

Second-Party Opinion

Reșița Green Bond Framework

Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION AND SELECTION Reșița’s Sustainable Finance Committee is responsible for the evaluation and selection of eligible projects in line with the eligibility criteria under the Framework. Reșița will undertake environmental and social risk assessments that adhere to the EU Taxonomy’s Do No Significant Harm criteria and Minimum Safeguards and applicable laws and regulations for all allocation decisions. Sustainalytics considers the risk management system to be adequate and the project evaluation and selection to be in line with market practice.



MANAGEMENT OF PROCEEDS Reșița’s Finance department will be responsible for managing the proceeds on a portfolio basis. The proceeds will be tracked through an accounting system pursuant to City Council Decision no. 231/2022 under authorization from Romania’s Ministry of Finance. Reșița intends to allocate proceeds to eligible projects within 12 months of issuance. Pending full allocation, the proceeds will be temporarily held in cash or cash equivalents. This process is in line with market practice.



REPORTING Reșița commits to report on the allocation of the bond proceeds and the corresponding environmental impact in its Green Bonds Impact Report, which will be published on its website on an annual basis. The allocation reporting will include details of the eligible projects, the total amount allocated to the eligible projects and the balance of unallocated proceeds. Sustainalytics views Reșița’s allocation and impact reporting as aligned with market practice.

Evaluation Date	May 12, 2023
Issuer Location	Reșița, Romania

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Introduction

Reșița (the “Issuer”) is a city located in Banat, Romania. As of 2023, the city has a population of nearly 60,000.

Reșița has developed the Reșița Green Bond Framework dated January 2023 (the “Framework”), under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to contribute to the city’s low-carbon transition in energy and transport sectors. The Framework defines eligibility criteria in two areas:

1. Renewable Energy
2. Clean Transportation

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

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

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

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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

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

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

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date stated herein, Reșița is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

² The Reșița Green Bond Framework is available on Reșița Municipality’s website at: <https://www.primariesita.ro/>

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

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

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The eligible categories, Renewable Energy and Clean Transportation, are aligned with those recognized by the GBP.
 - The Issuer has confirmed to Sustainalytics that the use of proceeds will not refinance operating expenditures, hence no look-back period has been established. This is in line with market practice.
 - Under the Renewable Energy category, Reșița may finance or refinance the development, construction and operation⁴ of solar photovoltaic facilities. Sustainalytics considers this to be aligned with market practice.
 - Under the Clean Transportation category, Reșița may finance or refinance infrastructure related to electric trams and electric vehicles (EVs). The Issuer has confirmed to Sustainalytics that it will exclude financing of parking facilities from the Framework. Sustainalytics considers expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
 - Reșița has established a Sustainable Finance Committee (“SFC”), which is responsible for evaluating and selecting projects in accordance with the eligibility criteria outlined in the Framework. The SFC comprises the mayor, a sustainability expert and representatives from Reșița’s Finance, Urban Development and Environmental departments.
 - Reșița assesses the environmental and social risks of the projects that may be financed under the Framework for compliance with the EU Taxonomy’s Do No Significant Harm criteria and Minimum Safeguards, as well as applicable laws and regulations. This process is applicable to all allocation decisions made under the Framework. Sustainalytics considers Reșița’s risk management system to be adequate and the project evaluation and selection process to be aligned with market practice. For additional details, see Section 2.
 - Based on the establishment of the SFC and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Reșița’s Finance Department will be responsible for managing the proceeds on a portfolio basis. The proceeds will be tracked through an accounting system pursuant to City Council Decision no. 231/2022 under authorization from Romania’s Ministry of Finance.
 - Reșița intends to fully allocate the proceeds to eligible projects within 12 months of issuance. Pending full allocation, the proceeds will be temporarily held in cash or cash equivalents.
 - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Reșița commits to report on the allocation of proceeds and the corresponding environmental impact through its Green Bonds Impact Report, which will be published on its website on an annual basis.

⁴ Reșița has confirmed that they will not refinance the operation of renewable energy facilities under this Framework.

