Second-Party Opinion

# Finnfund Sustainability Bond Framework

## Evaluation Summary

Sustainalytics is of the opinion that the Finnfund Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:

**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Climate Change Adaptation, Access to Essential Services, Affordable Basic Infrastructure, Food Security and Sustainable Food Systems and Employment Generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental and social impacts, and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

**PROJECT EVALUATION / SELECTION** Finnfund's process for evaluating and selecting projects is overseen by its Sustainability Bond Committee. Finnfund has an environmental and social risk management process in place which is applicable to all allocation decisions under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

**MANAGEMENT OF PROCEEDS** Finnfund's Treasury department will be responsible for managing the allocation of net proceeds using a Sustainability Bond Framework Register. Finnfund intends to allocate all proceeds to eligible projects within 24 months of issuance. Pending allocation, proceeds will be temporarily placed in Finnfund's liquidity reserve. This is in line with market practice.

**REPORTING** Finnfund intends to report on the allocation of proceeds through a publicly available Sustainability Bond Report on an annual basis until full allocation and in the event of any material developments. Allocation reporting will include information such as the amounts allocated for each project category and the share of new financing and refinancing. In addition, Finnfund is committed to reporting on relevant impact metrics. Sustainalytics views Finnfund's allocation and impact reporting commitments as aligned with market practice.

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| **Evaluation date** | September 12, 2022 |
| **Issuer Location** | Helsinki, Finland |

**Report Sections**



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# Introduction

Finnish Fund for Industrial Cooperation Ltd ("Finnfund" or the "Issuer") is a development financier and impact investor that aims to contribute to economic and social development in low- and lower-middle income countries.[1] Finnfund is majority-owned by the State of Finland and receives funding from the state and private investors, as well as through retained earnings from its investments. As of 31 December 2021, Finnfund's investment portfolio comprised 196 projects with a total value of EUR 780 million.[2]

Finnfund has developed the Finnfund Sustainability Bond Framework (the "Framework") under which Finnfund intends to issue green, social and sustainability bonds, and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to lead to positive environmental outcomes and social advancements in low and lower-middle income countries. The Framework defines eligibility criteria in six green and four social categories:

Green Eligible Categories:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Pollution Prevention and Control
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Climate Change Adaptation

Social Eligible Categories:

1. Access to Essential Services
2. Affordable Basic Infrastructure
3. Food Security and Sustainable Food Systems
4. Employment Generation

Finnfund engaged Sustainalytics to review the Finnfund Sustainability Bond Framework, dated August 2022, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).[3] The Framework will be published in a separate document.[4]

**Scope of work and limitations of Sustainalytics' Second-Party Opinion**

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[5] 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
The credibility and anticipated positive impacts of the use of proceeds; and

[1] Finnfund invests in developing countries in accordance with the Organisation for Economic Co-operation and Development's Development Assistant Committee's list of countries that are eligible for official development assistance. Available at: OECD, "DAC List of ODA Recipients – Effective for reporting on 2022 and 2023 flows", at: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2022-23-flows.pdf
[2] Finnfund, "Annual Report (2021)", at: https://www.finnfund.fi/wp-content/uploads/2022/05/Annual-Report-2021.pdf
[3] The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/
[4] The Finnfund Sustainability Bond Framework is available on Finnish Fund for Industrial Cooperation Ltd.'s website at: https://www.finnfund.fi/en/investing/investments/sustainability-bond/
[5] 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.

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, 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 Finnfund'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. Finnfund representatives have confirmed that: (1) they understand it is the sole responsibility of Finnfund 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 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 Finnfund.

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 herein, Finnfund 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 realized 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 Finnfund has made available to Sustainalytics for the purpose of this Second-Party Opinion.

# Sustainalytics' Opinion

## Section 1: Sustainalytics' Opinion on the Finnfund Sustainability Bond Framework

Sustainalytics is of the opinion that the Finnfund Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Finnfund's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Climate Change Adaptation, Access to Essential Services, Affordable Basic Infrastructure, Food Security and Sustainable Food Systems and Employment Generation – are aligned with those recognized by the GBP and SBP.
  - Sustainalytics notes that Finnfund will limit refinancing under the Framework to capital expenditures and general purpose loans to pureplay businesses and therefore, no look-back period has been established. This is in line with market practice.
  - Under the Framework, Finnfund intend to use proceeds for both, project-based lending and general purpose loans for pureplay businesses. Finnfund has confirmed to Sustainalytics that it will limit financing to pure play companies that derive at least 90% of revenues from activities identified in the eligible categories. Sustainalytics acknowledges that the GBP and SBP favour project-based lending and financing, which provide more transparency in general than non-

project-based lending, but notes that financing pure play companies through green and social bonds is commonly accepted in the market as an approach which can generate positive impact.

- Finnfund is a development financier and an impact investor that deploys majority of its capital in low- and lower-middle income countries in accordance with the Organisation for Economic Co-operation and Development's Development Assistant Committee's list of countries that are eligible for official development assistance.[6] While the list also includes upper-middle-income countries and territories, Sustainalytics notes that Finnfund is focused on financing projects in low- and lower-middle income countries, which account for approximately 98% of the Issuer's investment portfolio. In order to identify projects that have the potential to deliver high positive environmental and social impact, Finnfund evaluates potential investments using an internally developed Development Effect Assessment Tool (DEAT).[7] DEAT assesses each investment against the following three criteria and allocates points based on the expected positive environmental and social impact, with an aim to finance projects that have the highest estimated positive outcomes:
    - Strategic relevancy – The tool allocates 40% of the total score to this criterion with points awarded on the basis of: (i) the category of the country (fragile, least developed, low income and low-middle income), (ii) whether the sector belongs to the list of the five priority sectors identified by the Finnish government - renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions, (iii) whether the project enables inclusive development of low-income and vulnerable population in the form of employment and income generation, business opportunities, increasing access to unavailable goods and services and enhancing the affordability of goods and services to low-income and vulnerable population, (iv) whether the project will promote gender equality in ways such as employment generation, addressing gender biases in sectors and increasing access to goods or services previously unavailable to women, (v) CSR programs implemented by the investee company to promote local community development (education, healthcare, cultural heritage and infrastructure development), and (vi) the effect of the project on climate change mitigation and/or adaptation such as renewable energy generation, emission reduction and improvement in energy efficiency amongst others.
    - Correcting market failures – The tool allocates 40% of the total score to this criterion with points awarded on the basis of: (i) the effect on customers and end-users (providing access to previously scarce goods and services, increasing reliability of goods and services, and enhancing affordability of goods and services), (ii) the extent to which investment will generate income and economic growth for local suppliers and producers and incentivize local parties to increase the availability of goods and services, (iii) the effect on local competition in the form of stimulating higher production, adoption of innovative technologies, attracting new market entrants amongst others, (iv) the likeliness of the activity to positively affect the country's balance of payments, (v) the activity's contribution to the government revenues to support further local development, and (vi) the potential employment opportunities that may be generated as a result of the financing.
    - Additionality – The tool allocates 20% of the total score to this criterion with points awarded on the basis of: (i) whether the investee company has financiers other than Finnfund, (ii) whether Finnfund is able to mobilize additional financing through third parties, and (iii) the extent to which Finnfund's expertise in various sectors, geographies or project type can contribute towards business development.
    - Sustainalytics positively notes that the Issuer aims to finance projects that score well on the aforementioned criterion to ensure that investments are made in projects with the potential to deliver high environmental and social impact in low and lower-middle income countries. Sustainalytics further notes that, while the Issuer aims to prioritize low-income and vulnerable population, the tool does not fully ensure that investments

[6] OECD, "DAC List of ODA Recipients – Effective for reporting on 2022 and 2023 flows", at: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2022-23-flows.pdf
[7] Finnfund, "Development Effect Assessment Tool (DEAT) – Scoring and Definitions", at: https://www.finnfund.fi/en/impact/development-impact/deat/

in the social use-of-proceeds categories are made in projects that Sustainalytics considers to be socially impactful with regard to enhancing the accessibility and affordability of goods and services specifically for low-income and vulnerable population. As such, Sustainalytics acknowledges that intended financing is also likely to benefit the general population in target countries. Therefore, Sustainalytics encourages Finnfund to continue to transparently report on the projects financed through the social use of proceeds categories under the Framework and the positive impact generated on low-income and vulnerable populations.

