

Stronghold Global Finance Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Stronghold Global Finance Sustainable Finance Framework is impactful and partially aligned with the Green Bond Principles 2021 and Green Loan Principles 2023.¹ This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds Green Assets (Buildings, Hospitals and Data Centres), Renewable Energy, Clean Transportation, Energy Efficiency and Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products, are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9, 11 and 12.



PROJECT EVALUATION AND SELECTION SGF's Committee, Working Group and Assurance Team on Sustainable Finance and Risk Management (the "team"), consisting of consisting of the Head of Risk and Compliance as Chair of the Committee, Group CEO, Managing Director, Vice President Investment Banking and two Associate Directors, will be responsible for evaluating and selecting projects in line with the Framework's eligibility. While the process for project evaluation and selection is adequate, the lack of an internal environmental and social risk management process to address some of the risks associated with the financed projects does not meet requirements and is partially aligned with this component of the Principles.



MANAGEMENT OF PROCEEDS SGF's Committee and Working Group Managing the SF Instruments Proceeds, consisting of the same members as the team, will oversee the management and allocation of proceeds to eligible assets using a portfolio approach. SGF has communicated to Sustainalytics that it will track the proceeds using a green bond and loan register. SGF intends to allocate proceeds within two years of the respective issuance date. Pending full allocation, unallocated proceeds will be temporarily held in accordance with the Company's general liquidity management standards. This is in line with market practice.



REPORTING SGF intends to report on the allocation of proceeds, via its Annual or ESG Report, and the impact of proceeds, via a separate report, on its website, on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds allocated to each eligible green asset category, number of eligible assets included in the eligible portfolio, allocation by project location alongside representation of refinancing versus new financing, balance of unallocated proceeds and amount and percentage of new loans added to the eligible portfolio post initial collection. In addition, SGF intends to report on relevant impact metrics. Sustainalytics views SGF's allocation and impact reporting as aligned with market practice.

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¹ Sustainalytics notes that the Framework partially aligns with the Project Evaluation and Selection component of the Green Bond Principles 2021 and Green Loan Principles 2023 and aligns fully with the remaining three components.

Introduction

Stronghold Global Finance (“SGF” or the “Company”) is an investment bank and lender focusing on providing financial services in the infrastructure, real estate, heavy industries and natural resources sectors. Founded in 2020, the Company is headquartered in London, England and has 17 employees as of 2023.²

SGF has developed the Stronghold Global Finance Sustainable Finance Framework dated December 2023 (the “Framework”) under which the Company and its subsidiaries intends to issue green bonds and term loans, revolving credit facilities, guarantee lines, letters of credit, equity-backed loans, asset backed securities,³ multi-tranche and uni-tranche loans, sukuks,⁴ qard hassans and other financial instruments,⁵ and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to deliver positive environmental, including climate, impact. The Framework defines eligibility criteria in five areas:

1. Green Assets (Buildings, Hospitals and Data Centres)
2. Renewable Energy
3. Clean Transportation
4. Energy Efficiency
5. Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products

SGF engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)⁶ and Green Loan Principles 2023 (GLP).⁷ The Framework has been published in a separate document.⁸

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁹ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of SGF’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. SGF representatives have confirmed (1) they understand it is the sole responsibility of SGF to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and

² The number of employees has been communicated to Sustainalytics by SGF.

³ For asset backed securities, SGF has communicated to Sustainalytics that: i) it will issue secured green collateralized bonds as per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021, where 100% of the collaterals will align with the eligibility criteria set forth in the Framework; and ii) there will be no double-counting of eligible projects under the secured sustainable standard bond, secured sustainable collateral bond and any other outstanding sustainable financing instruments.

⁴ SGF intends to issue green, social, sustainability, blue, SDG and SRI sukuks.

⁵ Sustainalytics has reviewed just those instruments that are specified in the Framework.