- Allocation reporting will include: i) details of the eligible projects, including a brief project description, the allocated amount and the expected impact of the project; ii) the total amount allocated to eligible projects; and iii) the balance of unallocated proceeds.
- Impact reporting will include information such as estimated CO₂ emissions saved or avoided. For detailed impact metrics, please see appendix 1.
- Based on the commitment to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

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

Section 2: Sustainability Strategy of Reșița

Contribution to the City of Reșița's sustainability strategy

Sustainalytics is of the opinion that Reșița demonstrates a commitment to sustainability through its Local Development Strategy (2015-2025), which focuses on the following two areas that are relevant to the Framework among seven strategic priorities: i) sustainable urban mobility; and ii) a green, energy-efficient and low-carbon city.⁵

Reșița has set a target to have 15% of energy needed by public institutions, public lighting and public transportation generated from renewable energy through solar PVs by 2025 and 100% by 2030.⁶ In order to achieve this target, Reșița has implemented a pilot project to install four photovoltaic solar panels in one of the city's public institutions, reaching a total installed power of 35.5 kW. These installations are financed under the European Commission's Regional Operational Programme for 2014-2020 and are expected to reduce the respective public institution's annual primary energy consumption by approximately 77%.⁷

In terms of clean transportation, Reșița aims to replace 100% of current public transport vehicles with EVs by 2030. The Issuer also plans to build or rehabilitate the city's public transport infrastructure, which includes building 9.7 km of double tracks for modernized trams, rehabilitating tram depots, modernizing seven public transport stations and building or modernizing more than 27,000 m² of tramway platform.⁸ Additionally, through its Regional Operational Program for 2014-2020, Reșița plans to purchase 10 electric buses and 60 bicycles, implement traffic management and e-ticketing systems, develop circulation lanes for public transport and implement automatic charging system, among other activities.⁹

Based on the above, Sustainalytics is of the opinion that Reșița's Green Bond Framework is aligned with the Issuer's overall sustainability strategy and will further Reșița's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks that are possibly associated with eligible projects include land use and biodiversity issues resulting from large-scale infrastructure development; effluents and waste generated in construction; occupational health and safety issues; and community relations and stakeholder participation issues.

⁵ Government of Reșița, "Strategia Integrată de Dezvoltare Urbană a Municipiului Reșița 2022-2030", at: [https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/C6BEEE37454ACFDAC22588E7002D23DB/\\$FILE/Strategia%20integrata%20de%20dezvoltare%20urbana%20a%20municipiului%20Resita%20pe%20perioada%202022-2030.pdf](https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/C6BEEE37454ACFDAC22588E7002D23DB/$FILE/Strategia%20integrata%20de%20dezvoltare%20urbana%20a%20municipiului%20Resita%20pe%20perioada%202022-2030.pdf)

⁶ This is provided by Reșița's municipality to Sustainalytics.

⁷ Government of Reșița, "Strategia Smart City pentru municipiul Reșița orizont 2027", at: [https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/16094AAFD6F93CA7C22587E20028AACD/\\$FILE/Strategia%20Resita%20Smart%20City.pdf](https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/16094AAFD6F93CA7C22587E20028AACD/$FILE/Strategia%20Resita%20Smart%20City.pdf)

⁸ Government of Reșița, "Strategia Integrată de Dezvoltare Urbană a Municipiului Reșița 2022-2030", at: [https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/C6BEEE37454ACFDAC22588E7002D23DB/\\$FILE/Strategia%20integrata%20de%20dezvoltare%20urbana%20a%20municipiului%20Resita%20pe%20perioada%202022-2030.pdf](https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/C6BEEE37454ACFDAC22588E7002D23DB/$FILE/Strategia%20integrata%20de%20dezvoltare%20urbana%20a%20municipiului%20Resita%20pe%20perioada%202022-2030.pdf)

⁹ Government of Reșița, "Strategia Smart City pentru municipiul Reșița orizont 2027", at: [https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/16094AAFD6F93CA7C22587E20028AACD/\\$FILE/Strategia%20Resita%20Smart%20City.pdf](https://www.primariaresita.ro/portal/cs/resita/portal.nsf/AllByUNID/16094AAFD6F93CA7C22587E20028AACD/$FILE/Strategia%20Resita%20Smart%20City.pdf)