- Under the Renewable Energy category, Finnfund may finance or refinance renewable energy generation facilities and associated products, appliances and infrastructure including: (i) onshore and offshore wind power, (ii) solar photovoltaic, concentrated solar power and solar thermal technology, (iii) hydropower, (iv) bioenergy, (v) geothermal, (vi) waste heat, (vii) green hydrogen, (viii) electricity transmission, distribution and storage facilities, and (ix) the manufacture of renewable energy technology and components.
  - Hydropower projects financed will be run-of-river without an artificial reservoir and will have a power density greater than 5 $W/m^2$ or lifecycle GHG emissions intensity lower than 100 $gCO_2e/kWh$. For hydropower projects operational before 2020, Sustainalytics considers this criterion as aligned with market practice. However, for hydropower facilities operational after 2020, Sustainalytics notes that Issuer has not defined an estimated emissions intensity threshold at lower than 50 $gCO_2e/kWh$. Considering the longevity of hydropower assets, newly constructed facilities effectively lock-in energy generation for an extended period. Sustainalytics encourages Finnfund to favour new projects with a lower emissions intensity and to report, where feasible, on such intensity in order to avoid proceeds from being directed to hydropower projects with potentially significant negative environmental impacts. For new facilities, environmental and social responsibility and risks will be assessed as part of the investment decision and monitored throughout the investment period, which Sustainalytics considers to be aligned with market practice.
  - Bioenergy facilities include those used for electricity, heating or cooling generation using sustainably sourced biofuel or biomass as fuel. The Issuer has confirmed to Sustainalytics that the facilities financed are limited to those with lifecycle GHG emissions less than 100 $gCO_2e/kWh$. Finnfund may also invest in bioenergy facilities producing biofuel, biogas, biochar or biomass such as biofuel preparation, pre-treatment, bio-refinery and pyrolysis facilities. Finnfund has confirmed to Sustainalytics that investments in bioenergy facilities and biofuel production facilities will only be based on bio-waste feedstock from the forestry or agricultural industries, which Sustainalytics considers to be aligned with market practice.
  - Geothermal facilities are limited to those with direct GHG emissions less than 100 $gCO_2e/kWh$.
  - Finnfund has confirmed to Sustainalytics that projects utilizing waste heat from fossil fuel production and operations will be excluded under the Framework.
  - Sustainalytics notes that financing will be limited to hydrogen produced by electrolysis, which is powered exclusively by renewable energy.
  - Energy storage facilities include batteries, hydrogen storage solutions, thermal and pumped storage for the purpose of managing the intermittency of renewables.
  - Finnfund has confirmed to Sustainalytics that the Framework allows for the allocation of proceeds to smart grid investments. Despite the variety of definitions and applications of smart grid technologies, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Issuer to select projects that are clearly anticipated to deliver tangible efficiency improvements. Finnfund has communicated to Sustainalytics that the smart grid technology being invested in refers to digital tools allowing for automated information and control systems to facilitate the transmission of energy and information in the grid in an efficient manner that promotes the integration of renewables.
  - Finnfund has communicated that financing of wind turbine manufacturing facilities would not include those using balsa wood as a raw material.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, Finnfund may finance or refinance retrofits and improvements of transmission and distribution systems that lead to an energy efficiency improvement of at least 30% compared to pre-investment levels. Finnfund has confirmed to

Sustainalytics that these investments are related to improving the efficiency of electricity grids and are not related to improvements in fossil fuel intensive projects or processes in heavy industries. Finnfund may also invest in solutions that improve the carbon footprint or energy efficiency by 30% compared to pre-investment levels. Project examples include solar hybrid systems, heat pumps, energy efficient lighting, changes in industrial processes, heat loss reduction solutions and greater waste heat recovery solutions.

  - Solar hybrid systems financed are limited to those with a maximum fossil fuel dependency below 30%. For solar hybrid projects, Sustainalytics considers the reliance on non-renewable energy backup to be limited at 15% of the facility's electricity production as market practice and notes the 30% threshold for fossil fuel backup that Finnfund has set in the Framework. However, Finnfund has confirmed to Sustainalytics that fossil fuel powered generators will be used solely for the purpose of mitigating intermittency issues with solar power generation.
  - Finnfund has confirmed to Sustainalytics that investments in heat pumps are restricted to electric heat pumps not powered by fossil fuel energy sources. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Sustainalytics recommends that Finnfund exclude the financing of heat pumps with high-GWP refrigerants, and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at the end of life.
  - Sustainalytics notes that financing of technologies designed for energy efficiency improvements in heavy industries is excluded.

- Under the Clean Transportation category, Finnfund may finance or refinance: (i) electric or hydrogen powered public transport vehicles with zero direct tailpipe emissions such as metros, buses, trains, trams or ferries, (ii) electric or hydrogen powered passenger or commercial vehicles with zero direct tailpipe emissions such as cars, motorbikes and commercial vehicles, and (iii) supporting infrastructure such as electric charging stations, hydrogen fueling stations and electrified railway systems. Sustainalytics considers these investments to be aligned with market practice.
- Under the Pollution Prevention and Control category, Finnfund may finance or refinance projects according to the following criteria:
  - Solutions contributing to improved air quality in households and cities, such as cooking stoves powered by electricity or solar energy. Clean cookstoves reduce the exposure to harmful fine particulate matter and nitrous oxide resulting from household energy use, primarily among women and children in developing countries.[8]
  - Waste recycling facilities, including the collection, reduction, treatment and processing of waste. The Issuer has confirmed: (i) investments in e-waste recycling facilities will be subject to robust waste management processes to identify and mitigate associated risks, (ii) source segregation of waste, and (iii) chemical recycling being excluded.
  - Waste-to-energy projects using municipal solid waste as feedstock, where majority of recyclables are separated prior to incineration. Sustainalytics recognizes that generating energy from waste could take potentially recyclable materials out of circulation and undermine the objectives of a zero-waste circular economy, i.e., waste prevention and recycling. Additionally, to have low emissions intensity in such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends Finnfund to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities. Sustainalytics notes that the Framework incorporates waste hierarchy principles that prioritize waste avoidance, reuse, recycling and recovery.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Finnfund may finance or refinance the sustainable management of forests or facilities such as commercial plantations and related wood industries where the forests or biomass that are used in the production have achieved or will achieve the Forest Stewardship Council[9] standard within a reasonable timeframe. In addition, Finnfund may finance fisheries that have

