

Second-Party Opinion

ArmSwissBank Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the ArmSwissBank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Climate Change Mitigation - Energy, Climate Change Mitigation - Low Carbon Transportation, Climate Change Adaptation – Agriculture and Forestry, The Sustainable Use and Protection of Water and Marine Resources, The Transition to a Circular Economy/Waste Management, Pollution Prevention and Control, and The Protection and Restoration of Biodiversity and Ecosystems – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12, 15.



PROJECT EVALUATION AND SELECTION ArmSwissBank has established a Green and Sustainable Bond Committee, which will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. ArmSwissBank manages environmental and social risks associated with eligible projects through an integrated assessment approach. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS ArmSwissBank's Lending department will be responsible for managing the proceeds on a portfolio basis and will track their allocation using a special programme line within the core banking system. ArmSwissBank intends to allocate proceeds within 36 months of each issuance. Pending full allocation, unallocated proceeds will be held in cash, cash equivalents or other liquid instruments, and managed in line with the Bank's liquidity management framework. This is in line with market practice.



REPORTING ArmSwissBank will report annually on the allocation of proceeds and their corresponding impact through Sustainability or Green Bond Use of Proceeds Reports until full allocation. Allocation reporting will include: i) the amount of proceeds allocated by eligible project category and, optionally, examples of loans financed; ii) the total amount allocated within the reporting period, including proportions of new and refinanced assets; iii) the amount of unallocated proceeds in cash or cash equivalents; and iv) if available, a breakdown of the regions within Armenia where the proceeds have been deployed. Sustainalytics views ArmSwissBank's allocation and impact reporting as aligned with market practice.

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Issuer Location Yerevan, Armenia

Report Sections

Introduction..... 2
Sustainalytics' Opinion 3

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Introduction

ArmSwissBank CJSC (“ArmSwissBank” or the “Bank”) is an Armenian bank that specializes in corporate banking, offering both traditional and alternative financing solutions to its clients. Headquartered in Yerevan, Armenia, the Bank has 5,495 active clients and employs 166 people as of December 2024.

ArmSwissBank has developed the ArmSwissBank Green Bond Framework dated January 2025 (the “Framework”) under which it intends to issue green and sustainability bonds, and use the proceeds to finance or refinance, in whole or in part, projects that are intended to support Armenia’s transition to a low carbon and sustainable economy. The Framework defines eligibility criteria in the following areas:

1. Climate Change Mitigation – Energy
2. Climate Change Mitigation – Low Carbon Transportation
3. Climate Change Adaptation – Agriculture and Forestry
4. Sustainable Use and Protection of Water and Marine Resources
5. Transition to a Circular Economy / Waste Management
6. Pollution Prevention and Control
7. Protection and Restoration of Biodiversity and Ecosystems

ArmSwissBank engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ The Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects our independent³ opinion on the alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of ArmSwissBank to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. ArmSwissBank representatives have confirmed that: (1) they understand it is the sole responsibility of ArmSwissBank to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any material information provided has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ArmSwissBank.

Sustainalytics’ Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The ArmSwissBank Green Bond Framework will be published on ArmSwissBank’s website at: https://www.armswissbank.am/upload/Green_Bond_Framework.pdf

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ArmSwissBank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the ArmSwissBank Green Bond Framework

