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Second Party Opinion

SalMar Green Bond Framework

Aug. 19, 2024

Location: Norway **Sector:** Aquaculture

Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

See Alignment Assessment for more detail.

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Medium green

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

SalMar addresses important environmental and biodiversity risks by using certification schemes throughout its entire value chain. The issuer has stringent no deforestation polices and certifications, and investments in research and development (R&D) for lower emissions feed sources.

SalMar is acquiring fully electric and green hydrogen workboats, making it a first mover in the aquaculture industry. Such investments will reduce the group's scope 1 emissions. Also, SalMar's collaborative initiative, Salmon Living Lab, supports the resolution of the industry's current challenges.

Weaknesses

No weakness to report.

Areas to watch

About one-third of SalMar's produced fish is transported by air, potentially more than doubling the climate footprint of delivered salmon, depending on the final destination. However, certified salmon transported by air tends to have lower emissions than other animal protein alternatives.

Battery hybrid power management systems and vessels may use fossil fuels, meaning there's potential for emissions and lock-in risks. SalMar's inclusion of these technologies, however, can potentially decrease emissions in the near term.

Scientists and local stakeholders are concerned about fish welfare and biodiversity impacts of fish farming. There is an ongoing debate in Norway about outbreaks of sea lice and other adverse impacts from fish farming on wild salmon. SalMar works actively to keep sea lice below the maximum limit in Norway.

Eligible Green Projects Assessment Summary

Eligible projects under SalMar's green finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

Sustainable food production	**Medium to Light green**
Sustainable coastal fish farms	
Local and sustainable processing	
Sustainable facilities for smolt and roe production	
Environmental management and fish welfare	
Research and development (R&D)	
Renewable energy and energy efficiency	**Dark green**
Electrification and renewable energy	
Clean transportation	**Medium to Light green**
Low-carbon vessels and infrastructure	
Water and wastewater management	**Medium green**
Wastewater treatment	
Water-use efficiency	
Waste management and circular economy adapted products, production technologies and processes	**Medium green**
Waste management	
Circular economy adapted products, production technologies, and processes	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

SalMar ASA ("SalMar") is the world's second-largest salmon aquaculture company by production of Atlantic salmon, headquartered in Frøya in Central Norway. Since it was founded in 1991, SalMar has developed into an integrated aquaculture enterprise with a production ranging from broodstock and smolt to value-added products and sales. Operations are located in Northern and Central Norway, and it is present in Iceland through the subsidiary Icelandic Salmon and in Scotland through the associated company Scottish Sea Farms. In addition, the company is operating within offshore aquaculture through the subsidiary SalMar Aker Ocean. The company reported total revenue of Norwegian kroner (NOK) 28.2 billion (about $2.5 billion) and operational EBIT of NOK 8.088 billion (about $0.73 billion) in 2023.

Material Sustainability Factors

Climate transition risk

Due to the profound changes needed to limit global warming to well below 2ºC, climate transition risk affects all sectors. Companies within the aquaculture sector are exposed to climate transition risks from stricter policies and changes in consumer behavior. Product transport by air and sea may become more expensive due to greater regulation of associated emissions. Aquaculture feed supply chains may have substantial climate impacts, including deforestation and other land use changes from the production of soy, palm oil, and other plant-based ingredients. Failure to address these risks may hurt the group's market access and consumer demand, as well as the cost of, and access to, capital. The evolution of plant-based protein and cell-based meat production might also affect demand for seafood.

Physical climate risk

Increasingly frequent extreme weather events, such as storms, flooding, or landslides, may damage fish farm sites or otherwise disrupt operations and supply chains. More intense heatwaves pose risks to fish health. Physical climate impacts on terrestrial and marine ecosystems, such as increased drought, wildfires, and ocean acidification, may affect the supply of plant-based and marine ingredients for fish feed.