[8] United States Environmental Protection Agency, "Clean Cookstoves" at: https://www.epa.gov/indoor-air-quality-iaq/clean-cookstoves
[9] Forest Stewardship Council, "About FSC", at: https://fsc.org/en

achieved or will achieve the Marine Stewardship Council[10] or Aquaculture Stewardship Council[11] certifications within a reasonable timeframe. Sustainalytics notes that Finnfund defines reasonable timeframe as between one and three years from the initial investment depending on the local criteria prescribed by the relevant certification council and the development stage of the investee at the time of investment. Finnfund has further confirmed that the achievement of the certification is part of the contractual loan agreement between Finnfund and the investee which constitutes a requirement within the investee's Environmental and Social Action Plan (ESAP). This plan requires investees to meet pre-defined milestones to obtain subsequent funding[12] and includes objectives such as implementing an environmental and social risk management system, setting KPIs to monitor resource use, conducting supply chain assessment to ensure sustainable procurement practices and managing biodiversity risk. While Sustainalytics generally views such expenditures to be aligned with market practice on achievement of the certification, Sustainalytics has assessed the ESAP implemented by Finnfund for such projects and considers requirements set out in the ESAP to be necessary and sufficient for achieving the relevant certifications. Therefore, Sustainalytics considers these investments to be aligned with market practice.

- Under the Climate Change Adaptation category, Finnfund may finance or refinance projects in accordance with the following criteria:
  - Measures aimed at strengthening the resistance to relevant physical climate risks of an asset or economic activities,[13] reducing vulnerability to climate change and building resilience for effects of the same of systems such as the communities in respective investment locations, ecosystems, and cities.[14]
  - Finnfund implements an assessment to identify investments that comprises: (i) a tool-based context- and sector specific climate risk assessment, (ii) assessment of potential resilience benefits with thorough assessment in the due diligence phase, (iii) assessment of investee's capacity to adapt and respond to identified risks, (iv) establishing an understanding and description of how benefits are generated, and (v) due diligence in which a baseline is used for monitoring and documentation. Sustainalytics encourages Finnfund to transparently report on the investments made and corresponding impact as part of its annual commitments.
  - Finnfund has confirmed that adaptation measures for fossil-fuel related industries and hard-to-abate sectors are excluded from financing, in line with Finnfund's exclusion[15] list which prohibits financing in projects and industries with a potential to generate negative environmental and social impact.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Access to Essential Services category, Finnfund may finance or refinance companies or projects contributing to improved access to financial services, healthcare products and services, education and digital infrastructure.
  - Financial inclusion: Under this sub-category, Finnfund may invest in fintech companies or financial institutions including banks, insurance companies, non-banking financial institutions and microfinance institutions, which are focused on providing financial services and products to unserved and underserved populations, such as MSMEs, women, youth, low-income individuals or households, and individuals or households in rural areas in target countries, with limited or no access to financial services.[16]
    - Investments in financial institutions are earmarked for on-lending to or the insurance of target population groups. Finnfund has communicated to

[10] Marine Stewardship Council, "What is the MSC?", at: https://www.msc.org/uk/about-the-msc/what-is-the-msc
[11] ASC, "About the ASC", at: https://www.asc-aqua.org/what-we-do/about-us/
[12] Sustainalytics has assessed samples of the Environmental and Social Action Plan implemented by Finnfund on a confidential basis.
[13] Projects examples include netting for fruit plantations to protect against adverse weather events such as strong wind and hail, and to reduce evaporation.
[14] Project examples include financing of Forest First Colombia to establish tree plantations on degraded lands in an effort to increase soil water absorption to prevent severe flooding from increased rainfall and fire management in response to increased wildfire risk resulting from more frequent heat waves.
[15] Finnfund, "Exclusion List", at: https://www.finnfund.fi/en/impact/corporate-responsibility/exclusion-list/
[16] Finnfund has confirmed that the respective national definition of MSMEs will be used which is typically based on number of employees, sales and total assets. In the absence of a national definition, Finnfund uses the EU definition which is accessible at: https://single-market-economy.ec.europa.eu/smes/sme-definition_en

Sustainalytics that it ensures that funds are directed to target populations through the use of loan agreements with its investees, which specify the target clients that funds can be disbursed to.

- Investments in fintech companies and microfinance institutions are limited to those which derive at least 90% of their revenue from providing financial services to target population groups. The Issuer requires micro-finance institutions financed under the Framework to comply with the Client Protection Principles to ensure the presence of responsible lending practices and preservation of human rights.[17] Furthermore, Finnfund has communicated to Sustainalytics that it has incorporated the SMART Campaign certification requirements for all its investments in microfinance institutions since 2013.[18]
- Finnfund has confirmed to Sustainalytics that it assesses the presence of responsible lending practices is part of the due diligence process for investment in financial institutions including banks, insurance companies, non-banking financial institutions and microfinance institutions.
- Finnfund has communicated to Sustainalytics that investments in this sub-category are intended to improve the access to finance for target population groups that remain unbanked, underbanked, uninsured or underinsured. Sustainalytics notes that the role of Finnfund in promoting financial inclusion is limited to funding financial institutions and that the Issuer does not have control on deciding the detailed criteria regarding affordability mechanisms. Sustainalytics acknowledges the financial benefit to end-borrowers from improved access to finance and encourages Finnfund, where feasible, to ensure a financial advantage for end-borrowers beyond improved access, and to report on the social impact achieved.

- Affordable health products and services: Under this sub-category, the Issuer may invest in hospitals, private health infrastructure, nursing homes or other medical care facilities, the distribution of medical equipment and related products, and products and services aimed at improving and promoting women's rights to make their own informed decisions regarding sexual relations, contraceptive use and reproductive health care. Finnfund has confirmed that investments in upper-middle income countries are excluded under this sub-category. Additionally, Finnfund utilizes its DEAT scoring methodology to identify impactful projects.[19] Sustainalytics notes that Finnfund may invest in privately-operated healthcare infrastructure, which, although aimed at increasing the accessibility of healthcare facilities in low and lower-middle income countries, does not guarantee affordability to all low-income and vulnerable population groups. While Sustainalytics notes the positive social impact resulting from investments in healthcare products and services in countries where the quality of public healthcare services is inadequate, this is a deviation from what Sustainalytics considers to be necessary to ensure affordability of healthcare products and services for all.
- Education: Under this sub-category, Finnfund may invest in products and services focused on providing improved quality and access to education and vocational training such as primary, secondary and tertiary educational services and edutech solutions to improve learning quality. Finnfund has confirmed that investments in upper-middle income countries are excluded under this sub-category. Additionally, Finnfund utilizes its DEAT scoring methodology to identify impactful projects.[20] Sustainalytics notes that Finnfund may invest in fee-paying schools, vocational training or edutech solutions, which, although aimed at increasing accessibility of education in low and lower-middle income countries, does not guarantee affordability to all low-income and

[17] Finnfund, "Client protection in microfinancing", at: https://www.finnfund.fi/en/impact/corporate-responsibility/client-protection-in-microfinancing/
[18] Centre for financial inclusion, "The SMART Campaign" at: https://www.centerforfinancialinclusion.org/about/what-we-do/the-smart-campaign
[19] Finnfund's proprietary DEAT scoring methodology is used to assess the (i) availability and access, (ii) affordability, and (iii) reliability and quality of products and services financed to identify socially and environmentally impactful projects.
[20] Ibid

vulnerable population groups. While Sustainalytics notes the positive social impact resulting from investments in educational products and services in countries where the quality of public education is not adequate, this is a deviation from what Sustainalytics considers to be necessary to ensure affordability of education for all.

