

REPORT REVIEW

Republic of Cyprus Sustainability Bond Report

01 April 2025

VERIFICATION PARAMETERS

Type(s) of reporting

- Sustainability Bond Report

Relevant standard(s)

- Harmonised Framework for Impact Reporting, ICMA, June 2024
- Harmonised Framework for Impact Reporting for Social Bonds, ICMA, September 2024

Scope of verification

- The Republic of Cyprus' Sustainability Bond Report (as of Mar. 19, 2025)
- The Republic of Cyprus' Sustainable Finance Framework (as of Mar. 13, 2023)
- Bond identification:

Issue date	ISIN	Maturity date	Amount raised
Apr 13, 2023	XS2610236445	Apr 13, 2033	EUR 1 billion

Lifecycle

- Post-issuance verification

Validity

- As long as no changes are undertaken by the Issuer to its Sustainability Bond Report (as of Mar. 19, 2025)

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SCOPE OF WORK

The Republic of Cyprus (“the Issuer” or “Cyprus”) commissioned ISS-Corporate to provide a Report Review¹ on its Sustainability Bond Report by assessing:

1. The alignment of Cyprus’ Sustainability Bond Report (as of Mar. 19, 2025) with the commitments set forth in Cyprus’ Sustainable Finance Framework (as of Mar. 13, 2023).²
2. Cyprus’ Sustainability Bond Report, benchmarked against the Harmonised Framework for Impact Reporting (HFIR) and the Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB), as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators — whether the impact metrics align with best market practices and are relevant to the sustainability bond issued.

¹ A limited or reasonable assurance is not provided on the information presented in Cyprus’ Sustainability Bond Report. A review of the use of proceeds allocation and impact reporting is solely conducted against the core principles and recommendations of ICMA’s standards (Green Bond Principles/Social Bond Principles) where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer is responsible for the preparation of the report, including the application of methods and internal control procedures designed to ensure that the subject matter is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles as of Mar. 13, 2023.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part I</p> <p>Alignment with the Issuer's commitments set forth in the Framework</p>	<p>Cyprus' Sustainability Bond Report does not meet the commitments set forth in its Sustainable Finance Framework, as reporting has not occurred within one year of issuance.</p>	<p>Aligned except for reporting on an annual basis³</p>
<p>Part II</p> <p>Alignment with the HFIR and the HFIRSB</p>	<p>The Sustainability Bond Report is in line with the HFIR and HFIRSB. Cyprus follows the core principles of the HFIR on the formal internal proceeds' allocation process, transparency on currency used, and ESG risk management. Cyprus follows the core principles of the HFIRSB on the formal internal proceeds' allocation process, allocation of proceeds to social project categories, target population identification, and ESG risk management.</p> <p>The Issuer does not follow the core principle of annual reporting. Where applicable, the Issuer follows recommendations.</p>	<p>Aligned except for reporting on an annual basis⁴⁵</p>

³ The Issuer reported within 22 months after issuing the bond on April 13, 2023. Given the complexity for sovereign(s) to issue GSSB financial instruments (number of financed programs/projects/activities, different government ministries involved in disclosure and reporting, and availability of timely data), some delay in the bond allocation reporting could be observed in the bond market.

⁴ Ibid.

⁵ According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects which have received financing. As a result, Cyprus' Impact Report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its complementation.

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part III</p> <p>Disclosure of proceeds allocation</p>	<p>The allocation of the bond’s proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework.⁶</p> <p>As of Mar. 19, 2025, 82.11% of Cyprus’ EUR 1 billion sustainability bond has been allocated to eligible green and social projects. The remaining 17.89% of proceeds are being held as cash in the central bank. This amounts to EUR 821,105,377.28 and EUR 178,894,622.72, respectively.</p>	<p>Positive⁷</p>

⁶ The assessment is based on the information provided in the Issuer’s report. The Issuer is responsible for the preparation of the report, including the application of methods and procedures designed to ensure that the subject matter is free from material misstatement.

⁷ According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects which have received financing. As a result, Cyprus’ Impact Report is expected before Dec. 31, 2025. The Scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its complementation.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE SUSTAINABLE FINANCE FRAMEWORK⁸

The following table evaluates the Sustainability Bond Report against the commitments set forth in Cyprus’ Framework. The Framework is based on the core requirements of the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles, as well as best market practices.