Sustainalytics is of the opinion that the ArmSwissBank Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Climate Change Mitigation – Energy, Climate Change Mitigation – Low Carbon Transportation, Climate Change Adaptation – Agriculture and Forestry, Sustainable Use and Protection of Water and Marine Resources, Transition to a Circular Economy/Waste Management, Pollution Prevention and Control, and Protection and Restoration of Biodiversity and Ecosystems, are aligned with those recognized by the GBP.
 - The Framework notes that approximately 20% of the proceeds are expected to be directed towards renewable energy, while 65% will be allocated to energy efficiency projects, with a primary focus on building-related investments. The remaining proceeds will be invested in the other use of proceeds categories.
 - Under the Climate Change Mitigation – Energy category, the Bank may finance or refinance the following projects:
 - Renewable energy generation, distribution and transmission projects including:
 - Onshore and offshore wind. ArmSwissBank will not finance heat from offshore wind.
 - Solar energy. The Framework notes that for concentrated solar, heat and power generation projects, fossil fuel backup will be limited to 15% of a facility's total electricity production.
 - Small-scale hydropower projects with a maximum of 20 MW installed capacity that meet one of the following criteria: i) are run-of-river without an artificial reservoir; ii) facilities that became operational before 2020, with life cycle carbon intensity below 100 gCO₂e/kWh or have a power density greater than 5 W/m²; or iii) facilities that became operational after 2020, with life cycle carbon intensity below 50 gCO₂e/kWh, or have a power density greater than 10 W/m². All new hydropower projects will have an environmental and social impact assessment performed by a third party confirming that there are no significant risks or controversies involving the project.
 - Transmission systems that include investment in new systems and expansions or upgrades of existing systems, smart grids, and mini grids that are dedicated to integrating renewable energy into the grid.
 - Sustainalytics considers these investments to be aligned with market practice.
 - Construction or renovation of residential, commercial and industrial buildings in accordance with the following criteria:
 - Renovations that result in i) a minimum energy performance certificate (EPC) B; or ii) a 20% improvement in energy performance in terms of energy demand per square metre of habitable unit area. Sustainalytics considers it market practice to ensure that retrofits achieve emissions or energy performance improvements of at least 30% but acknowledges that an energy performance improvement of 20% will result in some environmental benefit.
 - Construction of new buildings that achieve EPC B or above.
 - The Bank has confirmed that it will not finance buildings that are intended for controversial activities or designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels.
 - Regarding building renovations and construction of new buildings that achieve EPC B, the Climate Bond Initiative's official baseline for the top

15% low-carbon residential and commercial buildings is not yet available for Armenia. Buildings with EPC C can be considered compliant with the requirements of the local building code for new buildings, while buildings with EPC B+ and A can be considered aligned with the ambitions of the EU's nearly zero-energy building (NZEB) target.⁴ While Sustainalytics is not able to confirm which EPC level corresponds to the top 15% of the low-carbon buildings in Armenia, we consider EPC B to be a credible level for green building financing.

- Investment in i) smart grids and ii) the manufacture and procurement of energy efficient equipment that lead to at least 20% energy savings or GHG emissions reduction:
 - Sustainalytics notes that smart grid projects may include the following: i) advanced metering infrastructure (AMI), such as smart metres that enable real-time energy consumption monitoring and facilitate dynamic pricing, and remote management of electricity usage by utilities and consumers; ii) grid automation and control systems, such as supervisory control and data acquisition (SCADA) systems for real-time grid monitoring and fault detection, and distribution management systems (DMS) for optimizing grid operations and load balancing; iii) energy storage systems, including battery energy storage solutions to manage grid fluctuations and store surplus renewable energy, and integration of utility-scale storage for grid stabilization; iv) renewable energy integration solutions, such as smart inverters that manage solar PV systems and wind turbines, synchronizing them with the grid; v) technologies for distributed energy resource management, such as inverters with advanced grid-support functions like voltage regulation, frequency response, and reactive power compensation; vi) electric vehicle (EV) charging infrastructure, such as smart EV charging stations that balance load requirements and enable grid-to-vehicle and vehicle-to-grid communication, and integration of charging hubs into local grids with dynamic load management; and vii) fault detection and self-healing networks that identify, isolate and address faults automatically to minimize outages and disruptions.
 - ArmSwissBank has confirmed that energy storage systems will be connected to one of the following: i) renewables; ii) a grid that supports or integrates at least 90% renewable electricity; iii) for a grid with less than 90% renewable electricity, but the percentage of renewables is expected to increase, the Bank will use a pro-rata approach to finance only the share of renewables in the grid; iv) a grid that is the interconnected European system; v) a grid where more than 67% of the newly enabled generation installed capacity is below the emissions threshold of 100 gCO₂e/kWh, measured on a life-cycle over a rolling five-year period; or vi) a grid with an average system grid emissions factor below 100 gCO₂e/kWh, over a rolling five-year period.
 - Sustainalytics notes that energy efficient equipment may include: i) smart metres; ii) LED lighting; iii) energy-efficient motors and variable speed drives; iv) equipment that recaptures waste heat from industrial processes for reuse in other systems; v) energy-saving heating, ventilation, and air-conditioning systems for factories and commercial buildings; vi) high-efficiency compressors and leak-detection systems to optimize energy use; vii) advanced materials to improve building thermal performance and reduce heating and cooling demand; viii) windows with low-emissivity coatings and double or triple glazing; and ix) advanced refrigeration for industrial, commercial and agricultural use.
 - ArmSwissBank has confirmed that: i) smart metres for gas will be excluded; ii) refrigerants with high global warming potential will be excluded and such projects will promote robust refrigerant leak control, detection and monitoring to ensure recovery, reclamation, recycling and destruction of refrigerants at end of life; and iii) energy-efficient

