



# Paraguay

## Second-Party Opinion – Sovereign Sustainability Bond Framework

Excellent



Good

Aligned

Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Excellent	<ul style="list-style-type: none"> <li>Sustainable Fitch considers that Paraguay's sustainability bond framework is aligned with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). The use of proceeds (UoP) alignment is excellent. The eligibility criteria for green investments are reasonable. The potential impact of social UoP categories is highly positive.</li> </ul>
Use of Proceeds – Other Information	Excellent	<ul style="list-style-type: none"> <li>The sustainability bonds will finance a minimum of 50% of new expenditures, which will contribute to positive socio-environmental impact in the country. Relatively recent expenditures will be financed and the list of exclusions detailed in the bond framework is fairly comprehensive, in line with market best practices.</li> </ul>
Evaluation and Selection	Excellent	<ul style="list-style-type: none"> <li>The project evaluation and selection process follows market best practices. The evaluation and selection committee includes representatives from multiple ministries, including sustainability experts. All expenditures to be financed will be aligned with defined eligibility criteria and each social expenditure will serve a vulnerable population, ensuring a positive social impact.</li> </ul>
Management of Proceeds	Excellent	<ul style="list-style-type: none"> <li>Funds raised under the bond framework will be deposited into segregated bank accounts. We highlight this as positive, as most sovereigns deposit funds into general treasury accounts. The funds raised will be managed in line with best practices, as they will only be used to finance pre-selected eligible expenses, with no temporary investments in other assets.</li> </ul>
Reporting and Transparency	Good	<ul style="list-style-type: none"> <li>Annual allocation reports verified by a third party will be published, detailing information per bond, until full allocation of bond proceeds. Efforts will be made to publish impact reports annually but these reports will not be verified. Both reports will be freely accessible to the public.</li> </ul>

### Relevant UN Sustainable Development Goals



Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> <li>✓ Green Bond Principles 2021 (ICMA)</li> <li>✓ Social Bond Principles 2023 (ICMA)</li> <li>✓ Sustainability Bond Guidelines 2021 (ICMA)</li> </ul>
Date assigned	14 January 2025
See Appendix B for definitions.	

### Analyst

Janine Dow  
+ 34 93 220 8772  
[janine.dow@sustainablefitch.com](mailto:janine.dow@sustainablefitch.com)

### Media Contact

Eleis Brennan  
+1 646 582 3666  
[eleis.brennan@thefitchgroup.com](mailto:eleis.brennan@thefitchgroup.com)

## Use of Proceeds ICMA Categories

<b>Green</b>	Renewable energy; energy efficiency Terrestrial and aquatic biodiversity conservation Environmentally sustainable management of living natural resources and land use Clean transportation Green buildings; climate change adaptation
<b>Social</b>	Affordable basic infrastructure Access to essential services (various categories) Affordable housing Food security Socioeconomic advancement and empowerment Employment generation (through SME financing and microfinance)

Source: Paraguay sovereign sustainability bond framework 2024

## Framework Highlights

We consider Paraguay's sovereign sustainability bond framework to be aligned with the ICMA GBP, SBP and SBG. Alignment to these principles and guidelines is 'Excellent'.

The bond framework lists five eligible categories of environmental expenditures and 11 social categories grouped under six main categories as described in the UoP summary table above.

All categories are consistent with the country's sustainable development goals outlined in its national development plan (NDP) 2030. The NDP defines the main strategies that will guide Paraguay's development to 2030, following three guidelines: poverty reduction and social development, inclusive economic growth, and the insertion of Paraguay in the world.

The NDP focuses on 10 strategic socio-environmental objectives, three of which focus on the environment: to value environmental capital, contribute to the sustainability of the global habitat, and protect and defend the environment and natural resources; and seven focus on social issues: achieving equitable social development, promoting employment and social security; guaranteeing equal opportunities in a globalised world; guaranteeing access to human rights; improving justice and security; providing quality social services; achieving participatory local development; and developing a sustainable suitable habitat.

The bond framework defines the potential expenditures to be financed and the vulnerable populations that will benefit from them in a transparent manner, in accordance with international best practices. Aligning the eligibility criteria for certain green UoP categories with the strict thresholds and technical criteria imposed by international environmental taxonomies would ensure the delivery of greater environmental benefits. Positively, all eligible social UoP categories will support the UN Sustainable Development Goals (SDGs) and the vast majority of eligible categories will serve vulnerable populations.

During the Second-Party Opinion (SPO) process, we had access to a list of potential green and social expenditures, projects and programmes identified for financing and refinancing through the issuance of bonds under the framework. This list of projects was construed under the sustainability bond framework developed by Paraguay, in collaboration with the Inter-American Development Bank (IDB), in conjunction with technical assistance provided by the consulting firm ERM. The list of projects is included in the planning of Paraguay's national public investment system, which ensures greater transparency and credibility.

The bond framework includes robust evaluation processes and selection of expenditures, transparent management of resources to be raised through the issuance of green or social bonds, and good reporting commitments.

The Spanish version of this SPO is the original document; all versions in another language are translations.

Source: Sustainable Fitch, Paraguay sovereign sustainability bond framework 2024, NDP 2030, list of eligible projects to finance

## Entity Highlights

Paraguay, with a population of around 6.1 million, has recorded high levels of economic growth since 2000, driven by increased political stability, which has allowed for more continuous implementation of its planning and development. The IMF classifies Paraguay as a developing and upper-middle-income country, with average annual income per capita equivalent to USD5,740. However, the country faces problems of social inequality, marked by gaps in the distribution of purchasing power, with significant differences between rural and urban populations, limited access to public health, education, water and sanitation services and limited job opportunities.

Paraguay is highly vulnerable to climate change, affected by a combination of geographical factors, such as the absence of a maritime coastline, its climate characterised by significant variations in temperature and precipitation, its economic dependence on the agricultural, livestock and forestry sectors (which contribute an estimated 25% of GDP) and its total dependence on hydroelectric energy, whose operation is highly affected by periods of drought and variable rainfall.