⁶ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁷ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#>

⁸ The Stronghold Global Finance Sustainable Finance Framework is available on Stronghold Global Finance’s website at: <https://stronghold-finance.com/investment-strategies/>

⁹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

(3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Stronghold Global Finance Sustainable Finance Framework

Sustainalytics is of the opinion that the Stronghold Global Finance Sustainable Finance Framework is impactful and partially aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Green Assets (Buildings, Hospitals and Data Centres), Renewable Energy, Clean Transportation, Energy Efficiency and Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products, are aligned with those recognized by the GBP and GLP.
 - SGF intends to finance or refinance general purpose loans (including equity-backed loans) allocated to entities that derive 90% or more of their revenues from activities that comply with the eligibility criteria in the Framework. Sustainalytics believes that, while project and activity-based lending generally results in more direct environmental benefit and ensures compliance with the criteria in the Framework, the financing of pure play companies through green bonds is a commonly accepted approach, which is likely to generate positive impacts.
 - SGF intends to allocate proceeds to supply chain financing schemes, where the suppliers' invoices are financed in accordance with the credibility of the underlying assets. SGF has confirmed to Sustainalytics that these underlying assets will be specialized components that are enabling the eligible activities under this Framework and any fossil fuel related industries and assets will be excluded under this scheme.
 - SGF has defined a lookback period of three years for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Green Assets (Buildings, Hospitals and Data Centres) category, SGF may finance or refinance the construction, acquisition and renovation of commercial, public and residential building envelopes that meet one of the following conditions:
 - Buildings that achieve or are expected to achieve one of the following green building certifications: EDGE (Certified or above);¹⁰ BREEAM (Excellent or above);¹¹ LEED (Gold

¹⁰ EDGE: at: <https://www.edgebuildings.com/certify/certification/>

¹¹ BREEAM: <https://bregroup.com/products/breeam/>

- or above);¹² Green Star (5 Star or above);¹³ China Green Building Evaluation Label (China Three Star) (2 Stars or above);¹⁴ BEAM Plus (Gold or above);¹⁵ G-SEED (Level 2 or above);¹⁶ IGBC New Buildings or Existing Buildings (Gold or above);¹⁷ IGBC Green Home (Platinum);¹⁸ EEW (Gold or above);¹⁹ Pearl Rating System (4 Pearl or 3 Pearl with a 20% improvement of energy efficiency over ASHRAE 90.1 2007);²⁰ HQM (4 Stars or above);²¹ Energy Performance Certificate (EPC) with level B or above for buildings located in the UK; NABERS Energy Rating (5 Star or above);²² Vietnam GBC Lotus Certification (Platinum);²³ GRIHA (4 Stars or above);²⁴ GreenRE (Gold or above);²⁵ Al Sa'fat (Platinum);²⁶ and BCA Green Mark (Gold or above).²⁷
- Retrofit or renovation of existing buildings that result in energy savings of at least 30% compared to baseline performance of the building before the renovation, measured in kWh/m² per year. The Company has communicated to Sustainalytics that expenditures under this category will be limited to the cost of the renovation and not the entire building construction.
 - Replacement of existing heating and cooling systems in buildings with more efficient, non-fossil fuel-powered systems.²⁸
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Renewable Energy category, SGF may finance or refinance the construction, development, acquisition, maintenance, operation and installation of renewable energy generation projects and associated infrastructure and distribution networks. Eligible projects and activities may include:
- Onshore and offshore wind projects and solar power generation through photovoltaic (including floating).
 - Green hydrogen projects where hydrogen is generated from electrolysis of water. SGF has communicated to Sustainalytics that projects will be powered exclusively by renewables.
 - Geothermal power facilities with a direct emissions intensity below 100 gCO₂/kWh.
 - Biomass or biogas power and biofuel production, including sustainable aviation fuels and renewable natural gas from waste-based feedstock. Sustainalytics notes the following:
 - SGF has communicated to Sustainalytics that feedstock includes agricultural residues and that waste from non-Roundtable on Sustainable Palm Oil (RSPO)²⁹ certified palm oil operations will be excluded from the Framework. Sustainalytics notes that feedstock will be certified to GM Free Feedstock used in conjunction with ISCC PLUS³⁰ and fulfill one of the following criteria:
 - i) generate power which achieves at least a 65% to 70% reduction in emissions compared to the fossil fuel baseline for financed biofuel production in line