⁴ EU4Energy, "Nearly Zero Energy Buildings and Building Eco-Labeling International Best Practices and Insights for Armenia", (2019), at: <https://www.energycharter.org/fileadmin/DocumentsMedia/EU4Energy/AM-NZEB-A.Pasoyan-17.10.19.pdf>

- technologies and equipment designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels, will be excluded.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Climate Change Mitigation – Low Carbon Transportation category, ArmSwissBank may finance or refinance the following projects:
 - Electric vehicles, non-motorized vehicles, and other low carbon vehicles with an emissions threshold below 75 gCO₂/km or 120.70 gCO₂/mile, based on lab tests using WLTP or NEDC (DB) or FTP-75 procedure.
 - Electric public transport, including electric rail, metros and trams.
 - Infrastructure that supports low carbon vehicles and public transport, as defined above. This may include upgrades of electric charging infrastructure. The Bank has confirmed that road infrastructure, parking facilities and assets that prolong the life or facilitate the use of fossil-fuel powered transport will be excluded from the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Climate Change Adaptation – Agriculture and Forestry category, the Bank may finance or refinance: i) sustainable urban drainage systems; ii) flood protection projects, such as movable barrier systems to prevent flooding; iii) drought protection projects, such as irrigation projects and other financial products supporting resilience. The Bank has communicated to Sustainalytics that irrigation projects include water-efficient drip irrigation systems for watering orchards; and iv) reforestation and afforestation projects. The Framework notes that reforestation and afforestation projects will use tree species that are well-adapted to the site conditions and have a sustainable management plan that is certified to Forest Stewardship Council (FSC)⁵ or Programme for the Endorsement of Forest Certification (PEFC).⁶ The Bank has further confirmed that all projects related to flood or drought mitigation and defence will require feasibility report that covers a vulnerability assessment to identify realized climate impacts and potential climate risks as well as an adaptation plan to provide a roadmap for addressing these impacts. Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Sustainable Use and Protection of Water and Marine Resources category, the Bank may finance or refinance projects in accordance with the following criteria:
 - Investments in water system improvements, materials, equipment, appliances and technologies that reduce water use and waste, or improve water use efficiency by at least 20%. ArmSwissBank has confirmed that equipment, systems and measures that are dependent on fossil fuels or provide water for fossil fuel operations will be excluded.
 - Wastewater treatment projects. ArmSwissBank has confirmed that treatment of wastewater from fossil fuel operations, and systems and treatment facilities dedicated to inherently harmful activities, such as industrial scale livestock management, will be excluded.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Transition to a Circular Economy/Waste Management category, the Bank may finance or refinance:
 - Waste to energy projects using the following feedstock: i) sewage and wastewater – the Bank has confirmed that sewage and wastewater from fossil fuel operations will be excluded; ii) sugar cane bagasse; iii) wood pellets; and iv) municipal waste – the Bank has confirmed that majority of recyclables will be segregated from the municipal waste before energy conversion.
 - Waste collection, recycling, and material and waste recovery and reuse. The Bank has confirmed that waste collection vehicles will not be financed, and that material and waste recovery projects will have source segregation of recyclables. For recycling of e-waste, the Framework notes that there will be robust waste management processes to mitigate associated risks.
 - Sustainalytics considers investments under this category to be aligned with market practices.

