

# Green Bond Framework

**Unibank OJSC**

18 July 2022

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# List of Abbreviations

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|      |  |
|------|--|
| CBA  | Central Bank of Armenia                  |
| CBI  | Climate Bonds Initiative                 |
| CC   | Credit Committee                         |
| E&S  | Environment and Social                   |
| ESG  | Environment, Social, and Governance      |
| EU   | European Union                           |
| GBP  | Green Bond Principles                    |
| GHG  | Greenhouse gas                           |
| ICMA | International Capital Market Association |
| IDFC | International Development Finance Club   |
| IFC  | International Finance Corporation        |
| LMA  | Loan Market Association                  |
| NDC  | Nationally Determined Contribution       |
| NDP  | National Development Plan                |
| PCB  | Polychlorinated biphenyls                |
| SBG  | Sustainability Bond Guidelines           |
| SDG  | Sustainable Development Goal             |
| SME  | Small and Medium Enterprises             |
| SPV  | Special Purpose Vehicle                  |

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# 1. Introduction

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## 1.1. This Green Bond Framework Document

This document is the Green Bond Framework (“the **Framework**”) of Unibank (“**The Bank**”) with potential provision to issuing also social, sustainable or other thematic bonds (as they may apply to the needs of Armenia at both private and public sector level).

The Framework has been drafted in accordance with the **International Capital Market Association (“ICMA”) Green Bond Principles** as published in 2021 (“**GBP**”), **Social Bond Principles** as published by ICMA in June 2021 (“**SBP**”) and the **Sustainability Bond Guidelines** as published in June 2021 (“**SBG**”), and reporting can be linked to the ICMA Handbook Harmonized Framework for Impact Reporting published in June 2021. It also is in line with the Green Loan Principles as published by LMA<sup>1</sup> in February 2021 (“**GLP**”) together referred to as “**Principles**” and will be verified through a second party opinion by “**SPO**” [SECOND PARTY OPINION - to be selected].

The Framework may be applied by the **Bank** where the **Bank** intends to issue either Green Bonds or Sustainability Bonds (together referred to as “**Sustainable Bonds**”) and to transact in a Sustainable and/or Green Loan (together and including Sustainability Loans defined hereunder referred to as “**Sustainable Loans**”) as defined by the ICMA and LMA documents referred to above.

This document provides a description of Green and Sustainable financing in Armenia and the National NDC (the Context) in Annex 1, the **Impact and sustainability strategy of the Bank** as outlined in section 1.3 and the **Green Bond Framework** (including eligibility criteria and reporting requirements).

## 1.2. Unibank

Unibank is one of the leading and demanded banks in Armenia that offers its clients a wide range of state-of-the-art services. The Bank has gained the population’s trust and a perfect business reputation among its partners due to over 20 years of productive work. Unibank’s strategic goal is to develop retail business and to support small and medium-sized businesses.

As a true folk bank, Unibank provided its clients with an opportunity to become the Bank’s stakeholders. Through the Initial Public Offering (IPO), the Bank issued shares to the public via “NASDAQ OMX Armenia” stock exchange (presently known as AMX).<sup>2</sup>

Presently Unibank has a reputation of being a financial institution with a conservative management style, open to innovations, proactive and transparent. Unibank’s client database as of 30/06/2022 exceeds 350,000 clients. Expanded database of clients and investors is strong evidence of the Bank’s reliability.

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<sup>11</sup> <https://www.lma.eu.com/about-us>

<sup>2</sup> <https://prive.unibank.am/en/aboutb/>

The Bank has its head office in Yerevan and 57 branches in Armenia, Artsakh, Kazakhstan and also the banks have a representative office in the Russian Federation. Unibank is one of the leaders in the retail market. The bank actively uses financial technologies and innovations to provide up-to-date banking services. Unibank was one of the first banks in Armenia to automate the loan application process; in 2020 the bank integrated artificial intelligence technology into credit scoring, which made it possible to quickly and efficiently process big data, analyze customer behavior, and create highly accurate customer profiles.<sup>3</sup>

According to SPEAR'S Russia Wealth Management Awards 2018, Unibank Privé has the best private banking customer service in the CIS countries. Back in 2020 Unibank's data center platform was moved to renewable energy base, thus making our entire IT systems, communications and networks independent with zero carbon footprint.

In September 2021 Raiffeisen Bank International awarded Unibank award (STP Quality Award) for the high quality and speed of processing international payments in 2020.

Unibank's bond cross-listing at Moscow exchange was recognized the best deal of Armenia at Cbonds Awards CIS - 2021 on 22/07/2021.

International rating agency Moody's Investors Service confirmed in December 2021, the rating of "Unibank" and B2 foreign currency long-term deposits, leaving the forecast "stable".

As part of Unibank's approved strategy of 2022, the following key priorities are formulated:

- expansion and diversification of the shareholder structure, raising capital through an additional issue of ordinary shares with a volume of AMD 5 billion,
- development of cooperation with international financial institutions, use of external resource sources to expand the range of the Bank's financial services,
- increase in the share of the retail lending market,
- entry into the market of the "green" financing segment as a long-term global trend
- development of financial technologies (use of artificial intelligence for lending to small businesses, launch of the marketplace platform and e-commerce, development of remote banking systems),
- development of new tools for the growth of transactional income,
- improvement of mechanisms and implementation of best practices for combating money laundering and terrorism financing.
- being aware of the current challenges and realities of economic development, we look to the future with confidence and move towards the realization of our strategic goals.

### **1.3. Unibank Impact and Sustainability Strategy and Climate Change Policy Framework**

Unibank OJSC is a dynamically developing and innovative bank that provides a full range of services to retail and corporate clients. The Bank sees its mission in promoting the economic development of the Republic of Armenia, increasing the financial well-being of

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<sup>3</sup> <https://corp.unibank.am/en/story/>

customers, shareholders and partners, and meeting the public need for high-quality financial services.

In its activities, the Bank aims to follow the principles of respect for the environment. When implementing credit programs, the Bank takes into account compliance with environmental standards and prioritizes lending to environmentally friendly industries and resource-saving projects. In its activity, Unibank seeks to minimize the financing of projects that have a negative impact on the environment.

Unibank takes an active part in the social life of the country, following the principle of social responsibility and directing efforts to the development of infrastructures and the creation of new jobs.

Unibank recognizes that climate change is one of society's major challenges which poses substantial environmental, economic and social risks, disrupting growth and prosperity.

Since Armenia imports two-thirds of its energy from abroad, developing renewable energy sources and unlocking energy efficiency potential is a top priority for the country. There is huge potential for energy efficiency in Armenian industry, and tapping into that resource will be beneficial both for companies and the financial institutions in the country. Renewable energy plays a critical role in decreasing dependence on imported fuel and raising Armenia's energy security.

More and more clients are investing in modern and environmentally friendly machinery and equipment, especially in agriculture and service industries therefore the potential for green lending in Armenia is apparent and there is a significant credit gap for financial institutions to fill. Unibank recognize global trends and try to materialize them in the local market. As an example, back in 2020 Unibank's data center platform was moved to renewable energy base, thus making our entire IT systems, communications and networks independent with zero carbon footprint.

Unibank has been on the securities market since 2016 and the total volume of fixed income bonds in circulation is over 20 million USD and 3 billion AMD. In 2015, Unibank was the first among the country's banks to hold an IPO and place securities on the Armenian Stock Exchange, which was followed by a successful listing at Moscow Exchange in 2020.

Unibank has a commitment to become one of the leading green banks through adaptation of banking processes and products to fit the clients. Since 2017 Unibank has experience financing SMEs on renewable energy through a KfW program ([German-Armenian Fund](#)).

