



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

The Republic of Cyprus
13 March 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainable Financing Instruments▪ Green Bond Principles and Social Bond Principles as administered by the ICMA (as of June 2021 with June 2022 Appendix I)
Relevant standards	<ul style="list-style-type: none">▪ Sustainability Bond Guidelines as administered by the ICMA (as of June 2021)▪ Green Loan Principles and Social Loan Principles, as administered by the LMA (as of February and April 2021)
Scope of verification	<ul style="list-style-type: none">▪ The Republic of Cyprus Sustainable Finance Framework (as of January 24, 2023)▪ The Republic of Cyprus Eligibility Criteria (as of January 24, 2023)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ As long as there is no material change to the Framework

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SCOPE OF WORK

The Republic of Cyprus (“the Issuer” or “Cyprus”) commissioned ISS Corporate Solutions (ICS) to assist with its Sustainable Financing Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Cyprus’ Sustainable Finance Framework (as of January 24, 2023) – benchmarked against the International Capital Market Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) and Loan Market Association (LMA) Green Loan Principles and Social Loan Principles.
2. The Eligibility criteria – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Cyprus’ overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP, SBP, SBG, GLP,SLP</p>	<p>The Issuer has defined a formal concept for its Sustainable Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) and Loan Market Association (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP).</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Sustainability quality of the Eligibility criteria</p>	<p>The Sustainable Financing Instruments will (re-)finance eligible asset categories, which include: Clean Transportation, Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Biodiversity Conservation and Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Climate Change Adaptation, Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services: Healthcare, Access To Essential Services: Education & Vocational Training, Affordable Housing, Employment Generation, Socioeconomic Advancement and Empowerment and Food Security and Sustainable Food Systems.</p> <p>The use of proceeds categories have a significant contribution to SDGs 1 'No Poverty', 2 'Zero Hunger', 3 'Good Health and Well Being', 4 'Quality Education', 6 'Clean Water and Sanitation' 7 'Affordable and Clean Energy', 8 'Decent Work and Economic Growth', 10 'Reduced Inequalities', 11 'Sustainable Cities and Communities, 12 'Responsible Consumption and Production', 13 'Climate Action', 14 'Life Below Water' and 15 'Life on Land', and a limited contribution to SDG 5 'Gender Equality'.</p> <p>The use of proceeds categories for Energy expenditures to ensure access to affordable, reliable, sustainable, and modern energy for all, and Strengthening of road transportation infrastructure have a No Net Impact on SDGs.</p> <p>The remaining use of proceeds categories improve the operational impacts of Cyprus and mitigate potential negative externalities of its sectors on SDGs 3 'Good Health and Well Being', 6 'Clean Water and Sanitation' 7 'Affordable and Clean</p>	<p>Positive</p>

¹ The evaluation is based on the Cyprus's sustainable finance framework (as of January 24, 2023), on the eligibility criteria as received on January 24, 2023, and on the ISS ESG Country Rating updated on October 20, 2022 and applicable at the SPO delivery date.

	<p>Energy’, 10 ‘Reduced Inequalities’, 12 ‘Responsible Consumption and Production’, and 13 ‘Climate Action’.</p> <p>The use of proceeds categories for Circular economy-adapted products, production technologies and processes, and Improvements in electrical supply with a view to expanding geographical coverage, there is no evidence of an improvement on the issuer’s operational impacts and potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	
<p>Part 3:</p> <p>Linking the transaction(s) to Cyprus’ overall ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Sustainable Financing Instruments are clearly described by the Issuer. All project categories financed are in line with the sustainability objectives of the Issuer.</p>	<p>Consistent with Issuer’s sustainability strategy</p>

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP, SBP, SBG, GLP AND SLP

This section evaluates the alignment of Cyprus' Sustainable Finance Framework (as of January 24, 2023) with the GBP, SBP, SBG, GLP and SLP.

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Cyprus' Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The Issuer's green and social categories align with the project categories as proposed by the GBP, SBP, SBG, GLP and SLP. Criteria are defined in a clear and transparent manner, and environmental and social benefits are described. Disclosure of the distribution of proceeds by project category will be provided in the allocation report. The Issuer defines exclusion criteria for harmful project categories and a three years lookback period, in line with the best market practices.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Cyprus' Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it; also, various stakeholders will be involved in this process which is in line with best market practice</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by Cyprus' Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP and SLP.</p>

		<p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and managed per bond (bond-by-bond approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Cyprus' Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. Cyprus explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the information reported in the impact report with defined scope and frequency of the reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SUSTAINABLE FINANCING INSTRUMENTS TO THE UN SDGs²

Countries can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible actors, working to minimize negative externalities in different aspects and industries along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.





1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):







Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainable Financing Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS ³
Clean transportation <i>Expanding charging infrastructure to electric vehicles</i>	Significant Contribution	 
Clean transportation <i>Measures related to electric vehicles (e.g., replacement of car fleets used by government ministries with fully electric (zero-emission) vehicles and related R&D activities).</i>	Limited contribution	 

² The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

³ The review is limited to the examples of projects spelled out in the Framework.