Biodiversity & resource use

Aquaculture facilities can have pronounced impacts on local water quality and biodiversity because of facility construction, antibiotics use, fish waste, excess feed, increased diseases, parasites such as sea lice, and fish escapes. Production and harvest of plant-based and marine ingredients used in aquaculture feed may contribute to terrestrial and marine biodiversity loss via deforestation and overfishing. Aquaculture is also highly dependent upon ecosystem services that maintain the appropriate water temperature and ensure sufficient levels of water quality and flow. Disruption to such ecosystem services may hinder production.

Customer health & safety

The primary risk to customers' health in the food industry is food contamination and disease that could severely impact on customers. Foodborne contaminants are ubiquitous. In the food sector, antimicrobial resistant superbugs and resistant bacteria have been found in meat and fish products including those categorized as Highest Priority Critically Important Antimicrobials, which are those with few or no alternatives to treat people with serious infections.

Impact on communities

Aquaculture operations can markedly affect local communities in several ways. Large-scale aquaculture operations can lead to the displacement of local communities, changes in land use related to onshore facilities and upstream feed production, and potential conflicts over water resources. Water pollution from aquaculture facilities can negatively affect local drinking water supplies and recreational water bodies. Moreover, the use of local resources for fish feed production can compete with community needs, leading to food insecurity. Additionally, antibiotic use and chemical runoff from aquaculture can pose health risks to local populations. Ensuring that local communities are engaged in decision-making processes and that their needs and rights are respected is crucial for the sustainable development of the aquaculture sector. Failure to address these social and environmental concerns may result in loss of social license to operate, protests, and other forms of community resistance, which can disrupt operations and damage a company's reputation.

Issuer And Context Analysis

SalMar's framework includes eligible projects linked to investments that address the company's most material sustainability factors: climate transition risks and biodiversity and resource use. The sustainable food production, renewable energy and energy efficiency, clean transportation, water and wastewater management, waste management, and circular economy adapted products categories aim to address climate transition risk. The sustainable food production, and wastewater and waste management categories have the potential to help mitigate biodiversity and resource use risks. We also think that physical climate risks are relevant for facilities and buildings in SalMar's operations.

SalMar works actively to reduce the carbon footprint of its salmon and is currently updating its emission reduction targets. In 2022, SalMar announced its Science-Based Target, validated by the Science Based Target initiative (SBTi), to reduce its greenhouse gas emissions (GHG) 42% by 2030, compared with the 2020 baseline, including scope 1, 2, and 3 emissions. SBTi has since published the Forest, Land and Agriculture (FLAG) recommendations that is tailored to the sector, where SalMar commits to apply updated GHG emission reduction targets validated by the SBTi by end-2024. Nearly 98% of SalMar's emissions are due to Scope 3, the largest emission sources being from fish feed, which comprises 54.6% of total emissions; transportation to market follows, representing 35.3% of total emissions. Examples of SalMar's emission reduction efforts include R&D for alternative feed production, processing salmon locally to reduce the weight of the final products shipped, and finding alternative routes for product transport. To reduce Scope 1 and 2 emissions, SalMar is working to decrease its reliance on fossil fuels and investing in electrifying equipment and vessels where possible. Reduction targets apply to SalMar's activities in both Norway and Iceland, and the issuer is on track to fulfilling its overall emissions targets.

SalMar used the recommendations from the Taskforce on Climate-Related Financial Disclosures (TCFD) to identify key risks and opportunities from climate change. In 2023, SalMar carried out its annual climate risk assessment for all operations across the value chain, from roe to plate, including suppliers. This assessment evaluates both climate risks and opportunities, along with the physical and transitional implications for SalMar's financial position using representative concentration pathway (RCP) 2.6, 4.5, and 8.5 scenarios. The analysis also includes the mitigating factors SalMar has put in place for identified risks, such as for flood and drought risk. For these risks, SalMar monitors water levels and the quality at sea in important rivers, and is easing its dependence on freshwater by transitioning to recirculating aquaculture systems (RAS) for smolt production.