Unibank has successfully managed to keep the balance between sustainability, environmental and social risk management policies and its business operations to avoid negative environmental and social impacts.

Unibank actively pursues a balance of social, environmental, and economic factors by adhering to international best practice on environmental and social risk management.

Underlying loans granted by **the Bank** under this Framework are subject to the origination criteria of **the Bank**, including the institutional environmental, social and governance filters. Specifically, **the Bank** either:

- (i) assigns an environmental and/ or social responsibility rating (this will be replaced by an Environment, Social, and Governance (ESG) score in time) to each Investee based on a proprietary social responsibility rating methodology or



- (ii) may in specific circumstances such as in case of loan participations rely on such analysis being performed by a suitable third party or such as the lender of record under loan participations.

The Bank is strongly committed to sustainable development and climate change mitigation objectives. As early as in 2022, The Bank developed and implemented its sustainability strategy. Following this strategy, The Bank offers professional investors the opportunity to provide access to capital to people at the "bottom of the pyramid" whilst earning a financial and environmental return.

## 2. Green Bond Framework - Unibank

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### 2.1. Green Bond Framework

The Bank's Green Bond Framework is aligned with the ICMA Green Bond Principles and is set out below in terms of their four key components, i.e. use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

The Bank is considering issuing Green Bonds under this Framework, as described herein. Based on the core components of ICMA's Green Bond Principles, the Bank Green Bond Framework will be further elaborated in the following sections and chapters:

- **Use of Proceeds** - the list of Eligible Green Assets, by reference to the relevant banking products, in the form of project categories, asset type and specifics as well as descriptions of eligibility criteria of each project.
- **Project Evaluation and Selection Process** - a core process used to document and maintain a decision-making process to determine the Eligible Green Assets.
- **Management of Proceeds** - documentation and disclosure of the systems, policies and processes used for the management of the underlying assets.
- **Reporting** - Annual Green Bond Report consisting of both allocation and impact metrics.
- **External Review** - a second party opinion to confirm the validity of the Bank Green Bond Framework.

For each bond which is issued under this Framework, **the Bank** will designate such bond as either a Green Bond, Sustainability Bond, The proceeds of a Green Bond are allocated to an underlying Green Loan, and the proceeds of a Sustainability Bond are allocated to a Sustainability Loan. Further, the proceeds of various Bonds may also be allocated to several underlying loans, as per the below table:

| Bond type           | Underlying Loan type   |
|---------------------|--|
| Green Bond          | One Green Loan, or several Green Loans                         |
| Sustainability Bond | One Sustainability Loan, or several Sustainability Loans, or a |

|               |  |
|---------------|--|
|               | combination of Green Loans and Social Loans  |
| “Basket Bond” | a situation where the proceeds of a Bond are allocated to several underlying loans |

Most of the Bank’s selected projects and Use of Proceeds fall under either the Green Bond or Sustainability Bond as per the definition of the *Green Bond Principles<sup>4</sup> of ICMA*.

The Bank will ensure that the relevant underlying loan complies with the criteria as laid out in this Framework by:

- 1) Applying a use of proceeds provision in respect of the underlying loan, as further laid out in section below;
- 2) Requiring the Bank (in its capacity as origination agent of the relevant underlying loan) to apply its origination criteria and origination process for a Green or Sustainable Bond (as applicable), as further laid out in section (b) below; and
- 3) Requiring the Bank (in its capacity as the monitoring agent of the underlying loan) to gather reporting indicators on a best effort basis.

Subject to compliance with the above, underlying loans can be disbursed to:

- Financial intermediaries
- Project finance structures (Special Purpose Vehicles (SPV) or executing company) or
- Asset-backed financings

These can be in the form of term loans, revolving credit facilities, or other types of debt. Further, participations in loans with unilateral or multilateral development banks or reputable financial institutions whereby the underlying loan subject to the participation satisfies the above criteria is also permitted under this Framework.

Moreover, the Bank seeks to contribute to the long-term development of sustainable and environmentally friendly solutions through financing relevant services and innovations.

The Green Bonds issued by Unibank are to be in line with the UN Sustainable Development Goals (SDGs) and promote the following goals: SDG7 Affordable and Clean Energy, SDG8 Decent Work and Economic Growth, SDG 12 Responsible Consumption and Production SDG13 Climate Action.

The loans and investments eligible to be funded by the Green Bond (and other future or sustainable financing) proceeds are defined within this Framework.

This Framework provides a unified methodology for all green financing, meaning that for each Green Finance Instrument - including but not limited to project bonds, securitized bonds, loans (syndicated, bilateral etc.) - issued in the future, the above core components will be adopted in accordance with this Framework together with the specific requirements of a credit facility to be utilized.

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<sup>4</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

## 3. Use of Proceeds

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### 3.1. Eligibility Principles

Each underlying loan to which this Framework applies shall have a use of proceeds provision, whereby the proceeds of such loan are used by the Borrower thereunder solely to (re)finance Eligible Projects, as further laid out in this section.

A distinction is made between Eligible Green Projects and Eligible Social Projects (together defined as “Eligible Projects”).

Eligible Projects (for refinancing) may include existing loans that have been outstanding for no more than 3 years as of the date of the specific bond issuance. A longer backward-looking period may be applied on a case-by-case basis, if the circumstances allow for this.

Under this Framework, the Bank may grant 2 types of loans (focusing first on Green Bond and Loan):

- **Green Loan:** means a loan where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Green Projects,
- **Sustainability Loan:** means a loan where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within Eligible Green and/or Social Projects.

Proceeds from **the Bank’s** green bond issuance will be exclusively applied to the financing or refinancing, fully or partially, of:

- Projects either within **the Bank’s** investment portfolio or future projects to be appraised by **the Bank** which meet any one of the following criteria:
  - a) Contribute to climate mitigation and /or adaptation in compliance with the International Development Finance Club (IDFC) methodologies<sup>1</sup> for mitigation and adaptation;
  - b) Align to the National Development Plan (NDP) objective of an “environmentally sustainable and equitable transition to a low carbon economy” for Armenia.
  - c) Align to the Sustainable Development Goals of the UN, in particular SDGs 6, 7, 8 and 11, 13; and which meet the following ESG criteria of the Bank.
    - a) Comply with **the Bank’s Environmental and Social Management System** and environmental and social screening and assessment criteria for greenfield projects (as applicable); and Unibank’s ESG policy is defined in section 4.1 Demonstrate, quantify, and qualify positive environmental and social benefits which will be reflected in the Bank ESG reporting; and,
    - b) Meet **the Bank’s** credit selection criteria and the approval of the relevant decision-making structure(s).

### 3.2. Eligible Green Project Categories

The projects identified as eligible for financing or refinancing through the proceeds of green bonds will fall within one or more of following project categories<sup>5</sup>:

- Resource efficiency
- Energy efficiency finance for businesses
- Financing of sustainable agriculture, fishery, waste management.

