



NBT AS

Green Finance Second Opinion

April 22, 2021

NBT is a company based in Oslo that develops, constructs, and operates large-scale renewable energy projects in high growth markets. It has previously developed wind farms in China, and the company's current pipeline comprises projects in Ukraine, Serbia, Greece and Romania. The company aims at developing its total capacity of renewable energy production, with a pipeline of approximately 2,000 MW of projects, of which more than 90% are wind projects and the remaining solar PV.

The green finance framework lists eligible projects within the renewable energy category (wind and solar PV) that promote the transition to a low carbon future. For the initial bond issuance, the net proceeds will be mostly attributed to the financing of the Zophia Wind Farm project, located in the Southern part of Ukraine that will have an electrical capacity of approximately 788 MW. The green finance framework is also intended for use in future other green bond raises, which proceeds would be attributed to eligible green projects (i.e., wind and solar PV projects). However, no more specific KPIs and eligibility criteria have been attributed to the project category.

The issuer confirmed that they would go beyond the requirements of the Equator Principles in terms of climate change adaptation, by being in the process of developing mitigation and adaptation action plans, and in the process of providing an assessment of the projects' risks, including climate risks, environmental impacts, and supply chain emissions. The issuer mentioned aiming at implementing climate risk disclosures through the 2021 reporting according to the TCFD recommendations and informed using climate scenarios for temperature development and flooding risks. However, the framework does not specify any requirements regarding emissions from vehicles and on-site fossil fuel equipment used during the construction and maintenance process and could include new access roads.

NBT seems to be aligned with applicable mitigation and Do-No-Significant-Harm (DNSH)-criteria for electricity generation from wind power and electricity generation using solar photovoltaic (PV) technology activities in the EU taxonomy. NBT seems to fulfill the minimum safeguards of the EU Taxonomy, and production of electricity from wind and solar PV are considered to contribute substantially to climate change mitigation.

Based on the overall assessment of the eligible green assets under this framework and governance and transparency considerations, NBT's green finance framework receives a **CICERO Dark Green** shading and a governance score of **Good**. NBT carries out EIA and ESIA that are disclosed to all stakeholders. However, the company would benefit from setting specific targets to reduce its emissions, as well as from improving its climate risk assessment and mitigation approach.

SHADES OF GREEN

Based on our review, we rate NBT's green finance framework **CICERO Dark Green**.

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in NBT's framework to be **Good**.



GREEN BOND and GREEN LOAN PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.





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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the NBT'S Green Finance Framework dated **April 2021**. This second opinion remains relevant to all green bonds issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the issuer's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence with the issuer. Second opinions are restricted to an evaluation of the mechanisms or framework for selecting eligible projects at a general level. CICERO Green is not responsible for an institution's implementation of a framework, nor does it guarantee or certify the climate effects of investments in eligible projects.

Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions of the bonds. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris Agreement. The shades are intended to communicate the following:

CICERO Shades of Green	Examples
 <p>Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.</p>	 <p>Wind energy projects with a strong governance structure that integrates environmental concerns</p>
 <p>Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.</p>	 <p>Bridging technologies such as plug-in hybrid buses</p>
 <p>Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.</p>	 <p>Efficiency investments for fossil fuel technologies where clean alternatives are not available</p>

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



2 Brief description of NBT's Green Finance Framework and related Policies

NBT develops, constructs, and operates large-scale wind farms in high growth markets. It has previously developed wind farms in China, and the company's current pipeline comprises projects in Ukraine, Serbia, Greece and Romania. The company is headquartered in Oslo and has offices in Stockholm, Beijing and Kyiv. NBT operates, as part of the E&S action plans of the company, against international Environmental, Social and Governance (ESG) standards, such as the Equator Principles, the IFC Performance Standards and EHS Guidelines, EBRD's Environmental and Social Guidelines, ILO Core Labor Standards and ILO Basic Terms and Conditions of Employment and the UN Guiding Principles on Business and Human Rights. NBT issued its first Green bond in 2019 to finance the investment of the Syvash wind farm project through its subsidiary East Renewable AB, for which CICERO Green provided a second party opinion¹. With several new ESG policies, in place and in development, NBT has chosen to establish a new Green Financing Framework.