¹² LEED: <https://www.usgbc.org/leed>

¹³ Green Star Rating System: <https://new.gbca.org.au/green-star/rating-system/buildings/>

¹⁴ China Green Building Evaluation Label: <http://www.gbig.org/collections/14970>

¹⁵ BEAM Plus: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

¹⁶ G-SEED: <https://www.gbc.re.kr/app/info/qualificationStandard.do>

¹⁷ IGBC: <https://igbc.in/igbc/redirectHtml.htm?redVal=showratingSysnosign>

¹⁸ Ibid.

¹⁹ EEW: <https://eewh.tw/>

²⁰ The Pearl Rating System for Estidama: <https://pages.dmt.gov.ae/en/Urban-Planning/The-Pearl-Rating-System-for-Estidama>

²¹ Home Quality Mark: <https://www.homequalitymark.com/discover/what-is-hqm/>

²² NABERS: <https://www.nabers.gov.au/ratings/our-ratings/nabers-energy>

²³ LOTUS: <https://vgbc.vn/en/rating-systems/>

²⁴ GRIHA: <https://www.grihaindia.org/griha-rating>

²⁵ GreenRE: <https://greenre.org/process>

²⁶ Al Sa'fat – Dubai Green Building System: <https://www.dm.gov.ae/municipality-business/al-safat-dubai-green-building-system/>

²⁷ Green Mark Certification Scheme: <https://www1.bca.gov.sg/buildsg/sustainability/green-mark-certification-scheme>

²⁸ SGF has established an energy efficiency ration in the range of 12 to 16 or a value as per the local guidelines and best practices.

²⁹ RSPO: <https://rspo.org/as-an-organisation/our-standards/>

³⁰ Sustainalytics considers GM Free Feedstock, used in conjunction with ISCC PLUS, will ensure that the entire feedstock is sustainably sourced.

- with the EU RED II Criteria;³¹ or ii) has a life cycle GHG emissions intensity below 100 gCO₂e/kWh for electricity generation.
- Ocean power derived from ocean current facilities.
 - New or existing hydropower projects with one of the following criteria: i) run-of-river hydropower without artificial reservoir or low storage capacity; ii) new facilities operational after 2019 will have a life cycle carbon intensity below 50 gCO₂/kWh or a power density greater than 10 W/m²; or iii) existing facilities operational before 2019 will have a life cycle carbon intensity below 100 gCO₂/kWh, low storage capacity or a power density greater than 5 W/m².
 - Regarding new hydropower facilities, Sustainalytics notes an environmental and social impact assessment by a credible body will be required and that facilities with significant controversies related to environmental and social risks or impact identified will be excluded from financing under the Framework. For more details, refer to the exclusions list.
 - Development and manufacturing of renewable energy technologies and assets used for the purpose of supporting renewable energy generation facilities including equipment for renewable energy generation and energy storage. Examples include wind turbines, green hydrogen fuel cells, solar panels, battery storage connected to renewables, wind turbine installation vessels and building automation and control systems. Sustainalytics notes the following:
 - SGF has confirmed to Sustainalytics that facilities financed under this category will be exclusively dedicated to components for renewables.
 - Wind turbines, where use of balsa wood will be limited to: i) companies with a sustainable sourcing policy in place; or ii) wood certified by the Forest Stewardship Council (FSC)³² or the Programme for the Endorsement of Forest Certification (PEFC).³³
 - SGF has communicated that wind turbine installation vessels include ships, which are elevated jack-up rigs, powered by biodegradable hydraulic fluids or LNG. The Company has further confirmed that the vessels are fully dedicated for wind turbine installation and that vessels used for the transportation of fossil fuels will be excluded from financing under the Framework.
 - Construction, maintenance and expansion of associated distribution networks for transmission of renewable energy. Specifically, SGF has confirmed to Sustainalytics that grid development and maintenance will support at least 90% renewable energy and that new infrastructure dedicated to connecting fossil fuel power plants will be excluded from financing under the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, SGF may finance or refinance expenditures related to private and domestic vehicles, urban transportation systems and infrastructure and freight transport with the following eligibility criteria:
- Investments in private vehicles fueled by electricity, hybrid biofuel, hydrogen and ethanol fuels with a direct emissions threshold below 50 gCO₂/km. SGF has communicated that this will be based on lab tests WLTP procedures.
 - Manufacture of electric vehicle (EV) batteries and associated infrastructure for private and domestic vehicles including EV battery swapping stations, charging stations and maintenance stations.
 - Development and operation of low-carbon public or mass transportation systems for land and sea and associated infrastructure including light rail transit, metro and trams, trolleybuses and electric and renewable natural gas-powered buses,³⁴ hydrogen fueling