<p>Clean transportation</p> <p><i>Enlarging and improving bicycle infrastructure and Infrastructure (e.g., pavements, bike lanes) and related R&D activities.</i></p>	<p>Limited contribution</p>	
<p>Clean transportation</p> <p><i>Infrastructure (e.g., pavements, bike lanes) dedicated to personal mobility devices with zero-emission motors and related R&D activities.</i></p>	<p>Limited contribution</p>	
<p>Renewable energy</p> <p><i>Expenditures related to production, acquisition, operation, or distribution of renewable energy – Biomass (Second-generation) or woods with third-party certification (PEFC and FSC) and related R&D activities.⁴</i></p>	<p>Limited Contribution</p>	
<p>Renewable energy</p> <p><i>Connection of renewable energy to the grid and Transmission of renewable energy and related R&D activities.</i></p>	<p>Significant Contribution</p>	
<p>Pollution prevention and control⁵</p> <p><i>Identification and remediation of contaminated sites</i></p>	<p>Limited Contribution</p>	
<p>Pollution prevention and control</p> <p><i>Measures supporting the development of waste management activities such as waste prevention, waste reduction, and recycling - construction of integrated waste management facilities and related R&D.</i></p>	<p>Significant Contribution</p>	

⁴ Biomass/feedstock must be sourced from sustainable feedstock and excludes sources that compete with food production, that are grown in areas with currently or previously high biodiversity or that are expected to decrease carbon pools in soil. Any wood feedstock would be limited to sources subject to third-party certification such as the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification.

⁵ *Example projects:* Remediation of illegal landfill sites in Nicosia and Limasol; environmental restoration at abandoned Amiantos asbestos mine in the Troodos National Forest Park.

Biodiversity conservation and environmentally sustainable management of living natural resources and land use⁶

Protection and enhancement of terrestrial and marine biodiversity, ecosystems and natural capital⁷

Protection of wetlands⁷

Conservation, restoration and rehabilitation of land to maintain or improve the habitat, including through the establishment of protected land or national parks⁷

Significant Contribution



Biodiversity conservation and environmentally sustainable management of living natural resources and land use

Sustainable forest management, including afforestation, rehabilitation, and conservation

Significant Contribution



Biodiversity conservation and environmentally sustainable management of living natural resources and land use

Environmental protection measures (focus are on water management (quantity and quality) and soil preservation (fighting soil erosion and pollution) in agriculture⁸ which set out in the Common Agricultural Plan (CAP)⁹ approved by the European Commission

Limited Contribution



Sustainable water and wastewater

Significant Contribution



⁶ *Example projects:* Bonelli eagle and “LIFE with Vultures” conservation and management initiatives to protect endangered native populations of eagles and griffon vultures (including, but not limited to, protection of nesting sites, anti-poisoning measures, marking of high voltage power lines and isolation of electric poles in designated areas); funding of LIFE IP PHYSIS fund to support conservation of species and habitats of community importance identified for protection as part of the “Natura 2000” European Ecological Network; mapping and management of Posidonia oceanica meadows and other marine habitats listed under Annex I of the EU Habitats Directive (92/43/ECC); deep-sea bathymetric and geological mapping of projected habitats in the Eratosthenes seamount; protection of monk seals and other marine species and habitats in sea caves of Halavro; initiatives for satellite tagging and protection of loggerhead turtles and green turtles.

⁷ The projects will initiate or accelerate the recovery of an ecosystem from a degraded state without previously being detrimental.

⁸ Cyprus will not consider eligible under this Framework any agricultural activities related to the production of conventional palm oil, genetically modified plants or animals, or non-certified energy-crop based biofuels (1st generation).










⁹ European Commission, 2022, The Commission approves the CAP Strategic Plans of Cyprus and Italy https://agriculture.ec.europa.eu/news/commission-approves-cap-strategic-plans-cyprus-and-italy-2022-12-02_en

<p>management¹⁰</p> <p><i>Building supply, purification and sewage treatment infrastructure, excluding fossil fuel operations</i></p> <p><i>Construction, operation, maintenance and upgrades of own infrastructures for the management of water resources, increasing water recycling and wastewater treatment facilities</i></p>	<p>Limited Contribution</p>	
<p>Climate change adaptation^{11 12}</p> <p><i>Extreme weather events observation and monitoring systems</i></p> <p><i>Flood and forest fire protection, resilience and other risk mitigation programmes</i></p> <p><i>Engineering activities and technical consultancy dedicated to adaptation to climate change</i></p>		<p>Limited Contribution</p>
<p>Climate change adaptation^{11 12}</p> <p><i>Climate risk prevention and precaution investment in forest fire resiliency infrastructure, including monitoring stations, truck and plane fleet buildout to reduce reaction time and mitigate forest loss due to fire</i></p>	<p>Limited Contribution</p>	
<p>Circular economy-adapted products, production technologies and processes</p> <p><i>Construction of associated facilities for collection, treatment and recycling of municipal waste</i></p>	<p>Significant Contribution</p>	

¹⁰ **Example projects:** Replacement of obsolete water system infrastructure in order to limit water loss and promote uninterrupted water supply to the regions of Larnaca and Farnagusta, including installation of new pumping station in Tersefanou, installation of new pipe networks and replacement of old asbestos cement piping; construction of new sewage collection and treatment infrastructure in Solea Complex, Kokkinochoria Complex, and Larnaca, including replacement of obsolete septic tanks and absorption pit systems; buildout of water recycling infrastructure for reuse of treated wastewater in Larnaca and Western Nicosia (Anthoupoli).





¹¹ **Example projects:** Construction of coastal defence structures using naturally occurring stone and designed to battle erosion of the Cypriot coastline (investment in forest fire resiliency infrastructure, including monitoring stations, truck and plane fleet buildout to reduce reaction time and mitigate forest loss due to fire).

