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Second Party Opinion

Kodar Energomontaža Group Green Bond Framework

Dec. 18, 2025

Location: Serbia

Sector: Engineering and construction

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2025

See [Alignment Assessment](#) for more detail.

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Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

Strengths

Investments support the deployment of renewable energy generation assets. Solar, wind, and associated battery energy storage systems are key for transitioning to a net-zero future. We view positively that all proceeds under the framework will finance new projects, which increases the likelihood of additional climate and environmental benefits.

Weaknesses

No weaknesses to report.


Areas to watch

Financed solar and wind projects are located on greenfield sites. The company addresses potential biodiversity impacts through environmental and social impact assessments. However, these technologies require significant land use, making it difficult to fully mitigate the risks of impacts on nature.

Shades of Green Projects Assessment Summary

Kodar expects 100% of proceeds to be allocated to financing new projects.

Based on the project category’s Shades of Green detailed below, and consideration of environmental ambitions reflected in Kodar’s Green Bond Framework, we assess the framework as Dark green.

Renewable energy	 Dark green
Facilities for electricity generation using solar photovoltaic (PV) technology and related storage facilities	
Facilities for electricity generation from onshore wind power and related storage facilities	

See [Analysis Of Eligible Projects](#) for more detail.

Issuer Sustainability Context

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

Issuer Description

Kodar Energomontaža Group (Kodar Group) is a Serbian engineering, procurement, and construction (EPC) company focused on energy infrastructure, telecommunications networks, and renewable energy projects. It was founded in 2011 through a merger of privately owned Kodar Inženjering and Energomontaža, a former state-owned energy company. Kodar delivers design, engineering, construction, and long-term maintenance services. The group has expanded its operations to include development and management of renewable energy projects. The group's reported revenue was about €119 million in 2024.

Material Sustainability Factors

Physical climate risks

Physical climate risks are material sustainability factors for EPC companies because of potential of damage to assets and disruption to stakeholders and operations. Severity of physical risk varies by region, but the fixed nature of construction projects heightens materiality. Extreme weather events, including wildfires, hurricanes, and storms, are becoming more frequent and severe and can result in power outages for large populations. These dynamics, coupled with regulatory pressure to preserve security of supply, are driving stakeholders to enhance asset resilience. According to the World Bank's Climate and Development Report 2024, Serbia is exposed to floods, landslides, droughts, heat waves, and wildfires. Physical climate risks generally involve significant financial losses for operators due to repairs and from exposure to extreme power price spikes or claims arising from disruption to business. We expect these dynamics to continue but vary regionally depending on regulatory responses.

Climate transition risks

Engineering and construction companies contribute to global climate change largely through embedded carbon in key materials like steel and concrete and the greenhouse gasses emitted during the project use phase, which vary widely. Power generation is the largest direct source of greenhouse gas emissions globally, making this sector highly susceptible to the growing public, political, legal, and regulatory pressure to accelerate progress toward climate goals. Policymakers and regulators are more often pushing for faster transition to lower carbon energy, especially as these technologies become more mature and cost competitive. With no direct emissions, renewable energy technologies have a vital role to play in reducing emissions associated with power and heat, which will be vital for limiting global temperature rise to 1.5 C. Serbia aims to generate 45% of its electricity from renewable sources by 2030, primarily through the installation of additional solar PV and wind power plants.

Biodiversity and resource use

Engineering and construction companies face significant resource-use issues. The expansion of renewable power generation to meet climate goals often requires large areas of land in potentially sensitive habitats, where it can alter ecosystems, harm threatened species, and compete with other valuable land uses such as agriculture. The energy transition also relies on critical raw materials, the mining of which may change land use and hurt biodiversity. Awareness about the link between biodiversity and global productivity is increasing and poses a material risk to power generators and, in turn, their investors.

Impact on communities

The impact on communities is a material consideration, especially for large infrastructure construction projects and in their supply chains. Some projects require significant land use and at times cross through communities and conflict areas, and in densely populated areas that may require voluntary or involuntary resettlement. Construction and infrastructure can enhance

economic and social development, but they can also be highly disruptive because of noise, air emissions, water discharge, and harmful waste, among others, which can lead to local community pushback. Development that affects local neighborhoods can in some cases drive up the cost of living or otherwise disrupt the cultural fabric of a community, creating further opposition.