Paraguay's climate change adaptation and mitigation policies are contained in the NDP. Paraguay contributes a minimal portion of global GHGs. In 2016, Paraguay ratified its commitments through the Paris Agreement through Law 5,681 and is committed to a 10% reduction target of projected GHGs until 2030, compared to the business-as-usual situation. If it could count on international technical and financial assistance, the goal would be to reduce its GHGs by 20%.

Nationally determined contributions, updated in 2021, identify prioritised sectors for climate change mitigation and adaptation. Priority sectors include, among others, agriculture, livestock, forestry, energy and transport. We believe that the green categories of eligible expenditures described in the bond framework, as well as the portfolio of projects considered, support the country's environmental policies. Their main focus is the fight against climate change, encouraging renewable energies and energy efficiency, air pollution control, waste management in waterways, the protection of biodiversity through the sustainable management of natural resources and the use of land, as well as clean transport.

The country's main social commitments seek to achieve the end of poverty, access to affordable housing, the improvement of health and education conditions, the modernisation of the water and sanitation sector, the development of road infrastructure and promotion of gender equality. The implementation of social policies in Paraguay is carried out across different government administrations. In this way, it ensures greater continuity and long-term impact in seeking significant changes in the quality of life of Paraguayans, with special emphasis on vulnerable and low-income groups. The eligible social expenditure categories, described in the bond framework, support the country's social commitments.

Source: Sustainable Fitch, Paraguay sovereign sustainability bond framework 2024, NDP 2030



## Use of Proceeds – Eligible Projects

## Alignment: Excellent

### Company Material

### Sustainable Fitch's View

#### Sources of non-conventional energy and energy efficiency

- In this category, projects using non-conventional energy sources are included, such as: biomass, bioenergy, geothermal, solar, wind and green hydrogen. Energy-efficiency projects that comply with energy savings (electricity/fuel) or a reduction in GHG emissions, in accordance with international best practices, are included.
- Eligible green project types include:
  - Certification, control and promotion of the use of bioenergies in accordance with Decree 4056/2015.
  - Generation, improvement and access to energy from non-conventional sources: solar (PV and thermal) and wind. Optimal use of energy through the implementation of energy-efficiency measures.
  - Transmission and distribution of clean energy from non-conventional sources, used in assets such as: infrastructure, construction, improvement or operation of overhead lines, transformers and underground cables; circuit breakers and electrical apparatus; substations, buildings, fences and bars; and fuses, disconnectors, reactors, capacitors, transformers, voltage regulators and electrical transmission.
- This category also includes energy storage.

- We consider this UoP category to be aligned with the ICMA GBP list of eligible green projects. In our view, any investment aimed at supporting projects that use renewable energy sources, such as solar, wind and biomass, and investments that support the generation, improvement, access, transmission and distribution of energy from renewable sources, contribute directly to climate change mitigation and have a positive environmental impact.
- Decree 4056/2015, the Regulation for the Certification of Solid Biomass for Energy Purposes in Paraguay, indicates that forest plantations for energy purposes must generate a carbon-neutral cycle, contribute to reducing deforestation and avoid the increase in GHG emissions. More information on the energy efficiencies ensured by optimal energy use would allow for a better assessment of the contribution of this UoP category to climate change mitigation.
- The biomasses used in the projects to be financed under the bond framework will be certified in accordance with the standards of the national biomass certification programme. The regulation establishes controls to ensure the sustainability of natural firewood resources, guaranteeing that biomass energy comes from forest plantations or managed native forests. Certification helps eliminate the risk of illegal deforestation, which is good for the environment.
- However, the regulation does not determine whether burning biomass fuel will ensure a minimal reduction in GHG emissions, compared to conventional fuels. The inclusion of this scientific criterion would allow a more positive evaluation of this UoP.
- According to the scientific criteria of the EU taxonomy, which we consider a global reference, a sustainable biomass fuel must guarantee a minimum GHG reduction of 65% compared to fossil fuels to demonstrate its contribution to climate change mitigation. Guaranteeing GHG emissions reductions would ensure the energy efficiency related to this UoP. The issuer commits to reporting GHG emissions reductions but does not commit to a minimum reduction, which does not align with best practice.
- The bond framework states that investments in infrastructure, including transformers, cables and voltage regulators, related to clean energy generation and transmission, will be in line with the requirements of the Climate Bonds Initiative (CBI) taxonomy. In this way, it ensures that this UoP meets scientific eligibility criteria and that it can be considered sustainable. In addition, the projects to be financed under this UoP category could contribute to the objectives of Paraguay's national energy-efficiency plan, and have a positive environmental impact.
- According to discussions with Paraguay's ministry of economy and finance, the energy storage described in the bond framework refers to solar and wind energy, both of which we consider "clean" and important contributors to climate change mitigation. The country has significant potential for solar and wind energy storage, especially in the Chaco area where climatic conditions are favourable for power generation from these sources.
- In addition, the development of wind and solar energy sources aligns with the goals of internationally recognised environmental taxonomies.





## Biodiversity

- This category consists of conserving biological diversity and promoting its sustainable use, through the reforestation of forests, and protection and conservation of natural resources. Eligible green project types include:
  - reforestation of forests in priority areas of water recharge for hydropower generation;
  - zero deforestation in forest transformation and conversion activities in the Eastern Region;
  - protection, conservation and sustainable use of biodiversity;
  - protection and conservation of natural resources;
  - management of ecosystems associated with water supply; and
  - research and capacity building for the management of ecosystem services and biodiversity.
- We consider this UoP category to be aligned with the ICMA GBP terrestrial and aquatic biodiversity conservation category.
- This UoP refers to the conservation and protection of protected wild areas. Paraguay has a system of protected natural areas that represent 15% of the total area of the national territory. The protection of biodiversity and natural resources is essential to ensure the sustainable development of the Paraguayan economy, given the country's vulnerability to climate change and its high dependence on water resources for electricity generation.
- The Eastern Region of Paraguay is the most developed in the country, occupying about 40% of the national territory, and containing 97% of its population. It is a region rich in biodiversity, largely covered by the Atlantic rainforest. The Paraná and Paraguay rivers converge in this region and are essential for the country's economy. The region has a great variety of birds, mammals and a rich aquatic system where fish and reptiles thrive. Currently, the rainforest is severely threatened by soil erosion, fires, overlogging, indiscriminate hunting and other harmful activities.
- The bond framework commits to respect the requirements of Law 6676 of 2017, which prohibits the transformation and conversion of areas covered by forests in the Eastern Region. These bans will have positive environmental impacts, after the significant reduction of forest areas in the Eastern Region in recent years.
- The bond framework commits to reporting various environmental impact metrics related to reforestation programmes. The indicators to be reported are quantitative and include information on the increase in protected natural areas. This will bring positive results, as the Paraguayan population and economy will continue to grow, demanding more and more natural resources.
- All efforts, including studies and research associated with water supply, identification of areas of climate vulnerability and the protection of ecosystems can contribute positively to climate change adaptation measures.