¹² Cyprus confirms that these projects, the project here are consistent with Cyprus's National Energy and Climate Change Plan designed to align with EU level commitments for Paris Agreement alignment and are research driven and designed to address assessed vulnerabilities, in order to justify the final assessment.

<p>Green buildings¹³</p> <p><i>New buildings and the relevant renovation works of existing buildings which have received or are expected to receive a recognized green building certification, including:</i></p> <p><i>LEED "Gold" or above</i></p> <p><i>BREEAM "Excellent" or above</i></p>	<p>Significant Contribution</p>	
<p>Green buildings¹⁴</p> <p><i>New buildings and the relevant renovation works of existing buildings which have received or are expected to receive a recognized green building certification, including:</i></p> <p><i>EPC "A"</i></p>	<p>Limited Contribution</p>	
<p>Affordable basic infrastructure</p> <p><u>Water</u></p> <p><i>Increase the percentage of the total population with access to drinking water by rehabilitation and maintenance of pump systems in water networks</i></p>	<p>Significant Contribution</p>	  
<p>Affordable basic infrastructure</p> <p><u>Water</u></p> <p><i>Improve waste management processes - Treatment and sanitation of solid urban wastes and mud through the construction of sanitation facilities</i></p>	<p>Limited Contribution</p>	 
<p>Affordable basic infrastructure</p> <p><u>Energy</u></p> <p><i>Expenditures to ensure access to affordable, reliable, sustainable, and modern energy for all</i></p>	<p>No Net Impact</p>	
<p>Affordable basic infrastructure</p> <p><u>Energy</u></p> <p><i>Subsidised final price of electricity for needy</i></p>	<p>Significant Contribution</p>	 

¹³ The review is limited to certifications spelled out in the Framework.

¹⁴ The review is limited to certifications spelled out in the Framework.

<i>or low-income households¹⁵</i>		
<p>Affordable basic infrastructure</p> <p><i>Transportation</i> <i>Strengthening of the transportation infrastructure (Road) ¹⁶ in order to increase connectivity, especially for rural areas and populations or other underserved areas</i></p>	<p>No Net Impact</p>	
<p>Access to essential services: Healthcare</p> <p><i>Subsidies to ensure health coverage for vulnerable populations - low-income households</i></p>	<p>Significant Contribution</p>	
<p>Access to essential services: Healthcare</p> <p><i>Subsidies to ensure health coverage for vulnerable populations, including elders, persons with disabilities, households</i></p>	<p>Limited Contribution</p>	
<p>Access to essential services: Healthcare</p> <p><i>Funding of vaccine programmes</i></p>	<p>Significant Contribution</p>	
<p>Access to essential services: Healthcare</p> <p><i>Funding for drug abuse prevention</i></p>	<p>Limited Contribution</p>	

¹⁵ Subsidised final price of electricity for needy or low-income households. As used in the Framework, “low-income” is defined with reference to those eligible to receive Guaranteed Minimum Income under Cyprus’s Social Benefits Law – i.e. any person whose income and other financial resources are insufficient to satisfy his or her basic and specific needs as defined by law 109 (I)/2014.

¹⁶ Including to improve the Accessibility, development, and maintenance of rural roads and maintenance and upgrade of unpaved and/or non-asphalted roads.

**Access to essential services:
Healthcare**

Expansion of public health infrastructure, including through medical/vocational training programmes for Increasing the number of post-graduate healthcare workers

Significant Contribution



Access to essential services: Education & vocational training

Strengthening the accessibility of pre-school education programs

Significant Contribution



Limited Contribution



Access to essential services: Education & vocational training

*Ensuring better educational conditions for socially disadvantaged pupils (e.g., language assistance learners coming from Greek as a second language homes, or book subsidies at university level for economically disadvantaged learners to cover indirect costs of studying.)
Extending capacity within the public/free education system*

Significant Contribution



Access to essential services: Education & vocational training

Housing subsidies for socially disadvantaged pupils

Limited Contribution



Access to essential services: Education & vocational training

*Improving the quality of the existing educational infrastructure and equipment including:
Funding for higher education, vocational education, and STEM-focused training
Supply of equipment for secondary and primary schools, including information and communication equipment*

Significant Contribution



<p>Access to essential services: Education & vocational training</p> <p><i>Construction, extension, and equipment maintenance of public education facilities, research centres, and libraries</i></p>	<p>Limited Contribution</p>	
<p>Affordable housing</p> <p><i>Providing access to affordable housing to vulnerable populations¹⁷ by:</i> <i>Extending the affordable housing supply</i> <i>Improving the quality of the existing affordable housing</i> <i>Providing financial assistance to facilitate access to housing and ownership</i></p>		<p>Limited Contribution</p>
<p>Affordable housing</p> <p><i>Extending the social housing¹⁸ supply</i> <i>Improving the quality of the existing social housing</i></p>	<p>Significant Contribution</p>	
<p>Employment generation</p> <p><i>Employment generation and retention initiatives</i> <i>Initiative to support venture investment¹⁹</i> <i>- Subsidies to support actions taken by independent or SMEs for hiring jobseekers</i> <i>- Subsidies to support programmes initiated by social enterprises for hiring young unemployed people</i> <i>- Subsidies to support people in creating a self-employed activity</i> <i>- Support for the creation of business incubators</i></p>		<p>Significant Contribution</p>
<p>Employment generation</p> <p><i>Extending capacities and improving the quality of vocational education</i></p>	<p>Significant Contribution</p>	

¹⁷ Cyprus also has affordable housing programmes focused on middle-income individuals which includes housing being set aside for affordable rental or purchase.

