

Second-Party Opinion

Unibank Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Unibank Green Bond Framework is credible and impactful and aligns to 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 – Energy and Resource Efficiency in Industry, Climate Change Adaptation – Agriculture, The Sustainable Use and Protection of Water and Marine Resources, and The Transition to a Circular Economy / Waste Management, – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 12, 13.



PROJECT EVALUATION / SELECTION Unibank will establish a Green and Sustainable Bond Committee responsible for the evaluation and selection of the eligible projects. The final project approval is provided by the Credit Committee in line with the eligibility criteria in this Framework. Unibank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with eligible categories. Sustainalytics considers these processes to be in line with market practice.



MANAGEMENT OF PROCEEDS Unibank will establish a Green and Sustainable Bond Committee that will be responsible for the management and allocation of proceeds to the eligible green projects. Unibank intends to allocate all proceeds to eligible assets within 36 months of the issuance and unallocated proceeds will be temporarily held in cash or other liquid short-term money market instruments. Unibank has established a three-year look back period for refinancing activities. This is in line with market practice.



REPORTING Unibank intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated to eligible green projects, proportion of financing and refinancing, the balance of unallocated proceeds, and the geographical regions within Armenia where funds are deployed. In addition, Unibank is committed to reporting on relevant impact metrics. Sustainalytics views Unibank's allocation and impact reporting as aligned with market practice.

Evaluation Date	September 23, 2022
Issuer Location	Yerevan, Armenia

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Introduction

Unibank OJSC (“Unibank”, or the “Bank”) is a retail bank headquartered in Yerevan, Armenia. Having started its operations in 2001, the Bank focuses on retail banking and corporate business services for SMEs. Unibank has 57 branches spread out in Armenia with representative office in the Russian Federation, employs around 810 people and provides banking services to over 330,000 customers.

Unibank has developed the Unibank Green Bond Framework (the “Framework”) under which it intends to issue green bonds, including project bonds and securitized bonds. The proceeds will be used to finance and refinance, in whole or in part, underlying loans linked to existing and future projects, which are expected to contribute to environmental development in Armenia. Framework defines eligibility criteria in four areas:

1. Energy and Resource Efficiency in Industry
2. Climate Change Adaptation – Agriculture
3. The Sustainable Use and Protection of Water and Marine Resources
4. The Transition to a Circular Economy / Waste Management

Unibank engaged Sustainalytics to review the Unibank Green Bond Framework, dated September 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ This Framework will be published in a separate document.²

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the 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 1.11.4, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Unibank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Unibank representatives have confirmed (1) they understand it is the sole responsibility of Unibank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information 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 that Framework.

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

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is 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 expected to be financed with bond proceeds 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 Framework owner. Upon twenty-four (24) months following the evaluation date set stated

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 Unibank Green Bond Framework will be available at: <https://www.unibank.am/hy/bazneter/>

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.

herein, Unibank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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