Type of bond: Green Bonds, Sustainable, SDG

Size: For the combined total of US \$5-10 million

Tenor: 3 to 5-year period

Timing: to be issued within 1 year

See below eligible green projects categories aligned with the 6 European Union (EU) Taxonomy Environmental Objectives

| Categories  | Eligibility Criteria   |
|---|--|
| <b>Energy and Resource Efficiency in Industry</b>                       | <p>Implementation of the energy and resource efficiency initiatives causing:</p> <ul style="list-style-type: none"> <li>- Installation of industrial heat pumps using absorption technology</li> <li>- Using of recycled plastic, switching from virgin to recycled material inputs</li> </ul> <p>Financing technologies that result in at least a 20% improvement in energy efficiency, excluding fossil-fuel powered technology</p>                                      |
| <b>Climate change adaptation - Agriculture and Fishery</b>              | <p>Financing projects in the agriculture, fishery and infrastructure sectors which reduce vulnerability to impacts from climate change and climate variability including, for example:</p> <ul style="list-style-type: none"> <li>○ Sustainable urban drainage systems</li> <li>○ Drought protection (e.g., irrigation or other financial products supporting resilience)</li> </ul> <p>Planting of crops / trees to improve the water table / address climate impacts</p> |
| <b>The sustainable use and protection of water and marine resources</b> | <p>Financing of the following projects:</p> <ul style="list-style-type: none"> <li>○ Improvements in water systems to improve the efficiency of use / reduce waste</li> <li>○ Water distribution infrastructural gain in terms of losses reduction, decreasing of GHG footprint</li> <li>○ Construction of gravity-based infrastructural solutions, water</li> </ul>   |

<sup>5</sup> [https://www.idfc.org/wp-content/uploads/2019/12/idfc\\_report\\_final-2.pdf](https://www.idfc.org/wp-content/uploads/2019/12/idfc_report_final-2.pdf)

|  |  |
|--|--|
|  | <p>recovery, rainwater harvesting, groundwater recharge systems</p> <ul style="list-style-type: none"> <li>○ Wastewater treatment</li> <li>○ Supporting ecological infrastructure (including conservation of natural capital) and water resource management / water security, catchment management and sustainable land use management.</li> </ul>   |
| <b>The transition to a circular economy / waste management</b> | <p>Financing sustainable equipment, development, manufacturing, construction, operation and maintenance of:</p> <ul style="list-style-type: none"> <li>○ Waste-to-energy projects which does not include direct incineration of feedstock. Feedstock will include: Sewage, manure, wastewater, landfill gas capture, sugar cane bagasse, wood pellets and municipal waste. These investments will be required to demonstrate a reduction in net greenhouse gas emissions.</li> <li>○ Waste collection, recycling and projects that recover or reuse materials and waste as inputs into new products or resources. For such projects, they must demonstrate through pre-feasibility / feasibility studies that they will result in net reductions in waste going to landfill.</li> <li>○ Waste management projects that will be the core activity of the client and significantly improve municipal/local conditions of waste management and processing</li> </ul> <p>Facilities for collection, sorting, material recovery, re-use or recycling of materials. Waste management projects using best available technologies and techniques</p> |
| <b>Pollution prevention and control</b>                        | <p>Investments in industrial facilities to reduce the end-production of pollution.</p>   |

### 3.3. Allocation of Proceeds

The Bank’s Green Bond Framework supports the Bank’s commitment to playing a role in the just transition to a low carbon and sustainable economy.

The Bank will provide market information for each respective Bond Issuance under this Framework. The information will outline in each instance, the percentage allocation of proceeds towards financing eligible projects and for re-financing projects within the Bank’s investment portfolio.

It is expected that approximately 25% of the investments will go towards energy efficiency, with another 25% going towards sustainable agriculture, fishery, waste management, and

the remaining 50% in resource efficiency projects-and towards various other investments supporting the Environmental Objectives listed in Section 3.2. above.

### 3.4. Oversight of Management and Allocation of Proceeds

The Bank commits to a periodic review of its processes, systems and procedures in order to remain aligned with the Green Bond Principles adopted for the allocation and management of proceeds from each Green Bond issuance.

## 4. Process for Project Evaluation and Selection

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### 4.1. The Bank definition of a Green Project

In line with the EU Taxonomy, a project is classified *green* when it meets one or more of the following characteristics:

- *Reduces greenhouse gas emissions or removes greenhouse gases from the atmosphere*
- *Promotes climate resilience and/or adaptation*
- *Promotes the sustainable use and protection of water and marine resources*
- *Aids in the transition to a circular economy / improved waste management*
- *Promotes pollution prevention and control*
- *Aids in the protection and restoration of biodiversity and ecosystems - including valuing and improves ecosystem services and biodiversity and promotes sustainable land use management practices*

All projects identified as eligible for consideration for finance through the Bank's Green Bond issuance are screened for environmental and social risk in accordance with the Bank's social and environmental management framework. The Bank commitment to transparent social and environmental practices is evidenced by amongst others, the Bank's Environmental and Social Safeguard Standards<sup>6</sup>.

Unibank's ESG Policy is aimed at trying to balance out economic prosperity with reduced carbon footprint as well as responsible behavior towards the external world from our side as a Bank and as a community together with our shareholders and customers.

ESG Policy is one of the most important aspects in today's global community, thus Unibank as a business strives to make sure it is being sustainable in all of its business operations as well as promoting it in every possible way within our scope of responsibilities. Being sustainable is a long-term commitment that will help create a sustainable environment for future generations.

Unibank's policy is in line with UN Sustainable Development Goals (SDG) and focuses on the following 4 sectors in particular:

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<sup>6</sup> World Bank Environmental and Social Framework (Safeguards)  
<https://thedocs.worldbank.org/en/doc/837721522762050108-0290022018/original/ESFFramework.pdf>

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|   |   |  |  |
|---|---|--|--|
|    |    |                                      |   |
| <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> | <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>   | <p>Ensure sustainable consumption and production patterns</p>  | <p>Take urgent action to combat climate change and its impacts</p>   |
| <p><b>Our contribution:</b><br/>Access to electricity,<br/>Energy efficiency,</p>   | <p><b>Our contribution:</b><br/>Full-time jobs, especially after the pandemic and war, tourism recovery, youth employment</p> | <p><b>Our contribution:</b><br/>Electric waste control, financing SMEs with sustainable production and consumption</p> | <p><b>Our contribution:</b><br/>Investment in the projects greenhouse gas (GHG) emissions reduction potential, climate finance</p> |

Climate assessment procedures utilized align with the IDFC green finance tracking methodology guidelines<sup>7</sup> and Good International Industry Practice. **The Bank** utilizes the IDFC methodology for screening project GHG emission volumes. These are supported by the use of a tool developed for this bond issuance.

## 4.2. Investment Restrictions/ Thresholds and Exclusion Criteria

In addition to the requirements that investments contribute to environmental objectives (see Section 3.2), restrictions on the Eligible Project may be applied based on the own internal assessment by the Servicer which can be stricter compared to this Framework. Potential restrictions depend on the specific characteristics of each Investee and need to be approved by the **Bank Sustainability Committee**, as further described in section (b) below.

Furthermore, the proceeds of the **Bank's** Green Bond will not be used to finance any infrastructure projects which demonstrate clear and substantive environmental and social risks which cannot be mitigated.

Unibank has fully defined Environmental and Social management system through which the rate of potential Environmental impact is verified (the framework and base was placed at Bank while cooperating with international financial organizations like IFC, FMO, etc.). Environment and Social (E&S) risk is taken very seriously at Unibank, thus the risks are

<sup>7</sup> See [https://www.idfc.org/wp-content/uploads/2020/11/idfc-2020-gfm-full-report\\_final-1.pdf](https://www.idfc.org/wp-content/uploads/2020/11/idfc-2020-gfm-full-report_final-1.pdf) page 10

divided into 3 categories consistent with international best practice<sup>8</sup>. Unibank has an outlined Exclusion list below forbidding borrowers that bring a negative influence and harmful impact on the Environment from getting a loan that includes the below group of activities:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, Polychlorinated biphenyls (PCB's), wildlife or products regulated under CITES.
- Production or trade in weapons and munitions\*
- Production or trade in alcoholic beverages (excluding beer and wine)\*
- Production or trade in tobacco\*
- Gambling, casinos and equivalent enterprises\*
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source can be considered to be trivial and/or adequately shielded.
- Production or trade unboned asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor\*\*/harmful child labor\*\*\*
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

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*\*This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.*

*\*\*Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.*

*\*\*\*Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.*

## **Exclusion List related to Republic of Armenia (RA) legislation**

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<sup>8</sup> As per Unibank's E&S Management System handbook, the three categories are:

- High-Risk (Category A): Business activities with potential significant adverse environmental or social risks and/or impacts that is diverse, irreversible, or unprecedented.
  - Medium-Risk (Category B): Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
  - Low-Risk (Category C): Business activities with minimal or no adverse environmental or social risks and/or impacts.
-



According to the internal procedure of environment protection in the crediting process of Unibank the following intended activities are subject to environmental impact assessment and therefore are not financed by Bank.