³¹ Pre-2021 installations: 60% reduction below baseline; pre-2015 installations: 50% reduction below baseline. Fossil fuel baselines for biofuel production facilities: i) Biofuels for transportation: 94 gCO₂e/MJ; ii) bioliquids production of electricity: 183 CO₂e/MJ; and iii) bioliquids production of heat: 80 CO₂e/MJ as per EU RED II. For outermost regions and non-EU countries, the baseline of 212 gCO₂e/MJ is applicable for electricity generation.

³² FSC: <https://fsc.org/en/fsc-standards>

³³ PEFC: <https://pefc.org/standards-implementation/standards-and-guides>

³⁴ Regarding sustainable sourcing of RNG, SGF has communicated to Sustainalytics that financing will be provisioned to companies with a sustainable sourcing policy with specific elements related to sourcing of the feedstock.

- stations and bike transport systems. SGF has communicated to Sustainalytics that all vehicles part of low-carbon public or mass transportation systems will be electric or have a universal direct emissions threshold below 50 gCO₂e/p-km.³⁵
- Urban planning, development and management for urban transportation systems including the creation of walking communities such bicycles and pedestrian mobility, upgradation of passenger bus stations and rail stations and car sharing schemes.³⁶ The Company has communicated to Sustainalytics that expenditures will be limited to eligible vehicles under this category.
 - Investments and expenditures related to freight vehicles fueled by electricity, hydrogen and other alternative fuels. Examples include: i) hydrogen-powered trucks with an emissions intensity below 25 gCO₂/p-km; ii) rail systems with an emissions intensity below 50 gCO₂/p-km for passenger rail and 25 gCO₂/tkm for freight rail; iii) bus fleet induction or replacement including powered by SAF and other low-carbon fuels with an emissions intensity below 50 gCO₂/p-km based on WLTP procedure;³⁷ and iv) ship fleet induction or replacement fully powered by methanol, hydrogen, electricity and ammonia. SGF has confirmed that it will not finance freight vehicles dedicated to the transport of fossil fuels or fossil fuels blended with alternative fuels.
 - Development and upgrade of associated infrastructure that supports or enables the operation of freight vehicles that meet criteria above such as the development of rail infrastructure, bunkering facilities for biofuels, hydrogen, ammonia and methanol.
 - For all associated infrastructure, SGF has confirmed to Sustainalytics that parking facilities that are not dedicated to low-carbon transportation will be excluded from financing under the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, SGF may finance or refinance the development, manufacture, repair, maintenance and installation of energy efficiency technologies, products and systems. Eligible projects and activities may include the following:
- Smart meters and smart grids systems for electricity and associated infrastructure such as monitoring and control automation devices and computing platforms.
 - Energy efficient lighting and highly efficient heating, ventilation and air conditioning systems.
 - Waste-heat recovery systems. SGF has confirmed to Sustainalytics that waste heat from fossil fuel production and operation and hard-to-abate sectors will be excluded from financing under the Framework.
 - Energy efficiency improvement of machinery and equipment in irrigation and other agricultural processes. SGF has communicated that this includes energy efficiency improvements through mechanical, electrical and software integrations to existing machinery such as smart automation, frictional control features to increase fuel and energy efficiency and upgradations to achieve energy efficiency. SGF has also confirmed to Sustainalytics that: i) machinery and equipment will promote projects that comply with a sustainable forest management plan and/or sustainable crop agriculture; and ii) technologies for industrial-scale livestock production units will not be financed under the Framework.
 - Devices measuring, regulating, controlling and automating energy performance of buildings. SGF has communicated that these expenditures will be part of a building management system and includes examples such as wireless sensing, control algorithms and open-source control platforms.
 - Upgrade of existing broadband networks from copper to fibre optic.
 - Professional services related to improving the energy performance of buildings. SGF has communicated that examples of such expenditures include technical