Scientists and local stakeholders have voiced concerns about fish welfare and biodiversity impacts of fish farming. There is an ongoing debate in Norway about the adverse impacts from fish farming on wild salmon, including the effects of sea lice outbreaks. SalMar works actively to limit sea lice below the national maximum limit and is seeing a steady decline in the amount of sea lice above national limits; it decreased to 0.9% at DATE from 3.3% in 2022. SalMar aims to achieve a survival rate in Iceland of 95% by 2028 and 97% in Norway by 2030. As part of its community engagement strategy, SalMar engages monthly with all local communities, one by one, in its operating areas to discuss important topics. These touchpoints have led SalMar to

implement several improvements, including developing site-specific pollution plans. Also, SalMar has policies to support the welfare of farmed salmon through certification schemes throughout its entire value chain, from roe to plate, limiting the use of antibiotics, and cleaner, bigger fish pens. Because SalMar acknowledges the negative developments in terms of increased mortality and more challenging fish welfare in recent years, it created a broad industry initiative, Salmon Living Lab, to engage industry players in the resolution of current challenges in the salmon business. SalMar envisions spending about NOK500 million to kick off the project.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Loan principles.

Alignment With Principles

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

✓ Use of proceeds

We assess all the frameworks green project categories as having a green shade, and SalMar commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

✓ Process for project evaluation and selection

The framework outlines the process to select and approve eligible projects and assets. SalMar's Green Bond Committee manages the selection process and holds the right to exclude any eligible green project already funded if the project no longer meets the eligibility criteria defined in the framework. Environmental risks are managed through the company's annual risk management. We view positively that SalMar clearly outlines an exclusion list, stating investments related to fossil fuel machinery and/or equipment that are not eligible for green bond financing.

✓ Management of proceeds

SalMar will use a green register to track and monitor the allocation of proceeds issued under the framework. Furthermore, if projects and assets are sold, or no longer in line with the framework's eligibility criteria, the proceeds will be monitored through this register and proceeds from green bonds will be held and managed in accordance with SalMar's liquidity management policy until allocated toward green projects. SalMar will not place any temporary holdings in entities involved in fossil energy production, fossil fuel infrastructure, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling, or tobacco.

✓ Reporting

SalMar commits to disclose the allocation and impact of proceeds annually, in its Green Bond Report, until full allocation. Allocation reporting will include information describing the projects to which green bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, the amount of unallocated proceeds, distribution between new financing and refinancing, and the environmental impact of the green projects. The report will, to the extent feasible, also include a section on the methodology used in the impact calculations and will be made available on SalMar's website. Furthermore, SalMar will report on the actual environmental impact of eligible projects financed under the framework and intends to disclose specific key performance indicators (KPIs).

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

Over the three years following the first issuance under this framework, SalMar expects to allocate the majority of proceeds to sustainable food production, where most of the fish produced is shaded Medium green, with remaining proceeds mainly going to clean transportation category. Proceeds may be allocated to the other project categories depending on the amount of funds raised.

The issuer expects the majority of proceeds will be directed to finance new projects and that a low share will be directed to refinancing.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, and consideration of environmental ambitions reflected in SalMar's Green Bond Framework, we assess the framework Medium green.

Medium green

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Green project categories

Sustainable food production

Assessment

Medium to Light green

Description

Sustainable coastal fish farms

• Investments in fish farms certified, or in preparation to become certified, by the ASC or Debio salmon standards. Including new production licenses or new farming technology e.g. closed, semi-closed, submerged, or similar. The fish farms will use 100% sustainable and deforestation-free feed, certified through either the MarineTrust Standard or MSC (for the marine ingredients) and through ProTerra or Round Table on Responsible Soy Association (RTRS) certification (for the soy ingredients).