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

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Unibank Green Bond Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Unibank's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Energy and Resource Efficiency in Industry, Climate Change Adaptation – Agriculture, The Sustainable Use and Protection of Water and Marine Resources, and The Transition to a Circular Economy / Waste Management – are aligned with those recognized by the GBP. Sustainalytics notes that expenditures related to eligible green projects are expected to improve energy efficiency, climate change adaptation, as well as water and waste management in Armenia.
 - Unibank has established a look-back period of 36 months for refinancing, which Sustainalytics considers to be aligned with market practice.
 - Under the Energy and Resource Efficiency in Industry category, Unibank intends to finance or refinance the following activities:
 - Installation of industrial absorption heat pumps powered by either solar-heated water, or geothermal-heated water.
 - Installation and retrofitting of technologies that reduce energy consumption, such as LED lighting, smart meters, zoned thermostats, and building management systems which improve energy efficiency by at least 20% compared to a pre-retrofit baseline. Unibank has confirmed to Sustainalytics that fossil-fuel powered technologies and technologies in hard to abate and carbon intensive processes, will be excluded from these expenditures.
 - Sustainalytics considers these investments to be aligned with market practice.
 - Under the Climate Change Adaptation – Agriculture category, Unibank intends to finance or refinance the development, operation and maintenance of the following agriculture, and infrastructure initiatives:
 - Designing, planning, construction and implementation of sustainable urban drainage systems. Unibank has confirmed to Sustainalytics that a vulnerability assessment will be carried out to diagnose realized climate impacts and potential climate risks related to the urban drainage systems. Further, Unibank confirms to develop an adaptation plan based on the findings from the vulnerability assessment, to ensure that climate risks will be addressed.
 - Drought protection activities, such as rainwater harvesting, the implementation of drip irrigation systems and solar pumps. Sustainalytics notes that Unibank will conduct a vulnerability assessment and will establish an adaptation plan, to ensure that climate risks related to those projects will be addressed. Moreover, Unibank has confirmed to Sustainalytics that corresponding projects exclude the following: involvement in hard to abate industries; equipment and/or methods dependent on fossil fuels; and systems and measures to provide water for fossil fuel operations, fracking, nuclear and mining.

- Planting trees on agricultural lands, waste lands and previously forested land, in alignment with the FSC,⁴ PEFC,⁵ or SFI⁶ certification, to improve the water table and address climate impacts. Unibank has confirmed to Sustainalytics that previously forested land will not be converted into agricultural land.
 - Based in the above, Sustainalytics considers these investments to be aligned with market practice.
- Under the Sustainable Use and Protection of Water and Marine Resources, Unibank intends to finance or refinance the following activities:
 - Replacement, renovation, development and/or maintenance of water pipelines to improve water resource saving by upgrading the existing water infrastructure.
 - Use of aerators for fisheries to reduce the demand for fresh water.
 - Construction, installation, operation and management of water loss management equipment and infrastructure, such as smart leakage control and automated sensors for water flow, excluding the application in hard-to-abate industries and water-stressed locations.
 - Construction of gravity water systems,⁷ water recovery, rainwater harvesting and groundwater recharge systems including the construction of small reservoirs. Unibank has confirmed to Sustainalytics that this activity excludes water supply to fossil fuel powered operations.
 - Sewage treatment projects where the treated water has a secondary use. This includes technology such as membrane technology. Sustainalytics notes that borrowers are required to provide feasibility studies related to sustainability or other technical reports. Moreover, Unibank has confirmed to Sustainalytics that treatment technologies are powered by renewable energy or electricity, and that this activity excludes wastewater from fossil fuel operations.
 - Sustainalytics considers the expenditure to be aligned with market practice.
- Under the Transition to a Circular Economy / Waste Management category, Unibank intends to finance or refinance development, manufacturing, construction, operation and maintenance activities related to the following projects:
 - Waste-to-energy projects which includes the following types of advanced feedstock and non-waste biomass: sewage; manure; wastewater which excludes water from fossil fuel powered operations; sugar cane bagasse; wood pellets sourced sustainably;⁸ and municipal waste with the majority of recyclables being segregated prior to energy conversion. Unibank will exclude the direct incineration of feedstock. Sustainalytics notes that the processed mixed residual waste to produce feedstock will be sent to waste-to-energy facilities. Unibank intends to measure the reduction in net GHG emissions through technical assessments and/or external expert opinions. Additionally, Unibank has confirmed that waste from fossil fuel operations will not be included. Sustainalytics notes that while the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, large- and mid-scale livestock farming has significant carbon and water footprint which is not addressed by the use of livestock by products in energy generation. In addition, such farming techniques may contribute to land degradation, biodiversity loss, and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation as providing positive impacts in the short term.
 - Landfill gas capture from closed/decommissioned landfills with a gas capture efficiency of at least 75%.
 - Waste collection systems with waste segregation at source, waste recycling and projects that recover and reuse waste as inputs for new products or resources. This

⁴ FSC: <https://fsc.org/en/fsc-public-certificate-search>

⁵ PEFC: <https://pefc.org/what-we-do>

⁶ SFI: <https://www.scsglobalservices.com/services/sfi-forestry-certification-services>

⁷ Unibank has clarified to Sustainalytics that gravity water systems use gravity to transport water from the source to the user through a pipe network. These systems are being developed due to that natural water sources not always being in a convenient location for collecting water.