Environmental Strategies and Policies

At the company level, The NBT Environmental and Social Management System (ESMS) covers ESG reporting and the progress NBT has made with regards to environmental, social and governance challenges and their Environment and Social (E&S) Action (mitigation) Plans over the last year. The company is also contributing to the Sustainable Development Goals (SDGs), including avoiding CO₂ emissions through carbon accounting, and benchmarking its ESG policy against the SDGs and against the company's statements and policy objectives written in its framework. The company also mentioned being in the process of putting in place GHG assessment that will quantify the emissions associated with the project, detailing the annual construction and operational GHG emissions for Scope 1 and 2 sources and providing an assessment of the carbon payback period. The company has informed us that it is in the process of setting up a model on how to benchmark, monitor and report on GHG emissions associated with raw materials and their transport, construction activities, land use change (where relevant), and the operation of the projects. At the moment, the company is not reporting the emissions at the company level, nor has set specific targets to reduce its emissions. However, according to the issuer, the emissions for scope 1,2 and 3 will start to be reported in the 2021 Sustainability Report.

NBT is aware of the environmental and social impacts that its operations have on local communities, including noise, shadow, flicker, birds and bat mortality, traffic, dust, emissions from vehicles, water consumption, and health and safety risks. Therefore, NBT aims at mapping, assessing, minimizing, managing to mitigate, and monitoring the set of negative impacts, as well as engaging stakeholders from an early stage throughout the life cycle of a project. NBT conducts an environmental impact assessment (EIA) against local standards and an environmental and social impact assessment (ESIA) against international standards (i.e., NBT confirms that it will comply with IFC and EBRD standards, as well as with the Equator Principles for all its projects) at the development phase of each project. This involves engaging advisors to identify the relevant local and international environmental regulations applicable to the scope of the renewable energy project, as well as to identify the potential negative impacts of the project, and how they can be avoided, minimized or mitigated. The ESIA and EIA provide a management plan, devised to control the impacts during construction, operation and decommissioning of the project. However, the impact assessment is not yet including the supply chain, but the company further mentioned that it is currently working on integrating the supply chain into the impact assessment in the near future.

¹ https://pub.cicero.oslo.no/cicero-xmlui/bitstream/handle/11250/2720415/East_Renewable_SPO_12062019_Final.pdf



According to the issuer, NBT's ESG Risk management system also manages environmental risks, including via the prevention or minimization of the release of pollutants into air, water, and land; via the promotion of an efficient use of natural resources; and via avoidance or minimization, where possible, of the use of hazardous materials and chemicals and of the generation of hazardous and non-hazardous wastes. Where waste generation is unavoidable, the issuer aims at recovering, reusing, treating, and properly disposing water. The company also aims at managing the environmental risks regarding biodiversity, habitat, ecosystem conservation and living natural resources.

NBT further informed us that a climate risk and vulnerability assessment is part of the design stage of any project, where climate risk and vulnerability assessments are covered in the environmental and social impact assessment. The issuer mentioned that the methodology used provides a climate risk assessment based on previously published climate projections, best practice techniques and approaches. The climate change risk assessment will also identify any relevant resilience measures for each risk for the project infrastructure and assets. NBT is further informing us that it is working to go beyond the requirements of the Equator Principles in terms of climate change adaptation. To do so, the issuer mentioned that its partner, Wood, supports NBT in the development of mitigation and adaptation action plans, and in providing an assessment of the risks related to the projects, which includes climate risks, environmental and climate impacts, supply chain emissions, as well as potential mitigation and adaptation actions, solutions, strategies and policies to reduce these risks. The issuer mentioned that its action plan will also include a prioritization framework with details on resilience attributes and KPIs to support monitoring and evaluation of the plan. NBT also informed us aiming at implementing climate risk disclosures in alignment with the TCFD recommendations in 2021 and mentioned using climate risks scenarios for temperature development and flooding risk.

The company has also informed us that it is aware of the controversial risks of its projects. Therefore, NBT's systematic approach (through its ESIA, EIA and own ESMS) aims at safeguarding against stakeholder opposition, by disclosing the ESIA and EIA to all stakeholders, particularly the local communities, by, according to the issuer, engaging in a dialogue and integrating these stakeholders along the projects, and by being ready to adapt or bring changes if needed.

NBT informed us being closely engaged with suppliers and subcontractors, whom shall meet the requirements of the company's safety, quality, and environmental standards. NBT also imposes a contractual obligation on contractors to be responsible and compliant with local regulations and international standards. The company has further informed us that its environmental management plans need to be adhered to by all (sub)contracted parties, and that NBT has the leverage through its contracts to change non-compliant practices of its contractors and sub-contractors.

Use of proceeds

The green finance framework is intended for financing future wind or solar PV projects having environmental benefits. The first green bond issuance will be attributed to the financing of the Zophia Wind Farm project, that will be located in the Southern part of Ukraine and will have an electrical capacity of approximately 788 MW. The net proceeds will also be partially use to the refinancing of existing debts.

NBT excludes investments linked to the sectors of oil, gas and mining, nuclear energy generation, weapons and defense industries, potentially environmentally negative resource extraction, gambling or tobacco. The company also informed us that it will not invest in companies that produce fossil fueled construction equipment.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects



can qualify for green bond funding. The broader the project categories, the more importance CICERO Green places on the governance process.