³⁵ This has been communicated to Sustainalytics by SGF.

³⁶ SGF has communicated to Sustainalytics that car sharing schemes will be limited to eligible vehicles under the Framework and will include expenditures for green vehicle sharing and pooling services.

³⁷ SGF has communicated to Sustainalytics that bus fleet induction entails the induction of new EV buses or RNG buses to the existing fleet of vehicles operated.

- consultations, energy audits, building assessments, net-zero buildings assessment and energy management services.
- SGF has confirmed to Sustainalytics that technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels, such as oil or gas fired boilers, cogeneration and combined heat and power units, and production processes in heavy industries such as steel, cement and aluminum, as well as improvements in transmission lines directly connected or dedicated to fossil fuel power will be excluded from financing under the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products category, SGF may finance or refinance the development, construction, acquisition, installation, operation and upgrades of the following:
- Facilities for collection, sorting and material recovery.
 - Regarding collection facilities, the Company has communicated that this will include waste collection infrastructure, such as containers and bins, and support source segregation of waste.
 - Collection vehicles financed will include only electric vehicles.
 - Regarding material recovery facilities, SGF has communicated that this includes sorting for residual feedstock production for waste-to-energy projects. SGF has confirmed to Sustainalytics that it will ensure segregation of recyclables, such as plastics and metals, from the feedstock. Before incineration, Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emission intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends SGF to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Facilities for the recycling and reuse of non-hazardous materials, such as plastic waste. SGF has confirmed that the following will be excluded from financing under the Framework: i) single-use plastics; and ii) waste from electrical and electronic equipment.
 - Treatment of biowaste through composting in dedicated facilities with the resulting production and utilization of compost or biogas. SGF has communicated to Sustainalytics that biowaste includes food, green, garden and yard waste to produce compost and biogas for agricultural, municipal and consumer applications.
 - Projects to capture biogas from closed landfill facilities. Sustainalytics notes that landfill gas capture for energy generation from closed or decommissioned landfill will have a high gas efficiency of 75% or more and flaring will be excluded from the Framework.
 - Production of resource-efficient or low-carbon products that are certified by the RSB.³⁸ Products include biofuels, bioplastics. SGF has confirmed to Sustainalytics that the production of bio-based plastics will meet the criteria for production of plastic, as outlined below.
 - Research and development expenditures related to carbon, capture, utilization and storage technologies. Sustainalytics notes that hard-to-abate industries that are inherently carbon-intensive is excluded from financing under the Framework and that captured carbon will not be intended for enhanced oil recovery.
 - Production of plastic where: i) at least 90% of recycled, renewable and bio-based input; ii) at least 90% of the final product must not be intended for single-use consumer

³⁸ RSB is a globally recognized certification body for materials compliant with circular economy principles.