Sustainable offshore fish farms

• Investments in offshore and semi-offshore fish farms. The fish farms will use 100% sustainable and deforestation-free feed.

Local and sustainable processing

• Investments in processing facilities that are certified, or in preparation to become certified, according to the Chain of Custody (CoC) standard for ASC products.

Sustainable facilities for smolt and roe production

• Investments in RAS facilities for smolt production and closed net pens.

• Genetic breeding programs, focused on the development of robust qualities, in addition to general resistance to disease and good growth. SalMar uses no form of genetic engineering in its breeding program.

Environmental management and fish welfare

• Investments related to the protection, restoration and enhancement of ecosystems, and biodiversity, such as escape prevention.

• Investments and expenditures related to improvements in fish welfare, including sea lice management and vaccination.

Research and development (R&D)

• R&D investments aimed at improving the environmental performance of feed and feed ingredients, fish farms, genetics, and processing.

Analytical considerations

- Aquaculture can provide a lower emissions protein alternative to livestock farming. However, the potential climate benefit depends on the sustainability of feed sourcing and product transportation emissions. Biodiversity and ecosystem risks, such as pollution from fish waste, feed, chemical treatments, as well as wild population impacts from fish escapes and parasites or disease transfer, must also be carefully managed at offshore sites. We assess the project category as Medium to Light Green based on criteria for certifications addressing feed sourcing sustainability and biodiversity safeguards in operations, and a strong focus on reducing the carbon footprint of the salmon. The Light green shade captures that the salmon is transported by air freight and therefore has a bigger carbon footprint.
- Production of fish feed is often associated with a risk of biodiversity loss and climate emissions mainly due to soy farming practices, where there is a possibility that demand for soy used in feed may drive up deforestation and associated direct and indirect land-use change emissions. SalMar uses 40% vegetable protein in the fish feed, of which the main ingredient is soy. We view positively, however, that 100% of SalMar's purchased soy is certified though ProTerra Standard, RTRS, and Europe Soy. Additionally, SalMar requires all soy to be traceable to the region within the source country, both for direct and indirect suppliers. SalMar requires all its feed suppliers to purchase marine ingredients that are certified in accordance with the Marine Trust, MSC, or equivalent, ensuring that the fish stocks are sustainable.
- Sustainability challenges apply to marine and other plant ingredients in salmon feed. Where SalMar is ASC certified, this standard for salmon sets limits on the use of wild fish as ingredients while also requiring a responsibly managed source, preferably certified. According to the issuer, no palm oil is currently used in its feed, which we view as positive. Furthermore, the Debio certification requires fish farms to use organic feed.
- There are concerns about aquaculture's impact on the local environment, including escapes, antibiotic and chemical pollution, overexploitation of wild fish stocks for feed, and sea lice. We understand SalMar strives to use as little antibiotics as possible; the issuer reported zero antibiotics use over the past three years. Although the ASC certification sets stricter limits than national regulation, it has been criticized for tolerating 300 escaped fish per production cycle and for a lenient limit on hydrogen peroxide. According to SalMar, the Debio certification sets stricter requirements than ASC, with a key difference being allowing a smaller density of fish in cages. Although SalMar has appropriate strategies in place to minimize environmental and biodiversity risks, certain hazards of sea-based fish farming cannot be fully mitigated in today's operating environment. This, in our view, is a key limitation, as captured in our Medium green assessment.
- We assess certified salmon transported by air as Light green. Although sustainable aquaculture tends to have lower emissions than other animal protein alternatives, air freight transport can more than double the climate footprint of delivered salmon, depending on the final destination. Approximately one-third of fish is sent to costumers in Asia and the U.S., where the majority of fish is transported by air. Investments into local processing may reduce the transport volume, thus increasing transport efficiency. In a 2021 life cycle assessment for the carbon footprint and energy requirement for different salmon farming technologies, SalMar found that local processing reduces the carbon footprint from air freight. For the U.S. market, fish produced in open or offshore net pens in Norway and transported as fillets by air freight has a similar carbon footprint to fish produced locally in land-based facilities in the U.S. on an American electricity mix.
- Genetic breeding programs within aquaculture may improve the health of the salmon, reducing their mortality and improving their health, thereby decreasing the GHG emissions of salmon farming and biodiversity concerns.
- Fossil fuel elements such as conventional generators and vessels are excluded under the group's framework. Over the past years, SalMar has undertaken projects to lay power cables from shore to several of its sea farms, resulting in the provision of electric/hybrid solutions for 65 % of its active sea farms, an increase from 55 % in 2022.
- Sea-based aquaculture is particularly exposed to rising water temperatures, more frequent storms, and more frequent algae blooms, among other physical climate risks. SalMar conducts an annual assessment of physical climate risk for all its operations across the value chain, from roe to plate, and accompanying suppliers to the value chain.