¹⁸ In Cyprus, refugees and low income families (defined as making under EUR 25k/yr for a single person up to EUR 65k/yr for a family of 6) can apply for social housing benefits.

¹⁹ Only for SMEs or grants offered to youth or female entrepreneurs under the New Entrepreneurship Scheme.

<p><i>Funding of job training programmes, technical training</i></p> <p><i>Support for employers offering apprenticeships and training opportunities</i></p>	<p>Significant Contribution</p>	
<p>Socioeconomic advancement and empowerment</p> <p><i>Social rehabilitation programmes for vulnerable youth</i></p>		 
<p>Socioeconomic advancement and empowerment</p> <p><i>Grants to Non-profit organizations operating in the field of social promotion programs, projects, and actions</i></p>	<p>Limited Contribution</p>	
<p>Socioeconomic advancement and empowerment</p> <p><i>Solidarity pension programmes for people who do not benefit from employment-based pension schemes</i></p>		
<p>Food security and sustainable food systems</p> <p><i>Programmes to promote resilient agricultural practices (e.g., shelf-life enhancing synthetic agrochemicals, fertilizers, and antibiotics in the food chain)</i></p> <p><i>Programmes targeting the reduction of food loss and waste - initiatives will focus on local implementation of the EU's "Farm to Fork" strategy</i></p>		
<p>Food security and sustainable food systems</p> <p><i>Expansion of organic farming in line with the EU's Common Agricultural Policy and pursuant</i></p>	<p>Significant Contribution</p>	

to EU regulation²⁰- which aims to increase organic farming in Cyprus in line with the Common Agricultural Policy (CAP) strategic plan of Cyprus approved by the EC on 2 December.

Food security and sustainable food systems

Initiatives to promote improved productivity of small-scale producers - include technical assistance and training to help increase crop yield and soil preservation, as well as programmes to encourage more sustainable use of pesticides in line with Directive 2009/128/EC establishing a framework for Community action to achieve the sustainable use of pesticides

**Significant
Contribution**













²⁰ In particular, Cyprus defines “organic” farming for this purpose as farming meeting the organic labelling requirements set out in Regulation (EU) 2018/848 of the European Parliament and of the Council of 30 May 2018 on organic production and labelling of organic products.

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to different sectors and business models.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable energy</p> <p><i>Expenditures related to production, acquisition, operation, or distribution of renewable energy – Solar Power (rooftop) and related R&D activities</i></p>	✓	 
<p>Energy Efficiency²¹</p> <p><i>Support for energy-efficient solutions for commercial, public and industrial sectors (including smart grids) and related R&D activities.</i></p>	✓	 
<p>Energy Efficiency²¹</p> <p><i>Residential energy efficiency programmes (including heating, retrofit, and insulation) and related R&D activities.</i></p>	✓	 
<p>Energy Efficiency²¹</p> <p><i>Reduction of energy use in industrial processes and related R&D activities.</i></p>	✓	 
<p>Pollution prevention and control</p> <p><i>Projects and R&D on resource efficiency and environmentally friendly waste management, including the avoidance, re-use, reduction, and recycling of waste</i></p> <p><i>Collection and transport of non-hazardous waste in source-segregated fractions</i></p> <p><i>Material recovery from non-hazardous waste</i></p>	✓	
<p>Sustainable water and wastewater management</p> <p><i>Actions aimed at promoting the efficient use of water and improving the quality of the water environment</i></p>	✓	

²¹ **Example projects:** Refurbishment of government buildings targeting energy efficiency gains resulting in >30% reduction in primary energy demand and the attainment EPC “A” rating; subsidies for private homeowners and commercial developers to undertake building refurbishments (including insulation upgrades and installation of PV infrastructure) subject to pre- and post-refurbishment EPC rating verification under “SAVE” subsidy scheme.

Circular economy-adapted products, production technologies and processes

Projects supporting the use of sustainable production and sustainable consumption practices

-

Such as supporting companies (e.g. food/beverage) working on material designed for re-use or recycling primary packaging).

Affordable basic infrastructure

Water

Optimize water-quality monitoring processes - Creation, management, and extension of the sewage system

✓



Affordable basic infrastructure

Sanitation

Improve waste management processes - Treatment and sanitation of solid urban wastes and mud

✓



Affordable basic infrastructure

Energy

Improvement in electrical supply, with a view to expanding geographical coverage

-

Access to essential services: Healthcare

Extending healthcare capacities

Improving the quality of the existing healthcare

Improving the quality of healthcare services

Improving the quality of disease prevention services

✓



Employment generation

Subsidies to employers for making workplace adjustments to accommodate persons with disabilities which include improving the accessibility in the office for disabled people and purchase of specific furniture.

✓



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility criteria against issuance-specific KPIs. All of the assets are/or will be located in Cyprus.

ASSESSMENT AGAINST KPIs

Biodiversity

✓ Habitats and species are protected in Cyprus under EU law²², the Habitats Directive and the Wild Birds Directive – that constitute the milestones of the “Natura 2000” European Ecological Network. Besides, animals are protected by the EU Animal Health Law and The Protection and Welfare of Animals Law. Although Cyprus’ protected terrestrial and marine areas only represent 11.2% of the total land area in 2021, national targets are in line with the EU Biodiversity Strategy and UN CBD Goals (Aichi Targets) that are included in the National Biodiversity Strategy and Action Plan (NBSAP). Cyprus NBSAP contains 13 major strategic objectives as well as other supportive objectives, whereas this includes targets set out in the EU and UN Biodiversity Strategy.