- products; and iii) all products are recyclable. Where biogenic inputs are used in the production process, SGF has communicated that they will be sourced sustainably and certified with ISCC certification scheme.³⁹ In addition, biogenic inputs shall be sourced based on the sustainable sourcing policy of the entity or facility financed.
- Sustainalytics notes that financing related to plastic recycling under this category will be limited to the mechanical recycling of plastic.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Sustainalytics notes that SGF will not extend financing to the following sectors: i) alcohol including manufacturing and wholesale of alcoholic and other beverages; ii) mining of uranium, iron, thorium ores, non-ferrous metal ores, clays, kaolin and chemical and fertilizer materials; iii) quarrying of stone, limestone, gypsum, chalk and slate for construction; iv) operation of gravel and sand pits; v) processing of nuclear fuel; vi) wholesale of metals and metal ores; vii) hydropower facilities with significant controversies related to environmental and social risk or impact (e.g. loss of habitat, biodiversity and displacement of people etc.); viii) other mining and quarrying not elsewhere classified; ix) fossil fuels including thermal coal mines, opencast coal working, manufacturing of solid fuel, mining and agglomeration of lignite, extraction and agglomeration of peat, crude petroleum and natural gas, services activities incidental to the oil and gas sector excluding surveying, other treatment of petroleum products (including petrochemicals manufacture), manufacture of industrial gases, gaseous fuels through mains, wholesale of petroleum and other fuel-based products and oil and gas supply by pipeline; x) gambling and betting activities; xi) tobacco including the manufacture of tobacco products, agents involved in trading and selling, whole of unmanufactured tobacco products, nonspecialized whole of F&B and tobacco, retail sale of nonspecialized stores with F&B and tobacco products and retail sale of tobacco products; and xii) weapons including the manufacture of explosives and weapons and ammunitions.
- Project Evaluation and Selection:
 - SGF's Committee, Working Group and Assurance Team on Sustainable Finance and Risk Management (the "team"), consisting of the Head of Risk and Compliance as Chair of the Committee, Group CEO, Managing Director, Vice President Investment Banking and two Associate Directors, will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria.
 - Sustainalytics notes that SGF has not yet adopted internal policies and processes to address the environmental and social risks commonly associated with projects financed. These include risks related to human and labour rights, land use and biodiversity issues associated with large infrastructure project, emissions, effluents and waste generated during construction, occupational health, as well as safety and community relations.⁴⁰ For additional details, refer to Section 2.
 - While the process for project evaluation and selection is adequate, the lack of an internal environmental and social risk management process to address some of the risks associated with the financed projects does not meet requirements and is partially aligned with this component of the Principles.
 - Management of Proceeds:
 - The Committee and Working Group Managing the SF Instruments Proceeds, consisting of the same members as the team, will oversee the management and allocation of proceeds to eligible assets using a portfolio approach. The Company has communicated to Sustainalytics that it will track the proceeds using a green bond and loan register.
 - The Company intends to allocate proceeds within two years of the respective issuance date. Pending full allocation, unallocated proceeds will be temporarily held in accordance with the Company's general liquidity management standards. SGF has confirmed that proceeds will not go towards carbon-intensive processes and sectors such as, but not limited to, natural gas, steel, cement, aluminum, heavy duty transportation, chemical production and glass. SGF has communicated to Sustainalytics that the Company will exclude allocation to carbon-intensive assets and companies temporarily, until full allocation is completed.

³⁹ ISCC: <https://www.iscc-system.org/>

⁴⁰ Eligible assets must adhere to official national and local regulations, societal norms as applicable as well as credit and compliance procedures.

- Sustainalytics notes that multi-tranche loan facilities will be included and that SGF intends to label only those tranches of such facilities where proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
- Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - SGF intends to report on the allocation of proceeds, via its Annual or ESG Report, and the impact of proceeds, via a separate report, on an annual basis until full allocation. The Company has communicated that reporting will be shared on its website.
 - Allocation reporting will include the total amount of proceeds allocated to each eligible green asset category, number of eligible assets included in the eligible portfolio, allocation by project location alongside representation of refinancing versus new financing, balance of unallocated proceeds and amount and percentage of new loans added to the eligible portfolio post initial collection.
 - SGF has communicated to Sustainalytics that it intends to issue revolving credit facilities under the loan issuance and commits to reporting until loan maturity.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Stronghold Global Finance Sustainable Finance Framework is partially aligned with the four core components of the GBP and GLP. Three of the four core components are aligned, with the Project Evaluation and Selection component being partially aligned with the GBP and GLP.