## Sustainable management of natural resources and land use


- This category consists of organic farming. Organic agricultural production certified by an accredited entity contributes to food security, the protection of human health, the conservation of natural ecosystems capable of contributing to mitigate the impact of climate change, the improvement of producers' incomes, the promotion of the supply of organic products and the consumption of organic foods in the local and international market.
- We consider this UoP category to be aligned with the ICMA GBP sustainable management of natural resources and land use category.
- The bond framework defines that investments in organic agricultural production will be in line with Law 3,481, Article 4. Organic production in Paraguay excludes the use of chemically synthesised products, and other products that have a real or potential toxic effect on human health. Organic farming provides healthy products, maintains or increases soil fertility and biological diversity, conserves water resources and wetlands, and preserves or intensifies soil biological cycles.
- We cannot confirm that organic agricultural production in Paraguay will contribute to climate change mitigation, as Paraguayan law does not define GHG emissions reduction targets. However, we consider that organic agricultural production has a positive environmental impact, since it ensures the restriction of the use of genetically modified organisms, and relies on the use of organic fertilisers and natural techniques for pest control, among other benefits.
- According to Paraguayan good agricultural practice regulations, an accumulated nitrous oxide (N2O) mitigation potential of 10.8% over a 10-year period would be considered to contribute to climate change mitigation. The






	<p>CBI taxonomy states that emissions savings would have to be substantial for agriculture to be considered sustainable.</p> <ul style="list-style-type: none"> <li>• The initiatives to reduce N2O mark an initial step to contribute to climate change mitigation in an economic sector that is difficult to decarbonise; however, the savings contemplated in Paraguay are relatively modest.</li> <li>• We assess as positive that the requirements of the law meet the taxonomic requirements related to the contribution to adaptation to climate change, since they require a minimum reduction of 20% in the use of fertilisers and pesticides, ecological water management systems, and highlight issues associated with soil fertility, etc.</li> <li>• Projects related to climate warning systems, sustainable commercial reforestation and soil restoration tend to have a positive environmental impact. According to information from the ministry of economy and finance, it anticipates a wide variety of projects to be financed under this UoP: from expenses related to improvements in family farming practices to the development of warning systems that could inform government climate policies.</li> <li>• Many of the anticipated projects will be able to contribute to the better sustainable management of natural resources in the country, which brings a positive environmental impact.</li> </ul>
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#### Clean transportation

<ul style="list-style-type: none"> <li>• In this category, the adoption of electric mobility and low-carbon transport is promoted. This is in line with the national electric mobility strategy and the objective of implementing low-carbon transport programmes and reducing its GHG emissions by 20% by 2030.</li> <li>• The types of projects to be financed include: <ul style="list-style-type: none"> <li>– sustainable mobility that promotes the use of electricity and green hydrogen;</li> <li>– urban development and mass passenger transport;</li> <li>– non-motorised mobility;</li> <li>– infrastructure for electric transport; and</li> <li>– replacement of bunkers used in the Paraguay–Paraná waterway with energy alternatives, such as electricity or hydrogen.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP category to be aligned with the ICMA GBP clean transportation category.</li> <li>• According to information from the ministry of economy and finance, Paraguay has great potential to adopt electric mobility, since its electricity generation is one of the cleanest in the world. However, vehicles and public transport in Paraguay depend almost entirely on fossil fuels. A transition to sustainable energy-powered means of transport represents a major challenge for many countries, including Paraguay.</li> <li>• The number of electric vehicles circulating in Paraguay is still small, but there are public initiatives to encourage the increase of clean transportation and reduce dependence on imported fossil fuels. UoP categories related to the transformation of the country's vehicle fleet will directly contribute to climate change mitigation.</li> <li>• The transition to electrification of the transport sector is supported by Taiwan, Korea and the EU and includes programmes to increase the number of charging stations, import of electric buses for utilities, technical development to promote the manufacture of electric vehicles and import of expertise.</li> <li>• The Paraguay–Paraná rivers waterway transports 80% of Paraguay's exports and imports. A proposal to replace a fossil fuel (known as "bunker") used in waterways with more sustainable energy alternatives, such as renewable electricity or hydrogen, is underway. The bond framework does not provide additional information relating to the proposal. We consider the electrification of water transport and the use of hydrogen to be positive, but it is still in pilot testing phases, so its application could take time.</li> </ul>	 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>
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#### Sustainable buildings adapted to climate change

<ul style="list-style-type: none"> <li>• In this category, sustainable construction is promoted throughout its process, including the design, execution and reduction of waste generated during the execution of the work, in line with the Paraguayan standards for sustainable construction.</li> <li>• The types of projects to be financed include: sustainable constructions in terms of energy, waste and water</li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP category to be aligned with the ICMA GBP green buildings category.</li> <li>• Only buildings based on sustainable architecture principles that meet energy and water efficiency standards or certifications, among others, align with the eligible ICMA GBP project categories.</li> <li>• The Paraguayan sustainable construction standards determine several requirements regarding savings in energy</li> </ul>	 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>
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management (hospitals, schools, buildings, homes, etc.), and constructions with a focus on adaptation to climate change.

consumption in buildings and certain certifications, but they do not appear to be as rigorous or as detailed in respect of necessary energy-efficiency targets to ensure a significant contribution to the mitigation of climate change.