⁸ Unibank has confirmed to Sustainalytics that the wood pellets are certified by the FSC or PEFC.

includes the salvaging, recycling or reuse of materials such as metal, paper, glass, rags and certain types of plastic. Unibank excludes chemical recycling of plastic. Moreover, Unibank intends to control through feasibility studies whether such projects will result in net reductions in waste going to landfill. The bank confirmed to Sustainalytics that e-waste will be excluded from waste recycling.

- Construction and development of waste management facilities to improve local conditions of waste management and processing. This includes recycling of garbage, biological reprocessing of kitchen waste and paper goods, and vermiculture composting of organic food waste. Unibank has confirmed to Sustainalytics that such materials will not be used for refurbishment, reconditioning, and repair of products specifically used for the extraction of fossil fuels, or which rely on fossil fuels.
- Waste management technologies such as smart waste bins and pneumatic waste collection systems, to support source segregation of waste. While Sustainalytics recognizes the merits of this technology in enhancing waste segregation, however, it also notes that the Bank will not have visibility over the end journey of associated waste when financing pneumatic waste collection systems.
- Sustainalytics considers these investments to be in line with market practice.
- Sustainalytics also notes that Unibank has established an exclusion list to ensure that the proceeds will not be allocated to activities amongst the exclusionary topics. Further information is available in the Unibank Green Bond Framework.
- Project Evaluation and Selection:
 - Unibank will establish a Green and Sustainable Bond Committee (the “Committee”) that will be responsible for shortlisting the projects, for evaluation and selection in line with the eligibility criteria in the Framework. The final approval for the selection of projects will be provided by the Credit Committee. The Committee will comprise of three members: SME Underwriting Deputy Head, Risk Management Director and an internal ESG or impact expert.
 - Unibank has in place an internal procedure to identify, manage and mitigate environmental and social risks commonly associated with eligible categories. Unibank also screens the eligible projects based on the exclusionary criteria in the Framework, developed in accordance with the rules of Government of Armenia. See section 2 for further details.
 - Based on the oversight of project selection and the presence of environmental and social risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Unibank’s will establish a Green and Sustainable Bond Committee that will be responsible for the management and allocation of the proceeds to eligible assets.
 - Unibank intends to allocate all proceeds to eligible assets within 36 months of the issuance. Pending allocation, unallocated proceeds will be temporarily held in cash or other short-term money market instruments with tenor ranging from one day to one year.
 - Unibank has established a three-year look back period for refinancing activities.
 - Based on the use of tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Unibank intends to report on the allocation of proceeds in its Sustainability or Green Bond Use of Proceeds Report on an annual basis until full allocation. Allocation reporting will include amount of proceeds allocated to eligible green projects, proportion of financing and refinancing, the balance unallocated proceeds, and the geographical regions within Armenia where funds are deployed.
 - In addition, the Bank is committed to reporting on relevant impact metrics which may include key performance indicators such as GHG emissions avoided per annum, , reduced expenditure of electricity per annum, wastewater avoided in litres per annum, ratio of efficiency in annual procurement. Please refer to Appendix 1 for more details.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Unibank Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Unibank

Contribution of framework to Unibank OJSC's sustainability strategy

To demonstrate Unibank's approach towards sustainability, the Bank has developed an Impact and Sustainability Strategy. As part of this strategy, the Bank has set a goal of achieving carbon neutrality by 2027. To meet this goal, Unibank has replaced its entire fleet of 15 cars with electric-powered vehicles. In 2020, the Bank's main data centre located in Yerevan transitioned to solar energy, resulting in total energy savings of 182,084 kWh in 2021.⁹ Unibank has communicated to Sustainalytics that by the end of 2022, the Bank's operations will be completely powered by solar energy through the installation of rooftop solar panels on the bank's offices, covering an area of 500 m². Additionally, as of 2021, Unibank has financed the installation of solar photovoltaic panels in approximately 22 SMEs through the KfW¹⁰ programme (German-Armenian Fund).