For the initial green bond issuance, the net proceeds will be used to finance the Zophia Wind Farm project. In future green bond issuances raised under this framework, the eligible projects will be attributed to the category of Renewable Energy that are evaluated to deliver long-term positive net environmental effects. The future green bonds will primarily be used to finance onshore wind projects within Ukraine, Serbia, Greece or Romania. Solar PV projects will also be potentially assessed. Using the Zophia Wind Farm project as an example, the company mentioned that other selected projects will have to comply with the same international requirements and rules (i.e., being compliant with relevant International Standards, including the Equator Principles (EPs) together with the IFC's Performance Standards (PS) on Environmental and Social Sustainability, and EBRDs Performance Requirements). The company has further informed us that the supply chain and the contractors are addressed in the selection process.

Eligible projects to be financed with proceeds from NBT's Green Bonds will be evaluated, selected and prioritized by NBT's ESG department in cooperation with the finance department of NBT. Prioritized projects will be presented to NBT's Sustainability Committee – a sub-committee to NBT's Board that is expected to meet quarterly – for final approval of allocation of Green Bond proceeds. This sustainability committee has not been created yet. The NBT's Sustainability Committee will consist of representatives from NBT's ESG and finance departments and is chaired by the CFO of NBT. The Sustainability Committee will also include experts working on environmental and social topics, and external expertise can also be consulted if needed. Eligible projects to be financed by other types of green financing instruments will follow a similar evaluation and selection process.

Management of proceeds

CICERO Green finds the management of proceeds of NBT to be in accordance with the Green Bond Principles.

Green Finance can be used for green projects, while NBT's finance department will manage the net proceeds from any green finance instrument. In specific cases NBT will raise a 'Project Green Bond'; the proceeds are then solely and entirely used for that specific project.

For the corporate Green Bond ('Green Bonds'), an amount equal to the net proceeds will be credited to a separate account ('Green Account') that will support and document NBT's green financing of eligible projects. As long as NBT has any Green Bonds outstanding and the Green Account has a positive balance, funds will, on an annual basis, be allocated from the Green Account to NBT's green project portfolio in respect of financing and/ or refinancing of eligible projects as approved by NBT's Sustainability Committee.

Until all net proceeds from Green Bonds have been allocated to eligible projects, the balance of the Green Account will be included in NBT's liquidity reserve and managed in accordance with the company's cash management policies and investment mandates. Net proceeds from other green financing instruments will follow a similar management of proceeds. If, for any reason, a financed eligible project no longer meets the eligibility criteria of being a renewable energy activity or project within wind power or solar PV having environmental benefits, it will be removed from the green project portfolio and substituted by another eligible project.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green bond programs. Procedures for reporting and disclosure of green bond investments are also vital to build confidence that green bonds are contributing towards a sustainable and climate-friendly future, both among investors and in society.



NBT will make and keep up to date information on the use of proceeds available, which will be renewed annually as long as the green bonds are used within eligible projects. It will also be communicated on a timely basis in case of material developments. The annual report will include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.

For the allocation of proceeds, a list of the eligible projects financed, including allocated amounts, descriptions of the projects including location, information about the allocation of proceeds between new projects and refinancing and any unallocated balance standing to the credit of the Green Account, as well as balance of the Green Account, will be reported annually. Allocation of proceeds will be subject to an annual review by an external party/verifier. A verification report provided by such an external party will be published on the Company's website.

For the impact reporting, NBT is keen to report the aggregated results of its projects and aims at doing impact reporting on the emissions of the supply chain and the suppliers in the coming months. The company has informed us that the impact reporting will likely be subjected to external verification and auditing. The following indicators are tracked and reported on in the annual report: Power related (e.g., total capacity of renewable energy production, number of households potentially powered by renewable energy, incremental share of the energy grid that will be sourced by renewable energy, annual renewable energy generation, annual greenhouse gas emissions avoided (tonnes CO₂e) compared to emissions that the company is replacing by its green power production in the relevant context, and capacity of renewable energy transmission systems); Jobs (e.g., number and types jobs created in the construction and operational phase, international standards considered for job quality, and certifications (ISO 45001/SA8001) where applicable); Diversity (e.g., % of female hires); and Capacity Development (e.g., novel technology being brought into the country (resource/energy) efficiencies, and inputs realized related to training and capacity building). The issuer informed us that the next annual reports, starting in 2021, will be available on the company's website.



Assessment of NBT’S Green Finance Framework and Policies

The framework and procedures for NBT green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where issuers should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in NBT’s Green Bond Framework, we rate the framework **CICERO Dark Green**.