✓ An Environmental Impact Assessment (EIA) is carried out for projects that require it in line with national laws, as transposed by the Environmental Law 127 (I)/2018 for the assessment of the effects of certain projects, and the Law on Public Access to Environmental Information (119 (I)/2004).

Dialogue with Local Communities

✓ Cyprus’ legal framework includes measures and policies to ensure that community dialogue is an integral part of the planning process, through the Public Consultation Guidelines and the Action Plan for the Improvement of the Regulatory Framework²³. The national legislation provides a series of different tools for public engagement (e.g. sound and accessible information of communities through mass media and relevant authorities, grievance mechanisms, mandatory inclusion of comments and objections from public, legal and physical persons in drafting plan). In case of negative impact, affected local communities may be entitled to property restitution or damage compensation through legal recourse. Article 23 of Cyprus’ Constitution, however, lays down preventive measures with respect to protection from expropriation, rights to property and ownership of natural resources

✓ During the process for project evaluation and screening of eligible categories operated by the Sustainable Finance Working Group and the relevant ministries, material environmental and social risks along with impact on local communities are assessed and any potential controversies are screened.

²² Cyprus has enacted national laws to honour its international treaty obligations following its ratification of key international conventions on biodiversity, including the Convention on Biological Diversity, the Agreement on the Conservation of African-Eurasian Waterfowl Fauna, and the Agreement on the Conservation of Cetaceans of the Black Sea, Mediterranean and Contiguous Atlantic area.

²³ OECD, 2019, Cyprus, in *Better Regulation Practices across the European Union*, <https://doi.org/10.1787/b0c608a2-en>

Circular Economy/Waste Management



Cyprus' legal framework includes measures and procedures to ensure that end-of-life commissioning, take back and recycling of products with the aim to achieve the EU targets embedded in the Landfill Directive, EU Waste Framework Directive and the EU's Circular Economy Action Plan. Cyprus' waste management relies mostly on the Waste Law²⁴ for i) waste prevention through sustainable production and consumption models, use of durable, repairable and reusable products, reduction of food waste and waste associated with industrial production and construction; ii) recovery through the separate collection and good waste collection practices; iii) re-use and recycling. Supporting legislations are the Plan for the Management of Oil and Fuel Waste²⁵, of Rubber Waste²⁶ and of Other Waste²⁷, along with the Waste Generation Prevention Program 2015-2021²⁸. For recycling activities, the principle of extended producer responsibility (EPR) applies in schemes for packaging waste, batteries, and electric and electronic waste (End-of-Life Vehicle Ordinance, EU Waste from Electrical and Electronic Equipment (WEEE)). The share of the population connected to public wastewater treatment is at an upper-medium level, while the amount of municipal waste recycled and composted is at a low level and has remained stable in recent years.



Cyprus' legal framework relies on the EU Waste Framework Directive, incorporating industry-specific policies regarding the reduction of hazardous waste and pollution prevention. These include the Packaging and Packaging Waste Law, the Law on Prevention and Control of Pollution²⁹, the Ambient Air Quality Laws³⁰, the Water Pollution Control Law³¹, the Law on Management of Swimming Waters³², and the Law on Waste from Extractive Industries³³. These are complemented by the national Waste Law and the Municipal Waste Management Plan (MWMS) 2022 – 2028³⁴. Through the use of advanced techniques or special technology for mining waste management and facilities, the promotion of mining waste and packaging waste recycling or reuse, regular monitoring of the quality of bathing waters at Cyprus' coasts by the Government Department of Environment, water quality controls through regular inspections of the waters, the soil and the subsoil, sanctions imposition in case of discharge or deposition of any suspended liquid or solid waste into surface inland waters or coastal waters, etc., these legislations ensure environmental pollution prevention, water pollution control (as well as from land), bathing

²⁴ The Waste Law, 2011, http://www.cylaw.org/nomoi/enop/ind/2011_1_185/section-sc03dd4932-cca8-c225-1c66-4ec6153e3666.html

²⁵ Ministry of Agriculture, Rural Development and Environment. Waste Oil and Liquid Fuel Management Plan, 2016.

²⁶ Ministry of Agriculture, Rural Development and Environment. Waste Tire Management Plan, 2016.

²⁷ Ministry of Agriculture, Rural Development and Environment. Plan of Other Waste Management, 2016.

²⁸ Ministry of Agriculture, Rural Development and Environment. Waste Prevention Program 2015-2021.

²⁹ The Integrated Pollution Prevention and Control Law, 2003, http://www.cylaw.org/nomoi/enop/ind/2003_1_56/section-sc25848ad0-42c4-a148-4be9-255897d6a9d2.html

³⁰ The Air Quality Law & Air Quality Regulation, 2020,

<https://www.mlsi.gov.cy/mlsi/dli/dliup.nsf/All/C6A943CC070565F2C2257E28003F03F6?OpenDocument>

³¹ The Water Pollution Control Law, 2002, http://www.cylaw.org/nomoi/enop/ind/2002_1_106/section-sc5a2de92b-e298-0dd6-ec93-cde128caa445.html

³² Monitoring the Quality of Bathing Waters,

<http://www.moa.gov.cy/moa/environment/environmentnew.nsf/All/DF13CD7AC755DE83C225837600430127?OpenDocument>

³³ The Mining Waste Management Law, 2009, http://www.cylaw.org/nomoi/enop/ind/2009_1_82/section-sc467777c5-db42-376a-e27b-7e4cb5766824.html

³⁴ Ministry of Agriculture, Rural Development and Environment. Municipal Waste Management Plan 2022–2028.

water and air quality management, preservation of human health, and reduction of hazardous waste.