Sustainalytics acknowledges Unibank's sustainability initiatives, but encourages the Bank to set short-, medium- and long-term environmental targets. Sustainalytics is of the opinion that the Unibank Green Bond Framework is aligned with the Bank's Impact and Sustainability Strategy and will further Unibank's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues related to land use and biodiversity; emissions, effluents and waste generated in construction; health and safety; and human rights.

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

- Unibank has defined an Environmental and Social Management System (ESMS) in 2020, developed under the guidance of the International Finance Corporation, to ensure environmental and social risk management throughout its credit process. As part of the ESMS procedure, all loan applications go through the following four stages: (i) screening against an exclusionary list developed based on standards by the International Finance Corporation;¹¹ (ii) project classification into high, medium and low environmental and social risk levels; (iii) further environmental and social risk review for medium risk projects; and (iv) monitoring.¹²

Unibank confirmed that proceeds from the bonds issued under the Framework will be used in projects located in Armenia and that none of said proceeds will be allocated to projects related to Russia. Sustainalytics encourages Unibank to set basic requirements for project developers and operators to implement environmental and social due diligence processes and environmental and social management systems.

Section 3: Impact of Use of Proceeds

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

⁹ Ibid.

¹⁰ KfW, "Our tasks and goals", at: <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Tasks-and-goals/>

¹¹ IFC, "IFC Exclusion List", (2007), at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

¹² Unibank has shared its Environmental and Social Management System directly with Sustainalytics for assessment on a confidential basis.

Importance of sustainable water management in Armenia

By 2030, the global demand for water is estimated to rise by 50% compared to 2019.¹³ The current water consumption patterns may push countries where two-thirds of the world's population live to become water stressed by 2025.¹⁴ Armenia is a country with a high baseline water stress level (45%) ranked 34th among 164 United Nations member countries in the 2019 World Resources Institute's National Water Stress Rankings.¹⁵ In Armenia's southern and central parts, the water stress level is expected to further increase to 80% between 2030 and 2040.¹⁶ The country mostly relies on surface water and groundwater sources to meet its water demand, with nearly 65% of total water demand met through surface water resources.¹⁷ Further, groundwater levels have decreased by three metres on average between 2013 and 2020 partly because of increased usage in fish farms and aging equipment for groundwater extraction, which result in increased water loss,¹⁸ with 2.71 billion m³ of water abstracted in 2018.¹⁹ In this scenario and under the support of the EU, UNECE and OECD, the Government of Armenia amended the country's Water Code National Water Policy and National Water Program²⁰ aiming to ensure sustainable management of water resources, enhance co-operation among water users, incorporating the main principles in the European Union Water Framework Directive, such as integrated water resources management.²¹

As per the OECD, financing sources for wastewater management in Armenia are inadequate.²² The country had only five wastewater treatment plants as of 2021, providing only mechanical wastewater treatment,²³ highlighting the need for improvement in wastewater management infrastructure systems in Armenia. The total required investment in water supply and sanitation in Armenia could incur nearly USD 420 million between 2020 and 2030,²⁴ emphasizing the need for increased investment in this sector.

Based on the above, Sustainalytics is of the opinion that Unibank's financing of projects in sustainable water management is expected to positively contribute to Armenia's efforts to strengthen water management systems, including adopting sound wastewater and sanitation practices.