- **In the energy sector:** nuclear power plants and other facilities with nuclear reactors; thermal power plants, heat and hot water producing plants; hydro power plants, other power plants using alternative sources of energy and other cases stipulated by the law
- **In the mining sector:** extraction and processing of minerals; coal, oil and natural gas extraction and processing; extraction and processing of uranium ore, solid and liquid waste decontamination, and mine reclamation;
- **In the chemical industry:** synthetic rubber, rubber items and other organic materials production and recycling; oil refineries; manufacture of non-organic acids, alkali and other substances; manufacture of detergents and other household chemicals exceeding the admissible concentration limits; manufacture of poisonous and pharmaceutical materials; manufacture of poisonous chemicals and chemical fertilizers;
- **In the construction materials sector:** cement, lime-stone and plaster production; production of tiles, construction stone, reinforced concrete and other civil construction goods;
- **In the metallurgy sector:** production and processing of iron, steel and non-ferrous metals; surface processing of metals exceeding the admissible concentration limits;
- **In the electric and radio technical sector:** intended activities exceeding the admissible concentration limits;
- **In the timber and paper-mill sector:** intended activities exceeding the admissible concentration limits;
- **In the light industry:** textile, shoe, etc. manufacture exceeding the admissible concentration limits;
- **In food-processing industry and fish farming:** intended activities exceeding the admissible concentration limits;
- **In municipal construction:** buildings, facilities, complexes and other intended activities exceeding allowable norms

The purpose of environmental and social screening is to determine the environmental and social risks associated with the projects, decline applications which are unacceptable due to the nature of the proposed activities, classify acceptable applications by environmental impact.

The admissible limits of the intended activities have been approved by the decision No. 193 of March 30 by the Government of the Republic of Armenia.

The bank does not lend to applications classified in the Category A.

The bank pays attention to the general activity of potential borrower. In case it is mostly harmful for environment and/or the potential borrower has been repeatedly fined for violations of environmental permissions, exceeded the permissible limits of environmental pollution, as well as for violation of RA Legislation and norms in the relevant area, the

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bank may reject the applications submitted by such customers and/or present a demand of preterm repayment of the loan if the latter has been already lent.

The results of the Environmental and Social Assessment are completed by SME analysts and submitted to the Bank as a part of a sub-loan application package.

In particular, Green Bonds will not finance the following projects:

- **Projects which result in the increase of net greenhouse gas emissions** - in particular, carbon intensive projects including fossil fuel projects and related supply chains such as coal: investments involving heat production, heat supply and combined heat and power production will not be eligible where coal is utilized - even those wherein other environmental objectives are supported
- **High risk hydropower schemes** that exceed 20 MW or involve significant risk to biodiversity, ecosystem services, and require resettlement of more than 50 people
- **Nuclear power**

### 4.3. Decision Making Process for Selection of Eligible Projects

For each bond to which this Framework applies, the Issuer will require the Bank to apply its criteria and process for the origination of the respective underlying loan, as described below.



The customer applies to the bank to receive a loan. The responsible officer of the Bank (SME analyst) informs the potential borrower about its requirements of environmental, social, sustainable evaluation.

In all the cases when it occurs that given activity is subject to licensing and/or patenting, the customer is required to apply to the appropriate State authorized institution to obtain all permissions and/or documents necessary for the project implementation, as well as to perform other local and/or national environmental and social requirements (such as the law of the RA on environmental impact assessment, Labor Code, etc.). The bank can invite experts to implement nature protection assessment, which aims to assist the Bank in making decision on lending to specific activities and in case of approving to take into consideration environmental impact rate.

After having analyzed and approved the documents the Credit committee gives its consent, evaluates the final version of the loan case and makes a decision to approve its lending (approves the loan application), which is included in the credit committee minutes.

**The Bank** will form an internal **Green and Sustainable Bond Committee (“The Committee”)** which will be responsible for presenting eligible borrowers and the criteria of Eligible Sustainable Projects or Eligible Green Projects associated to the loan to be granted

to such borrower in the case of all investments to the Credit Committee (hereinafter CC) for approval. The Committee makes its decision on a majority basis and consists of 3 members, representatives are (i) SME Underwriting Deputy Head, (ii) Risk Management director and (iii) an internal ESG or impact expert (Corporate Business Promotion and Sales Director Deputy).

The Committee will meet prior to the issuance of any Sustainable Bond and, in case of a Basket Bond, prior to the finalization of an underlying Sustainable Loan.

This assessment takes into account a number of quantitative and qualitative measures applied by the Bank’s Markets Analysts, Investments Analysts and external specialists where necessary.

The Bank applies an integrated environmental, social, economic, financial and sector assessment of each of the proposed projects. Projects are screened according to the Bank’s Social and Environmental Risk Management Guide /Framework (Unibank’s Environmental and Social Management systems).

The Bank has a well-established set of tools and procedures to classify green operations and assess and monitor environmental and social projects, supported by internationally accredited environmental and social safeguards standards which align with the legislation in all of the jurisdictions in which the Bank operates.

The Bank has a constantly evolving pipeline of projects which will align to the ICMA Green Bond Principles and the Climate Bonds Initiative (CBI) - and is in line with the EU Taxonomy for sustainable activities.

Eligible projects for the Green Bond Program are evaluated against the Bank’s Credit Lifecycle and due diligence procedures. With the assistance of the dedicate Bank Environmental and Social Sustainability team and in close coordination with the Bank Treasury, eligible green projects are assessed for inclusion in the Banks portfolio of projects to be considered for Green Bond financing. For smaller investments, a screening and tracking tool for retail bankers has been developed in line with the requirements of the use of proceeds.