- Energy certification of buildings in Paraguay is still rare. However, the increase in sustainable urban construction is included in Paraguay's climate change mitigation plans for 2030. We assume that the energy savings of the buildings to be financed with green bonds issued under the bond framework will ensure a minimum reduction of GHG emissions, thus contributing to the environmental objective of mitigating climate change. The absence of a minimum reduction commitment affected the assessment of this UoP category.

#### Support for adults living in poverty/support for low-income families

- **Support for adults in poverty:** this programme provides monthly cash assistance to all Paraguayan citizens over 65 years of age who live under the conditions of the monetary poverty line and do not receive a salary, pension or public or private retirement.
- **Support for low-income families:** this improves the quality of life of families in situations of poverty and extreme poverty with members attending basic and secondary education, including children and adolescents.
- **Types of eligible projects:**
  - alimony for elderly people in poverty;
  - eradicate child labour in children aged 0 to 13 years;
  - increase in mainly productive assets that contribute to the social promotion of families in situations of poverty and vulnerability; and
  - financing of actions and measures aimed at vulnerable families in the country, through subsidies or contributions for low-income families.
- We consider this UoP category to be aligned with ICMA SBP socioeconomic advancement and empowerment category. It also supports UN SDGs (no poverty), 2 (zero hunger), 4 (quality education) and 10 (reduced inequalities).
- The beneficiaries of the support programmes defined in the bond framework are clearly described; they are all vulnerable populations. In Paraguay, the poverty strata of the population are defined through a quality of life index that depends on scores. The beneficiaries of various support programmes are selected based on the scores favouring the most vulnerable, in a transparent manner.
- Social protection programmes included in the bond framework are registered in the country's integrated social information system. The programmes are preserved despite government changes and seek to improve, in the long term, the quality of life of Paraguayans.
- The bond framework highlights three main programmes to be financed with the UoP, namely "Tekopora", "Tenondera" and "Abrazo".
- The Tekopora programme provides cash transfers, socio-family accompaniment and improvements in education levels. Access to the programme for poor and vulnerable people requires that at least one member of the family attends basic and secondary education. We believe that this requirement will contribute to the improvement of children's literacy levels and quality of life, translating into a positive social impact, supporting SDG 4.
- The Tenondera programme proposes financing for the acquisition of productive assets to families in situations of poverty or low quality of life. Tenondera follows up on families who have already received a certain number of support benefits under the Tekopora programme. It also seeks to strengthen the technical capacities of the participants, which is, in our opinion, essential to ensure the success of the beneficiaries' efforts. This category of UoP supports SDGs 1 and 10.
- The Abrazo programme contributes to the eradication of child labour in Paraguay. The protection of children's rights has a positive social impact.
- There are no updated data on the situation of child labour in Paraguay, since the last survey carried out by independent international organisations was in 2011. However, according to these data, 22% of Paraguayan children and adolescents engaged in child labour and, in 97% of cases, they were involved in tasks classified as hazardous. In our opinion, the Abrazo programme can positively support the most vulnerable children.



#### Access to affordable housing

- This category encourages access to affordable social housing programmes for families with little ability to pay, such as the National Social Housing Fund (Fonavis), which is the stable source of resources that the state institutes to subsidise social housing programmes.
- Types of eligible projects:
  - national subsidy for social housing in the form of acquisition of new or used housing and building on own lots (Fonavis programme);
  - national subsidy for social housing, in the modalities of acquisition of new or used housing and building on own lots, aimed at families with people with disabilities and/or chronic diseases (Fonavis programme); and
  - expenditures related to increased investment in the construction and improvement of social housing.
- This UoP category is aligned with the ICMA list of eligible social projects. It also supports SDG 11 (sustainable cities and communities).
- The Fonavis programme promotes the implementation of social housing construction projects and implements the National Social Housing Subsidy programme. According to Fonavis, priority is given to families with a total income of less than a minimum wage (PYG2.8 million per month, equivalent to USD370) and may receive a subsidy of up to 95% of the value of the property. Our opinion is that the social reach of the Fonavis programme is positive.
- The housing deficit in Paraguay reached 1.1 million in 2011, according to studies carried out by Habitat for Humanity. We did not identify data regarding the shortage of social housing in the country, but assume that it is also pronounced. Access to housing generates broad social benefits and the Fonavis programme is a key player in the development of social housing in Paraguay.



#### Access to education

- Provision of quality, inclusive and equitable education, through the development of skills and competencies in accordance with the current demand for work.
- Types of eligible projects:
  - programme of timely educational attention to pre-kindergarten and kindergarten and delivery of basic basket of supplies and school meals; and
  - programme for the timely completion of studies and delivery of the basic basket of supplies, school meals and scholarships.
- We consider this UoP category to be aligned with the ICMA SBP access to essential services category. It also supports SDG 4.
- This category of social expenditure is aligned with the fulfilment of the country's social objectives. In our view, public education services are not only aimed at vulnerable populations, but at all students. However, the ministry of economy and finance confirms that the calculation of the school vulnerability index will be used to determine the prioritisation of schools to be financed with social bonds.
- The variables analysed for this index include metrics on school dropout rate, repetition, family socioeconomic situation, average environment and other measures that, in our opinion, will help ensure that vulnerable populations will be served.



#### Food security

- To ensure the improvement of the food and nutritional security conditions of people in situations of poverty and vulnerability.
- Eligible project types include:
  - preventing nutritional deficiencies in children under five years of age and promoting family farming and strengthening food security;
  - expenses related to the acquisition of productive technologies and techniques for the strengthening of family farming, with emphasis on risk management associated with the reduction of the adverse effects of climate variability and markets in the agricultural sector; and
  - programmes for access to land and the creation of adequate conditions for the establishment and economic and social consolidation of rural communities of family-based producers.
- This UoP category is aligned with the ICMA list of eligible social projects. It also supports SDG 2.
- The UoP detailed in this category essentially serve vulnerable populations, including rural communities and children. Some planned expenses are indirect, as in the case of financing for the acquisition of land that, ultimately, could be farmed. However, we view as positive that the expenses will be able to contribute to the security of food systems in Paraguay.