- Digital infrastructure: Under this sub-category, Finnfund may invest in digital infrastructure companies focused on expanding connectivity on a regional level. Potential expenditures include the development of cellular towers, telecom-energy solutions, data centers, rural connectivity solutions in areas where there is limited or no connectivity and backhaul infrastructure such as fibre networks that improve data quality. Finnfund has confirmed to Sustainalytics that its investments in digital infrastructure are focused on improving or enabling rural connectivity and that target investments under this sub-category are limited to projects that bridge an existing digital connectivity gap. Additionally, Finnfund utilizes its DEAT scoring methodology to identify impactful projects.[21] Sustainalytics considers these investments to be aligned with market practice. Finnfund has communicated to Sustainalytics that prior to any investment in data centres, the environmental and climate impact of the facility, such as the energy efficiency rate, use of renewable energy sources, and waste heat recovery rate are assessed. Sustainalytics encourages Finnfund to invest in data centres with a PUE less than 1.5 to mitigate the potential negative environmental impacts associated with the project.

– Under the Affordable Basic Infrastructure category, Finnfund may finance or refinance pure-play companies, facilities and technologies specifically designed to treat, distribute and conserve water. This may include the processing of wastewater, urban drainage systems, water purification processes, improving the quality of water that is potable for residential or public-access purposes, improving the supply of fresh water, enhancing water use efficiency and processing of sanitation waste. Finnfund has confirmed that it will not finance desalination projects under the Framework. Sustainalytics considers such financing to be in line with market practice.
– Under the Food Security and Sustainable Food Systems category, Finnfund may finance or refinance projects aimed at improving the productivity of agriculture whilst improving food security as well as the livelihood of smallholder farmers,[22] with a specific focus on Sub-Saharan Africa. This may include investments in agriculture and other primary production, food processing and distribution. In addition to that, projects have achieved or will achieve Global GAP certification[23], Rainforest Alliance[24] and Fair for Life[25] for agriculture-related projects and the UTZ[26] certification for coffee, cocoa, and tea-related projects. While Sustainalytics recognizes Global GAP addresses relevant sustainability issues in agricultural production, Sustainalytics notes that the scheme does not include sustainable land management practices[27] as identified by other credible sustainable agriculture Standards and Organizations.[28] In addition, Global GAP criteria is based on internal self-assessments and corrective actions, and lacks rigorous guidance through which compliance and improvements can be tracked over time. However, Sustainalytics notes that Finnfund utilizes the achievement of certification schemes as a complementary criterion for the qualification of projects under this category in addition to targeting smallholders to identify projects that have the potential to

[21] Ibid
[22] Sustainalytics notes that the definition of smallholders varies depending on the geographical context. However, Finnfund has confirmed that the definition by the Food and Agricultural Organization (FAO) is the main reference point: Smallholders are small-scale farmers, pastoralists, forest keepers, fishers who manage areas varying from less than one hectare to 10 hectares. Smallholders are characterized by family-focused motives such as favouring the stability of the farm household system, using mainly family labour for production and using part of the produce for family consumption.
[23] Global GAP, "About us", at: https://www.globalgap.org/uk_en/who-we-are/
[24] Rainforest Alliance, "About the Rainforest Alliance", at: https://www.rainforest-alliance.org/about/
[25] Fair for Life, "About for Life and Fair for Life", at: https://www.fairforlife.org/pmws/indexDOM.php?client_id=fairforlife&page_id=about&lang_iso639=en
[26] Rainforest Alliance, "UTZ Certification", at: https://www.rainforest-alliance.org/utz/
[27] Examples of core indicators for sustainable land management are no-deforestation, natural ecosystem conversion, protected habitat, sustainable use, conservation and restoration of biodiversity practices.
[28] Food and Agriculture Organization of the United Nations, "Guidance on core indicators for agrifood systems - Measuring the private sector's contribution to the Sustainable Development Goals", at: https://www.fao.org/3/cb6526en/cb6526en.pdf

deliver positive environmental impact.[29] Sustainalytics views these investments as aligned with market practice.
  - Under the Employment Generation category, Finnfund may extend general corporate purpose financing to MSMEs with an aim to generate employment opportunities in low and lower-middle income countries. Finnfund has confirmed that the respective national definition of MSMEs will be used which is based on the number of employees, sales and total assets.[30] As part of the investment process, Finnfund assesses the effect on direct employment of the investee company once the project is operational. Additionally, invested MSMEs must be committed to reaching compliance with International Finance Corporation's Performance Standards, International Labour Organization's Core Labour Standards and UN Guiding Principles, as well as, where applicable, contributing to enhancing gender equality. Sustainalytics recognizes the contribution of MSMEs toward economic growth in low and lower-middle income countries and the potential positive social impact of extending general corporate purpose financing to MSMEs on employment generation. Sustainalytics views these investments as aligned with market practice.
- Project Evaluation and Selection:
  - Finnfund has established the Sustainability Bond Committee ("SBC"), which is responsible for reviewing and overseeing the process of project evaluation and selection in accordance with the Framework's eligibility criteria. The SBC is comprised of Finnfund's Chief Financial Officer, Director of Impact and Sustainability and a member from the Issuer's Treasury team. To allocate net proceeds to an eligible project, a consensus decision by the SBC is required, with each Committee member having veto power.
  - Finnfund evaluates potential eligible projects in line with its standard investment process, which aims to ensure compliance with the applicable national rules and regulations, Know-Your-Customer processes and Finnfund's own policies and guidelines, such as its Credit, Anti-Money Laundering, Counter-Terrorist Financing and Sanctions policies. In addition, the Issuer will ensure compliance with local legislation and has internal processes in place to assess, mitigate and monitor environmental and social risks associated with the eligible assets under the Framework. When the operations of Finnfund's investee companies do not meet all applicable standards prior to investment, the Issuer agrees upon an Environmental and Social Action Plan with investees, which outlines measures and a time schedule for compliance. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
  - Based on the establishment of the Sustainability Bond Committee and the presence of risk management systems, Sustainalytics considers Finnfund's project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - Finnfund's treasury department is responsible for the management and allocation of proceeds using a portfolio approach. A Sustainability Bond Framework Register will be used to monitor and track the net proceeds from Green, Social and/or Sustainability Bonds issued under the Framework.
  - Finnfund will allocate an amount equal to the net proceeds within 24 months following the issuance date of bonds issued under the Framework. Pending allocation, proceeds will be temporarily placed in the Issuer's liquidity reserve. The issuer has confirmed to Sustainalytics that the management of unallocated proceeds will follow Finnfund's exclusion list.[31]
  - Based on the presence of a tracking register and disclosure of the temporary use of proceeds, Sustainalytics considers Finnfund's process to be in line with market practice.
- Reporting:
  - Finnfund commits to report on the allocation and impact of proceeds through a publicly available Sustainability Bond Report on an annual basis of the bonds issued under the Framework until full allocation and in the event of any material developments.
  - The Issuer's allocation reporting will include the total amounts allocated to each eligible project category, the nominal amount of outstanding proceeds and the relative share of financing versus refinancing. Finnfund has communicated to Sustainalytics that Finnfund's investments in funds can only be disclosed after the fund's final close due to confidentiality requirements.