Labour, Health and Safety



The Republic of Cyprus, as an EU member state, complies with the EU labour legislation and standard requirements for health and safety, and has ratified the ILO Core Conventions, where high standards regarding labor rights are in place. The Strategy of Cyprus for Safety and Health at Work 2021 – 2027³⁵ contains provisions for the protection of workers, safety and health at the workplace, whereas the Consumer Protection Service is the entity responsible for their enforcement.

User safety for products



For all relevant eligible expenditures, measures are currently in place to ensure user safety for products. The General Product Safety Law³⁶ specifies that only safe products are placed on the market, appropriate checks on its safety properties conducted by the Competition and Consumer Protection Service of the Ministry of Commerce, Industry and Tourism have been taken place as well as all the potential related risks have been considered and excluded.

Inclusion



The Republic of Cyprus has policies in place promoting social inclusion and cohesion, and non-discriminatory access (as per Art 28. Cyprus' Constitution) under the Guaranteed Minimum Income and the Social Entrepreneurship Scheme³⁷, as part of the "THALIA" Program 2021-2027³⁸. The Guaranteed Minimum Income (MGI) is provided in the form of financial support and /or services to Cyprus' residents that meet the necessary conditions. The main objectives of the multi-fund development Programme are to promote a smart economy through digital transformation and green investments under social integration actions and employment programs targeting women and unemployed; along with the promotion of energy efficiency measures and circular economy for waste reduction and climate change mitigation. Due diligence processes therefore apply and ensure fairly priced and subsidised participation for socially disadvantaged groups.

Quality Management



Cyprus has fully adopted the European standards (eurocodes) applicable to quality management in construction, as reflected in the Regulation of the Energy Performance of Buildings Law (142(I)/2006), the Roads and Buildings Regulation and the Roads and Buildings Regulation Law. With respect to education, every subject taught at public schools follows a general analytical program (i.e. syllabus), which defines the curriculum

³⁵ Health and Safety Strategy, 2021-2027, [https://www.mlsi.gov.cy/mlsi/dli/dliup.nsf/All/B208115A0B53109FC22580B3002FB4D9/\\$file/HEALTH_AND_SAFETY_STRATEGY_2021_2027_EN.pdf](https://www.mlsi.gov.cy/mlsi/dli/dliup.nsf/All/B208115A0B53109FC22580B3002FB4D9/$file/HEALTH_AND_SAFETY_STRATEGY_2021_2027_EN.pdf)

³⁶ The General Product Safety Law, 2004, [http://www.olc.gov.cy/olc/olc.nsf/70CA9939B70F76A4C225860D002DAF8D/\\$file/Law%2041\(I\)%20of%202004.pdf](http://www.olc.gov.cy/olc/olc.nsf/70CA9939B70F76A4C225860D002DAF8D/$file/Law%2041(I)%20of%202004.pdf)

³⁷ The Minimum Guaranteed Income and More Generally Social Benefits Law, 2014, http://www.cylaw.org/nomoi/enop/ind/2014_1_109/section-sc30bab9a7-385e-94eb-59c9-37b0dd502130.html

³⁸ Programme THALIA, 2021-2027, <https://thalia.com.cy/en/home-en/>

development and success indicators to complete the course. The Safeguarding and Protection of Patients' Rights Law (Art. 4.2)³⁹ ensures the right of the patient to receive good quality health care, characterized by high technical standards. Quality control is also covered by the General Health System Law⁴⁰, which checks the degree of compliance with the technical specifications and quality criteria, following a clinical quality management program for clinical practice and clinical control. Moreover, the regulation of Public Procurement Procedures (Art. 62) guarantees the compliance of bidders for government projects with quality assurance standards (based on corresponding European or international standards issued by accredited organizations). Documents on evidence of compliance must be submitted and are accessible upon request to the Public Procurement Authority).

Procurement and Tender Process

✓ The Regulation of Public Procurement Procedures (Art. 62, 67, 70) and Related Matters Law (73(I)/2016) is the national legislation for public procurement guidelines. Bidders are required to provide evidence regarding compliance with environmental management standards, including the EU Eco-Management standards. As an EU Member State, Cyprus' public procurement legislation is governed by the relevant European legislation and case law, and therefore Cyprus must also comply with the Government Procurement Agreement's provisions (as the EU is a member of the World Trade Organisation's GPA) and the international standards for environmental management

✓ The Republic of Cyprus' legal framework has processes and measures in place to ensure ethics in procurement processes, under the Regulation on Public Procurement Procedures. This provides equal treatment of all bidders, verification procedures to avoid illegal practices (e.g. bribery under the EU Convention Against Bribery, fraud under the Convention on the Protection of financial interests of the European Communities, engagement in criminal organisations, terrorist crimes or crimes connected with terrorist activities, money laundering under the Interdiction and Combating Money Laundering from Illegal Activities Laws, breaches in tax payments and social contributions, collusion or corruption under the Law on the Illicit Enrichment of Public Officials and Officers), as well as sanctions, identification and legal remedy for conflicts of interest, and exclusion from the procurement process in case of violation and/or irregularity occur by the tendering party.