⁵ FSC: <https://fsc.org/en/fsc-standards>

⁶ PEFC: <https://www.pefc.org/standards-implementation>

- Under the Pollution Prevention and Control category, ArmSwissBank intends to finance or refinance industrial facilities to reduce the end-production of pollution, which include scrubber systems to capture CO₂ and other pollutants in steel manufacturing plants. The Bank has confirmed to Sustainalytics that the current emissions intensity of the steel manufacturing plants, where scrubber systems are to be implemented, is below 1.367 tCO₂e/t of steel,⁷ and that one of the following criteria is met: i) the average emissions intensity over the lifetime of the steel manufacturing plants is at or below 0.8971 tCO₂e/t of steel; or ii) the facility is expected to follow the Transition Pathway Initiative's 2°C scenario decarbonization pathway throughout its lifetime. Sustainalytics considers investments under this category to be aligned with market practices.
- Under the Protection and Restoration of Biodiversity and Ecosystems category, the Bank may finance or refinance sustainable ecosystem management and biodiversity conservation projects, which, as communicated to Sustainalytics by ArmSwissBank, may include the following:
 - Restoration of native forests – the Bank has confirmed that projects will be certified under FSC or PEFC and use tree species that are well-adapted to the site conditions.
 - Preservation or conservation of biodiversity and natural habitats.
 - Promotion, restoration and preservation of biological diversity in urban areas such as parks, green rooftops.
 - Permanent conservation of land through conservation easement agreement.
 - Monitoring programmes, technology and equipment to prevent deforestation and mitigate the effects of forest fires.
 - Prevention, management, containment, control and eradication of invasive species. The bank has confirmed exclusion of i) agrochemicals for controlling or eradicating invasive plants and insects; and ii) the use of hunting, trapping, poisoning, or culling to manage vertebrate animals considered pests under the Framework.
 - Sustainalytics considers these investments to be aligned with market practice.
- Sustainalytics notes that the Framework excludes financing toward activities involving child labour, exploitation or illegality under national or international laws, including weapons, cigarettes, gambling, wild animal trade, radioactive materials, unregulated forestry, hazardous chemicals, banned substances, or asbestos. Other exclusions include forced displacement, unapproved land displacement, large dams, coal, oil, and gas extraction, genetically modified organisms, and anti-democratic media. Additionally, the Bank avoids projects with significant unmitigated environmental or social risks, hazardous waste handling, or activities harmful to cultural heritage.
- Project Evaluation and Selection:
 - ArmSwissBank has established a Green and Sustainable Bond Committee, which will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee consists of three members – a representative each from the General Management and the Risk Management and Compliance divisions, and an internal ESG or impact expert.
 - The Bank manages environmental and social risks associated with eligible projects through an integrated assessment approach, which includes environmental, social, economic, financial, and sector evaluations. Projects are screened using the Bank's Environmental and Social Safeguard Standards, which align with international accreditation and the legislation of jurisdictions where the Bank operates. Sustainalytics considers this environmental and social risk management system to be adequate. For additional detail see Section 2.
 - Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - ArmSwissBank's Lending department will be responsible for managing the proceeds on a portfolio basis and will track their allocation using a special programme line within the core banking system.
 - The Bank intends to allocate proceeds within 36 months of each issuance. Pending full allocation, unallocated proceeds will be held in cash, cash equivalents or other liquid instruments, and managed in line with the Bank's liquidity management framework.

⁷ Transition Pathway Initiative's 2°C scenario benchmark value in the year 2025.

- Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - ArmSwissBank will report annually on the allocation of proceeds and their corresponding impact through Sustainability or Green Bond Use of Proceeds Reports until full allocation.
 - Allocation reporting will include: i) the amount of proceeds allocated by eligible project category and, optionally, examples of loans financed; ii) the total amount allocated within the reporting period, including proportions of new and refinanced assets; iii) the amount of unallocated proceeds in cash or cash equivalents; and iv) if available, a breakdown of the regions within Armenia where the proceeds have been deployed.
 - Impact reporting may include: i) annual GHG emissions reduced or avoided (in tCO₂e/year); ii) annual renewable energy generation (in MWh/GWh for electricity, GJ/TJ for other energy); iii) capacity of renewable energy plants constructed or rehabilitated (in MW); and iv) absolute energy savings (in kWh).
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with the Green Bond Principles 2021

Sustainalytics has determined that the ArmSwissBank Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of ArmSwissBank

Contribution to ArmSwissBank's sustainability strategy

ArmSwissBank's sustainability strategy emphasizes the integration of environmental, social and economic considerations into its financing activities, and has a focus on: i) renewable energy; ii) energy efficiency; iii) green building development; iv) sustainable agriculture; and v) waste management.⁸

As of December 2024, the Bank has financed renewable energy projects with a total capacity of approximately 240 MW, including 120 MW from solar PV installations.⁹ This financing represents 40% of the industrial-scale solar PV capacity installed in Armenia.¹⁰ In terms of energy efficiency, the Bank provides financing, advice, and incentives to help businesses invest in high-performance technologies and adopt energy-efficient practices. One such project is the Bank's financing of ongoing upgrades at the Yerevan Chocolate Factory. These upgrades, carried out between 2022 and 2023, have resulted in a more than 20% increase in the factory's energy efficiency.¹¹ Furthermore, ArmSwissBank promotes the construction of energy-efficient buildings by offering favourable financing terms. For example, the Luysar residential complex, which includes 600 apartments, received EPC B and C+ labels. Additionally, the Bank financed two other energy-efficient residential projects – Domum LLC with 473 apartments and Eko Building LLC with 103 apartments. Both projects achieved an EPC B+ label.^{12,13}