[29] Examples of projects financed under this category include financing of an e-commerce system to simplify the supply chain between fresh food producers, FMCG manufacturers and retailers in Kenya eliminating intermediaries from the supply chain and, hence, lowering food prices for consumers and a developer of sub-Saharan farming businesses that work mainly with smallholder farmers.
[30] Finnfund has confirmed that the respective national definition of MSMEs will be used which is typically based on number of employees, sales and total assets. In the absence of a national definition, Finnfund uses the EU definition which is accessible at: https://single-market-economy.ec.europa.eu/smes/sme-definition_en
[31] Finnfund, "Exclusion list" at: https://www.finnfund.fi/en/impact/corporate-responsibility/exclusion-list/

Therefore, in certain cases, Finnfund will disclose the total investment amount the year after when the fund has closed.
- The Issuer's impact reporting will disclose the impact of projects financed under the Framework based on Finnfund's share of each project, where feasible and subject to data availability. The impact report will include relevant impact indicators, if applicable, such as renewable energy generation (MWh per year), GHG emissions avoided (tonnes per year) and number of micro/SME loans.
- Sustainalytics notes that Finnfund intends to obtain a post-issuance review on the allocation of proceeds carried out by an independent external party on an annual basis until full allocation and in the event of any material developments.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

**Alignment with Sustainability Bond Guidelines 2021**

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

## Section 2: Sustainability Strategy of Finnfund

**Contribution of Framework to Finnfund's sustainability strategy**

Sustainalytics is of the opinion that Finnfund demonstrates a commitment to sustainability by integrating ESG considerations into its investment decisions and focusing on responsible investments in low and lower-middle income countries.[32] Finnfund's 2025 vision aims to maintain its carbon negative portfolio and double the positive environmental, social and economic impact of its investments between 2020 and 2025.[33] As a member of the Association of European Development Finance Institutions (EDFI)[34], Finnfund commits to contributing towards the achievement of the UN SDGs by investing in projects and companies that it identifies as having the potential to deliver significant positive impact on the environment and society through its internal investment review process.[35]

Through its investments, Finnfund aims to stimulate economic growth and sustainable development in low and lower-middle income countries with emphasis on five sectors: renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions. As of 2021, Finnfund has a carbon net negative investment portfolio worth EUR 780 million, of which 20% is invested in clean energy projects, 15% in sustainable forestry activities, 11% in sustainable agriculture, 34% in financial institutions and 7% in digital infrastructure activities. In order to assess such impact, Finnfund uses the Development Effect Assessment Tool (DEAT). Through DEAT, Finnfund scores each project based on various categories, such as the project's effect on climate change mitigation and local community development among others and selects projects that are expected to generate high positive environmental, social and economic impact.[36]

Finnfund also participates in several international initiatives such as the Partnership for Carbon Accounting Financials (PCAF) and the 2X Collaborative. In line with the PCAF principles, Finnfund has committed to assessing and disclosing the amount of GHG emissions financed from its portfolio. As a member of the 2X Collaborative, Finnfund commits to promoting gender-lens investing to make a positive impact on women's empowerment.[37] In addition, the Issuer has adopted ESG-related disclosures to be consistent with standards published in the framework of the Task Force on Climate-related Financial Disclosures.[38]

Sustainalytics is of the opinion that the Finnfund Sustainability Bond Framework is aligned with Finnfund's overall sustainability strategy and initiatives and will further the Issuer's action on its key environmental and social priorities.

[32] Finnfund, "Sustainability Policy (2020)", at: https://www.finnfund.fi/wp-content/uploads/2021/05/Sustainability-policy-2020.pdf
[33] Ibid.
[34] Finnfund, " European Development Finance Institutions' Principles for Responsible Financing", at: https://www.finnfund.fi/en/impact/corporate-responsibility/edfi-principles-for-responsible-financing/
[35] Finnfund, " EDFI Principles for Responsible Financing of Sustainable Development (2019)", at: https://www.finnfund.fi/wp-content/uploads/2019/10/EDFI-Responsible-Financing-SDG_Principles-May-2019.pdf
[36]Finnfund, "Development Effect Assessment Tool (DEAT) – Scoring and definitions", at: https://www.finnfund.fi/wp-content/uploads/2019/04/DEAT-_-Scoring-and-definitions.pdf
[37] Ibid.
[38] Ibid.

**Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. 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 could include land use and biodiversity issues, occupational health and safety, business ethics and community relations. While Finnfund plays a limited role in the development of the specific projects that it finances, it is exposed to risks associated with the companies or projects that it may finance.

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

- As part of its investment review process, Finnfund assesses the environmental, social and governance risks associated with potential investments in accordance with EDFI's guidelines on responsible financing practices, impact management and transparency.[39] The Issuer monitors the risks associated with eligible investments through the project's life cycle and collaborates with investee companies to develop and implement an environmental and social risk action plan and monitors the progress against the plan on an ongoing basis.[40] Additionally, Finnfund is a signatory to international environmental and social sustainability initiatives such as the Operating Principles for Impact Management, which provides a framework for investors to ensure that impact considerations are integrated throughout the investment lifecycle and requires them to evaluate, address, monitor and manage the potential negative impact of investments.[41,42]
- Finnfund has in place a code of conduct which provides guidance on business ethics, compliance with laws and regulations, bribery and corruption and anti-money laundering among other things.[43] In addition to that, Finnfund has adopted the Corporate Governance Development Framework which provides guidance on investee companies' activities related to compliance with laws and regulations, bribery and corruption, anti-money laundering and overall corporate governance.[44]
- Finnfund conducts its business in accordance with the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work standards. Within its Human Rights Statement Finnfund extends this commitment to the transactions and financing it carries out by addressing them using the UN Guiding Principles for Business and Human Rights.[45]
- As an impact investor, Finnfund deems it important that target countries of investee companies collect tax revenue from financed projects so they are able to provide services such as education, health care and infrastructure. In order to eliminate projects' tax-related risks, Finnfund has adopted responsible tax principles in accordance with its tax policy. In a three step assessment, Finnfund evaluates the investee company's tax practices prior to investment, prepares an investment agreement that includes responsible tax clauses, then monitors and reports tax-related issues during projects' life cycles.[46]
- Finnfund has in place an exclusion list for its financing activities which covers a broad spectrum such as work practices for example forced or child labour, as well as certain activities that are illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans. In addition to that the exclusion list identifies negative impacts such as destruction of high conservation value areas among other things.[47]
- Sustainalytics notes that financing may take place in countries that have been identified as high-risk countries, bearing in mind the potential impact of planned investments especially in these countries. However, Sustainalytics notes that such investments should be accompanied by thorough risk management procedures to ensure that any adverse effects are sufficiently identified and addressed.
- To address human rights risks associated with investments, Finnfund conducts a human rights risk assessment which is based on the UNGP on Business and Humans rights and covers a company's commitment to and governance of human rights risk management, provides guidance to identify relevant human rights issues and effectively manage such risks. The criteria considered by Finnfund

[39] Finnfund, " European Development Finance Institutions' Principles for Responsible Financing", at: https://www.finnfund.fi/en/impact/corporate-responsibility/edfi-principles-for-responsible-financing/
[40] Finnfund, "Sustainability", at: https://www.finnfund.fi/en/impact/corporate-responsibility/
[41] Finnfund, "Annual Report (2021)", at: https://www.finnfund.fi/wp-content/uploads/2022/05/Annual-Report-2021.pdf
[42] Operating Principles for Impact Management, "The 9 Principles", at: https://www.impactprinciples.org/9-principles
[43] Finnfund, "Finnfund Code of Conduct", at: https://www.finnfund.fi/en/impact/corporate-responsibility/code-of-conduct/
[44] CGDF, "About CGDF" at: https://cgdevelopmentframework.com/
[45] Ibid.
[46] Finnfund, "Responsible tax principles – our work in practice" at: https://www.finnfund.fi/en/impact/corporate-responsibility/responsible-tax/responsible-tax-principles-in-practice-our-work-in-practice/
[47] Finnfund, "Exclusion list", at: https://www.finnfund.fi/en/impact/corporate-responsibility/exclusion-list/

within the human rights assessment tool includes country stability, governance quality, human rights treaties ratification, guarantee of workers' rights, living wage gap, biodiversity, water stress, sexual harassment laws, workspace equality and human development amongst others. The assessment is utilized throughout the life cycle of a project.[48]