GBP, SBP, SBG, GLP AND SLP	OPINION	ALIGNMENT WITH COMMITMENT
<p>Process for project evaluation and selection</p>	<p>Cyprus confirms adherence to the process for project evaluation and selection detailed in its Sustainable Finance Framework. The Issuer applied the Framework’s eligibility criteria to determine project alignment with the defined categories.</p> <p>ESG risks associated with the project categories are identified and managed appropriately, as outlined in the Framework.</p>	<p>✓</p>
<p>Management of proceeds</p>	<p>Cyprus confirms adherence to the management of proceeds described in its Sustainable Finance Framework.</p> <p>The proceeds allocated to eligible projects represent 82.11% of the amount collected from the sustainability bond, without exception. The proceeds are tracked appropriately and attested to in a formal internal process. Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>	<p>✓</p>
<p>Reporting</p>	<p>The report does not align with the initial commitments established in Cyprus’ Sustainable Finance Framework, as the Issuer did not report within the first year of issuance.</p> <p><i>Further analysis of this section is available in Part III.</i></p>	<p>○</p>



⁸ Cyprus’ Sustainable Finance Framework was assessed as aligned with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles as of Mar. 13, 2023.

PART II: ASSESSMENT AGAINST THE HARMONISED FRAMEWORK FOR IMPACT REPORTING AND HARMONISED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS

FOR GREEN CATEGORIES

Reporting is a core component of the Green Bond Principles, and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of annual reporting. Green bond issuers are required to report on both the use of green bond proceeds and the environmental impacts at least annually until full allocation or maturity of the bond. The HFIR has been chosen as the benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Cyprus’ Sustainability Bond Report against the HFIR.

CORE PRINCIPLES		
HFIR	SUSTAINABILITY BOND REPORT	ASSESSMENT
Report on an annual basis	Cyprus provided a first draft of the allocation and impact report to ISS-Corporate in January 2025. The report was finalized in March 2025, the second fiscal year after the sustainability bond issuance in April 2023, and 82.11% of the proceeds have been allocated. Given the complexity of the sovereign’s sustainability bond issuance (number of programs/projects/activities financed, different government ministries involved in the disclosure and reporting exercise, and the availability of timely data), some delay in the sustainability bond proceeds allocation reporting is observed in the bond market. The report will be available on the Republic of Cyprus’ website .	
Formal internal process to allocate proceeds	The proceeds allocated to green projects as of the Sustainability Bond Report date have only been allocated to projects that meet the Framework’s eligibility criteria. The Issuer confirms that the verification of green project eligibility for proceeds allocation is integrated into the regular lending and investment operations.	

	The Issuer describes its approach to determining proceeds allocation eligibility in the Sustainability Bond Report.	
Transparency on the currency	Allocated proceeds have been reported in a single currency, EUR.	✓
ESG risk management	The Issuer has a system in place to identify and manage ESG risks connected to the financed projects. No negative effects of the projects were reported, as none were found.	✓
Illustrate the expected environmental impacts or outcomes	According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus' impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.	N/A

RECOMMENDATIONS

HFIR	SUSTAINABILITY BOND REPORT	ASSESSMENT
Report at project or portfolio level	Reporting was conducted on a sustainability bond portfolio basis, whereby proceeds from Cyprus' outstanding sustainable bond funded a portfolio of projects.	✓
Define and disclose period and process for including/removing projects in the report	<p>The proceeds have been allocated to green assets. Only project financing disbursed and confirmed as eligible by the Committee up to Jun. 30, 2024, is included in the Sustainability Bond Report</p> <p>As part of its due diligence, the Issuer monitors the projects included in its sustainable bond program and removes assets from the sustainable water and wastewater category due to these projects being financed by other financial instruments or taken over by local authorities.</p>	✓
Signed amount and amount of sustainable bond proceeds allocated	Cyprus does not indicate the total signed amount. They do indicate the amount of sustainable bond proceeds allocated to eligible disbursements.	-

to green eligible disbursements	<p>Allocated amount to eligible green categories: EUR 151,217,566.29.</p> <p>Furthermore, the Issuer displays a table indicating the year when the disbursements were made to the reported eligible projects.</p>	
Approach to impact reporting	<p>According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus' impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.</p>	N/A
Report on at least a limited number of sector-specific core indicators		
Disclose own methodologies, where there is no single commonly used standard		
Disclosure of the conversion approach		
Projects with partial eligibility	The Issuer does not accept projects with partial eligibility.	N/A
Use (and disclosure) of the attribution approach	<p>According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus' impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.</p>	N/A
Ex-post verification of specific projects		
Report the estimated lifetime results and/or project's economic life (in years)		




OPINION



Cyprus follows some of the HFIR's core principles and key recommendations. The Issuer provided a dedicated internal process to track proceeds and address potential environmental and social risks. The Issuer has not reported within one year of issuance and has not reported on the expected environmental impacts because an impact study has not been conducted.