Eligible projects under the NBT Green Finance Framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds and Green Loans Principles (GBP) state that the “overall environmental profile” of a project should be assessed and that the selection process should be “well defined”.

Category	Eligible project types	Green Shading and some concerns
Renewable Energy 	i. finance renewable energy projects: ✓ The Zophia Wind Farm project located in Southern Ukraine and associated costs. (with electrical capacity of approximately 788 MW). ✓ Other renewable energy projects (i.e., onshore wind and solar PV) that are evaluated to deliver long-term positive net environmental effects.	Dark Green ✓ Wind power and solar PV are keys to a low-carbon transition. ✓ NBT has expressed that it is unlikely that it will invest in other type of renewable energy than wind and solar PV. ✓ The framework includes new roads for the construction and maintenance activities. ✓ The project category does not include more specific KPIs and eligibility criteria. ✓ NBT is reliant on fossil fuel vehicles and equipment for the construction and maintenance (the latter not being finance under this framework),and does not specify any requirements regarding emissions from vehicles and on-site fossil fuel equipment used



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- ✓ during the construction and maintenance process.
 - ✓ NBT mentioned being in the process of managing, assessing, and reporting supply chain emissions and emissions from construction and maintenance.
 - ✓ Wind projects can have adverse local environmental impacts, including on birds and bats migration trajectories, and impacts on local communities. However, the issuer conducts environmental impact assessments and environmental and social impact assessments before project initialization.
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Table 1. Eligible project categories

Background

CICERO Green acknowledges the substantial need for more renewable energy production incl. onshore wind installations. In 2019, global renewable electricity generation grew 7% and reached a quarter of global power output, due to the continued growth of solar PV and wind technologies accounting for 65% of this increase. Despite these positive trends (especially with PV), additional efforts are needed in renewable power generation to meet the targets set out in the IEA's SDS. According to the IEA, the share of renewables in global electricity generation must reach 47% by 2030, up from 25% in 2017.² The IEA' Sustainable Development Scenario (SDS) suggests a global wind power generation of 14,100TWh in 2040 up from 1,500TWh in 2017³.

In 2016, Ukraine's electricity was mainly generated by nuclear (49.2%) and coal (37.2%), while renewable electricity supply was below 7%.⁴ According to Ukraine's 2050 Low Emission Development Strategy, the energy sector currently contributes 65% of total greenhouse gas (GHG) emissions. Ukraine aims to achieve 31-34% GHG reduction compared to 1990 levels.⁵ The Ukrainian government has committed to increase renewables from around 4 per cent of the energy mix today, to 25 per cent by 2035. While hydropower dominates the country's renewable capacity, averaging 4.6GWp over the last decade, installed wind, solar and bio energy capacity increased by 54 per cent to 2.1GWp in 2018 alone, with a further 4.6GWp of capacity in the pipeline⁶.

EU Taxonomy assessment

In March 2020, a technical expert group (TEG) proposed an EU taxonomy for sustainable finance that specified mitigation thresholds and "do no significant harm" (DNSH) criteria for eligible activities. The DNSH-criteria are developed to make sure that progress towards some objectives is not made at the expense of others and recognizes

² <http://www.iea.org/tcep/power/renewables>

³ <https://www.iea.org/geo2018/scenarios/>

⁴ <https://www.iea.org/statistics/?country=UKRAINE&year=2016&category=Electricity&indicator=undefined&mode=chart&dataTable=ELECTRICITYANDHEAT>

⁵ <https://unfccc.int/node/181275/>

⁶ [Renewables-in-Ukraine-Report-2019-en.pdf \(home.kpmg\)](#)



the relationships between different environmental objectives⁷. In November 2020, EU published its draft delegated act to outline its proposed technical screening criteria for climate adaptation and mitigation objectives, respectively, which it was tasked to develop after it entered into law in July 2020⁸. We have assessed eligible projects in NBT's green finance framework against the mitigation thresholds and the DNSH criteria in the draft delegated acts published in November 2020⁹. CICERO Green has conducted a light touch assessment of the minimum safeguards of the EU Taxonomy.

Relevant EU-Taxonomy activities in the context of NBT's Framework are electricity generation from wind power and electricity generation using solar photovoltaic (PV) technology. Production of electricity from wind and solar PV are considered to contribute substantially to climate change mitigation. Particularly for solar PV and wind, DNSH-criteria are related to adaptation, circular economy, and ecosystems. Considerations include: ensuring climate resilience and no additional adverse impacts on the climate; ensuring PV panels and wind turbines are designed and manufactured for durability and easy maintenance and reparability; managing risks related to water quality and consumption; ensuring the completion of an Environmental Impact Assessment in accordance with appropriate standards, especially if located on biodiversity sensitive areas, as well as implementing a robust biodiversity monitoring and evaluation programme.