#### Access to essential health services

- Establish a quality health system that encourages increased life expectancy, through universal health coverage.
- Types of eligible projects:
  - construction, remodelling and/or expansion of health institutions;
  - improvement, strengthening and comprehensive support for public health services;
- We consider this UoP category to be aligned with the ICMA SBP access to essential services category. It also supports SDG 3 (good health and well-being).
- Access to health services seems to be well organised in Paraguay through integrated networks and health units, though access is affected by the deficits of beds in hospitals, health professionals and care in rural areas, especially for poor populations.







- actions to support health services;
  - early childhood development programme;
  - control of zoonoses;
  - control of reduced and controlled vector-borne diseases;
  - research, education and biotechnology applied to health; and
  - actions for the comprehensive care of HIV-AIDS.
- Paraguay suffers from recurrent health problems related to lack of sanitation (dengue, parasitosis, diarrhoea), as well as problems related to access to healthy nutrition (obesity, diabetes). It is positive that this UoP category contemplates investments to address these problems.
  - The early childhood development programme manages the public health system for children from zero to five years old. Medical care and developmental follow-up in the first years of life is important to detect health complications and monitor the level of stimulation received by the child. Universal access for Paraguayan children to this programme provides positive social benefits, in our view.
  - Although the expenditures to be made under this UoP will not only serve vulnerable populations, we understand that users of public health services in Paraguay are mainly people with low and medium financial resources, since the most fortunate populations tend to use the services of the private sector. We believe that the social impact will be positive, taking into account the socioeconomic level of public health service users in the country.

#### Infrastructure for social development

- Improvement of road infrastructure to improve the country's competitiveness and ensure permanent and safe transit to markets and essential health and education services.
- Type of eligible projects:
  - rehabilitation of access roads to rural communities, avoiding their isolation, as long as these activities do not imply deforestation and forest degradation in addition to activities in protected areas or activities that violate the rights of Indigenous people;
  - construction, remodelling and/or expansion of roads and bridges located in rural areas; and
  - works that promote the permanent transit of rural communities.
- We consider this UoP category to be aligned with the ICMA SBP affordable basic infrastructure category. It also supports SDGs 9 (industry, innovation and infrastructure) and 11.
- The NDP identifies serious connectivity problems in the country's road network, characterised by lack of paving, precarious passability, lack of maintenance, etc. Few rural roads are part of improvement and conservation programmes. The precarious state of the road infrastructure is a limitation for Paraguay's socioeconomic development.
- Improving internal connectivity, mainly in rural areas, will provide opportunities for access to education, public health and work to the most isolated communities, fostering socio-economic integration.



**9**  
INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



**11**  
SUSTAINABLE CITIES AND  
COMMUNITIES

#### Water and sanitation

- Provide clean water to improve the quality of life of the population that is especially vulnerable to achieving a healthy life.
- Water and sanitation services have a strategic regulatory and operational linkage that is inherent to the adequate attention to risk areas and vulnerable populations; including expansion of coverage with technologies adapted to local needs and for the sustainable management of water resources, while considering strategies for adaptation to the effects of climate change.
- Eligible projects include expenditures aimed at expanding water supply and sanitation infrastructure and services, especially benefiting vulnerable populations.
  - This includes sanitation services and sanitary sewerage systems such as hygienic, safe, socially and culturally adaptable facilities connected to the public sewerage network; and basic and environmental maintenance and sanitation activities.
  - This also includes, expenditures aimed at improving water quality through the control of supply and treatment services, including the establishment of wastewater treatment plants.
- We consider this UoP category to be aligned with the ICMA SBP list of eligible social projects. It also supports SDG 6 (clean water and sanitation).
- This UoP category also brings environmental benefits, as improved access to clean water and sanitation helps eliminate pollution.
- According to the study "The drinking water and sanitation sector in Paraguay" published by the IDB in 2022, Paraguay stands out as the Latin American country with the greatest progress in closing the drinking water coverage gap in rural areas. As of 2020, 95% of urban populations and 86% of the rural populations received drinking water.
- However, the coverage of sanitary sanitation networks in the country for wastewater collection is very low. The same IDB study mentions that the sanitary sewerage service reaches about 15% of the population nationwide and a very small portion of wastewater is treated in specialised treatment plants. The investments planned in this UoP category will bring clear social benefits, prioritising the vulnerable population.

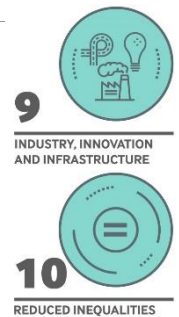


**6**  
CLEAN WATER AND  
SANITATION



#### Access to financial services

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| <ul style="list-style-type: none"> <li>• Provide access to formal financial services to ensure the economic inclusion of the especially vulnerable population, through expense management, financial planning and business development. Includes expenditures aimed at the development of long-term credit products that benefit populations in situations of poverty or exclusion.</li> </ul> | <ul style="list-style-type: none"> <li>• We consider this UoP category to be aligned with the ICMA SBP access to essential services category. It also supports SDGs 9 and 10.</li> <li>• According to World Bank data, published in 2022 in the report "The Little Data Book on Financial Inclusion", 27% of the adult population (15 years or older) in Paraguay had a bank account in 2021. Only 14% of the Paraguayan population over the age of 15 had formal access to a loan. Access to informal credit was higher, at 35%.</li> <li>• Considering the low levels of financial inclusion in Paraguay, the development of long-term credit products for vulnerable populations, including women (see "Empowering Women" below) can bring very positive social benefits.</li> </ul> |
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#### Empowering women