FOR SOCIAL CATEGORIES

Reporting is a core component of the Social Bond Principles, and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of annual reporting. Social bond issuers are required to report on both the use of social bond proceeds and the social impacts at least annually until full allocation. The HFIRSB has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Cyprus’ Sustainability Bond Report against the HFIRSB.

CORE PRINCIPLES		
HFIRSB	SUSTAINABILITY BOND REPORT	ASSESSMENT
Reporting on an annual basis	Cyprus provided a first draft of the allocation and impact report to ISS-Corporate in January 2025 and finalized it in February 2025, the second fiscal year after the sustainability bond issuance in April 2023. As of the reporting date, 82.11% of the proceeds have been allocated. Given the complexity of the sovereign’s sustainability bond issuance (number of programs/projects/activities financed, different government ministries involved in the disclosure and reporting exercise, and the availability of timely data), some delay in sustainability bond proceeds allocation reporting is observed in the bond market. The report will be available on the Republic of Cyprus’ website .	
Formal internal process to allocate proceeds	<p>The proceeds allocated to social projects as of the Sustainability Bond Report date have only been allocated to projects that meet the Framework’s eligibility criteria.</p> <p>The Issuer confirms that the verification of social project eligibility for proceeds allocation is integrated into the regular investment operations.</p> <p>The Issuer describes its approach to determining proceeds allocation eligibility in the Sustainability Bond Report.</p>	
Allocation of the proceeds to social project categories	In accordance with the criteria established within the Framework and in compliance with the Social Bond Principles, Cyprus allocated the net proceeds of the bond issued under this	

	<p>Framework to new and existing eligible assets within the following categories:</p> <ul style="list-style-type: none"> ▪ Affordable Basic Infrastructure ▪ Access to Essential Services ▪ Socioeconomic Advancement and Empowerment <p>The Issuer identifies alignment of the project categories with market-wide social or development objectives.</p>	
<p>Target population(s) identified</p>	<p>The Issuer defined targeted populations for the respective Socioeconomic Advancement and Empowerment project category.</p> <p>The Issuer explains the rationale for targeting these groups and refers to definitions and thresholds for targeted populations in its financial inclusion glossary.</p>	
<p>Output, outcome and/or impact of projects at project or portfolio level</p>	<p>According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus' impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.</p> <p>The Issuer has a system to identify and manage ESG risks connected to the financed projects. No negative effects of the projects were reported, as none were found.</p>	<p>N/A</p> 
<p>Illustrating of the social impacts or outcomes</p> <p>Prorated share of the overall impact results of the projects or portfolio of projects</p>		
<p>ESG risk management</p>		

RECOMMENDATIONS

HFIRSB

SUSTAINABILITY BOND REPORT

ASSESSMENT

Report at project or portfolio level	Reporting was conducted on a portfolio basis, whereby proceeds from Cyprus' outstanding sustainable bond funded a portfolio of projects.	✓
Reporting period	All proceeds have been allocated to social assets. Only project financing disbursed and confirmed as eligible by the Committee up to Jun. 30, 2024, is included in the Sustainability Bond Report.	✓
	As part of its due diligence, the Issuer monitors the projects included in its sustainable bond program and removes assets from the asset registry if these projects are financed by other financial instruments or taken over by local authorities.	✓
Disclose a detailed description of the projects	The Issuer does not provide details of the projects (e.g., context, region, target population, applicable regulations, baseline situation and circumstances in the respective country and region where the projects are located).	-
Disbursement reporting	The proceeds from the sustainable bond issuance were used to finance new projects or refinance existing projects. For each project category, the Issuer displays a table indicating the year when disbursements were made.	✓
Indicate the total signed amount and the amount of sustainable bond proceeds allocated to social eligible disbursements	Cyprus does not indicate the total signed amount. The Issuer does disclose the amount of sustainable bond proceeds allocated to eligible disbursements.	-
	Allocated amount to eligible social categories: EUR 669,887,810.99.	-
	Furthermore, the Issuer provides a table indicating the year in which disbursements were made to the reported eligible projects.	
Report on relevant sector-specific core indicators	According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus' impact report is expected before Dec. 31, 2025. The scope of the underlying external review	N/A
Disclose the methodology and the assumptions used for the		N/A