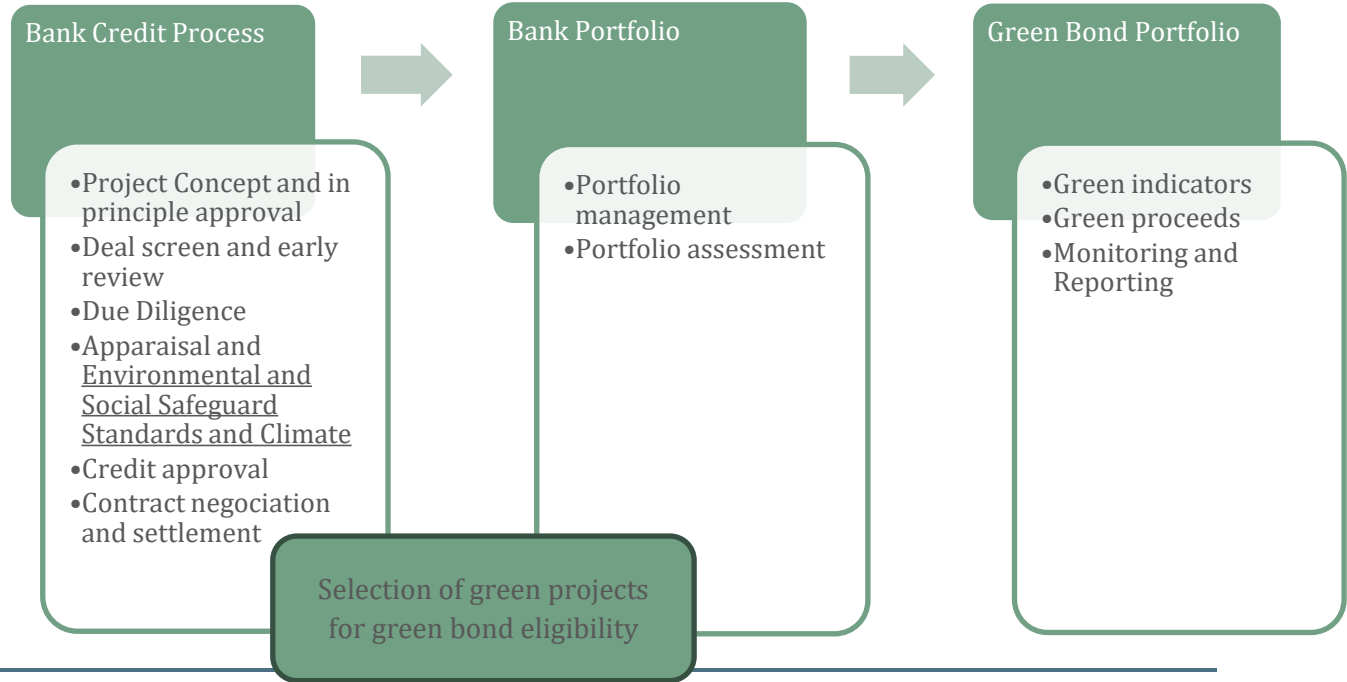


Figure 1: Project selection and credit approval process

## 5. Management of Proceeds

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### 5.1. Oversight of Green Bond Program Operations

The net proceeds of the Green or Sustainable Bond will be on-lent to the Borrower(s) by the Bank in accordance with the terms of an underlying loan(s).

Therefore, the management of the proceeds will take place at the level of the Borrower. Each Borrower to which this Framework applies will be contractually required to hold the proceeds of the underlying loan in a sub-account or to otherwise track the funds in its internal systems.

Each underlying loan made available can have one or more Eligible Green Projects and/or Social Projects that the Sustainable Bond finances. The Borrower will ensure and will make a repeating representation that each Eligible Project is not funded by more than one financing instrument, to avoid double counting of Eligible Projects.

**The Bank** will distribute the full bond proceeds (directly or indirectly) to the Borrower. Pending full allocation of the bond proceeds to Eligible Projects the Borrower may be required to hold these unallocated proceeds in cash or other short-term money market instruments.

If the underlying Eligible Project is prepaid or no longer qualifies as an Eligible Green Project or Eligible Sustainable Project, the Borrower has the possibility to replace the ineligible or prepaid project with an Eligible Project. If the Borrower fails to replace the project within a reasonable period, then it will either (i) be required to prepay the part of the loan that is not covered by the Eligible Project within one year, or (ii) such failure constitutes an event of default under the terms of the loan.

Further, in case of a Basket Bond, **the Bank** will ensure that the proceeds of the Basket Bond are held on a designated account pending the disbursement of the eligible underlying loan(s), and will further ensure that in case of a failure to disburse eligible underlying loans in an amount equal to the notional amount of the Basket Bond at the end of an appropriate period, the unallocated proceeds are applied towards an early redemption.

**The Green and Sustainable Bond Committee (“The Committee”)** (see Section 4.3) will provide the required governance and operational support for the Green Bond Program including:

- Management oversight of the Green Bond Program operations;
- Maintenance and monitoring of the eligible pool of projects for the duration of each bond in issuance;
- Overseeing reporting on the Green Bond portfolio and project indicators; and Managing investors communication.

## 5.2. Bank Portfolio Management Policy

Control and monitoring of disbursements are managed by the Loan Management Unit. This team is responsible for the monitoring of financing commitments on a bi-annual basis, execution status, and contractual compliance.

Operation and execution status are monitored by the Transacting team (including provision of all climate and development data identified in the planning and eligibility phase of the Green Bond);

The LOAN MANAGEMENT POLICY of Unibank defines the basic principles in the market of credit products, includes the complexity of measures to increase the profitability of credit products and reduce credit risks, as well as regulate the principles of lending in the Bank. Below is the staff compilation of the Credit Committee.

| Position        |  |
|-----------------|--|
| <i>Chairman</i> | First Vice-Chairman of the Executive Board   |
| <i>Member</i>   | Head of Underwriting Department  |
| <i>Member</i>   | Vice-Chairman of the Executive Board, Retail Business Promotion and International Development Director |
| <i>Member</i>   | Corporate Business Promotion and Sales Director  |
| <i>Member</i>   | Head of Security department  |
| <i>Member</i>   | Head of Risk management department   |

The SME Underwriting Deputy Head is responsible for the Bank’s commitment to environmental and social objectives. In cases of unresolved environmental and social issues or non-compliance associated with a transaction that cannot be resolved by the SME analysts, the Chief Risk Officer (CRO) determines the appropriate course of action to follow to reduce the Bank’s potential exposure to environmental and social risk, which may include taking legal action against the client.

SME Analysts are responsible for evaluating the environmental and social risks at the level of individual transactions and make a recommendation to the Credit Committee on whether to proceed with a transaction.

The Credit Committee is responsible for deciding if Environmental Sustainable risks are acceptable to the Bank’s overall exposure to risk before proceeding with a transaction.

The Legal Department ensures that the Bank’s environmental and social requirements are incorporated in legal agreements for each loan agreement.

Environmental and development impacts are tracked and evaluated through a **Development Results Framework** and Client credit status and security structures are monitored and managed by the Credit Risk Unit.

The Bank will establish a dedicated database containing all eligible projects financed by, or to be financed by the proceeds of green bond issuances. The Bank has the necessary monitoring and management capacity to provide investors with accurate and transparent information addressing the quantum of Green Bonds outstanding vs eligible projects, project location, sector, the removal of projects that may no longer meet the eligibility criteria, and the maintenance of the portfolio through qualifying substitutions.

### 5.3. Procedures for Management of Proceeds

The Bank will establish appropriate measures and procedures to ensure that proceeds from the Green Bond are allocated and utilized as intended and subject to the applicable Bank Green Bond Framework. Any Green Bond proceeds not allocated to eligible projects at the date of issue will be invested in cash or cash equivalents, and other liquid instruments, and managed in line with the Bank liquidity management framework until such time that the funds are apportioned to eligible projects.

## 6. Reporting

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### 6.1. Development Results Reporting Framework

The Bank will produce Sustainability or Green Bond Use of Proceeds Reports (“Report”) per bond issuance annually.

Further, in case of a Basket Bond, the use of proceeds report will contain an overview of the use of proceeds for each Green, Social, Sustainability or Loan granted on an aggregated basis. Such a report will be made available annually.

This Report, which will be prepared for each Sustainable Bond or Basket Bond separately, will contain details of:

- (i) Allocation of funds per each eligible project category and optionally some examples of loans financed
- (ii) Green Bond total allocations made within reporting period including proportions of new vs. refinanced assets
- (iii) The amount of unallocated cash or cash equivalents
- (iv) If available, a breakdown of the regions within Armenia where the funds have been deployed
- (v) The terms and conditions of a Sustainable Bond may provide for further details of a Report applicable to such bond.