In order to qualify projects under the EU Taxonomy, NBT has to ensure that its contractors and sub-contractors align with the relevant mitigation and DNSH-criteria as outlined in the EU Taxonomy for the different activities. It will also be important that NBT, in addition to incorporating the thresholds from the EU taxonomy, ensures that all 'Do-no-significant-harm' recommendations from the EU Taxonomy for wind power and solar PV are followed.

Further in order to qualify as a sustainable activity under the EU regulation 2020/852, certain minimum safeguards must be complied with. For the purposes of the implementation of the Taxonomy, the TEG considers that both companies and investors should centre compliance on (1) human rights, (2) labour rights, and (3) combating bribery, bribe solicitation and extortion. The safeguards entail alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights. CICERO Green has completed a light touch assessment of the above social safeguards with a focus on human right and labor right¹⁰. The issuer confirms that NBT is compliant with the minimal safeguards by operating against international Environmental, Social and Governance (ESG) standards, such as the Equator Principles, the IFC Performance Standards and EHS Guidelines, EBRD's Environmental and Social Guidelines, ILO Core Labor Standards and ILO Basic Terms and Conditions of Employment and the UN Guiding Principles on Business and Human Rights. The issuers further mentioned in it ESMS that NBT aims at protecting human rights, is strictly against child and forced labour, and aims at adopting an inclusive and non-discriminatory approach to employment and labour practices. Detailed thresholds, NACE-codes and likely alignment with DNSH criteria are given in Appendix 2.

Governance Assessment

Four aspects are studied when assessing NBT'S governance procedures: 1) the policies and goals of relevance to the Green Finance Framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall

⁷ Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020.

https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

⁸ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

⁹ EU Taxonomy: Annex to the Commission Delegated Regulation, supplementing Regulation (EU) 2020/852, November 2020.

https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-da-2020-annex-1_en.pdf

¹⁰ CICERO Green is in the process of further developing its assessment method to ensure that it encompasses the object and purpose of the minimum safeguards.



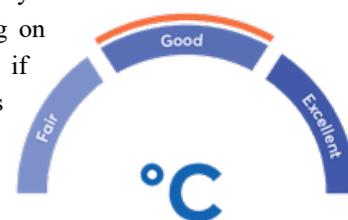
grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

NBT has in place a sound management and governance structure, as well as regular and transparent reporting about green bond project achievements to investors and the public. This framework includes both environmental impact assessments (EIA) against local standards and environmental and social impact assessments (ESIA) against international standards at the development phase of each project and NBT discloses to all stakeholders. NBT is also engaging closely with local communities, as well as suppliers and contractors, and includes the supply chain and the contractors in the selection process.

NBT informed us that it aims at going beyond the Equator Principles in terms of climate change adaptation, by being in the process of developing mitigation and adaptation action plans, and providing an assessment of the risks related to the projects, which includes climate risks, environmental and climate impacts, supply chain emissions, as well as potential mitigation and adaptation actions, solutions, strategies and policies to reduce these risks. This risks assessment will, according to the issuer, include environmental impact created throughout the different phases of the project, including its supply chain and its emissions. NBT will also implement climate risk disclosures in 2021, aligned with the TCFD recommendations, and mentioned using climate risks scenarios for temperature development and flooding risk.

In the near future, the issuer will also report on allocation and impact of the Zophia Wind Farm project and other renewable energy projects to the investors. However, NBT does not yet assesses systematically the life cycle of all its projects nor is doing GHG reporting on suppliers at the moment. NBT however confirmed that it will start doing impact reporting on the emissions of the supply chain, detailing the annual construction and operational GHG emissions for Scope 1, 2 and 3 sources in the coming months (and will be reported in the 2021 Sustainability Report), as well as providing an assessment of the carbon payback period. Despite its ambitious plans, NBT has currently not set specific targets to reduce its emissions.

NBT will also create a Sustainability Committee – a sub-committee to NBT’s Board that is expected to meet quarterly - for final approval of allocation of Green Bond proceeds. The NBT’s Sustainability Committee will consist of representatives from NBT’s ESG and finance departments and is chaired by the CFO of NBT. The issuer mentioned that the Sustainability Committee will also include experts working on environmental and social topics, and external expertise can also be consulted if needed. The framework would however benefit from having more specific KPIs and eligibility criteria for the project category.



The overall assessment of VGP’s governance structure and processes gives it a rating of **Good**.

Strengths

The level of screening regarding local environmental impacts, social impacts and potential controversies aligns with best practice expectations. The scrutiny provides investors with additional assurance of the environmental integrity of the green finance framework.