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Promote gender equality as a fundamental right by closing the inequality gaps between women and men, especially in the vulnerable population with less access to economic resources, property, financial services, technology, health services and other essential services.</li> <li>• Type of eligible projects: <ul style="list-style-type: none"> <li>– expenditures related to strengthening women's participation in income generation by prioritising rural areas (agricultural and non-agricultural activities) through technology transfer, access to credit and specific training for production in rural areas;</li> <li>– expenditures associated with improving the conditions of access to credit for women living in rural areas, giving priority to those who participate in associative schemes; and</li> <li>– expenditures that stimulate the formation of micro, small and medium-sized enterprises aimed at women heads of households in poverty.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• We consider this category of UoP to be aligned with the ICMA SBP socio-economic advancement and empowerment category. It also supports SDG 5.</li> <li>• The beneficiaries of investments in this UoP category include populations that generally face difficulty in accessing employment. In our view, directing attention to these populations will generate a positive social impact. Gender gaps (measured by resources and opportunities) between women and men in Paraguay are high.</li> <li>• According to statistics from the Permanent Household Survey in 2023, female-headed households represented about 38% of the country's households and about 30% of the female workforce is self-employed, often facing difficulty in accessing credit.</li> <li>• The uses of proceeds dedicated to supporting women detailed in the bond framework will be able to effectively contribute to improving the social conditions of Paraguayan women.</li> </ul> |
|--|--|



#### Programmes designed to prevent and alleviate impacts associated with economic crises, including the provision of finance to SMEs and microfinance lenders

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Financing of programmes aimed at supporting people whose income is affected by socioeconomic crises derived from a declaration of catastrophe by national authorities, such as pandemics or earthquakes.</li> <li>• Loans or other financial support for SMEs facing financial stress due to socioeconomic crises resulting from the declaration of a state of catastrophe by national authorities, such as pandemics and earthquakes.</li> </ul> | <ul style="list-style-type: none"> <li>• This UoP category is aligned with ICMA list of eligible social projects. It also supports SDGs 8 (decent work and economic growth) and 10.</li> <li>• Access to advances in financing programmes to address emergencies creates positive social impact. There is evidence that, during times of crisis, such as the global Covid-19 pandemic, public financial advances granted to SMEs and individuals in economic distress generated a broad positive social impact. In many cases, access to financing prevented business failure and provided greater job stability.</li> </ul> |
|--|--|



Source: Paraguay sovereign sustainability bond framework 2024

Source: Sustainable Fitch



## Use of Proceeds – Other Information

### Company Material

- It is expected that at least 50% of financed expenditures will be new, since the financing of new expenditures has a greater environmental and social impact to promote sustainable development. In the context of this framework, expenditures will include recent expenditures (disbursements within 24 months before and after the date of issuance of the sustainable sovereign bond) and, if necessary, could also include new expenditures.
- Projects categorised as high environmental and social risk will not be eligible, as well as projects that impact primary forests and/or traditional communities. Activities prohibited by the laws or regulations of the country or ratified international conventions and agreements, or that are subject to phase-out or prohibitions at the international level will not be eligible.
- If one or more of the projects and/or programmes initially included in an issuance ceases to meet the eligibility criteria mentioned above, due to changes in its nature or implementation, the financing or refinancing expenses associated with the specific bond will not be considered, although the expenses may be reallocated.

Source: Paraguay sovereign sustainability bond framework 2024

## Alignment: Excellent

### Sustainable Fitch's View

- Of the expenses to be financed with bonds issued under the bond framework, 50% will be related to new expenses. We believe that the environmental and social impact generated by new financing is highly positive, as it guarantees an increase in the flow and number of new sustainable projects. Sovereigns often fund projects and programmes over long-term periods. For this reason, we consider a retrospective refinancing period of 24 months prior to the issuance or contracting of a debt under the bond framework to be in line with the long-term financing needs.
- The refinancing cap is 50%. Although this is higher than the limit adhered to by some other regional sovereigns, we consider it to be adequate with Paraguay's goals since the largest percentage of resources to be used for refinancing will be for social projects and programmes. On many occasions, the beneficiaries of social programmes change frequently and refinancing reaches new recipients.
- New financing will focus on relatively recent expenditures, with a lookback period of 24 months, in line with good market practice. The list of exclusions included in the bond framework is extensive, ensuring that investments in expenditures with a negative socio-environmental impact are avoided.

Source: Sustainable Fitch

## Evaluation and Selection

### Company Material

- The evaluation and selection of eligible green and social expenditures will be led by the ministry of economy and finance in a strategic working group called the green, social and/or sustainable sovereign bonds working group.
- This group will be composed of at least one representative from each of the following directorates, with decision-making powers: directorate-general for policy and indebtedness, directorate-general for budget, directorate-general for credit and public debt, directorate-general for public investment, directorate-general for the public treasury, directorate-general for macrofiscal policy, the competent directorates of the economic development management and the economy management of the ministry of economy and finance, as well as the sectoral representatives responsible for the execution of public investment projects.
- For a proper identification of eligible green and/or social expenditures, the following aspects will be taken into account: thematic eligibility, identification of the target population for social expenditures, management of the environmental and social risks associated with the expenditures and measurement and verification of the expected environmental and social impact.
- Thematic eligibility: the issuance of the thematic bond requires the working group to choose a green or social thematic eligibility category, according to the identification of the environmental or social objectives of the bond. In addition, it reviews and validates the selection of eligible green and/or social projects as set out in the section on the UoP.
- Identification of the target population for social expenditures: all eligible social expenditures must benefit one or more target populations, which are described in detail.
- Management of environmental and social risks associated with expenditures: in the environmental field, eligible projects must comply with the provisions of Law No. 294/1993. Under this law, any project that generates an environmental impact caused by human activity or activities that have direct or indirect positive or negative consequences must produce an environmental impact assessment (EIA). In addition, any project that affects life in general, biodiversity, the quality or a significant quantity of the natural or environmental resources and their

## Alignment: Excellent

### Sustainable Fitch's View

- We view the process of evaluation and selection of expenses to be financed under the bond framework as robust and following market best practices. The selection committee has representatives from various disciplines and the participation of sustainability experts, which will contribute to balanced decision-making and ensures a correct allocation of UoP categories. The selection will follow the expenditure eligibility criteria defined transparently in the bond framework.
- Social bonds will serve well-defined vulnerable populations under the bond framework, providing transparency and directly supporting several SDGs. Some UoP categories target generalised populations, including vulnerable populations. Likewise, each project will have a factual analysis in which the specific objectives, the beneficiary population, the identification of the problem to be solved, indicators and goals, among others, will be determined. Priority will be given to places where the needs are most evident and, in this way, vulnerable populations will benefit.
- The annual publication of performance and impact indicators for funded programmes and projects is not, in our view, an integral part of the project evaluation and selection process, though it will serve to ensure that eligibility criteria are followed up over the years, as many investments will be made in the long term.