The Bank commits to annual reporting on the use of Green Bonds proceeds on the Bank’s website. This report will provide investors with relevant information on the status of the Green Bond Program and will include details on projects financed through the Green Bond

issuance. Wherever possible, **the Bank** will report both on the anticipated and actual development and environmental impact outcomes of the projects funded.

**The Bank** will disclose qualitative and quantitative information concerning each selected project as well as aggregate information on the portfolio of projects allocated for Green Bond financing. Where confidentiality or other reasonable considerations limit the detail of information that can be made available, **the Bank** will provide this context and present information on a portfolio basis or equivalent.

**The Bank** will additionally provide a description of key underlying methodologies and assumptions used in the quantitative determination of the anticipated development and environmental performance indicators reported.

## 6.2. Impact Reporting

As is consistent with the EU's proposed Green Bond Standard, **the Bank** will ensure that the borrower provide annual impact reporting in respect of the projects financed. Such impact reporting will endeavor to follow the recommendations outlined in the 'Harmonized Frameworks for Impact Reporting' for Green and Social Bonds respectively. For greenhouse gas reducing investments in particular, **the Bank** will endeavor to ensure that The Borrower provides ex-ante impact estimates on a project-by-project basis. **The Bank** will also use its own calculation tools for ex-ante assessing of impacts as is appropriate - particularly for renewable energy and energy efficiency projects.

For investments not directly reducing net greenhouse gas emissions, quantitative analysis will be requested of the Borrower on other environmental impacts of the projects. Where quantitative measures are not available then **the Borrower** will be required to produce qualitative assessments.

**The Bank** will also endeavor to ensure that **the Borrower** will produce ex-post impact measurements wherever possible - in particular for projects aimed at reducing net greenhouse gas emissions - to be reported upon annually.

Indicators and reporting frameworks will be adapted from the 'Harmonized Frameworks for Impact Reporting', across the relevant areas which may include:

- Energy Efficiency
- Clean Transportation
- Green Buildings
- Climate Change Adaptation
- Sustainable Water and Wastewater Management
- Circular Economy and/or Eco-Efficient Projects
- Waste Management and Resource-Efficiency
- Pollution prevention and control
- Ecosystem management / Biodiversity

## 6.3. External Reviews

### 6.3.1. Independent Second Party Opinion

The Bank will commission a Second Party Opinion for its Framework from [TO BE DECIDED WHICH SPO FIRM WILL BE SELECTED - choice of the Bank or institution] who will confirm that the Framework complies with the Principles. This Second Party Opinion as well as the Framework will be made available to the Investors (i.e. will be displayed on the Luxembourg Green Exchange or any Local or International Exchange on which the Green Bond will be listed).

### 6.3.2. External Verification

The Bank may request on an annual basis an external verification on each or a specific bond issued or loan structured under its Framework. In such case the verification may be provided starting one year after the issuance of or after the full amount has been allocated to Eligible Projects. Such external verification may be provided by an auditor or an external expert.



# Annex 1: Relevant background information about Armenia

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## Armenia Financial Ecosystem and meeting the Paris Agreement targets and ESG goals

The **Central Bank of Armenia**<sup>9</sup> (CBA) is the central bank of Armenia with its headquarters in Yerevan. CBA is an independent institution responsible for issuing all banknotes and coins in the country, overseeing and regulating the banking sector and keeping the government's currency reserves. CBA is also the sole owner of the Armenian Mint.

CBA's primary mission is to regulate the banking and financial sector in Armenia as such as to contribute to the stability of the financial sector and also, indirectly, facilitate the development impact in the country by expanding access to development finance and effectively integrating and implementing sustainable development solutions (on the policy and regulatory side). Within the financial ecosystem of Armenia (AFE), a number of private and public banks provide debt and bond financing for various sustainable development, energy and infrastructure sectors, mostly for the private sector.

There is no such institution as a Development Bank in Armenia, and hence development initiative and financing tends to be fragmented between the various DFI initiatives. Albeit CBA's main role is that of a regulator to the financial sector, it also acts as a "Go between" and facilitating institution for a number of key Development Financial Institution (DFI) development program and loan facilities.

In most countries a national Development Bank activity would span the entire infrastructure development value chain and include active participation in the preparation, structuring, funding, and implementation of green infrastructure solutions. In Armenia, the CBA works with such prominent donors such as the German-Armenian Fund, EBRD, and other Multilateral and bi-lateral Development Banks to support/facilitate the planning, preparation, and financing for banks, and various green infrastructure and climate mitigation initiatives.

As of December 2020, the financial sector consisted of 17 commercial banks, 44 universal credit organizations, 8 insurance companies, 4 insurance brokers, a number of pawnshops, exchange bureaus, and money transfer companies. The financial leasing activities are considered financial intermediation and thus can be carried out by banks and universal credit organizations only. In 2015, the CBA changed commercial banks capital requirements, defined by the Regulation on Banking, Prudential Standards of Banking, which came into force beginning January 2017.

The most significant financial market participant is the banking sector, accounting for around 90% of the total assets of the financial system. The banking sector in turn, is quite concentrated, with the 51% of total assets in banking being owned by 4 largest banks.

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<sup>9</sup> <https://staff.am/en/company/hh-kentronakan-bank>

The financial sector has a well-founded regulatory and supervisory system, with the CBA as the regulator in charge of banking and non-banking supervision, financial stability, protection of consumer rights and market conduct in the financial system. The financial sector of Armenia is considered resilient, which proved as such in the face the Global financial crisis of 2007-2008, the Russian crisis of 2014, 2018 revolution, socio-economic challenges caused by COVID-19 and Nagorno-Karabakh war in 2020.

## Armenia NDC (Nationally Determined Contribution) Plan Commitment to Sustainable Development

Green and sustainable financing and green debt securities issuance are still in their infancy in Armenia, although most Bank's stakeholders do recognize the incoming importance and relevance of this growing financing segment. Below is a summary of the key issues and opportunities related to green financing.

Green finance is usually divided into 2 major groups:

- 1) financing climate change mitigation and
- 2) financing climate change adaptation.

It is well-known that more financing has been provided/allocated to financing mitigation rather than adaptation measures worldwide due to different reasons. The situation is not different in Armenia: many financial institutions are already more or less specialized in financing mitigation, while adaptation financing is not yet under radar in the Financial institutions.

While climate change mitigation financing approaches can be very similar from country to country due to the fact that all measures are targeted at the reduction of GHG emissions and do not have country specifics, the case with climate change adaptation financing is country specific as each region/country has its specific climate change risk concentrations and respective foreseen adaptation measures. For instance, part of Armenia are mountainous areas, where Alpine lakes such as the Sevan Lake (1200 km<sup>2</sup>) have been used extensively for mass agriculture and water supply and also affected by dryer years (due to climate change). Proactive water management, sustainable agriculture and biodiversity preservation would be area of focus in the context of climate change adaptation.

The transformation of the updated **NDC to the Paris Agreement** (for Armenia) into tangible actions is a challenge in Armenia, given a relatively passive public policy on the matter. Given the fact that the reporting on its NDC commitments should be made on a 5-year basis, preparation of NDC Implementation Plan is initiated for more effective and efficient implementation of the NDCs.

Currently, most of the climate actions and green financing initiatives are undertaken and financed by **Development Financial Institutions (DFIs)**. Armenia Financial Ecosystem (AFE) as well as the BANK works closely with key DFIs (EBRD, KfW, GIZ, Eurasian Development Bank, AFD, FMO, ADB, others) on financing key infrastructure needs of Armenia. In an ideal world, private banks, Public-Private Partnership (PPP) entities and corporate players should also be involved in sustainable infrastructure financing. The primary areas of operations and interventions of such development and green finance should look as in the

diagram below (example on social and environmental infrastructure financing at municipal level, from the point of view of a Development Bank).