- To understand the potential implications of investments and associated risks, Finnfund conducts a country analysis that considers the economic and political situation, and structural bottlenecks, including financial regulations, labour market rigidity and governance quality. Such an analysis is carried out for countries where Finnfund does not have an existing portfolio and is subject to approval by the board.[49]
- Finnfund also conducts detailed political risk assessments for each investment twice throughout the investment life cycle. Through such assessments, Finnfund determines specific political risks that the assessed countries may have and classifies risks into low, moderate and high. The results of the preliminary review are reviewed by the Investment Committee or the Board which provides the Clearance in Principle which is required to proceed with an in depth due diligence of a potential investment. For projects and countries with high political risks, additional memorandums are prepared by an economist and presented to the Investment Committee.[50]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Finnfund 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 10 use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on six categories below where the impact is specifically relevant.

**Importance of financing renewable energy and energy efficiency projects**

The energy sector, including energy use in industry, transportation, buildings, unallocated fuel combustion and fugitive emissions from energy production, is the most significant contributor of GHG emissions, accounting for approximately 73.2% of global GHG emissions in 2021.[51] In line with the Paris Agreement, the UN has set an objective to achieve climate neutrality by 2050, with an interim target to reduce GHG emissions by 45% by 2030 compared to a 2010 baseline.[52,53] Increasing the share of renewables in the world's energy mix and reducing energy consumption has the potential to contribute significantly to meeting the UN's climate goals.[54] In 2020, the share of renewables in the global electricity generation increased by 2% and stood at 29% at the end of the year.[55] In order to achieve the aforementioned targets, the rate of deployment of renewable energy is required to be ramped up significantly.[56]

Despite emerging and developing economies accounting for two-thirds of the world's population, only one-third of the total investment in energy and 20% of the global investment in renewable energy technologies was mobilized in these economies in 2021. In order to reach net zero emissions by 2050, investments in clean energy in developing countries needs to increase by seven times to USD 1 trillion by 2030 from USD 150 billion in 2020. This requires a significant increase in the contribution of the private sector as well as international and development finance institutions to catalyze this investment.[57] To this regard, the IEA launched its Emerging Economies Programme in 2015 to work closely with six of the world's largest emerging economies on improving their energy efficiency.[58] As part of this programme, the IEA engages with various ministries of finance and economy, government officials and stakeholders to support policy development, provide policy trainings and thematic workshops on specific topics on energy efficiency such as methods and best practices

[48] Finnfund communicated to Sustainalytics that it conducts a human rights risk assessment which is based on the UNGP on Business and Humans rights.
[49] Finnfund shared an example of "Country Analysis" with Sustainalytics.
[50] Finnfund shared an example of "Political Risk Assessment" with Sustainalytics.
[51] Our World in Data, "Emissions by sector", at: https://ourworldindata.org/emissions-by-sector#energy-electricity-heat-and-transport-73-2
[52] UN, "For a livable climate: Net-zero commitments must be backed by credible action" https://www.un.org/en/climatechange/net-zero-coalition#:~:text=To%20keep%20global%20warming%20to,reach%20net%20zero%20by%202050.
[53] UN, "Take urgent action to combat climate change and its impacts", at: https://unstats.un.org/sdgs/report/2021/goal-13/
[54] Ibid.
[55] IEA, "Global Energy Review 2021", at: https://www.iea.org/reports/global-energy-review-2021/renewables
[56] IRENA, Global Renewables Outlook, 2020, at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Apr/IRENA_Global_Renewables_Outlook_2020.pdf
[57] IEA, "Financing Clean Energy Transitions in Emerging and Developing Economies (2021)", at: https://iea.blob.core.windows.net/assets/6756ccd2-0772-4ffd-85e4-b73428ff9c72/FinancingCleanEnergyTransitionsinEMDEs_WorldEnergyInvestment2021SpecialReport.pdf
[58] The six countries include: Brazil, China, India, Indonesia, Mexico and South Africa. These countries together consume one third of world's energy.

in the development of energy efficiency indicators and the use of indicators for implementing more effective policy.[59]

Based on the context above, Sustainalytics is of the opinion that Finnfund's investments in renewable energy and energy efficiency projects in developing countries are expected to bridge the investment gap in financing in such economies and support their transition towards a low-carbon economy.

**Importance of sustainable food systems to improve food security**

Food security is defined by the Food and Agriculture Organization (FAO) as conditions under which people have physical and economic access to sufficient and nutritious food at all times.[60] As the global population continues to grow, the demand for food is expected to increase by 35% to 56% by 2050 compared to 2010 levels.[61] This poses a significant challenge as food production must increase amid issues such as land-use conflict, water scarcity and environmental degradation. Historically, agricultural processes have resulted in environmental harm such as deforestation, biodiversity loss, water pollution, environmental contamination and generation of GHG emissions.[62] In 2021, it was estimated that one-third of global GHG emissions were attributed to the food system.[63] These impacts evidence the need for adoption of sustainable food production practices to improve and maintain global food security.

According to the FAO, the state of the food system worsened in 2020, owing to the COVID-19 pandemic and armed conflicts.[64] In 2020, it was estimated that one in three people (2.37 billion) did not have physical or economic access to sufficient, safe and nutritious food.[65] Moreover, the prevalence of food insecurity was concentrated in under-developed regions. Of the 2.37 billion people facing food insecurity, half were located in Asia and one-third in Africa. Climate change is expected to significantly impact food security in these regions as they are less equipped to respond to changes in seasons, increased extreme weather events and pathogens.[66]

Based on the above, Sustainalytics is of the opinion that Finnfund's investments aimed at improving agricultural productivity using sustainable practices are expected to contribute to improving food security in developing countries.

**Importance of sustainable forest management and forestry practices**

The United Nation's Intergovernmental Panel on Climate Change has highlighted sustainable forest management, restoration of forests and reducing forest degradation as important strategies for mitigating climate change.[67] The Panel also believes that sustainable forest management can contribute to climate change adaptation by preventing land degradation, maintaining land productivity, and reversing the adverse impacts of climate change on degraded land. The FSC certification is an economically viable forest management system which aims to ensure preservation of biodiversity and benefit society.[68] Since its establishment in 2019, approximately 200 million hectares across 82 countries have achieved the FSC certification.[69] Independent studies demonstrate that FSC-certified forests achieve lower levels of deforestation. For example, FSC-certified forests on the island of Borneo have reduced deforestation by 5% compared to similar non-FSC certified forests.[70]

Additionally, when forests are cleared or burnt, stored carbon is released into the atmosphere.[71] Globally, one-third of the world's forests have been cleared and the majority of current deforestation occurs in developing regions such as South America, Africa and Asia.[72] Research suggests that 29-39% of deforestation-related