## Evaluation and Selection

**Alignment: Excellent**

Company Material	Sustainable Fitch's View
<p>use, well-being, health, personal security, habits and customs, cultural heritage or legitimate livelihoods, must also produce an EIA. However, projects categorised as having high environmental and social risk will not be eligible under this framework.</p> <ul style="list-style-type: none"> <li>Measurement and verification of the expected environmental and social impact: annually, the working group, with the support of the ministry of economy and finance, and through the general directorate of debt policy, will consolidate the information that the ministries must provide to register in the emissions database the result of the performance and impact indicators established for the projects and/or programmes. Likewise, the information registered in the database of green, social and/or sustainable bond issuances will be monitored and updated by the working group.</li> </ul>	
Source: Paraguay sovereign sustainability bond framework 2024	Source: Sustainable Fitch

## Management of Proceeds

**Alignment: Excellent**

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>The net resources of the issuances will have an account to be enabled by the general directorate of the public treasury, specific for each sustainable bond issuance, with which an accounting will be made of the resources of the bond that were assigned to these eligible expenses.</li> <li>The monitoring of the accounts authorised by the general directorate of the public treasury could include an independent verification, which would provide an additional layer of security to the management of the monitoring of the accounts. The ministry of economy and finance shall administer the funds in accordance with national budgetary regulations. Such funds may not be used for investments that do not contribute to a sustainable economy and that are not aligned with the categories and criteria set out in this framework. The total allocation period of the funds will be a maximum of 24 months.</li> <li>The ministry of economy and finance will ensure that eligible expenditures are not financed by other sources of financing – special-purpose loans with multilateral organisations, international cooperation grants, among others, ie that the same expenditure is not being accounted for twice.</li> <li>If one or more of the projects/programmes initially included in an issuance ceases to meet the eligibility criteria mentioned above, due to changes in its nature or implementation, the financing or refinancing expenses associated with the specific bond will not be considered, although the expenses may be reallocated.</li> <li>In this way, the total value of the eligible expenses associated with a particular bond will be greater than the amount of the issuance, to avoid the need to include new projects and/or programmes in case any of them are no longer eligible, there are delays in execution or possible cancellations.</li> </ul>	<ul style="list-style-type: none"> <li>The resources raised through bonds issued under the bond framework will be deposited in a bank account enabled exclusively for sustainability bonds, thus guaranteeing transparency for investors, in line with market best practices. Paraguay stands out from many sovereign issuers, which do not ensure the deposit of funds raised in segregated accounts. The allocation control process is robust, in accordance with official national regulations, also in line with good market practices.</li> <li>The funds raised will only be used to finance pre-selected eligible expenses and no temporary investment of the same is foreseen. This management is aligned with market best practice and will ensure that all investments will be consistent with the objectives of the framework.</li> <li>We consider the process of monitoring resources raised under the bond framework as aligned with best practice. In the event that any project or programme ceases to meet the eligibility criteria defined in the bond framework, the sovereign undertakes to replace it with one that complies. We consider this positive, as it is crucial to monitor compliance with eligibility criteria to ensure the contribution of projects or programmes to national and international sustainable objectives.</li> </ul>
Source: Paraguay sovereign sustainability bond framework 2024	Source: Sustainable Fitch

## Reporting and Transparency

**Alignment: Good**

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>Paraguay's ministry of economy and finance will provide investors with a report on the allocation of funds (allocation report) and the impact of eligible green and/or social expenditures (results and impact report) annually until the full allocation of resources, with the information available at the time of the report. The allocation report will be reviewed by a third party and the results and impact report may also be subject to</li> </ul>	<ul style="list-style-type: none"> <li>The reporting commitments described in the bond framework are robust. Allocation reports will detail expenditures by category and will be verified by an independent reviewer. Its annual publication until full allocation is aligned with good market practice.</li> <li>Impact reports will also be published until the full allocation of resources. The publication of subsequent reports will depend on the availability of information. The issuer's commitment to publish impact</li> </ul>

Reporting and Transparency		Alignment: Good	
Company Material		Sustainable Fitch's View	
<p>review. These reports will be made available to the public on the website of the ministry of economy and finance.</p> <ul style="list-style-type: none"> <li>The allocation report shall include a description and total amount of funds allocated for each green or social category, amount and percentage of funds for financing and refinancing, and balance of unallocated funds.</li> <li>Results and impact reports may include the expected impact of green and/or social expenditures, qualitative performance indicators and the methodology of the underlying assumptions. The first results and impact report will be published the year following the issuance of the bond and then it will be published annually until the allocation of resources and subsequently, depending on the availability of information, reports may be made until the maturity of the bond.</li> </ul>		<p>reports on an annual basis is subject to the availability of information. They also will not be independently verified, but they will contain measurable and clear impact metrics, which is positive. Independent verification would be aligned with market best practice.</p> <ul style="list-style-type: none"> <li>Allocation and impact reports will be publicly available and easily accessible, which is positive.</li> </ul>	
Source: Paraguay sovereign sustainability bond framework 2024		Source: Sustainable Fitch	