Renewable energy and energy efficiency

Assessment	Description
Dark green	**Electrification and renewable energy** • Investments in the electrification of fish farming sites by connecting them to onshore power. • Investments in the installation of renewable energy technology and battery packs to power fish farms. • Investments and expenditures related to improving the energy efficiency of our plants, including the installation of energy efficiency equipment in line with the best available techniques, such as heat pumps, heat exchangers, lighting, and cooling and drying systems.

Analytical considerations

- The aquaculture industry is depends partly on fossil fuels. Investments to electrify installations, in renewable energy production, and in energy efficiency are important steps toward a more climate-friendly operations. The company informs us that it may investment in solar energy among other renewable energy sources.
- We assess SalMar's investments in electrifying their fish farming sites, renewable energy, and battery packs as Dark green, as these projects support the modelled pathways that limit global warming to well below 2 degrees Celsius. These pathways imply that almost all electricity is generated by zero- or low-carbon sources by 2050.
- SalMar's largest hatchery, Follafoss, utilizes heat exchangers to extract energy from the wastewater produced by the nearby cellulose plant. In Iceland, hatcheries utilize the region's natural geothermal energy by employing geothermal heat exchangers to warm the intake water, significantly reducing their energy needs. We assess investments and expenditures related to improving energy efficiency of sites as Dark green since they also support a low-carbon future
- Investments in renewable energy technology, battery packs, and energy efficiency equipment align with SalMar's emission reduction targets for its own operations. However, there are indirect carbon emissions from a life-cycle perspective, for example, through battery sourcing and manufacturing, for example.

Clean transportation

Assessment	Description
Medium to Light green	**Low-carbon vessels and infrastructure** • Acquisition of low-carbon aquaculture vessels including fully electric, hydrogen or hybrid vessels, or investments in the upgrading of vessels with battery packs. • Investments in infrastructure supporting low-carbon transportation, such as electric charging points.

Analytical considerations

- Electrification and moving away from fossil-powered vessels are important measures to reduce Scope 1 GHG emissions in aquaculture. The wide variety of vessels alone suggests our assessment could fall between Dark and Light green. Our Medium to Light green assessment reflects the broad scope where many of SalMar's vessels financed are viewed as Light green.
- Hybrid vessels can achieve positive near-term emissions reductions when zero emissions alternatives are not available. At the same time, battery hybrid power management solutions may still be connected to diesel engines, and they can continue to use fossil fuels. Associated emissions represent that further improvements must take place to reach targets set out in the Paris agreement, and therefore are assessed as Light green. SalMar started using the world's first battery-hybrid well boat in 2020.
- Fully electric vessels and infrastructure such as electric charging points are considered Dark green. SalMar operated the first ever fully electric workboat in the industry, and the first electric service vessel. Furthermore, SalMar will operate the first ever hydrogen powered workboat and we view positively that SalMar is a first mover for the aquaculture sector in terms of low-

carbon vessels. The hydrogen vessel will reduce SalMar's emissions by 300 tons CO_2e per year compared to a conventional workboat. The issuer informs us that the hydrogen sourced for the well boat will be green hydrogen; we consider this technology to be Dark green.