Wind energy in Ukraine constitute a crucial part of Ukraine’s low carbon energy transition. This represents a clear strength of this framework as it is in line with the IEA’ Sustainable Development Scenario (SDS) and the Ukrainian commitment to increase renewables from around 4 per cent of the energy mix today, to 25 per cent by 2035.



Another strength of the framework is the close engagement with local stakeholders, particularly local communities. By disclosing the ESIA and EIA with all stakeholders, by closely engaging in a dynamic dialogue and integrating these stakeholders all along the projects, and by being ready to adapt or change if needed, NBT is aware of the controversial risks of its projects and aims to check and safeguard against stakeholder opposition. Also, through its engagement with contractors and suppliers, NBT aims at meeting the requirements of the company's safety, quality and environmental standards, local regulations and international standards.

NBT seems to be likely aligned with the EU Technical mitigation criteria and with the DNSH-criteria related to climate change adaptation, circular economy and ecosystems, which is relevant for all EU activities in NBT's green framework. Further details on alignment with the EU Taxonomy are given in Appendix 2.

Weaknesses

The framework does not include any requirements regarding emissions from vehicles and on-site fossil fuel equipment used during the construction and maintenance process and could include new access roads. However, NBT mentioned being in a process of working with an independent external consultancy in order to develop and execute a full climate change risk assessment for the current project and all future projects, which includes environmental impacts created throughout the different phases of the project, including its supply chain emissions.

Pitfalls

Since the Zophia Wind Farm project and other projects are likely to be built in close proximity to water, climate change could pose a threat to the framework's underlying project's long-term overall positive impact. Therefore, the issuer mentioned taking into account the durability of the project and its potential climate risk (high risk of corrosion and flooding), by, e.g., giving a special treatment to the towers to withstand the very corrosive sea climate, thus increasing the resistance and the durability of the materiality, as well as by using extra concrete to increase the amount of mass needed to keep the base stable and to balance out the flooding risk. However, these adaptive measures needed to be deeper evaluated in terms of their environmental impacts, as they can increase emissions and environmental impacts.

There are some concerns with regards to social risks in some of the countries where NBT operates due to a lack of strong legal framework in these countries. However, NBT mentioned that the company is aware of these risks and have in place Environmental and Social Management System and Plan to monitor and manage how these risks evolve. The company mentioned complying with international standards in order to go beyond local regulations, including the Equator Principles, the IFC Performance Standards and EHS Guidelines, EBRD's Environmental and Social Guidelines, ILO Core Labor Standards and ILO Basic Terms and Conditions of Employment, and the UN Guiding Principles on Business and Human Rights. We however suggest to the issuer to look at further social impacts that might not be covered by these international standards and mitigate potentially adverse effects.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
	NBT Green finance framework, dated 16.04.2021	NBT's green finance framework from 16.04.2021 .
	NBT's Environmental, Social and Governance (ESG) framework	Dated and Approved by the NBT Board on 24.02.2021
	NBT's Environment and Social Management System	Approved by the board of NBT AS and dated 29.03.2019
	NBT's Code of Conduct	Dated 02.01.2020. Code of Conduct - NBT (tornado-node.net)
	NBT's Governance Policy	Governance policy - NBT (tornado-node.net)
	Zophia Health, Safety and Security (HSS) Management Plan	Dated 22.01.2021



Appendix 2: EU Taxonomy criteria and alignment

Complete details of the EU taxonomy criteria are given in https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-da-2020-annex-1_en.pdf.

Electricity generation from wind power

Framework activity	Renewable energy		
Taxonomy activity	Electricity generation from wind power (NACE code D.35.1.1 and F 42.22)		
	EU Technical mitigation criteria	Comments on alignment	Alignment
Mitigation criteria	<ul style="list-style-type: none"> Substantial contribution to climate change mitigation. 	<ul style="list-style-type: none"> Wind power is assumed to contribute substantially to climate change mitigation. The EU Taxonomy introduces a threshold for facilities to operate at life cycle emissions lower than 100g CO₂e/kWh, declining to 0g CO₂e/kWh by 2050. Wind power is currently exempt from performing a GHG life cycle assessment, subject to regular review in accordance with the declining threshold. Energy from wind power is eligible for substantial contribution without threshold. The issuer has informed us that it will only invest in Renewable Energy, more specifically in Wind Power and Solar PV. NBT informed us that it invests in greenfield wind projects that don't have an overall negative impact on climate change. The negative climate impacts that are created during construction phase will over time be measured and mitigated to the possible extend. The issuer informed us that external expertise will be sought to develop a system to measure and mitigate negative climate impacts and report on it against stakeholders. 	Likely aligned.