✓ The Regulation on Public Procurement Procedures (Art. 57) and the Coordination of Procedures Law, ensure also that any tendering party engaged in child labor and other forms of human trafficking under the Prevention and Combating of Trafficking and Exploitation Persons and the Protection of Victims Law is excluded from the procurement process, and appropriate measures are taken by contracting authorities to ensure compliance with the EU laws and ILO Conventions related to forced labour and protection of unions.

³⁹ The Safeguarding and Protection of the Patients' Rights Law, 2004, [http://www.bioethics.gov.cy/Moh/cnbc/cnbc.nsf/All/745717D26F068582C2257CCA003B350F/\\$file/Patients%20Rights%20Law-English%20translation.pdf](http://www.bioethics.gov.cy/Moh/cnbc/cnbc.nsf/All/745717D26F068582C2257CCA003B350F/$file/Patients%20Rights%20Law-English%20translation.pdf)

⁴⁰ The General Health System Law, 2001, <https://glai-chase1.transperfect.com/login>

Ethics



The Republic of Cyprus' legal framework has policies in place to ensure business ethical practices, transparency and non-discrimination, anti-bribery and corruption under the Regulation on Public Procurement Procedures, the Civil Service Law⁴¹, Law on the Illicit Enrichment of Public Officials and Officers⁴², in line with the ratification by Cyprus of the UN Convention Against Corruption.

Water



The Integrated Management of Water Law⁴³, the Protection and Management of Water Law, the Quality of Water for Human Consumption Law⁴⁴, and the Law on the Management of Swimming Water regulate wastewater management as well as water discharge, and the maintenance of water quality in Cyprus. These are supported by water-saving legislation concerning urban wastewater treatment and municipal legislation on water supply. Furthermore, Cyprus aligns with the EU Water Framework Directive (WFD) 2000/60/EC, the Floods Directive 2007/60/EC, the New Drinking Water Directive 2020/2184, and the Waste Water Treatment Directive 91/271/EEC, which defines standards for wastewater treatment and sewage infrastructure, smart water and sewerage networks monitoring, as well as flood protection and adaptation measures.

Sustainable Forestry



The Republic of Cyprus has policies in place to promote forestry and biodiversity. The Forestry Law⁴⁵ presents a plan for forest management which includes conservation, restoration, sustainable management and development of forests and woodlands. Moreover, the Law ensures biodiversity management, and protection of the environment, nature and wildlife, including rare species of flora and fauna.

Exclusion of sectors and activities that have a detrimental impact on the environment or society

According to the Issuer, eligible expenditures will exclude the following sectors: exploration, production and refining of fossil fuels, as well as fossil fuel power generation and infrastructure dedicated to the transport of fossil fuels; energy generation from nuclear power, manufacturing or trade of products which are considered illegal by international conventions and agreements or are part of international prohibitions, such as the manufacturing of war weapons, illegal activities such as child labour or forced labour, gambling; and the consumption of alcohol and tobacco.

⁴¹ The Public Service Law, 1990, http://www.cylaw.org/nomoi/enop/ind/1990_1_1/section-sc8ed58c5c-e40d-45fd-a8ea-903dc8499638.html

⁴² The Unlawful Acquisition of Property Benefit by Public Officials and Servants Law, 2002, http://www.cylaw.org/nomoi/enop/ind/2004_1_51/section-scec80cda7-75ac-da6d-d0e6-e476a8c6ecd0.html

⁴³ The Unified Water Management Law, 2010, http://www.cylaw.org/nomoi/enop/ind/2010_1_79/section-sc35857c97-6e82-cbad-5ebd-79ed2842b809.html

⁴⁴ The Drinking Water Quality (Monitoring and Control) Act, 2001, http://www.cylaw.org/nomoi/enop/ind/2001_1_87/section-sca04021e7-440c-5a78-9e5c-d202a6518be5.html

⁴⁵ Forest Law, 2012, http://www.moa.gov.cy/moa/fd/fd.nsf/fd11_en/fd11_en?OpenDocument

PART III: LINKING THE TRANSACTION(S) TO CYPRUS' ESG PROFILE

A. CONSISTENCY OF SUSTAINABLE FINANCING INSTRUMENTS WITH CYPRUS' SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

The Republic of Cyprus ratified the UN Framework Convention on Climate Change in 1997, the Kyoto Protocol in 1999 and the Paris Agreement on 4 January 2017. Cyprus recognizes the importance of combating climate change and the devastating impact of human activities on the environment but also the risks posed to people and the environment globally if significant efforts are not made in the areas of climate change mitigation and adaptation. There in between 2018 and 2022, Cyprus raised more than €10 billion in the eurobond market for its commitments to advancing environmental sustainability and social objectives, but also its recognition that investors are increasingly seeking opportunities to support credible sovereign borrowers advance their sustainability agendas through green, social and sustainable bond issuances and sustainable lending.