- The acquisition of low-carbon vessels, including fully electric, hydrogen or hybrid vessels, aligns with SalMar's emission reduction targets. However, there are indirect carbon emissions from a life-cycle perspective, through battery sourcing and manufacturing, for example. Additionally, battery storage requires high volumes of environmentally sensitive materials, including lithium, manganese, and cobalt. The supply chains for these materials need to be appropriately managed, to avoid creating new adverse social and environmental impacts.

Water and wastewater management

Assessment	Description
Medium green	**Wastewater treatment** • Investments in measures that improve wastewater treatment, leading to reduced volumes of wastewater or improved water quality. Measures may include technical solutions leading to more concentrated wastewater to facilitate its disposal or upcycling for other productive purposes, such as fuel for biogas and soil fertilizer. **Water-use efficiency** • Investments related to improving freshwater use efficiency through technological improvements at the hatcheries, harvesting and processing plants (minimum 30% efficiency improvement), including for example plants implementing RAS technology.

Analytical considerations

- Aquaculture facilities can have significant impacts on local water quality and quantity, and strong water treatment management is necessary for the sustainability of the industry. Discharge of effluents and wastewater to the marine environments can cause toxic algae blooms and hurt the local ecosystem. We assess investments under this project category as having a Medium green shade, capturing their potential to contribute to reducing such problems.
- Conserving water resources through greater efficiency is a positive contribution. RAS technology can reduce water use drastically compared to traditional flow-through systems and is now standard for new installations in the industry. Recirculating rates vary somewhat between different RAS systems. SalMar targets a 20% reduction in freshwater withdrawal from 2022 to 2030 and investments in the water-use efficiency project category supports this target.
- In many regions across the globe, access to water is a significant challenge. SalMar acknowledges the global risks associated with water scarcity and assesses water scarcity risk. Within SalMar's operations, all freshwater withdrawals are sourced from areas with low risks of water shortages and with reported high water quality.

Waste management and circular economy adapted products, production technologies and processes

Assessment	Waste management
Medium green	Investments in measures contributing to an efficient management of waste. These measures will aim to: • Improve the sorting of materials at our sites. • Reducing biological and plastic waste. • Increase the reuse of packaging and used fish farming equipment. **Circular economy adapted products**, **production technologies and processes**

• Investments in the development of resource-efficient products and solutions, such as new net and packaging designs with a significantly higher rate of recycled plastic or significantly higher rate of material with a lower carbon impact compared to conventional alternatives.

• Investments and expenditures related to utilizing produced sludge or nutrient rich water as a resource, for example through use in the production of soil improvement agents, biogas production or aquaponics

Analytical considerations

- Waste management is an important pollution prevention measure that can avoid harm to human health and local ecosystems. Facilitating the circular economy is key to a low-carbon future. Overall, We assign this category a Medium green shade.
- Reducing upstream demand for raw material extraction and preventing downstream waste from going directly to landfill or incineration, plastic reduction, reuse, and recycling could limit climate emissions, local pollution, and harmful biodiversity impacts. We acknowledge that plastic recycling entails energy consumption, emissions, and discharges to the environment that require mitigation strategies. Additionally, plastic is a material derived from fossil fuel feedstocks that can only be recycled a limited number of times.
- A circular economy is an integral part of a low-carbon future. Projects under this category are steps in that direction. Eligible projects help reduce and reuse waste, which is compatible with a circular economy, as well as the reuse of waste products for energy generation.
- Using sludge for biogas production can be considered a renewable energy source and can generate substantially lower emissions than fossil fuels. Although energy recovery creates fewer emissions, there are still some emissions in the process, so the solution is not net zero.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps: Banks, July 20, 2022

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