Section 2: Sustainability Strategy of SGF

Contribution to SGF's sustainability strategy

Sustainalytics is of the opinion that SGF demonstrates a commitment towards sustainability through the development of an ESG investment platform which includes the following goals: i) to support clients to raise capital by structuring and underwriting ESG loans; ii) to attract and expand ESG investments across different sectors and jurisdictions; and iii) to advise clients on ESG strategies in support of their transition to more sustainable business models.⁴¹

While Sustainalytics recognizes SGF's effort in developing an ESG investment platform, Sustainalytics encourages the Company to set quantified, time-bound sustainability targets, and to provide robust reporting on their progress to further strengthen its sustainability practices.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) human and labour rights; ii) bribery, corruption and business ethics; iii) land use and biodiversity issues associated with large infrastructure projects; iv) emissions, effluents and waste generated during construction; v) occupational health and safety (OH&S); vi) community relations and vii) money laundering.

Sustainalytics is of the opinion that SGF is able to manage and/or mitigate some of the potential risks through implementation of the following:

- Sustainalytics notes that financing may take place in countries, including Bahrain, Egypt, Oman, Qatar, Saudi Arabia, United Arab Emirates, which have been identified as high-risk countries bearing in mind the potential impact of planned investments especially in these countries. However, Sustainalytics notes that such investments should be accompanied by risk management procedures to ensure that any adverse effects are sufficiently identified and addressed.
- To mitigate the risks related to bribery, corruption, and business ethics, SGF has in place an Anti-Bribery & Anti-Corruption Policy. The Company commits to complying with the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act, both of which have extraterritorial regulations globally and

⁴¹ SGF, "ESG Report 2022", at: <https://stronghold-finance.com/wp-content/uploads/2022/03/ESG-Report-version4-w-front-page.pdf>

applicable local anti-bribery laws largely covering regions of the Company's operations and its financed projects.⁴²

- Regarding the risks associated with money laundering, SGF has in place the Anti-Money Laundering Policy, which lays out minimum requirements to comply with, such as: i) establishing and maintaining risk-based due diligence, identification and verification procedures for its customers and enhanced due diligence for customers presenting higher risks globally; ii) anti-money laundering training for all employees; and iii) setting up a system to assess the level of money-laundering risk exposure and establishing appropriate security measures after the assessment.⁴³
- For projects that SGF operates within the countries recognized as Designated Countries under the Equator Principles, such as UK, the Equator Principles indicate the presence of strong environmental and social governance systems, as well as institutional capacity designed to protect the local environment and communities.⁴⁴
- SGF has communicated to Sustainalytics that it intends to develop additional internal policies in Q1 2024 to address some of the aforementioned risks associated with the financed projects, including those related to human and labour rights, land use and biodiversity issues associated with large infrastructure project, emissions, effluents and waste generated during construction, occupational health and safety and community relations.

Based on the above, Sustainalytics views SGF as having insufficient measures in place to address the potential impacts of some of the aforementioned risks. Sustainalytics encourages the Company to adopt stronger measures that adequately address all environmental and social risks associated with the financed projects and continually report on the development of the ongoing controversies.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by GBP and GLP. Sustainalytics has focused one below where the impact is specifically relevant in the local context.