Apart from ratifying climate-related framework and agreement, Cyprus also set a different strategic plan for green transition and social resiliency which includes the following:

1. Cyprus endorses the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement
 - a. In its National Energy and Climate Change Plan (NECP) published in January 2020⁴⁶, Cyprus included the following targets:
 - b. By 2030, reducing greenhouse gas emissions with at least 20.9% compared to 2005 in sectors not covered by the EU Emissions Trading System and by 24.9% in ETS sectors
 - c. Emissions from land use, land use change or forestry are offset by at least an equivalent removal of CO₂ from the atmosphere
 - d. By 2030, reducing final energy consumption by 13% and primary energy consumption by 17% as compared to 2007 levels
2. Cyprus has placed sustainability at the heart of its Recovery and Resilience Plan 2021-2026
3. Addressing environmental and social vulnerabilities and advancing SDGs
 - a. Climate Change Risks
 - b. Security
 - c. Responding to Social Vulnerabilities
4. Policy and regulatory landscape
 - a. Combatting Climate Change
 - b. Water Scarcity and Drought
 - c. Wildlife Conservation

⁴⁶ Under Article 9(1) of Regulation EU 2018/1999 on the Governance of the European Union and Climate Action, each EU Member State is required to submit a 10-year Integrated National Energy and Climate Change Plan (NECP) setting out its strategy for reaching its nationally defined targets. Cyprus' Integrated National Energy and Climate Plan, available at: https://energy.ec.europa.eu/system/files/2020-01/cy_final_necp_main_en_0.pdf

- d. Promoting Social Welfare
- e. Strategic Focus on Agriculture

Rationale for issuance

The issuance of Sustainable Financing Instruments under this Framework will be key to support for green and social expenditures in Cyprus' budget for transition to a green economy (such as potential for economic growth, for new business models and markets, for new jobs and technological development) but also to achieve the aims of the Paris Agreement.

In addition to using Sustainable Financing Instruments to help meet basic budgetary requirements and enable the realization of green and social projects earmarked for financing in the national budget, Cyprus hopes that the pursuit of sustainable debt finance under this Framework will also:

- Reinforce the commitment Cyprus has made to advancing environmental sustainability objectives, in particular, climate change mitigation, climate change adaptation, promotion of biodiversity, natural resource conservation, and pollution prevention and control
- Promote higher social welfare goals in Cyprus, driving positive social outcomes and helping mitigate the social issues that may threaten, hinder or damage the well-being of particular populations in society or the public at large
- Provide sustainable impact-focused investors the opportunity to further diversify their portfolios with a well-known and credible Eurobond Issuer
- Facilitate continued increase of liquidity and depth in sustainable debt markets
- Encourage the development of sustainable finance frameworks by both Cypriot domestic Issuers and other sovereign Issuers
- Promote adherence to best market practice by sustainable debt Issuers by setting an example of a robust process for project evaluation and selection, management of proceeds and ongoing reporting

Opinion: *The key sustainability objectives and the rationale for issuing Sustainable Financing Instruments are clearly described by the Issuer. All project categories financed are in line with the sustainability objectives of the Issuer.*

B. COUNTRY'S EXPOSURE TO ESG RISKS

This section aims to provide macro-country level ESG risks and offers additional context to the issuance assessed in the present report. It leverages ISS ESG Country Rating methodology as well as relevant external sources such as United Nations Development Programme, Transparency International and Institute for Economics & Peace.

Issuer overview

Cyprus is located in Europe. The Issuer is a presidential republic, classified as a high-income country by the World Bank. The Issuer has an estimated population of 1.26 million inhabitants as of 2021, with 66.8% of its population living in urban areas, and a level of greenhouse gas emissions per capita of 6.70 as of 2020, which have decreased in recent years.

Additional information relating to the Issuer, based on international indices:

INDEX	RANK, AS OF DATE
Human Development Index ⁴⁷	29, in 2021
Corruption Perception Index ⁴⁸	42, in 2021
Global Peace Index ⁴⁹	67, in 2022

ESG risks associated with the Issuer and sovereign issuers

Leveraging ISS ESG's Country Rating methodology, key challenges faced by sovereign issuers have been identified in terms of sustainability management as displayed in the table below. Please note, this is not an issuer-specific assessment.

ESG KEY ISSUES FOR SOVEREIGN ISSUERS	
Political system and governance	Natural resources
Human Rights and fundamental freedoms	Climate change and energy
Social conditions	Product and consumption

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.B of the report.

⁴⁷ Source: <https://hdr.undp.org/en/countries/profiles/FRA>

⁴⁸ Source: <https://www.transparency.org/en/cpi/2021/index/fra>

⁴⁹ Source: <https://www.visionofhumanity.org/maps/#/>

Exposure to controversial areas

At the date of publication, the Issuer is exposed to the following areas which may be considered controversial by investors:

SOVEREIGN CONTROVERSIAL AREAS	DESCRIPTION
Climate Protection	Inadequate climate change performance (Climate Change Performance Index<50)
Military budget	Military budget (at least 2% of GDP)

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1. Validity of the Second Party Opinion (“SPO”): As long as there is no material change to the Framework
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes External Reviews which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
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ANNEX 1: Methodology

Green and Social KPIs

The Green and Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Cyprus' Sustainable Financing Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green and Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfil the requirements of the Sustainable Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Cyprus (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

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 method, the extent to which Cyprus' Sustainable Financing Instruments contributes to related SDGs has been identified.

ANNEX 2: ISS ESG Country Rating Methodology

ISS ESG Country Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Country-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

Cyprus commissioned ICS to compile a Sustainable Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the GBP, SBP, SBG, GLP and SLP and to assess the sustainability credentials of its Sustainable Financing Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- GBP, SBP, SBG, GLP and SLP
- Key Performance Indicators relevant for the use of Proceeds categories selected by the Issuer

ISSUER'S RESPONSIBILITY

Cyprus' responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 Second Party Opinion of the Sustainable Financing Instruments to be issued by Cyprus has been conducted based on a proprietary methodology and in line with the ICMA GBP, SBP, SBG, GLP and SLP.

The engagement with Cyprus took place between December 2022 and January 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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 SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

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