Regarding agriculture, ArmSwissBank is a partner financial institution under the country's subsidy programmes for smart agricultural projects. One such project, financed by the Bank during 2022-2023, is AR Vines LLC, which established 200 hectares of pistachio orchards using drip irrigation and reservoir systems. Additionally, the Bank supports projects that promote the circular economy, including financing the factory and upgrades of Artik SHPP LLC between 2019 and 2023. The company utilizes production waste to manufacture cotton products and powers its operations with solar energy.¹⁴

In December 2024, ArmSwissBank became a signatory of the UN Principles for Responsible Banking.¹⁵ In June 2024, the Bank entered into a Technical Assistance Cooperation Agreement with the European Investment Bank (EIB) as part of the EIB Greening Financial Systems Technical Assistance Program. This partnership focuses on strengthening the Bank's climate risk management framework and aligning its

⁸ ArmSwissBank, "Implementing SUSTAINABLE PROGRAMS involves careful planning, stakeholder engagement, and a focus on environmental, social and economic aspects: Prioritizing resource efficiency and community engagement.", at: https://armswissbank.am/upload/Brouchure_Sustainable_Brochure.pdf

⁹ ArmSwissBank has shared this information with Sustainalytics.

¹⁰ ArmSwissBank, "Implementing SUSTAINABLE PROGRAMS involves careful planning, stakeholder engagement, and a focus on environmental, social and economic aspects: Prioritizing resource efficiency and community engagement.", at: https://armswissbank.am/upload/Brouchure_Sustainable_Brochure.pdf

¹¹ ArmSwissBank has shared this information with Sustainalytics.

¹² Ibid.

¹³ ArmSwissBank, "Implementing SUSTAINABLE PROGRAMS involves careful planning, stakeholder engagement, and a focus on environmental, social and economic aspects: Prioritizing resource efficiency and community engagement.", at: https://armswissbank.am/upload/Brouchure_Sustainable_Brochure.pdf

¹⁴ Ibid.

¹⁵ UNEP, "ArmSwissBank", at: <https://www.unepfi.org/member/armswissbank/>

operations, strategy, governance and disclosures with international best practices.¹⁶ Additionally, ArmSwissBank is a member of the Partnership for Carbon Accounting Financials (PCAF), committing to standardized methodologies for assessing and disclosing GHG emissions associated with its financed loans and investments.¹⁷

Sustainalytics is of the opinion that the ArmSwissBank Green Bond Framework is aligned with ArmSwissBank's overall sustainability strategy and initiatives, and will further its actions on its key environmental priorities. Nevertheless, Sustainalytics encourages ArmSwissBank to develop quantitative and time-bound targets to address financed emissions and report on the progress as part of its annual reporting.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include: i) land use and biodiversity issues associated with large-scale infrastructure development; ii) emissions, effluents and waste generated during construction; iii) occupational health and safety issues (OHS); and iv) risks related to business ethics. Sustainalytics notes that ArmSwissBank plays a limited role in the development of projects and the assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

Sustainalytics is of the opinion that ArmSwissBank is able to manage or mitigate potential risks through implementation of the following:

- The Bank has implemented an Environmental and Social Management System (ESMS) to identify and mitigate potential environmental and social risks associated with its financed assets.¹⁸ The system is guided by a policy that outlines the Bank's commitment to promoting sustainable practices and adhering to the eight International Finance Corporation Performance Standards (IFC PS).
 - The key components of the ESMS include: i) an exhaustive list of exclusion activities, which forms the first level of project screening for the Bank; and ii) environmental and social due diligence undertaken by the Bank or its designated consultant as part of the project appraisal process. The due diligence process involves screening and categorizing projects based on their potential environmental and social risks, conducting detailed assessments, developing effective management plans, engaging with stakeholders, implementing robust monitoring systems, and adhering to reporting and compliance requirements.
 - The ESMS employs a risk-based categorization system to classify projects into three tiers: High Risk (Category A), Medium Risk (Category B), and Low Risk (Category C). For projects identified as High or Medium Risk, a more in-depth due diligence process is required, and the asset owner is accountable for developing a comprehensive environmental and social action plan that outlines specific actions to address identified risks. ArmSwissBank also requires this action plan to include clear timelines for the implementation of each action.¹⁹
- To address land use and biodiversity risks, the Bank complies with Republic of Armenia's national law "On Environmental Impact Assessment and Expertise," which is regulated by the Ministry of Environment.²⁰ The law classifies projects into categories A, B and C, based on the degree of their potential impact on the environment.²¹ Additionally, the law mandates environmental impact assessments for projects in sensitive areas, such as protected areas, forests, historical sites and public green spaces. The Bank has confirmed to Sustainalytics that any risks identified are mitigated according to its ESMS requirements.
- Regarding emissions, effluents and waste generated during construction, the Republic of Armenia's national law on waste²² provides the framework on waste management and sets limits for legal entities and individual entrepreneurs involved in waste management. Additionally, producers of hazardous waste are further required to adhere to Armenia Decree 47-N of

¹⁶ European Investment Bank, "Greening Financial Systems technical assistance programme", at: <https://www.eib.org/en/products/advisory-services/gfs/index>

¹⁷ UNEP, "ArmSwissBank", at: <https://www.unepfi.org/member/armswissbank/>

¹⁸ ArmSwissBank, "Environmental and Social Risk Management System (ESMS)", (2023), at: https://www.armswissbank.am/upload/social&environmental_risk_management_guide_eng.pdf

¹⁹ Ibid.

²⁰ Armenian Legal Information System, "Republic of Armenia's Law "On Environmental Impact Assessment and Expertise"", (2015), at: <https://www.arlis.am/documentview.aspx?docID=97315>

²¹ UN Environment Programme, "Republic of Armenia, "Law On Environmental Impact Assessment and Expertise"", (2014), at: <https://faolex.fao.org/docs/pdf/arm179251Eng.pdf>

²² Armenian Legal Information System, "Republic of Armenia's law on Waste", (2004), at: <https://www.arlis.am/documentview.aspx?docid=1722>

19.01.2006, which aims to promote resource conservation, ensure safe handling, and provide a basis for decisions on technological, economic, legal and environmental matters.²³

- Regarding risks pertaining to OHS, ArmSwissBank adheres to IFC PS 2 on Labour and Working conditions. The standard mandates the identification and mitigation of workplace hazards, the provision of comprehensive worker training, the presence of robust incident reporting and response protocols, and the establishment of effective emergency preparedness measures. Moreover, the Labour Code of the Republic of Armenia governs safe and healthy working conditions and the health of workers.²⁴ In addition, several decrees²⁵ issued by the Minister of Health establish sanitary rules and hygiene norms. The decrees also define the indicators of harmful and hazardous factors within a hygienic working environment and outline the criteria of assessing the severity and intensity of work processes based on identified working conditions.²⁶
- ArmSwissBank's Rule of Corporate Code of Conduct²⁷ defines the rules governing the Bank's employees and covers topics including the protection of the interests of the Bank's depositors, customers, partners, employees and other stakeholders, conflicts of interest, confidentiality and access to information, fair service to customers, and marketing and advertising policy. The Bank also established Rules for Prevention of Corruption Behaviour²⁸, which outlines measures to prevent bribery and corruption. Additionally, the Bank has implemented a Procedure on the Protection of Whistleblowers and Witnesses²⁹, enabling employees to report on any wrongdoing while safeguarding those who report such misconduct.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that ArmSwissBank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of renewable energy and energy efficiency in Armenia

In 2022, oil and gas accounted for approximately 73% of Armenia's total energy supply, with natural gas and oil products representing 59% and 14% respectively, and the remaining being met primarily by nuclear and hydro.^{30,31} The country does not produce fossil fuels; all fossil fuels are imported, with natural gas making up over 76.3% of Armenia's energy imports, followed by oil products at 22.6%.³² Given Armenia's heavy reliance on imported fossil fuels, increasing the share of renewable energy and improving energy efficiency are crucial for enhancing energy security, reducing financial costs, and lowering emissions and pollution.³³

To address these challenges, the government of Armenia has prioritized energy security and the development of indigenous energy sources, committing to double the share of renewable energy generation by 2030 as part of its Nationally Determined Contribution (NDC).³⁴ Additionally, the government approved the Energy Sector Development Strategic Programme in 2021, which focuses on maximizing the country's renewable energy potential and improving energy efficiency.³⁵ It also developed a 2022-2030 Program on Energy Saving and Renewable Energy, which aims to enhance energy efficiency, promote energy savings, and increase the use of renewable energy sources. This includes a target of installing 1,000 MW of solar PV capacity by 2030, with solar power accounting for 15% of the country's energy generation, as well as setting energy consumption targets for the building sector.³⁶

²³ Government of Armenia, "Decree No. 47-N, On Establishing the Procedure for Hazardous Waste Documentation" document with Sustainalytics.