Importance of green buildings in the UK

Buildings are the second-largest source of emissions in the UK, accounting for 20% of total emissions.⁴⁵ The majority of the emissions can be attributed to oil and gas combustion for heating and hot water in residential buildings.⁴⁶ In 2021, the UK government adopted a target to achieve net zero emissions by 2050, with an intermediate goal to reduce emissions by 78% by 2035 compared to 1990 levels.⁴⁷ However, business-as-usual projections indicate that the UK's built environment emissions may reduce by only 60% by 2050 compared to 1990 levels, leaving 115 MtCO₂e of residual emissions to be offset.⁴⁸ Since 20% of the UK building stock was built before 1919, upgrading old housing structures and creating zero-carbon homes will be fundamental for the UK to meet the net zero ambition.⁴⁹ To further accelerate the efforts towards energy efficiency, the UK government launched the Clean Growth Strategy in 2017 with a goal to achieve an energy performance certificate level C rating for all fuel-poor homes by 2030.⁵⁰ The UK government also proposed a national retrofit strategy in 2020 to make existing homes greener and more energy efficient, setting a target to save 84.9 Mt of CO₂ emissions by 2040.⁵¹ In line with this, the UK government's Social Housing

⁴² SGF has shared its Anti-Bribery & Anti-Corruption Policy confidentially with Sustainalytics. The Company has confirmed to Sustainalytics that the jurisdictions covered in the acts focuses on global locations where it operates.

⁴³ SGF has shared its Anti-Money Laundering Policy confidentially with Sustainalytics.

⁴⁴ Equator Principles, "EP4", (2020), at: https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf

⁴⁵ Climate Change Committee, "Progress in Reducing Emissions: 2022 Report to Parliament", (2022), at: <https://www.theccc.org.uk/wp-content/uploads/2022/06/Progress-in-reducing-emissions-2022-Report-to-Parliament.pdf>

⁴⁶ Ibid.

⁴⁷ Government of the UK, "UK enshrines new target in law to slash emissions by 78% by 2035", (2021), at: <https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035>

⁴⁸ UK Green Building Council, "Net Zero Whole Life Carbon Roadmap: A Pathway to Net Zero for the UK Built Environment", (2021), at: <https://ukgbc.s3.eu-west-2.amazonaws.com/wp-content/uploads/2021/11/28194152/UKGBC-Whole-Life-Carbon-Roadmap-A-Pathway-to-Net-Zero.pdf>

⁴⁹ Ibid.

⁵⁰ Department for Business, Energy and Industrial Strategy, "The Clean Growth Strategy: Leading the way to a low carbon future", (2017), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

⁵¹ Construction Leadership Council, "Greening Our Existing Homes: National Retrofit Strategy", at: <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2020/12/CLC-National-Retrofit-Strategy-final-for-consultation.pdf>

Decarbonisation Fund aims to fund energy performance improvements in a significant amount of the social housing stock by 2025.⁵²

Based on the above, Sustainalytics is of the opinion that financing of green building projects is expected to accelerate the UK's efforts to reduce energy consumption, increase energy efficiency in the building sector and contribute towards national GHG emissions targets.

Contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Green Buildings	9 Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy and Resource Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

SGF has developed the Stronghold Global Finance Sustainable Finance Framework under which the Company and its subsidiaries may issue green bonds and term loans, revolving credit facilities, guarantee lines, letters of credit, equity-backed loans, asset-backed securities, multi-tranche and uni-tranche loans, sukuk, qard hassans and other financial instruments, and use the proceeds to finance green and social projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Stronghold Global Finance Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics believes that the Stronghold Global Finance Sustainable Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11 and 12. Additionally, Sustainalytics notes the lack of policies and processes to identify, manage and mitigate some of the environmental and social risks commonly associated with the eligible projects.

⁵² Government of the UK, "Social Housing Decarbonization Fund: Wave 2.1", (2022), at: <https://www.gov.uk/government/publications/social-housing-decarbonisation-fund-wave-2#:~:text=The%20Wave%202.1%20competition%20will,spent%20by%2031%20March%202025.>

Based on the above, Sustainalytics is confident that Stronghold Global Finance is well positioned to issue green instruments and that Stronghold Global Finance Sustainable Finance Framework is transparent and in partial alignment with the four core components of the GBP and GLP. Three of the four core components are aligned, with the Project Evaluation and Selection component being partially aligned with the GBP and GLP.

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