calculation of impact indicators	is therefore limited to the allocation reporting and will be extended following its completion.	
Reporting on the overall impact and the prorated share of the overall results		
Projects with partial eligibility	The Issuer does not accept projects with partial eligibility.	N/A
Reporting on the estimated lifetime impacts and/or project economic life in years	According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus' impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.	N/A

OPINION

Cyprus follows some of the HFIRSB's core principles and key recommendations. The Issuer provided a dedicated internal process to track proceeds, a process to allocate the proceeds to social project categories and identified target populations. The Issuer has not reported within one year of issuance and does not report on the prorated share of the overall impact of the project portfolio, no impact study has been conducted.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE OUTPUT/OUTCOME/IMPACT REPORTING INDICATORS

Use of proceeds allocation

Use of proceeds allocation reporting contextualizes impacts by presenting the number of investments allocated to the respective use of proceeds categories.

Allocation reporting occurred within 22 months of issuance. At the date of publication, 82.11% of bond proceeds have been allocated to eligible project categories. The Issuer confirms that unallocated proceeds amount to 17.89% of total bond proceeds.

The Issuer transparently disclosed the amount of unallocated proceeds and temporary investments. Unallocated proceeds have been temporarily held as cash.

Proceeds allocated to eligible projects

The allocation of proceeds is broken down at the project category level. The Issuer has provided details about the type of projects included in the portfolio.

The report provides information about projects that were removed from the allocation register due to these projects being financed by other financial instruments or taken over by other local authorities.

The allocation reporting section of Cyprus' Sustainability Bond Report aligns with best market practices by providing information on:

- The total amount of proceeds in million euros (divided per environmental/social assets)
- Instrument (listed by ISIN) that has been allocated to eligible expenditures and the total net proceeds that remain to be allocated
- Breakdown of the allocation of the net proceeds of sustainable instrument issuances between each of the eligible green and social expenditure categories set out in the Issuer's Framework
- Breakdown of the allocation of the net proceeds by ICMA category
- Breakdown of the allocation of the net proceeds by U.N. Sustainable Development Goals

Output, outcome and impact reporting indicators

The table below presents an independent assessment of the Issuer’s report and disclosure on the output, outcome and/or impact of projects using indicators.

ELEMENT	ASSESSMENT
Relevance	According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus’ impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.
Data sourcing and methodologies of quantitative assessment	
Baseline selection	
Scale and granularity	

High-level mapping of the impact indicators with the U.N. Sustainable Development Goals

According to the Issuer, at the date of this report, an ESG reporting campaign is underway to conduct an impact report on the underlying projects that have received financing. As a result, Cyprus’ impact report is expected before Dec. 31, 2025. The scope of the underlying external review is therefore limited to the allocation reporting and will be extended following its completion.

DISCLAIMER

1. Validity of the External Review ("External Review"): As long as no changes are undertaken by the Issuer to its Allocation and Impact Reporting (as of Mar. 19, 2025).
2. ISS Corporate Solutions, Inc. ("ISS-Corporate"), a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: Methodology

Review of the post-issuance reports

The ISS-Corporate Report Review provides an assessment of labeled transactions reporting against international standards using ISS-Corporate's proprietary [methodology](#).

High-level mapping to the SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary methodology based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent the Issuer's reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

The Issuer's responsibility was to provide information and documentation on:

- Sustainability Bond Report
- Sustainable Finance Framework
- Proceeds allocation
- Reporting impact indicators
- Methodologies and assumptions for data gathering and calculation
- ESG risk management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Report Review has been conducted by following ICMA's Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with the Republic of Cyprus took place from February to April 2025.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this Report Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses the alignment of the Issuer's report with external principles (e.g., the Green/Social Bond Principles), assesses the alignment of the Issuer's report against the commitments in the respective Framework, and analyzes the disclosure of proceeds allocation, data source and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review so investors are as well-informed as possible about the proceeds allocation and the impact of the sustainable finance instrument(s).

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

For information on Report Review services, please contact SPOsales@iss-corporate.com.

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