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

- Regarding land use and biodiversity issues associated with large-scale infrastructure development, Reșița complies with the EU Directive 2014/52/EU,¹⁰ which Romania implements through Law no. 292 of 3 December 2018.¹¹ The EU Directive 2014/52/EU requires an environmental impact assessment for projects that are likely to have a significant effect on the environment. It ensures that associated risks, including those relevant to land use changes and biodiversity, are adequately assessed before the approval of projects. Additionally, Romania is a signatory to the 1992 Convention on Biological Diversity since 1994,¹² pledging to conserve biodiversity and support sustainable use of natural resources.
- Regarding effluents and waste generated in construction, Reșița complies with the Romanian government Law no. 211 of 15 November 2011 on waste.¹³ The law defines necessary measures for preventing or reducing the adverse effects that may arise from the generation and management of waste.
- Regarding occupational health and safety, the Romanian occupational safety and health regulatory framework establishes protocols for the protection of workers' health and safety.¹⁴ Under the framework, Reșița complies with Law no. 319/2006¹⁵ to mitigate occupational risks, protect workers' health and safety, eliminate risk factors and accidents and ensure training of workers and their representatives. Reșița also complies with Labour Code - Law no. 53/2003,¹⁶ which regulates the mitigation of risks related to health and safety, social protection, forced labour and discrimination. In addition, Romania has been a member of the International Labour Organization (ILO) since 1956. The country has signed eight fundamental ILO conventions and 44 out of the 176 ILO technical conventions, indicating the Issuer's commitment to set labour standards and promote a decent work environment by developing policies and devising programmes on labour issues.¹⁷
- To address risks related to stakeholder participation and community relations, Reșița complies with the Romanian government's law on decisional transparency in public administration,¹⁸ which ensures transparency in the public administration and active participation of the citizens in the decision-making process through meetings, public hearings and public debates.
- Corruption and bribery are regulated under Romania's Criminal Code¹⁹ and Law no. 78/2000 on preventing, discovering and sanctioning corruption offences.²⁰ Romania also established the Romanian Anti-corruption Directorate, the General Anti-corruption Directorate, the Directorate for the Fight against Fraud and the National Integrity Agency to investigate and prosecute public sector corruption.²¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Reșița is well positioned to manage and mitigate environmental and social risks commonly associated with investments in the eligible categories.

Section 3: Impact of Use of Proceeds

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

¹⁰ European Commission, "Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment Text with EEA relevance", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0092>

¹¹ Government of Romania, "Lege nr. 292 din 3 decembrie 2018", at: <https://legislatie.just.ro/Public/DetaliuDocumentAfis/208590>

¹² Convention on Biological Diversity, "Country Profiles", at: <https://www.cbd.int/countries/?country=ro>

¹³ Government of Romania, "Lege nr. 211 din 15 noiembrie 2011", at: <https://faolex.fao.org/docs/pdf/rom197106.pdf>

¹⁴ International Labour Organization, "LEGOSH: Romania – 2013", at:

https://www.ilo.org/dyn/legosh/en/f?p=14100:1100:0::NO:1100:P1100_ISO_CODE3,P1100_SUBCODE_CODE,P1100_YEAR:ROM,,2013:NO

¹⁵ Government of Romania, "Legea nr. 319 din 14 iulie 2006", at:

https://www.ilo.org/dyn/legosh/en/f?p=14100:503:12840866788775::NO:503:P503_REFERENCE_FILE_ID:151417:NO

¹⁶ Government of Romania, "Lege nr. 53 din 24 ianuarie 2003", at: <https://legislatie.just.ro/Public/DetaliuDocumentAfis/128646>

¹⁷ International Labour Organization, "NORMLEX: Ratifications for Romania", at:

https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102824

¹⁸ Government of Romania, "Law no. 52/2003 – Law on decisional transparency in public administration", at: https://arf.gov.ro/web/wp-content/uploads/2018/02/Law-52-2003r1_en.pdf