[59] IEA, "Energy efficiency in emerging economies", at: https://www.iea.org/programmes/energy-efficiency-in-emerging-economies
[60] FAO, "Food Security", (2006), at: https://www.fao.org/fileadmin/templates/faoitaly/documents/pdf/pdf_Food_Security_Cocept_Note.pdf
[61] van Dijk, M. et al. (2021) "A meta-analysis of projected global food demand and population at risk of hunger for the period 2021-2050", Nature Food, at: https://www.nature.com/articles/s43016-021-00322-9
[62] OECD, "Agriculture and the environment", at: https://www.oecd.org/agriculture/topics/agriculture-and-the-environment/
[63] Nature, "Food systems are responsible for a third of global anthropogenic GHG emissions", (2021), at: https://www.nature.com/articles/s43016-021-00225-9#:~:text=period%201990%E2%80%932015.-,Emissions%20from%20the%20food%20system,%25)%20for%20the%20year%202015.
[64] FAO, "The state of food security and nutrition in the world", (2021), at: https://www.fao.org/3/cb4474en/cb4474en.pdf
[65] FAO, "The state of food security and nutrition in the world", (2021), at: https://www.fao.org/3/cb4474en/cb4474en.pdf
[66] IPCC, "Food Security", at: https://www.ipcc.ch/site/assets/uploads/sites/4/2021/02/08_Chapter-5_3.pdf
[67] IPCC, Climate Change and Land, at: https://www.ipcc.ch/srccl/
[68] Forest Stewardship Council, "General information and guidelines for relevant and robust FSC-related scientific research", (2020), at: https://fsc.org/sites/default/files/2020-11/FSC_General%20information%20and%20guidelines%20for%20relevant%20and%20robust%20FSC-related%20scientific%20research.pdf
[69] FSC, "FSC Annual Report 2019", at: https://fsc.org/sites/default/files/2020-11/FSC%20ANNUAL%20REPORT%202019%20ENGLISH%20web.pdf
[70] WWF, "What is FSC certification—and is it working?", at: https://www.worldwildlife.org/stories/what-is-fsc-certification-and-is-it-working
[71] Climate Council, "Deforestation and the carbon cycle", (2019), at: https://www.climatecouncil.org.au/deforestation/#:~:text=When%20forests%20are%20cleared%20or,human%20emissions%20of%20carbon%20dioxide
[72] Our World in Data, "Deforestation and forest Loss", at: https://ourworldindata.org/deforestation

emissions are driven by international trade, with the majority of the demand for commodities being attributed to more developed nations, while forests acting as natural carbon sinks and as an important source of economic growth, employment, food security and energy generation in developing regions..[73]

Based on the above context, Sustainalytics considers that the Finnfund's investment in sustainable forest management projects that are FSC-certified are expected to contribute to forest conservation and climate change mitigation in developing regions.

**Access to essential services: bridging the digital divide**

Many least developed and developing countries still lag in terms of broadband connectivity and availability of data infrastructures. In 2021, an estimated 37% of people did not have access to internet, with over 96% of them living in least developed and developing countries. In addition, over 90% of children globally, the majority in developing countries, had their education interrupted by the COVID-19 pandemic, which not only exacerbated the global learning crisis, but also highlighted the need for extending broadband connectivity especially in developing countries.[74]

Despite recent gains in connectivity coverage, inadequate infrastructure and affordability remain as major barriers in developing countries, partly due to the high cost of services in under-developed areas where roads are scarce, income levels are low and electricity delivery is poor.[75] In light of this, the United Nations has set out a Roadmap for Digital Cooperation in 2021, with the objective of having universal internet connectivity by 2030.[76] Additionally, UNICEF launched Giga in 2019, an initiative to connect every school to the internet by 2030.[77]

Given this context, Sustainalytics is of the opinion that Finnfund's investments to improve access to digital infrastructure could help bridge the digital divide between rural and urban communities in developing countries, and foster economic, political and cultural inclusion.

**Increasing access to financial services in developing countries**

Access to financial services is a key component of economic development due to its high correlation with increased access to other basic services such as housing, healthcare and education.[78] Despite this, 22% of the global population did not have a bank account in 2017, with about half of them residing in seven developing countries: China, India, Pakistan, Indonesia, Nigeria, Mexico and Bangladesh.[79]

Financial inclusion enables poverty reduction and fosters opportunities for economic growth, allowing individuals to accumulate savings, access financial education resources, and take advantage of financial opportunities.[80] In particular, improving financial services to small and medium-sized enterprises is important because SMEs contribute 40% of the total GDP in emerging economies. An additional 600 million jobs will be needed to absorb the growing global workforce by 2030, making SME development a key priority for all economies.[81] Despite their economic importance, SMEs face significant barriers in accessing finance, often due to their lack of credit history or collateral necessary for financial assistance.[82] The COVID-19 pandemic made it even more pressing the need to provide support to SMEs, which recover more slowly from economic shocks than larger companies.[83]

Based on the above, Sustainalytics is of the opinion that Finnfund's investments under the Framework are expected to support banks, microfinance institutions and fintech companies by providing financial services in developing countries, contributing to reducing inequalities faced by underserved populations in these countries.

[73] Carbon Brief, "Scientists calculate trade-related deforestation footprint of rich countries", (2021), at: https://www.carbonbrief.org/scientists-calculate-trade-related-deforestation-footprint-of-rich-countries/
[74] Giga, "Annual report", (2021), at: https://gigaconnect.org/wp-content/uploads/2022/04/Annual-Report-2021.pdf
[75] Broadband Commissions, "Closing the digital divide; supporting vulnerable countries", (2020), at: https://www.broadbandcommission.org/insight/closing-the-digital-divide-supporting-vulnerable-countries/
[76] UNDP, "The evolving digital divide", (2021), at: https://www.undp.org/blog/evolving-digital-divide
[77] Giga, "Annual report", (2021), at: https://gigaconnect.org/wp-content/uploads/2022/04/Annual-Report-2021.pdf
[78] UNSGSA, "Financial inclusion", at: https://www.unsgsa.org/financial-inclusion
[79] World Bank, 'Global Findex Database", (2017), at: https://globalfindex.worldbank.org/
[80] World Bank, 'Global Findex Database", (2017), at: https://globalfindex.worldbank.org/
[81] World Bank, "Small and Medium Enterprises (SMEs) Finance", at: https://www.worldbank.org/en/topic/smefinance
[82] OECD, "Enhancing SME access to diversified financing instruments", (2018), at: https://www.oecd.org/cfe/smes/ministerial/documents/2018-SME-Ministerial-Conference-Plenary-Session-2.pdf
[83] JPMorgan Chase & Co., "Small Business Financial Outcomes during the COVID-19 Pandemic", (2020), at: https://www.jpmorganchase.com/institute/research/small-business/report-small-business-financial-outcomes-during-the-covid-19-pandemic

**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 Finnfund Sustainability Bond Framework are expected to help advance the following SDGs and targets:

| Use of Proceeds Category | SDG | SDG target |
|---|---|---|
| Renewable Energy | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. |
| Energy Efficiency | 7. Affordable and Clean Energy<br>9. Industry, Innovation, and Infrastructure | 7.3 By 2030 double the global rate of improvement in energy efficiency.<br>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. |
| Clean 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. |
| Pollution Prevention and Control | 6. Clean water and Sanitation<br>12. Responsible Consumption and Production | 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<br>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | 14. Life Below Water<br>15. Life On Land | 14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.<br>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 |
| Climate Change Adaptation | 13. Climate Action | 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries |

| | | |
|---|---|---|
| Access to Essential Services | 3.Good Health and Well-being | 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all. |
| | 4. Quality Education | 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. |
| | 8. Decent Work and Economic Growth | 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small-and medium sized enterprises, including through access to financial services. |
| | | 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all. |
| | 9. Industry, Innovation, and Infrastructure | 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets. |
| | | 9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020. |
| | 10. Reduced Inequality | 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. |
| Affordable Basic Infrastructure | 6. Clean Water and Sanitation | 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. |
| Food Security and Sustainable Food Systems | 2. Zero Hunger | 2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality. |

| | | |
|---|---|---|
| Employment Generation | 8. Decent Work and Economic Growth | 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. |
| | 10. Reduced Inequalities | 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. |

