

VIS

Credit Rating Company Limited

SECOND PARTY OPINION

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INTRODUCTION

This document describes VIS Credit Rating Co. Ltd. (VIS) methodology for providing Second Party Opinion (SPO) and annual surveillance for green, social and sustainable financing framework ("Framework") and green, social and sustainable financing instrument where proceeds are allocated to specific environmental, social or sustainable projects. The methodology also provides for an assessment of environmental and/or social benefits and impact as well as the potential material environmental and/or social risks associated with the sustainable financing.

SECOND PARTY OPINION

SPO is not credit ratings, neither they assess credit quality, nor are they influenced by credit ratings. Instead, SPO provides a point in time independent assessment of alignment, credibility and ambition of a sustainable financing instrument, program, or frameworks with recognized market standards, along with an evaluation of the issuing entity's strategy pertinent to the implementation of these initiatives.

The SPO strengthens the credibility of the issuer and improves the attractiveness of the financing by demonstrating alignment with internationally accepted industry associations published sustainable finance standards, guidelines and recommendations, including but not limited to the International Capital Market Association (ICMA) principles, to investors and the market. Enhanced transparency facilitates the engagement of issuers with investors sharing common sustainability goals.

The VIS' Second Party Opinion provides an independent assessment on the Framework against:

- Alignment of the Framework with certain third-party published sustainable finance principles and guidelines identified by the Issuer.
- Alignment of the Issuer overarching Sustainability Strategy with the financing Framework and rationale for financing including identification of most material sustainability factors for the issuer and how they are addressed by the framework.
- Alignment of the framework with the Security & Exchange Commission of Pakistan (SECP) Green Bond guidelines or with State Bank of Pakistan Green Finance framework.
- Consistency of the Framework to the United Nation Sustainable Development Goals (UNSDGs).
- Consistency of the Framework with the Maqasid Al-Shariah

The VIS' Second Party Opinion on the sustainability-linked finance framework evaluates whether the framework addresses the most material sustainability factors and assesses the relevance of key performance indicators (KPIs) to those material sustainability factors.

The VIS' Second Party Opinion on the Sustainable Finance Instrument provides an expert assessment of how well the funding allocated to green, social or sustainability linked projects aligns with the Use of Proceeds guidelines of the ICMA Green Bond Principles.

METHODOLOGY

VIS' Second Party Opinion provides an in-depth assessment for alignment of sustainable finance transactions or frameworks with certain third-party published sustainable finance principles and guidelines specified by the issuer. VIS offers opinions on alignment with various established Principles and Taxonomies, such as:

- **ICMA Principles:** This category encompasses the International Capital Market Association's Green Bond Principles (GBPs), Social Bond Principles (SBPs), and Sustainability Bond Guidelines (SBGs).
- **Loan Association Principles:** This includes the Loan Market Association (LMA), Asia-Pacific Loan Market Association (APLMA), and the LMA/APLMA/Loan Syndications and Trading Association (LSTA) 's and Social Loan Principles (SLPs).
- **Regional Taxonomies:** Regional green and sustainable finance methodology or Taxonomy including but not limited to Green Bond Endorsed Projects Catalogue (2021) or Eu Taxonomy.

VIS' SPO process evaluates the alignment of financing with established Principles, resulting in four potential outcomes: Aligned /Largely Aligned/ Partially Aligned/Not Aligned.

- **Aligned** means, outcome signifies that the financing meets the minimum requirements of the relevant Principles. All relevant analytical components must be aligned to achieve an overall outcome of aligned.
- **Largely Aligned** means, alignment to the extent of primary/core requirements of the principles while remaining short of meeting other/secondary requirements.
- **Partially Aligned** means, outcome meeting other/secondary requirements though remaining short of alignment with the core/primary requirements.
- **Not Aligned** means, outcome signifies that the financing does not meets the minimum requirements of the relevant Principles.