²⁴ Armenian Legal Information System, "Labour Code of the Republic of Armenia", (2004), at: [arlis.am/DocumentView.aspx?docid=145760](https://www.arlis.am/DocumentView.aspx?docid=145760)

²⁵ The Ministry of Health decrees include: Decree N. 756-N 2.2-002-05, N 2.2.5-004-10, N 2.2.4-008-06, N 2.2.4-009-0, N 2.2.4-005-06, N 2.2.4-006-06, N 2.2.4-007-06, N 2.2.4-010-06 and N 2.2.5-005-12.

²⁶ Armenian Legal Information System, "Minister of Health of the Republic of Armenia", (2005), at: <https://www.arlis.am/DocumentView.aspx?DocID=163255>

²⁷ ArmSwissBank, "Rule of Corporate Code of Conduct", at: https://www.armswissbank.am/upload/corporate_behavior_eng.pdf

²⁸ ArmSwissBank has shared its Rules for Prevention of Corruption Behavior with Sustainalytics confidentially.

²⁹ ArmSwissBank has shared its Procedure on the Protection of Whistleblowers and Witnesses with Sustainalytics confidentially.

³⁰ IEA, "Armenia: Overview", (2022), at: <https://www.iea.org/countries/armenia>

³¹ IEA, "Armenia: Energy mix", (2022), at: <https://www.iea.org/countries/armenia/energy-mix#how-is-energy-used-in-armenia>

³² Statistical Committee of the Republic of Armenia "Armenia Energy Efficiency Factsheet 2022", (2022), at:

<https://www.armstat.am/file/doc/99544448.pdf>

³³ IEA "Armenia Energy Profile", (2023), at: <https://www.iea.org/reports/armenia-energy-profile>

³⁴ UNFCCC, "NDC of Republic of Armenia 2021-2030" at:

<https://unfccc.int/sites/default/files/NDC/2022-06/NDC%20of%20Republic%20of%20Armenia%20%202021-2030.pdf>

³⁵ Government of Armenia, "Republic of Armenia Energy Sector Development Strategic Program to 2040", (2020), at:

<https://policy.asiapacificenergy.org/sites/default/files/Energy%20Sector%20Development%20Strategic%20Program%20to%202040%20.pdfigy%20Sector%20Development%20Strategic%20Program%20to%2040.pdf>

³⁶ Government of Armenia, "Program on Energy Saving and Renewable Energy for 2022-2030 for Armenia", (2022), at:

<https://eu4climate.eu/download/program-on-energy-saving-and-renewable-energy-for-2022-2030-for-armenia/>

In view of the above, Sustainalytics considers ArmSwissBank's financing of renewable energy and energy efficiency projects to be able to contribute to Armenia's efforts to meet its national renewable targets and accelerate the country's transition to a low carbon economy.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the ArmSwissBank Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Climate Change Mitigation – Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Climate Change Mitigation – Low Carbon Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Climate Change Adaptation – Agriculture and Forestry	15. Life on land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Sustainable Use and Protection of Water and Marine Resources	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Transition to a Circular Economy/Waste Management	12. Responsible consumption and production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
		12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Pollution Prevention and Control	12. Responsible consumption and production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
Protection and Restoration of Biodiversity and Ecosystems	15. Life on land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Conclusion

ArmSwissBank has developed the ArmSwissBank Green Bond Framework, under which it intends to issue green and sustainability bonds, and use the proceeds to finance or refinance, in whole or in part, projects that are intended to support Armenia's transition to a low carbon and sustainable economy. Sustainalytics considers the eligible projects to be able to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers the ArmSwissBank Green Bond Framework to be aligned with ArmSwissBank's sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 6, 7, 9, 11, 12, 15. Additionally, Sustainalytics considers ArmSwissBank to have adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that ArmSwissBank is well positioned to issue green bonds and that the ArmSwissBank Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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