under the framework to finance direct connections to oil and gas companies (such as electrification of refineries) or fossil-based power production.
- Distribution assets can entail local environmental impacts--for example, if they require clearing forests or construction of access roads--and can be exposed to physical climate risk, in particular because they are widespread geographically. Energo-Pro's approaches to local environmental risks and physical climate risk for the hydropower project category, also apply to its grid investments.

Renewable energy--Energy storage

Assessment	Description
Dark green	Financing related to the construction, development, acquisition, maintenance, and operation of electricity storage, including pumped hydropower storage.

Analytical considerations

- This project category is assessed as Dark green, primarily reflecting that energy storage is crucial for facilitating greater integration of renewable energy.
- According to Energo-Pro, the only current type of eligible storage is pumped hydropower; chemical energy storage will not be financed. It has moreover confirmed that energy stored will be fully renewable, meaning no storage of electricity generated using fossil fuels.
- Risks highlighted in the hydropower project category, above, are applicable to pumped hydropower storage, for example related to embodied emissions and local environmental impacts. We understand that Energo-Pro's approaches to such risks, set out in the hydropower project category, will apply equally to its energy storage investments.

Clean transportation

Assessment	Description
Medium green	Financing related to the development, construction, acquisition, operation, maintenance, and upgrades of zero-carbon and low-carbon transport vehicles: For vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: - Until Dec. 31, 2025, specific emissions of CO2 are lower than 50gCO2 per kilometer (/km) for low- and zero-emission light-duty vehicles. - From Jan. 1, 2026, specific emissions of CO2 are zero. For vehicles of category L, tailpipe CO2 emissions equal 0g CO2e/km.

Analytical considerations

- Decarbonizing road transportation is crucial to the transition to a low-carbon future. We assign a Medium green shade to this project category, primarily reflecting that it allows both the financing of zero-tailpipe emission vehicles (typically considered Dark green) and hybrid vehicles (considered Light green due to their continued reliance on or lock-in of fossil fuels).
- This project category is intended to fund the purchase of fleet-vehicles for staff rather than for the construction or development of vehicles. Eligible hybrid vehicles can be financed until Dec. 31, 2025, and typically in jurisdictions where Energo-Pro operates, where electric vehicle infrastructure or penetration is low.
- The climate impact of electric and hybrid vehicles is materially influenced by the source of electricity used for charging, since the largest benefits arise from using electricity generated from renewable sources. Such vehicles can also entail significant lifecycle emissions, depending, for example, on the use of fossil fuels in production, and on battery manufacturing techniques. Energo-Pro could consider such emissions in its purchasing decisions.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Renewable energy	 **7. Affordable and clean energy***  **13. Climate action**
Clean transportation	 **11. Sustainable cities and communities***

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

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