This comprehensive assessment includes evaluating the Use of Proceeds, and whether the commitments made in the financing's documentation are aligned with the relevant use of proceeds requirement in related Principles.

The Project Evaluation and Selection Process is scrutinized to ensure alignment with environmental or social requirements, focusing on clarity and alignment of sustainability objectives and measurement methodologies.

The Management of Proceeds is analyzed to confirm dedicated funding to eligible sustainability projects and proper segregation and placement of financing proceeds.

Lastly, the Reporting process is evaluated for its feasibility, transparency, verifiability, and comprehensiveness, which may involve annual verifications or periodic reviews.

Additionally, VIS evaluates the alignment of the financing with the SECP's Green Bond guidelines or the State Bank of Pakistan's Green Finance Guidelines as applicable.

The steps also involve mapping the proceeds categories with the UN Sustainable Development Goals (UNSDGs), ensuring that the financing's intended use aligns with these broader global objectives.

The final step incorporates an assessment of how the framework/instrument contributes to the Maqasid AlShariah as mapped against the UNSDGs.

ANNUAL SURVEILLANCE

VIS also provides annual post-issuance verification services to evaluate the Green Finance compliance with its sustainability objectives and the key performance indicators (KPIs) throughout the tenor of the finance. This would include securing information on actual performance of the green finance against the relevant core principles set out in the VIS' SPO as well as actual performance against KPIs assessed in the SPO. The performance information/data provided by the issuer will be verified through meeting/discussion/site visits prior to issuance of the surveillance report.

VIS also provides annual assessment as to whether the projects financed through Framework met the use of proceeds criteria and the reporting commitments outlined in the Framework. Full scope annual review, however, would encompass an evaluation of alignment across all criteria within third-party principles and guidelines.



NATIONAL EXCELLENCE

INTERNATIONAL REACH

Jahangir Kothari Parade (Lady Lloyd Pier) Inspired by Her Excellency, The Honorable Lady Lloyd, this promenade pier and pavilion was constructed at a cost of 3 Lakhs and donated to the public of Karachi by Jahangir Kothari to whose generosity and public spirit the gift is due. Foundation stone laid on January 5, 1920. Opened by Her Excellency, The Honorable Lady Lloyd on March 21, 1921.

Dome: A roof or vault, usually hemispherical in form. Until the 19th century, domes were constructed of masonry, of wood, or of combinations of the two, frequently reinforced with iron chains around the base to counteract the outward thrust of the structure.

Origins: The dome seems to have developed as roofing for circular mud-brick huts in ancient Mesopotamia about 6000 years ago. In the 14th century B.C. the Mycenaean Greeks built tombs roofed with steep corbeled domes in the shape of pointed beehives (tholos tombs). Otherwise, the dome was not important in ancient Greek architecture. The Romans developed the masonry dome in its purest form, culminating in a temple built by the emperor Hadrian. Set on a massive circular drum the coffered dome forms a perfect hemisphere on the interior, with a large oculus (eye) in its center to admit light.

VIS Credit Rating Company Limited is committed to the protection of investors and offers a blend of local expertise and international experience to serve the domestic financial markets. With its international reach, VIS is positioned to aim for an international mark. In this regard, the global experience of our international affiliates and partners have been invaluable towards adding depth to our ongoing research endeavors, enriching us in ways, that enable us to deliver our responsibilities to the satisfaction of all investors. The edifice of the Jahangir Kothari Parade has stood proudly through the years and is a symbol of our heritage. Its 'Dome' as the most stable of building structures, exemplifies architectural perfection. Committed to excellence, VIS continues its endeavour to remain an emblem of trust.

INTERNATIONAL

Affiliates

Islamic International Rating Agency – **Bahrain** – iira.com

Credit Rating Information & Services Ltd. – **Bangladesh** – crislbd.com

Collaborations

Japan Credit Rating Agency, Ltd. - **Japan**

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