## Conclusion

Finnfund has developed the Finnfund Sustainability Bond Framework, under which it intends to issue green, social or sustainability bonds and use the proceeds to finance projects in the following categories: Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Climate Change Adaptation, Access to Essential Services, Affordable Basic Infrastructure, Food Security and Sustainable Food Systems, and Employment Generation. Sustainalytics expects the projects funded by the bond proceeds to contribute to the transition to a low-carbon economy and generate positive environmental and social impacts in low and lower-middle income countries.

The Finnfund Sustainability Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Finnfund to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Finnfund Sustainability Bond Framework is aligned with the overall sustainability strategy of the Issuer and that the use of proceeds categories are expected to contribute to the advancement of UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 10, 11, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that Finnfund has adequate measures to identify, manage and mitigate the environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is of the opinion that Finnfund is well positioned to issue green, social and sustainability bonds, and that the Finnfund Sustainability Bond Framework is robust, transparent and in alignment with the four core components of both the Green Bond Principles 2021 and Social Bond Principles 2021.

# Appendix

## Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

| | |
|---|---|
| **Issuer name:** | Finnish Fund for Industrial Cooperation Ltd |
| **Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:** | Finnfund Sustainability Bond Framework |
| **Review provider's name:** | Sustainalytics |
| **Completion date of this form:** | September 12, 2022 |
| **Publication date of review publication:**<br>**Original publication date *[please fill this out for updates]*:** | |

### Section 2. Review overview

**SCOPE OF REVIEW**

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

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

| | | | |
|---|---|---|---|
| ☒ | Use of Proceeds | ☒ | Process for Project Evaluation and Selection |
| ☒ | Management of Proceeds | ☒ | Reporting |

**ROLE(S) OF REVIEW PROVIDER**

| | | | |
|---|---|---|---|
| ☒ | Consultancy (incl. 2nd opinion) | ☐ | Certification |
| ☐ | Verification | ☐ | Rating |
| ☐ | Other *(please specify)*: | | |

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 – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Climate Change Adaptation, Access to Essential Services, Affordable Basic Infrastructure, Food Security and Sustainable Food Systems and Employment Generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental and social impacts, and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

**Use of proceeds categories as per GBP:**

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

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

**Use of proceeds categories as per SBP:**

| | | | |
|---|---|---|---|
| ☒ | Affordable basic infrastructure | ☒ | Access to essential services |
| ☐ | Affordable housing | ☒ | Employment generation (through SME financing and microfinance) |
| ☒ | Food security | ☐ | Socioeconomic advancement and empowerment |
| ☐ | Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ | Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Finnfund's process for evaluating and selecting projects is overseen by its Sustainability Bond Committee. Finnfund has an environmental and social risk management process in place which is applicable to all allocation decisions under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

**Evaluation and selection**

- ☒ Credentials on the issuer's social and green objectives
- ☒ Documented process to determine that projects fit within defined categories
- ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
- ☒ Documented process to identify and manage potential ESG risks associated with the project
- ☐ Summary criteria for project evaluation and selection publicly available
- ☐ Other (please specify):

**Information on Responsibilities and Accountability**

- ☒ Evaluation / Selection criteria subject to external advice or verification
- ☐ In-house assessment
- ☐ Other (please specify):

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Finnfund's Treasury department will be responsible for managing the allocation of net proceeds using a Sustainability Bond Framework Register. Finnfund intends to allocate all proceeds to eligible projects within 24 months of issuance. Pending allocation, proceeds will be temporarily placed in Finnfund's liquidity reserve. This is in line with market practice.

**Tracking of proceeds:**

- ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

**Additional disclosure:**

- ☐ Allocations to future investments only
- ☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

Finnfund intends to report on the allocation of proceeds through a publicly available Sustainability Bond Report on an annual basis and until maturity of the bonds issued. Allocation reporting will include information such as the amounts allocated for each project category and the share of new financing and refinancing. In addition, Finnfund is committed to reporting on relevant impact metrics. Sustainalytics views Finnfund's allocation and impact reporting commitments 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

☐ Sustainability Bond financed share of total investment

☒ Other (please specify): *Descriptions of eligible projects financed, relative share of new financing versus refinancing, nominal amount of outstanding Green, Social and Sustainability Bonds.*

**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

☒ Number of beneficiaries

☐ Target populations

☒ Other ESG indicators (please specify):

| | |
|---|---|
| Renewable energy | • Renewable energy generation (MWh per year)<br>• GHG emissions avoided (tonnes per year) |
| Energy efficiency | • GHG emissions avoided (tonnes per year) |
| Clean transportation | • Number of vehicles (if applicable)<br>• Vehicle Distance Travelled (if applicable)<br>• GHG emissions avoided (tonnes per year) (if applicable)<br>• Number of units installed (if applicable) |
| Pollution Prevention and Control | Waste management<br>• Quantity of recycled material (tonnes per year)<br><br>Waste to energy<br>• Energy generation (MWh per year)<br>• GHG emissions avoided (tonnes per year) |
| Environmentally sustainable management of living natural resources and land use | Forests and forestry<br>• Forest area (hectares)<br>• Forestry certification scheme (if applicable)<br>• Net carbon sequestration (tonnes per year) (if available)<br><br>Fishery & Aquaculture<br>• Certification scheme<br>• Tons of fish produced (if available) |
| Climate change adaptation | Type of investment and the purpose |
| **Changed no** | Financial inclusion<br>• Micro/SME loans (number, volume, %women clients)<br>• Housing loans (number, volume, %women clients)<br>• Mobile loans (number, volume, %women clients)<br><br>Affordable health products and services<br>• Number of hospital beds (total, %women)<br>• Number of consultations (total, %women)<br><br>Education<br>• Students (number, % women)<br><br>Digital infrastructure and solutions<br>• Number of users / beneficiaries(#) |
| Affordable basic infrastructure | Water and sanitation<br>• Quantity of treated wastewater and/or supplied freshwater (cubic meters per year)<br>• Number of customers /beneficiaries of investee providing products relating to improved water quality or sanitation |
| Food security and sustainable food systems | • Smallholder farmers reached (total, women%)<br>• Agricultural loans (number, volume, women%) |
| Employment generation & improved livelihoods | • Jobs (total, women%)<br>• Indirect jobs (total, women%) |

**Frequency:**

☒ Annual ☐ Semi-annual

☐ Other (please specify):

**Means of Disclosure**

☐ Information published in financial report ☐ Information published in sustainability report

☐ Information published in ad hoc documents ☒ Other (please specify): Sustainability Bond Report

☐ 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:**

☐ Consultancy (incl. 2nd opinion) ☐ Certification

☐ Verification / Audit ☐ Rating

☐ Other *(please specify)*:

**Review provider(s):** **Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability 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 and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

# Disclaimer

# About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com