Importance of resource and energy efficiency in Armenia

The global energy supply is largely met by fossil fuels, with oil contributing 30% and coal 26% as of 2019.²⁵ In Armenia, energy consumption is primarily dependent on fossil fuels, namely natural gas and oil. As of 2020, natural gas and oil accounted for 55% and 21% of Armenia's total energy consumption respectively, the remainder met by nuclear power.²⁶ Energy demand in Armenia's industry sector, which accounts for 15% of the country's total energy consumption, has been met primarily by natural gas, which represented 44% of the total energy consumption in 2020, followed by electricity at 36% and oil at 20%.²⁷ Moreover, renewable energy sources supplied only 11% of Armenia's total consumption between 2015 and 2020.²⁸ As Armenia is landlocked and thus vulnerable to climate change impacts, the country has committed to adapting policies

¹³ Food and Agriculture Organization of the United Nations, "Water Scarcity – One of the greatest challenges of our time", (2019), at: <https://www.fao.org/fao-stories/article/en/c/1185405/#:~:text=1.-,Agriculture,water%20there%20is%20no%20exception>.

¹⁴ Ibid.

¹⁵ World Resources Institute, "17 Countries, Home to One-Quarter of the World's Population, Face Extremely High Water Stress", (2019), at: <https://www.wri.org/insights/17-countries-home-one-quarter-worlds-population-face-extremely-high-water-stress>

¹⁷ Ibid.

¹⁸ USAID, "Saving Water: Strengthening Oversight of Armenia's Water Resources", (2021), at: <https://www.usaid.gov/armenia/news-information/news/saving-water-strengthening-oversight-armenias-water-resources>

¹⁹ Statistical Committee of Armenia, "Environmental and natural resources of RA for 2018", at: https://www.armstat.am/file/article/eco_book_2018_9.pdf

²⁰ Armenian Legal information System, "RA Water Code – Water of the Republic of Armenia", (2002), at: <https://www.arlis.am/DocumentView.aspx?DocID=121550>

²¹ EU4Environment, "New Water Code adopted: Legal reforms in Armenia progress towards better preservation of water resources", (2022), at: <https://www.eu4environment.org/news/new-water-code-adopted-legal-reforms-in-armenia-progress-towards-better-preservation-of-water-resources/>

²² EU4Environment, "An Assessment of Investment Needs for Climate Action in Armenia up to 2030", (2021), at: <https://www.eu4environment.org/app/uploads/2021/04/Report-Assessment-of-Investment-Needs-for-Climate-Action-in-Armenia-up-to-2030.pdf>

²³ Stockholm International Water Institute, "Armenia takes action to achieve the SDG 6", (2021), at: <https://siwi.org/latest/armenia-takes-action-to-achieve-the-sdg-6/#:~:text=There%20are%20currently%20just%20five.environmental%2C%20sanitary%20and%20hygiene%20problems>.

²⁴ Ibid.

²⁵ International Energy Agency, "Key World Energy Statistics 2021", at: <https://iea.blob.core.windows.net/assets/52f66a88-0b63-4ad2-94a5-29d36e864b82/KeyWorldEnergyStatistics2021.pdf>

²⁶ International Energy Agency, "Armenia 2022: Energy Policy Review", at: <https://iea.blob.core.windows.net/assets/8328cc7c-e65e-4df1-a96f-514fdd0ac31e/Armenia2022EnergyPolicyReview.pdf>

²⁷ Ibid.

²⁸ Ibid.

and measures to achieve its social and development goals, such as doubling the share of renewables in energy generation by 2030 as committed in its NDC.²⁹

To tackle these issues, the Government of Armenia has approved an Energy Sector Development Strategic Programme in 2021 that prioritizes maximum use of the country's renewable energy potential and energy efficiency.³⁰ Additionally, the government also developed the Program on Energy Saving and Renewable Energy for 2022-2030 with the primary objectives of improving energy efficiency in the next 10 years, promoting energy savings and enhancing the use of renewable energy sources, calling for 1,000 MW of solar PV capacity to be installed by 2030, leading the share of solar to account for 15% of generation in Armenia and setting targets for energy consumption by industry sector.³¹ In spite of these efforts, the IEA, for instance, highlights the need for Armenia to place more emphasis on energy efficiency to improve energy security.³²

Given this context, Sustainalytics expects Unibank's financing of resource and energy efficiency projects to contribute to Armenia's renewable energy and energy efficiency targets.