## UoP – Examples of Projects to be Financed with Sovereign Sustainability Bonds

Affordable basic infrastructure	The list of projects includes about seven financing opportunities for the construction and maintenance of roads and bridges in various regions of the country. It includes expenditures of PYG325 billion (USD46 million) related to unpaved road conservation projects in rural areas. Road maintenance in rural areas facilitates commercial and social procedures in more isolated communities.
Access to essential services – health	<p>The construction of a public hospital in Coronel Oviedo, a city located about 150 km west of Asunción with about 55,000 inhabitants, for an expenditure of PYG560 billion (USD78 million), is a possible project to be financed with the issuance of thematic bonds.</p> <p>The project to build a hospital (PYG560 billion; USD78 million) that will serve the region of Encarnación, in the south of the country. The city of Encarnación has about 130,000 inhabitants who will be able to benefit from the services of this hospital, as well as the inhabitants of the nearby regions.</p>
Affordable housing	The 1,500-home housing project in Bañado Sur for an estimated expenditure of PYG551 billion (USD76 million) is an example of a project that could be financed by thematic bonds issued in the future. Currently, about 17,000 families live in Bañado Sur, an area near the Paraguay River on the outskirts of Asunción; The region is subject to frequent flooding. Therefore, access to better quality housing can generate a considerable positive social impact for families.
Sustainable management of water and wastewater	About 11 projects were identified for the improvement of water systems, construction of sewers and sanitary works that could benefit from financial resources through green bond issuances. The projects are located in various areas of the country. The completion dates extend to 2027; however, the closest expenses identified reach PYG307 billion (USD43 million).

Source: Paraguay ministry of finance and economy



## Relevant UN Sustainable Development Goals

- **1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.



- **2.1:** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.
- **2.2:** By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.
- **2.3:** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.



- **UoP categories are related to a large number of SDG 3 targets, including:**

- **3.1:** By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births.
- **3.2:** By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births.
- **3.3:** By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.
- **3.7:** By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.



- **4.1:** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.
- **4.2:** By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.



- **5.1:** End all forms of discrimination against all women and girls everywhere.
- **5.a:** Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.



- **6.2:** By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.
- **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.



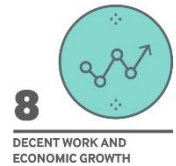
- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.





## Relevant UN Sustainable Development Goals

- **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.



- **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.



- **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.



- **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- **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.



- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.2:** Integrate climate change measures into national policies, strategies and planning.



- **15.1:** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements



Source: Sustainable Fitch, UN



## Appendix A: Principles and Guidelines

### Green Bond Principles 2021; Social Bond Principles (2023); Sustainability Bond Guidelines (2021)

#### Four Pillars

1) UoP	Yes
2) Evaluation and Selection Process	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

#### Independent Review

External Opinion	Yes
Verification	Yes
Certification	No
Rating	No
Other	n.a.

#### 1) UoP

##### UoP in line with Green Bond Principles

Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	No
Sustainable management of natural resources and land use	Yes
Conservation of land and water biodiversity	Yes
Clean transport	Yes
Sustainable management of water and wastewater	No
Climate change adaptation	Yes
Products, technologies and production processes adapted to circular economy and/or eco-efficiencies	No
Green buildings	Yes
Other	n.a.

##### UoP in line with Social Bond Principles

Basic affordable infrastructure	Yes
Access to essential services	Yes
Affordable housing	Yes
Employment creation (as a result of financing SMEs and microfinance lending)	Yes
Food security	Yes
Socio-economic advancement and empowerment of women	Yes
Other	n.a.

#### Target Populations

Living below the poverty line	Yes
Marginalised, excluded or excluded populations and/or communities	Yes
Disabled populations	No
Migrants and/or displaced populations	No
Under-educated	Yes
Unserved, due to lack of access to essential goods and services	Yes
Unemployed populations	No
Women and/or sexual or gender minorities	Yes
Vulnerable elderly or young populations	Yes
Other groups of vulnerable populations, including those impacted by natural disasters	No
Other	n.a.

#### 2) Project Evaluation and Selection

##### Evaluation and Selection



Green and social credentials of the issuer	Yes
Documented process to determine that projects fit within the categories	Yes
Defined and transparent criteria for projects eligible for financing with sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.
<b>Evaluation and Selection, Responsibility and Accounting</b>	
Evaluation and selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.
<b>3) Management of Proceeds</b>	
<b>Tracking of Proceeds</b>	
Sustainability bonds proceeds segregated or tacked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	No
Other	n.a.
<b>Additional Disclosure</b>	
Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.
<b>4) Reporting</b>	
<b>UoP Reporting</b>	
Project-by-project	No
On a Project Portfolio basis	Yes
Linkage to individual bond(s)	Yes
Other	n.a.
<b>Reported Information</b>	
Allocated Amounts	Yes
Sustainability bond-financed share of investment	No
Other	n.a.
<b>UoP Reporting/ Frequency</b>	
Annual	Yes
Semi-annual	No
Other	n.a.
<b>Impact Reporting</b>	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	Yes
Other	n.a.
<b>Impact Reporting/Information Reported (exp. Ex-post)</b>	
GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	No
Number of beneficiaries	Yes





Target populations: the bond framework includes a detailed list of metrics related with social impact for all social investments, the bulk of which relate to the number and percentages of beneficiaries for each social programme or expense.	Yes
Other impact metrics related to green categories include: areas of protected land; captured CO2 (a year); percentage increase in areas declared to be protected; percentage increase in areas using organic farming practices or certified sustainable practices; increase in the volume of treated water measured by cubic metres a year, monthly or semi-annually.	Yes
<b>Impact Reporting Frequency</b>	
Annual (depending on data availability)	Yes
Semi-annual	No
Other	n.a.
<b>Means of Disclosure</b>	
Information published in financial report	No
Information published in ad-hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.
Note: n.a. – not applicable. Source: Sustainable Fitch, ICMA	

## Appendix B: Definitions

Term	Definition
<b>Debt types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
<b>Standards</b>	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards <a href="#">created by the EU</a> to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

## Appendix C: Second-Party Opinion Methodology

### Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

### Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

### Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch



## SOLICITATION STATUS

The Second-Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products include without limitation ESG ratings, ESG scores, ESG second-party opinions and other ESG assessments and data-related products, among other ESG Products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established specific policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: [www.sustainablefitch.com](http://www.sustainablefitch.com).

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