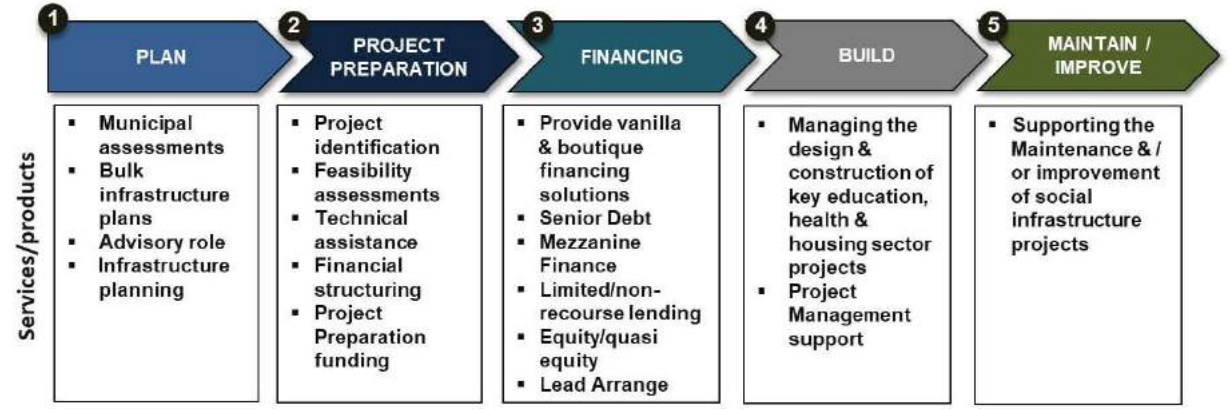


Figure 2: Green and social infrastructure planning and financing

One of the core goals of the NDC Implementation Plan is the identification of the priority activities and assessment of resource needs. Armenia will need sustained financial, capacity building and technical support to regularly prepare, implement, and report on national actions under the Paris Agreement.

The UNDP supports the Government in the NDC implementation as a mechanism to scale up investment in climate change and deliver sustainable development.

Development of **Financing Strategy and Investment Plan** is part of the NDC National Implementation Plan. Armenia aims to develop a debt-for-climate innovative financial swap mechanism, which aims to attract additional financing into climate action.

The NDC **Financing Strategy and Investment Plan** will be designed to enhance the mobilization of funding from: 1) public finance sources, both national and international; 2) private sector participation and investment sources; and 3) innovative financing mechanisms, including but not limited to carbon finance.

The Assessment of Investment Needs for Climate Action in Armenia up to 2030 report prepared by the OECD suggests that Armenia will need to invest at least USD 5.7 billion for mitigation and adaptation measures if one excludes investments in nuclear power plant (the investment cost including the nuclear power plant is USD 8.3 billion).

These are clearly high-level estimates of Sustainable and Climate mitigation and adaptation needs. Both Armenia public sector and private sector (based in direct interviews made in Q2 2022) are not yet ready, from an institutional and green strategy point of view, to start planning and structuring such large green infrastructure projects, although there is a willingness to start working on it. Increased international pressure from partner countries, regions (EU Green Deal) and also each new COP and IPCC (Intergovernmental Panel on Climate Change) will certainly mount in the next 3 to 5 years, putting Climate change mitigation and the “Greening of Armenia” to become priority policy area for both the government and the banking sector.

Table 1: Estimated costs of climate mitigation measures for Armenia<sup>10</sup>

| Climate Mitigation Sectors (Armenia)        | Estimated Amount, USD million |
|---|-------------------------------|
| Renewable energy, from which                | 1,395                         |
| Hydropower Plants, including                | 800                           |
| Large hydropower plants                     | 240                           |
| Medium-sized hydropower plants              | 500                           |
| Small-sized hydropower plants               | 60                            |
| Wind Plants                                 | 300                           |
| Solar Plants                                | 295                           |
| Combined-cycle gas turbine plants           | 1,200                         |
| Energy efficiency for residential buildings | 1,200                         |
| Energy efficiency for public buildings      | 294                           |
| Energy efficiency for industrial buildings  | 144                           |
| Transport                                   | 265                           |
| Waste Management                            | 174                           |
| <b>Total</b>                                | <b>4,672</b>                  |

This is not by any means an exhaustive list, to which we should add such key sectors (for Armenia) as agriculture, agri-business, forestry, land conservation and restoration, sustainable water management, biodiversity and eco-system conservation, and eco-efficient products, production technologies and processes (according to ICMA and the more recent EU Taxonomy).

The largest share of investments is in mitigation activities - around USD 4.7 billion in gross fixed assets in order to achieve its climate action targets by 2030 (the Table 1 presents the split of these costs). The planned actions are mainly in **energy, transport, agriculture and waste management sectors**. The costs are based on investment costs (capital expenditure) and reflect the level of short-term effort and do not reflect long-term cost of these measures, meaning that neither the long-term operating costs nor benefits are taken into account.

<sup>10</sup> Assessment of Investment Needs for Climate Action in Armenia up to 2030, OECD 2021

## Annex 2: Climate Bond Taxonomy of key sectors

| Climate Bonds Taxonomy  |   |  | Armenia   |                           |                 |
|---|---|--|---|---------------------------|-----------------|
|   | Asset type  | Asset specifics  | Indicators  | Sector focus              | Description     |
| Solar   | Generation facilities (power & heat)  | Photovoltaic generation facilities (onshore)   | Facilities shall have no more than 15% of electricity generated from non- renewable sources                     | Renewable energy projects | To be confirmed |
|   |   | Concentrated solar power facilities (onshore)  |   |                           |                 |
|   | Supply chain facilities   | Manufacturing facilities wholly dedicated to onshore solar energy development such as PV cells & components, CSP dishes, troughs & components etc. |   |                           |                 |
|   |   | Dedicated storage, distribution, installation, wholesale and retail  |   |                           |                 |
| Infrastructure  | Dedicated transmission infrastructure   |  |   |                           |                 |
|   | Dedicated supporting infrastructure including inverters, transformers, energy storage systems and control systems |  |   |                           |                 |
| Hydro power   | Generation facilities   | Run of river   | Proposed: power density > 5W/m <sup>2</sup> ; or emissions of electricity generated < 50 gCO <sub>2</sub> e/kWh | Renewable energy projects | To be confirmed |
|   |   | Impoundment  |   |                           |                 |
|   |   | Pumped storage   |   |                           |                 |
|   | Supply chain facilities   | Manufacturing facilities wholly dedicated to hydropower development such as hydro turbines and components  | AND   |                           |                 |
| Dedicated storage, distribution, installation and wholesale and |   | Must perform an assessment, based on recognized best practice guidelines, of environmental and   |   |                           |                 |