Alignment with/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 bonds issued under the Unibank Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy and Resource Efficiency in Industry	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
	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 Adaptation – Agriculture	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible
The 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

²⁹ 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>

³⁰ 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.pdf>

³¹ 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/>

³² IEA, "Renewables and energy efficiency can reduce Armenia's dependence on energy imports, IEA policy review says", (2022), at: <https://www.iea.org/news/renewables-and-energy-efficiency-can-reduce-armenia-s-dependence-on-energy-imports-iea-policy-review-says>

		<p>and substantially increasing recycling and safe reuse globally</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
The Transition to a Circular Economy / Waste Management	12. Responsible consumption and production	<p>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</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>

Conclusion

Unibank has developed the Unibank Green Bond Framework, under which it may issue green bonds, including project bonds and securitized bonds. The proceeds will be used to finance and refinance, in whole or in part, underlying loans linked to existing and future projects, such as energy and resource efficiency projects, agriculture projects, water loss management, sewage treatment projects and waste management. Sustainalytics considers that the projects funded by the green bond proceeds are expected to have positive environmental impact in Armenia.

The Unibank Green Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Unibank Green Bond Framework is aligned with the overall sustainability strategy of the Bank and expects the green use of proceeds categories to contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 12 and 13. However, Sustainalytics encourages Unibank to set basic requirements for project developers and operators to implement environmental and social due diligence processes and environmental and social management systems.

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

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Unibank OJSC
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Unibank Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 23, 2022
Publication date of review publication: Original publication date <i>[please fill this out for updates]:</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Energy and Resource Efficiency in Industry, Climate Change Adaptation – Agriculture, The Sustainable Use and Protection of Water and Marine Resources, and The Transition to a Circular Economy / Waste Management, – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 12, 13.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Unibank will establish a Green and Sustainable Bond Committee responsible for the evaluation and selection of the eligible projects. The final project approval is provided by the Credit Committee in line with the eligibility criteria in this Framework. Unibank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with eligible categories. Sustainalytics considers these processes to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Unibank will establish a Green and Sustainable Bond Committee that will be responsible for the management and allocation of proceeds to the eligible green projects. Unibank intends to allocate all proceeds to eligible assets within 36 months of the issuance and unallocated proceeds will be temporarily held in cash or other liquid short-term money market instruments. Unibank has established a three-year look back period for refinancing activities. This is in line with market practice.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Unibank intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated to eligible green projects, proportion of financing and refinancing, the balance of unallocated proceeds, and the geographical regions within Armenia where funds are deployed. In addition, Unibank is committed to reporting on relevant impact metrics. Sustainalytics views Unibank's allocation and impact reporting as aligned with market practice

Use of proceeds reporting:

- Project-by-project

 On a project portfolio basis
- Linkage to individual bond(s)

 Other (*please specify*):

Information reported:

- Allocated amounts

 Green Bond financed share of total investment
- Other (*please specify*):

Frequency:

- Annual

 Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project

 On a project portfolio basis
- Linkage to individual bond(s)

 Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings

 Energy Savings
- Decrease in water use

 Other ESG indicators (*please specify*): measuring saved GHG emissions per annum, decrease in expenditure of electricity per annum, saved water waste in liters per annum, annual saved resources measures depending on the project type, ratio of efficiency in annual procurement and used materials in % to previous data, annual measures of reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste Reduction, waste recycling and energy, areas or created forests during the year or number of planted trees.

Frequency

- Annual

 Semi-annual
- Other (*please specify*):

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Issuer's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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For more information, visit www.sustainalytics.com

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