	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	<ul style="list-style-type: none"> Physical climate risks material to the activity should be identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment. The assessment should be proportionate to the scale of the activity and its expected lifespan. 	<ul style="list-style-type: none"> The issuer informed us that a climate risk and vulnerability assessment is part of the design stage of any project, where climate risk and vulnerability assessments are covered in the environmental and social impact assessment. The issuer mentioned that the methodology it uses provides a high-level risk assessment of physical risks (those causing direct damage to assets as a result of climate change) and transitional risks (risks occurring due to the transition to a low-carbon economy). The issuer will utilize previously published climate projections, best practice techniques and approaches. The climate change risk assessment will also identify any relevant resilience measures for each risk either already in place or in development for the project infrastructure and assets. The issuer is also mentioning looking at other climate conditions, including wind speeds, temperature developments (throughout the year and climate scenarios) and flooding (through looking at climate scenarios). The issuer mentioned that NBT is working to go beyond the requirements of the Equator Principles in terms of climate change adaptation: its partner Wood is supporting the issuer with the development of detailed mitigation and adaptation action plans, providing a comprehensive assessment of the risks to the projects, as well as actions that can be taken to further address and reduce these risks. Wood will consider the current and future plans, processes, policies and systems in light of the identified climate risks and evaluate the potential impact of climate change on critical assets, networks and functions, as well as operational and strategic objectives. NBT aims at developing adaptation options, strategies and policies to reduce climate change risks incorporating both adaptation and mitigation options. The action plan aims at including a prioritisation framework, including details on resilience attributes and KPIs to support monitoring and evaluation of the plan. The issuer informed that it will provide solutions, techniques and tools to best develop long term adaptation plans and result in increased resiliency in NBT'S projects. 	Likely aligned.



Sustainable use and protection of water and marine resources (water management)	<ul style="list-style-type: none"> Only for offshore wind, the activity must comply with the requirements of EU Marine Strategy Framework Directive (2008/56/EC) related to underwater noise; underwater noise from introduction of energy do not adversely affect the marine environment. 	<ul style="list-style-type: none"> No applicable to onshore wind farms. 	N/A
Transition to a circular economy (circular economy)	<ul style="list-style-type: none"> The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. 	<ul style="list-style-type: none"> The issuer mentioned that it aims at minimizing its use of resources from the development phase via the selection of inputs, to the end life of the product e.g. for concrete in the construction phase, and the recycling of turbines at the end of life cycle (about 85 percent of turbine component materials such as steel, copper wire, electronics, and gearing can be recycled or reused). With regards to the durability of the material, the issuer confirms that this element is covered in the scope of the design of a wind farm project. Any wind farm that the company develop has a design that covers the project life (in this case 25 yrs). All objects and parts are designed and/or chosen to endure the conditions in this location for the duration of the project life. Some parts which have a shorter lifetime are included in the maintenance scheme. NBT is also looking at opportunities for recycling blades which currently can represent an issue due to composite materials, however first initiatives have now been launched¹¹. 	Likely aligned
Protection and restoration of biodiversity and ecosystems (ecosystems)	<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening should be completed in accordance with national provisions. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate 	<ul style="list-style-type: none"> NBT conducts environmental impact assessments (EIA) against local standards and/or environmental and social impact assessments (ESIA) against international standards at the development phase of projects and discloses to all stakeholders. This involves engaging advisors to identify the relevant local and international environmental regulations applicable to the scope of the renewable energy project. An ESIA is commissioned to identify the potential impacts of the project, and identifies how any negative impacts can be avoided, minimized or mitigated. The issuer informed us that the required mitigation and compensation are implemented through the execution of an Environmental and Social Management Plan (ESMP), devised to control the impacts during construction, operation and decommissioning of the project, and by 	Likely aligned

¹¹ <https://extreme-ecosolutions.com/>



	<p>assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.¹²</p>	<p>closing an Environmental and Social Action Plan (ESAP), which defines the gaps with local or international standards. This ESMP also covers the practices of (sub)contractors.</p> <ul style="list-style-type: none">• The issuer mentioned that additional assessment, as a result of the vicinity of a high conservation area (HCA) or other biodiversity-sensitive area (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas) as defined in this taxonomy, are fully covered under the ESG framework adopted by NBT.	
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¹² Practical guidance is contained in Commission notice C/2018/2619 ‘Guidance document on the requirements for hydropower in relation to EU nature legislation’ (OJ C 213, 18.6.2018, p. 1).