|                      |                                    |  |  |  |                 |                                       |
|----------------------|------------------------------------|--|--|--|-----------------|---------------------------------------|
|                      |                                    | retail   | social risks and incorporate measures to address risks<br>Only for pumped storage: facility will not be charged with carbon intensive energy OR facility is contributing to a grid which has at least 20% share of intermittent renewables |  |                 |                                       |
|                      | Infrastructure                     | Dedicated transmission infrastructure  |  |  |                 |                                       |
|                      |                                    | Dedicated supporting infrastructure  |  |  |                 |                                       |
| Private cars         | vehicle                            | Vehicles   | Vehicle meets universal gCO <sub>2</sub> /p-km (passenger per kilometer) threshold   | Electric vehicles and charging infrastructure                      | To be confirmed |                                       |
|                      |                                    |  |  |  |                 | Electric passenger & freight vehicles |
|                      |                                    |  |  |  |                 | Hydrogen passenger & freight vehicles |
|                      |                                    | Other passenger vehicles, e.g. hybrid vehicles   |  |  |                 |                                       |
|                      | Supply chain facilities            | Dedicated manufacturing facilities for vehicles and key components, such as batteries, being used in eligible vehicles |  |  |                 |                                       |
|                      | Infrastructure                     | Dedicated charging and alternative fuel infrastructure (when separate from fossil fuel filling stations and garages)   |  |  |                 |                                       |
|                      |                                    | New roads, road bridges, road upgrades, parking facilities, fossil fuel filling stations, etc.                         |  |  |                 |                                       |
| Buildings            | Commercial buildings               | Including offices, hotels, retail buildings, public buildings, educational buildings, healthcare buildings etc.        | An emissions footprint in the top 15% of emissions performance in the local market   | Energy efficient investments, including new and existing buildings | To be confirmed |                                       |
|                      |                                    |  | OR   |  |                 |                                       |
|                      | Residential buildings              | Private dwellings  | A substantial reduction in gCO <sub>2</sub> /m <sup>2</sup> because of upgrade or retrofit   |  |                 |                                       |
|                      |                                    | Multifamily residential buildings  |  |  |                 |                                       |
| Other building types | Data centers                       | See ICT (pg. 16)   |  | N/A  |                 |                                       |
|                      | Stations and related buildings for | See Transport (pg.7)   |  |  |                 |                                       |

|  |                               |   |  |   |                 |
|--|-------------------------------|---|--|---|-----------------|
|  |                               | eligible transport  |  |   |                 |
|  |                               | Industrial buildings  | See Industry (pg.14)   | Energy efficient investments, Including new and existing buildings  |                 |
| Products and systems for building efficiency         | Energy efficiency             | Facilities dedicated to manufacturing energy efficient components   | See Industry (pg.14)   | Improvements in industrial processes and / or fuel switching  | To be confirmed |
|  | Low carbon building materials | Low carbon and alternative building materials such as alternatives to cement and concrete   |  |   |                 |
| Built environment                                    | Urban or semi-urban areas     | Such as neighborhood level works, upgrades and retrofits such as street lighting  | The built environment or specific program must improve its emissions performance (gCO2/m2) substantially                         | N/A   |                 |
| Urban Planning                                       | Infrastructure                | District heating for residential and commercial applications  | Fed primarily by renewable energy  | N/A   |                 |
|  |                               | Building, maintaining or upgrading utility tunnels for cables or pipelines  | Significant resource and energy efficiency improvements  |   |                 |
|  | Other                         | Urban policies and regulations directed to climate change mitigation e.g. car-free areas  | Significant impact on urban emissions  |   |                 |
| Agriculture (including mixed use productive systems) | Agricultural production       | Agricultural land - including land used for the production of crops, agroforestry and silvo-pastoral systems, land used to rear livestock | Demonstration of significant carbon sequestration, reduction in emissions or compatibility with 'low carbon agriculture' targets | Improvements in land management / reductions in net Agriculture, Forestry and Other Land Use (AFOLU) greenhouse gas emissions | To be confirmed |
|  |                               | Livestock   |  |   |                 |
|  |                               | Agricultural production on peatland   |  |   |                 |
|  | Infrastructure                | Machinery and equipment to manage and cultivate eligible land or livestock  | Eligible if the agricultural production adheres with the above   | Improvements in land management / reductions in net   | To be confirmed |

|  |                             |   |   |   |                 |
|--|-----------------------------|---|---|---|-----------------|
|  |                             | Associated management, information systems and other technologies           |   | Agriculture, Forestry and Other Land Use (AFOLU) greenhouse gas emissions   |                 |
|  |                             | Drip, flood and pivot irrigation systems                                    | See Water (pg.10)   | Climate resilience investments which do not undermine adaptive capacity of other system                                       |                 |
| Commercial forestry  | Forests & timber production | Plantations and natural forests   | No conversion from natural landscape and health of the forest is well managed | Improvements in land management / reductions in net Agriculture, Forestry and Other Land Use (AFOLU) greenhouse gas emissions | To be confirmed |
|  |                             | Timber production on peatland   |   |   |                 |
|  | Infrastructure              | Machinery and equipment to manage and cultivate eligible forested land      | Eligible if the forest and timber production adheres with the above           | Improvements in land management / reductions in net Agriculture, Forestry and Other Land Use (AFOLU) greenhouse gas emissions | To be confirmed |
|  |                             | Associated management, information systems and other technologies           |   |   |                 |
| Production facilities incorporating efficient pulping process, bio-refineries, use of recyclates |                             |   |   |   |                 |
| Supply chain assets management   | Supply chain                | Input supply systems for seed production, distribution and access           | Facility is sustainably managed and certified as such                         |   |                 |
|  |                             | Primary processing and storage facilities for eligible agricultural produce | Eligible if agricultural produce complies with relevant Criteria              |   |                 |
|  |                             | Primary processing and storage facilities for eligible forestry produce     | Eligible if forest produce complies with relevant Criteria                    |   |                 |



|  |  |   |  |  |  |
|--|--|---|--|--|--|
|  |  | Primary processing facilities and storage for eligible fisheries and aquaculture activities | Eligible if fish produce complies with relevant Criteria |  |  |
|--|--|---|--|--|--|

## Annex 3: ICMA Eligible Green Projects categories

For reference, below are the categories and eligible areas / categories for ICMA Eligible Green Projects.

| Category  | Eligible Areas   |
|---|--|
| Renewable Energy  | Production, Transmission, Appliances and Products  |
| Energy Efficiency   | New and Refurbished Buildings, Energy Storage, District Heating, Smart Grids, Appliances and Products  |
| Pollution Prevention and Control  | Reduction of Air Emissions, Greenhouse Gas Control, Soil Remediation, Waste Prevention, Waste Reduction, Waste Recycling and Energy/ Emission-Efficient Waste to Energy  |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | Environmentally Sustainable Agriculture; Environmentally Sustainable Animal Husbandry; Climate Smart Farm Inputs such as Biological Crop Protection or Drip-Irrigation; Environmentally Sustainable Fishery and Aquaculture; Environmentally Sustainable Forestry, Including Afforestation or Reforestation, and Preservation or Restoration of Natural Landscapes |
| Terrestrial and Aquatic Biodiversity Conservation                               | Protection of Coastal, Marine and Watershed Environments   |
| Clean Transportation  | Electric, Hybrid, Public, Rail, Non-Motorized, Multi-Modal Transportation, Infrastructure for Clean Energy Vehicles and Reduction of Harmful Emission  |
| Sustainable Water and Wastewater Management                                     | Sustainable Infrastructure for Clean and/or Drinking Water, Wastewater Treatment, Sustainable Urban Drainage Systems and River Training and Other Forms of Flooding Mitigation   |
| Climate Change Adaptation   | Efforts to Make Infrastructure More Resilient to Impacts of Climate Change, as well as   |

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|  | Information Support Systems, such as Climate Observation and Early Warning Systems  |
| Circular Economy Adapted Products, Production Technologies and Processes | The Design and Introduction of Reusable, Recyclable and Refurbished Materials, Components and Products; Circular Tools and Services); and/or Certified Eco-Efficient Products |
| Green Buildings  | Buildings that meet Regional, National or Internationally Recognized Standards or Certifications for Environmental Performance  |