¹⁹ Government of Romania, "The Criminal Code", at: https://www.vertic.org/media/National%20Legislation/Romania/RO_Criminal_Code.pdf

²⁰ Government of Romania, "Law no.78 of May 8th, 2000 on preventing, discovering and sanctioning corruption offences", at:

<https://www.pna.ro/legislatie.xhtml?sectiune=2&id=14>

²¹ Global Legal Insights, "Bribery & Corruption Laws and Regulations 2023: Romania", at: <https://www.globallegalinsights.com/practice-areas/bribery-and-corruption-laws-and-regulations/romania>

Impact of renewable energy projects in Romania

The energy sector accounted for more than 66% of Romania's GHG emissions in 2020, and it heavily relies on fossil fuels, which represented 50% of the country's energy mix in 2021. Under the National Energy and Climate Plan (NECP), Romania has set a target to reduce GHG emissions outside of the EU Emission Trading System by 2% and increase the share of renewable energy in gross final energy consumption to 30.7% by 2030.^{22,23} While Romania increased its renewable energy target from 27.9% of gross final energy consumption, the 2030 target of 30.7% is still below the EU's goal of 34% by 2030.²⁴

In 2021, renewable energy only represented 12% of the country's energy mix.²⁵ In order to accelerate the energy transition, Romania has committed to deploy an additional 6.9 GW of renewable energy capacity compared to 2015, with 3.7 GW from solar photovoltaic, and foster the use of renewable energy in the heating and cooling, electricity and transport sectors.²⁶ The Romanian government also introduced the Photovoltaic Green House (Casa Verde Fotovoltaice) programme to support residential solar panel installations by providing subsidies.²⁷ In 2023, the government announced that it will allocate EUR 610 million for this programme, which will enable solar PV installations in more than 150,000 homes.²⁸

Given the above, Sustainalytics is of the opinion that Reșița's investment in renewable energy projects is expected to increase the share of renewables in the energy mix and consequently help Romania achieve its renewable energy and energy-related GHG emissions reduction targets.

Impact of promoting clean transportation in Romania

The emissions of Romania's transport sector have increased by more than 40% between 2005 and 2019.²⁹ The sector contributed approximately 25% of the total emission in 2021.³⁰ According to its NECP, Romania aims to achieve 14% renewable energy in the transport sector's final energy consumption by 2030. The country plans to achieve this target through electrification and the use of biofuel.³¹ NECP estimates that approximately 700,000 electric and hybrid vehicles will be needed by 2030 to achieve the target, together with a total of 600,000 EV charging points.³²

In order to reduce the transport sector's emissions, the Romanian government has established policies and programmes to support the transition to low-carbon mobility, focusing on renewing the fleet, modernizing urban and rail public transport, promoting alternative mobility and promoting the use of EVs. With regard to EVs, the government has developed the Rabla Plus Program in 2023 to subsidize the purchase of electric and hybrid vehicles for all Romanian residents. Under the programme, the government will provide RON 51,000 (EUR 10,302) for a new EV or vehicle with hydrogen fuel cell and RON 26,000 (EUR 5,252) for a new plug-in hybrid vehicle.³³ Additionally, the programme will be further supported by the government's Electric Vehicle Charging Infrastructure programme, which aims to promote electric-vehicle-related infrastructure nationwide. In addition, the government has set aside RON 21 million (EUR 4.25 million) to fund existing charging stations and RON 500 million (EUR 101 million) for the development of new charging infrastructure.³⁴

Given the above, Sustainalytics is of the opinion that Reșița's investments in EV infrastructure will contribute to the decarbonization of Romania's transport sector and further support the country to achieve its emission reduction target.