Electricity generation using solar photovoltaic (PV) technology

Framework activity	Renewable energy		
Taxonomy activity	Electricity generation using solar photovoltaic technology (NACE Code D 35.1.1 and F 42.22).		
Taxonomy version	EU Technical mitigation criteria	Comments on alignment	Alignment
Mitigation criteria	<ul style="list-style-type: none"> Substantial contribution to climate change mitigation. 	<ul style="list-style-type: none"> Solar PV is assumed to contribute substantially to climate change mitigation. The issuer has informed us that it will only invest in Renewable Energy, more specifically in Wind Power and Solar PV. NBT mentions investing in greenfield solar projects that don't have an overall negative impact on climate change. The negative climate impacts that are created during construction phase will over time be measured and mitigated to the possible extend. The issuer informed us that external expertise will be sought to develop a system to measure and mitigate negative climate impacts and report on it against stakeholders. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment



<p>Climate change adaptation</p>	<ul style="list-style-type: none"> Physical climate risks material to the activity should be identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment. The assessment should be proportionate to the scale of the activity and its expected lifespan. 	<ul style="list-style-type: none"> The issuer informed us that a climate risk and vulnerability assessment is part of the design stage of any project, where climate risk and vulnerability assessments are covered in the environmental and social impact assessment. The issuer mentioned that the methodology it uses provides a high-level risk assessment of physical risks (those causing direct damage to assets as a result of climate change) and transitional risks (risks occurring due to the transition to a low-carbon economy). The issuer will utilize previously published climate projections, best practice techniques and approaches. The climate change risk assessment will also identify any relevant resilience measures for each risk either already in place or in development for the project infrastructure and assets. The issuer is also mentioning looking at other climate conditions, including wind speeds, temperature developments (throughout the year and climate scenarios) and flooding (through looking at climate scenarios). The issuer mentioned that NBT is working to go beyond the requirements of the Equator Principles in terms of climate change adaptation: its partner Wood is supporting the issuer with the development of detailed mitigation and adaptation action plans, providing a comprehensive assessment of the risks to the projects, as well as actions that can be taken to further address and reduce these risks. Wood will consider the current and future plans, processes, policies and systems in light of the identified climate risks and evaluate the potential impact of climate change on critical assets, networks and functions, as well as operational and strategic objectives. NBT aims at developing adaptation options, strategies and policies to reduce climate change risks incorporating both adaptation and mitigation options. The action plan aims at including a prioritisation framework, including details on resilience attributes and KPIs to support monitoring and evaluation of the plan. The issuer mentioned that it will provide a package of solutions, techniques and tools to best develop long term adaptation plans and result in increased resiliency in NBT'S projects. 	<p>Likely aligned.</p>
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<p>Transition to a circular economy (circular economy)</p>	<ul style="list-style-type: none"> The activity should assess availability of and, where feasible, use equipment and components of high durability and recyclability that are easy to dismantle and refurbish. 	<ul style="list-style-type: none"> NBT informed us that it aims at minimizing its footprint by paying attention to its use of resources in the development phase, the selection of inputs in the construction phase, as well as the supply of solar panels and its possibility for recycling at the end of the life cycle. 	<p>Likely aligned.</p>
<p>Protection and restoration of biodiversity and ecosystems (ecosystems)</p>	<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening should be completed in accordance with national provisions. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. 	<ul style="list-style-type: none"> NBT conducts environmental impact assessments (EIA) against local standards and environmental and social impact assessments (ESIA) against international standards at the development phase of projects and discloses to all stakeholders. This involves engaging advisors to identify the relevant local and international environmental regulations applicable to the scope of the renewable energy project. An ESIA is commissioned to identify the potential impacts of the project, and identifies how any negative impacts can be avoided, minimised or mitigated. The ESIA and EIA result in an Environmental and Social Action Plan (ESAP) and a Social Management Plan (ESMP) to execute the implementation of the required mitigation and compensation measures. The issuer informed us that this ESMP also covers the practices of (sub)contractors. The issuer confirmed that additional assessment as a result of the vicinity of a high conservation area (HCA), or other biodiversity-sensitive area (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), as defined in this taxonomy, are fully covered under the ESG framework adopted by NBT. The issuer is also referring to the Performance Standard 6 of the IFC related to Biodiversity Conservation and Sustainable Management of Living Natural Resources in its mitigation management and policies¹³ 	<p>Likely aligned.</p>

¹³ [Performance Standard 6 \(ifc.org\)](https://www.ifc.org/~/media/IFC-External-Files/Performance-Standards/PS6/Biodiversity-Conservation-and-Sustainable-Management-of-Living-Natural-Resources-2013.pdf)



Appendix 3: About CICERO Shades of Green

CICERO Shades of Green (CICERO Green) is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University, the International Institute for Sustainable Development (IISD), and the and the University of Michigan School for Environment and Sustainability (SEAS).