Issuer And Context Analysis

The renewable energy project category addresses climate transition risk, a material sustainability factor for Kodar. Financing solar PV and onshore wind farms supports emission reduction goals and contribute to the clean energy transition. At the same time, this category introduces physical climate risks, biodiversity impacts, and risks related to local communities that require management.

Kodar's sustainability strategy and investments support the energy sector's transition, while contributing to Serbia's national decarbonization path. In line with Serbia's national goals, Kodar aims to reach 439.8 megawatt (MW) of installed renewable energy capacity and generate 60% of its revenue from renewable energy projects by 2030. It also targets a 10% reduction in scope 1 and 2 emissions by 2030 (compared to a 2025 baseline) and net-zero emissions by 2050, which will require a substantial reduction in scope 3 emissions, particularly from construction activities. To address operational emissions, Kodar is transitioning by gradually replacing its vehicles with more efficient models, increasing renewable energy consumption, and procuring renewable electricity. Kodar currently calculates scope 1 and 2 emissions internally across its subsidiaries. However, it has not yet publicly disclosed detailed information on its climate strategy and measures, and it expects to publish sustainability reporting in the near future.

The company's assets face significant physical climate risks due their fixed nature. Kodar has conducted a general physical risk assessment, limited to its office locations, using the web-based tool Think Hazard local registries. This assessment indicates high exposure to river flooding, urban flooding, and wildfires. However, Kodar has not yet undertaken a comprehensive scenario analysis or provided public reporting on climate exposure at the company level. The financed projects undergo comprehensive physical risks assessments under the environmental and social impact assessments.

Kodar addresses biodiversity risks in new construction projects through environmental impact assessments. Renewable energy projects offer environmental benefits, but they can also negatively impact biodiversity. Prior to commencing any projects, Kodar will conduct environmental and social risk assessments. We note that its identified projects are located on greenfield sites.

The construction, development, and maintenance of energy facilities could introduce risks to local communities. Kodar engages with its stakeholders throughout a process that includes identifying and categorizing all potentially affected individuals, groups, and organizations. It analyzes stakeholder interests and concerns through a tailored engagement plan. Kodar facilitates dialogue through meetings and forums and has implemented a grievance mechanism, accessible through various channels, to address stakeholder concerns and ensure timely resolution. Furthermore, Kodar uses inverse impact analysis to proactively assess and mitigate potential effects of project phases and publishes project information on its website.

Alignment Assessment

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

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Green Bond Principles, ICMA, 2025

✓ Use of proceeds

We assess the framework's green project category as having a green shade, and the issuer commits to allocating the proceeds from the bonds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds. All projects listed in the framework--solar PV and wind turbines, and their associated storage facilities--aim to contribute to the climate change mitigation objective.

✓ Process for project evaluation and selection

The framework outlines the process for selecting and evaluating eligible projects. The sales director and the bid management team will identify and assess potential investments. These identified investments are presented to the board of directors. The board evaluates and approves projects that align with sustainability objectives and the framework eligibility criteria. Approved investments undergo a feasibility study to assess environmental, social, technical, and financial aspects before the board makes the final investment decisions. The issuer also conducts environmental and social impact assessments and ensures compliance with ISO 14001 standards (international environmental standard) to identify and assess environmental and social risks associated with the financed projects.

✓ Management of proceeds

A dedicated finance department working group, comprising the treasury officer, CFO, and capital budgeting and investments team head, is responsible for overseeing the allocation and management of the proceeds and ensuring alignment with the framework. The financed projects are structured as special purpose vehicles (SPVs) using project-finance structures, whose purpose and technical characteristics are fixed from the moment of investment until completion. The funds will be transferred through loan or equity agreements into the SPVs. To track the cash flow and expenditure during the project phase, the SPVs will maintain separate accounting records and banking accounts. Unallocated proceeds are held in a dedicated account, potentially earning interest, or invested in low-risk sovereign bonds until fully allocated.