²² European Parliament, "Climate action in Romania – Latest state of play", (2021), at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/696185/EPRS_BRI\(2021\)696185_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/696185/EPRS_BRI(2021)696185_EN.pdf)

²³ European Commission, "The 2021-2030 Integrated National Energy and Climate Plan", (2020), at: https://energy.ec.europa.eu/system/files/2020-06/ro_final_necp_main_en_0.pdf

²⁴ European Commission, "Assessment of the final national energy and climate plan of Romania", (2020), at: https://energy.ec.europa.eu/system/files/2021-01/staff_working_document_assessment_necp_romania_en_0.pdf

²⁵ European Commission, "Romania Energy Snapshot", at: https://energy.ec.europa.eu/system/files/2022-10/RO_2022_Energy_Snapshot.pdf

²⁶ European Commission, "The 2021-2030 Integrated National Energy and Climate Plan", (2020), at: https://energy.ec.europa.eu/system/files/2020-06/ro_final_necp_main_en_0.pdf

²⁷ Administrația Fondului Pentru Mediu, "Casa Verde Fotovoltaice 2023", at: https://www.afm.ro/sisteme_fotovoltaice.php

²⁸ Todorović, I. (2023), "Romania to subsidize households with up to EUR 610 million for photovoltaics", Balkan Green Energy News, at: <https://balkangreenenergynews.com/romania-to-subsidize-households-with-up-to-eur-610-million-for-photovoltaics/>

²⁹ Romanian Ministry of Environment, Waters and Forests, "Romania's Fourth Biennial Report under the UNFCCC", (2020), at: https://unfccc.int/sites/default/files/resource/BR4_Romania.pdf

³⁰ UNFCCC, "Summary of GHG Emissions for Romania", at: https://di.unfccc.int/ghg_profiles/annexOne/ROU/ROU_ghg_profile.pdf

³¹ European Commission, "The 2021-2030 Integrated National Energy and Climate Plan", (2020), at: https://energy.ec.europa.eu/system/files/2020-06/ro_final_necp_main_en_0.pdf

³² Ibid.

³³ Rabla, "Programul Rabla 2023", at: https://rabla.ro/view_frontpage_rabla

³⁴ Romanian Ministry of Environment, Waters and Forests, "Romania's Multilateral Assessment", (2021), at: https://unfccc.int/sites/default/files/resource/Romania_SBI_52-55_MA4_GLASGOW_2021.pdf

Contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older person

Conclusion

Reșița has developed the Reșița Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance renewable energy and clean transportation projects. Sustainalytics considers that the projects funded by the proceeds are expected to contribute to Reșița's and Romania's low-carbon transition progress.

The Reșița Green Bond Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for reporting on their allocation and impact. Sustainalytics believes that the Reșița Green Bond Framework is aligned with Reșița's overall sustainability strategy and that the green use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Reșița has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

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

Appendix

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

Section 1. Basic Information

Issuer name:	Reșița
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Reșița Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 12, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Reșița's Sustainable Finance Committee is responsible for the evaluation and selection of eligible projects in line with the eligibility criteria under the Framework. Reșița will undertake environmental and social risk assessments that adhere to the EU Taxonomy's Do No Significant Harm criteria and Minimum Safeguards and applicable laws and regulations for all allocation decisions. Sustainalytics considers the risk management system to be adequate and the project evaluation and selection to be in line with market practice.

Evaluation and selection

- | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Reșița's Finance department will be responsible for managing the proceeds on a portfolio basis. The proceeds will be tracked through an accounting system pursuant to City Council Decision no. 231/2022 under authorization from Romania's Ministry of Finance. Reșița intends to allocate proceeds to eligible projects within 12 months of issuance. Pending full allocation, the proceeds will be temporarily held in cash or cash equivalents. This process is in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Reșița commits to report on the allocation of the bond proceeds and the corresponding environmental impact in its Green Bonds Impact Report, which will be published on its website on an annual basis. The allocation reporting will include details of the eligible projects, the total amount allocated to the eligible projects and the balance of unallocated proceeds. Sustainalytics views Reșița's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*): The balance of unallocated proceeds, list of eligible projects with brief project description, allocated amount and expected impact

Frequency:

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

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): annual renewable energy generated, total length (in kilometres) of new or improved bus, trams and bicycle lanes

Frequency

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

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (*please specify*): Information published in Reșița's Green Bonds Impact Report
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

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

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

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

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

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