✓ Reporting

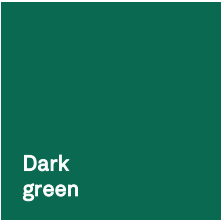
The issuer commits to reporting on the allocation of proceeds and their impacts on an annual basis until full allocation of net proceeds or in case of material changes. The allocation report will include information about the financed projects, the balance of unallocated proceeds, and the proportion of financing versus refinancing. This report also includes information on the environmental impacts of the projects, such as the annual greenhouse gas emissions reduced/avoided in the Republic of Serbia, the annual renewable energy generation for eligible projects (measured in megawatt-hour or gigawatt-hour for electricity), and the installed renewable energy capacity for eligible projects (measured in MW). We view it as positive that the report will be verified by external auditors and published either as part of the group's audited consolidated financial statements or as a standalone special-purpose report.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)".

Overall Shades of Green assessment

Based on the project category Shades of Green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Kodar's Green Bond Framework, we assess the framework as Dark green.



Activities that correspond to the long-term vision of a low-carbon climate resilient future.
Our [Shades of Green Analytical Approach](#) >













Green project categories

Renewable energy	
Assessment	Description
<div><div></div>Dark green</div>	<p>Solar power plants:</p> <p>Investments in the development, construction, and installation of facilities for electricity generation using solar PV technology and related storage facilities.</p> <p>Wind power plants:</p> <p>Investments in the development, construction, and installation of facilities for electricity generation from onshore wind power and related storage facilities.</p>

Analytical considerations

- Renewable energy sources such as solar PV and onshore wind power are key to limiting global warming to well below 2 C. Still, these projects may cause land use change, adversely affect local biodiversity, and are exposed to physical risks. Energy storage also plays a key role in net-zero energy systems by providing the necessary flexibility and adaptability to balance the intermittency of most renewable energy sources. However, batteries require significant amounts of metals such as lithium, cobalt, and copper. The mining of these metals is water- and energy-intensive and can harm the environment by disrupting natural habitats and causing pollution.
- Investments in renewable energy technologies support Paris Agreement-modelled pathways, which anticipate almost all electricity being supplied from zero- or low-carbon sources by 2050. As such, investments in renewable technologies (solar and wind) and investments that support renewable energy integration, such as power storage facilities, are assigned a Dark green shade. Kodar has so far identified two projects in Serbia to be financed, the Brebex Solar Plant and the Jasikovo Wind Farm. These projects also incorporate dedicated battery storage systems as part of their grid-connection and system-stability design, aligning with Serbian regulatory requirements. This design enables backup power during outages and improves energy independence.
- Kodar informs us that electricity generation projects financed under this framework will be exclusively located in Serbia and will feed directly into the public transmission grid, with no dedicated physical grid connections to any specific sector. However, both projects may enter into virtual power purchase agreements with emissions-intensive sectors such as metal processing and cement production. This could allow these companies to claim climate progress through accounting for renewable energy certificates, without physically phasing out fossil fuels or ensuring the additionality of new clean energy projects.
- Renewable energy projects such as wind and solar can have a negative impact on local biodiversity, particularly when they are located in greenfield sites. However, we view Kodar's mitigation measures positively. Kodar manages siting and operational risks to ecosystems and species through environmental and social impact assessments, which include plans for implementing and monitoring corresponding mitigation measures for any identified challenges.
- Long-lived, fixed renewable energy infrastructure is potentially exposed to a broad range of physical climate risks. The financed projects underwent environmental and social impact assessments, including a comprehensive physical risks assessment. These assessments included scenario analysis using Representative Concentration Pathway (RCP) 4.5 and RCP 8.5 scenarios, and highlighted potential climate exposures and relevant mitigation measures, which we consider to be strong practice.
- The infrastructure related to the materials sourcing, manufacturing, transport, and end-of-life processes of these technologies is associated with greenhouse gas emissions. Kodar integrates durability, recyclability, and responsible decommissioning into the project's design and procurement. Environmental and social impact assessments for both projects estimates a 25-year lifespan, emphasize material recyclability, and formalize end-of-life plans for equipment removal. These life cycle considerations are embedded through supplier screening and environmental and social management and monitoring plans. Furthermore, all suppliers are required to be ISO 14001-certified, ensuring compliance with international environmental management system standards.

S&P Global Ratings' Shades of Green

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


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

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

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Renewable energy	<div></div> <div>7. Affordable and clean energy*13. Climate action</div>

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023
- [S&P Global Ratings ESG Materiality Maps: Engineering and Construction](#), Oct. 6, 2022
- [S&P Global Ratings ESG Materiality Maps: Power Generators](#), Oct. 6, 2022

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Second Party Opinion: Kodar Energomontaža Group Green Bond Framework

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