

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainable Bond Framework

Raiffeisen Bank Czech Republic  
4 May 2022

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green, Social and Sustainable Bonds</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) as administered by the International Capital Market Association (ICMA) (as of June 2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Raiffeisen Bank Czech Republic Sustainable Bond Framework (as of April 12, 2021)</li><li>• Raiffeisen Bank Czech Republic Eligibility Criteria (as of April 12, 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as there is no material change to the framework</li></ul>

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## SCOPE OF WORK

Raiffeisen Bank Czech Republic (“the issuer” or “RBCZ”) commissioned ISS ESG to assist with its Green, Social and Sustainable Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Its Green, Social and Sustainable Bonds link to RBCZ’s sustainability strategy – drawing on RBCZ’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. RBCZ’s Sustainable Bond Framework (April 12, 2022 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainable Bond Guidelines (SBG).
3. The eligibility criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

## RBCZ BUSINESS OVERVIEW

RBCZ is a subsidiary of Raiffeisen Bank International Group which operates in 14 markets in the Republic of Austria, and Central and Eastern Europe. RBCZ serves clients at more than 110 branches and business client centers throughout the Czech Republic. The bank provides trade finance, working capital finance, export finance, real estate finance, commodity and structured trade finance, project finance, and supply chain finance products, as well as credit cards. The bank also provides services of specialized mortgage centers, personal, corporate and business advisors.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Green, Social and Sustainable Bonds link to issuer's sustainability strategy</b></p>	<p>According to the ISS ESG Corporate Rating published on February 2, 2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks &amp; Capital Market industry. The issuer ranks 2<sup>nd</sup> out of 299 companies within its sector.</p> <p>The Use of Proceeds financed through these Green, Social and Sustainable Bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green, Social and Sustainable Bonds is clearly described by the issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with GBP, SBP, and SBG</b></p>	<p>The issuer has defined a formal concept for its Green, Social and Sustainable Bonds regarding the use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the ICMA's GBP, SBP, and SBG.</p>	<p><b>Aligned</b></p>
<p><b>Part 3:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The overall sustainability quality of the Eligibility criteria in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Green, Social and Sustainable Bonds will (re-)finance eligible asset categories which include: Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Agriculture, Pollution Prevention and Control, Circular Economy and Eco-efficiency, Sustainable Water and Wastewater Management, Educational and Vocational Training, Access to Essential Services, Affordable Housing and Employment Generation and Protection.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 1' No poverty', 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 13 'Climate action'. The use of proceeds categories have a limited contribution to SDG 15 'Life on Land'. 2 UoP categories 'renewable energy projects for waste-to-energy', reduction of greenhouse gas control' and 3 sub-categories of the 'Circular Economy' category have a no net impact on any SDG. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG's evaluation is based on the RBCZ's Sustainable Bond Framework (April 12, 2022 version), and on the ISS ESG Corporate Rating updated on the February 2, 2022 and applicable at the SPO delivery date.

## ISS ESG SPO ASSESSMENT

### PART I: GREEN, SOCIAL AND SUSTAINABLE BONDS LINK TO RBI'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF RBI'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and environmental, social, and governance (ESG) data and performance assessments.

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
RAIFFEISEN BANK INTERNATIONAL AG	COMMERCIAL BANKS & CAPITAL MARKETS	1	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets industry as it obtains a Decile Rank relative to its industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

#### ESG performance

As of April 25, 2022, this rating places Raiffeisen Bank International AG 2<sup>nd</sup> out of 299 financial institutions by ISS ESG in the Commercial Banks & Capital Markets rated industry.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.



#### Sustainability Opportunities

Through special product offerings in the areas of social and/or green financial services, as well as by offering socially responsible investment (SRI) products, financial institutions can promote investments in companies that contribute to the solution of global sustainability challenges. Raiffeisen Bank International Group (RBI) finances projects for water supply facilities, wastewater systems, schools, and kindergartens. In addition, the company finances solar and wind power projects as well as energy efficiency technologies. The company also offers several SRI funds and provides information regarding the carbon emissions of the funds. However, the above-mentioned activities and products do not constitute the main business of the company.

### *Sustainability Risks*

For its lending business, RBI has established some general environmental and social provisions. For instance, it excludes the financing of nuclear power plant construction projects or operators of nuclear power plants. The company is also committed to neither lending to mining, energy, and trading companies that derive more than 25 percent of their revenues from thermal coal, nor providing financial or refinancing services to thermal coal power plants or mines. In addition, one of RBI's subsidiaries (Raiffeisen Romania) applies the International Finance Corporation's Performance Standards. For its mainstream mutual funds, the company excludes investments in agricultural commodities and controversial weapons. In the field of customer and product responsibility, the company has implemented several relevant measures to ensure responsible marketing and sales practices as well as responsible treatment of clients with debt repayment problems (e.g. pre-emptive actions and debt counseling). There is no indication of significant measures to ensure tax compliance of wealth management clients, though. In several locations, the company offers a high degree of workplace flexibility and supports access to childcare facilities. RBI has established a group-wide code of conduct covering important issues, such as corruption, antitrust violations, insider dealings, and conflicts of interest, in a varying degree of in detail. The company conducts comprehensive compliance trainings, risk assessments, and third-party anti-corruption due diligence measures. It also offers its employees confidential channels to report on non-compliance issues as well as whistleblower protection.

### *Governance opinion*

The majority of the members of the supervisory board are not independent including the chair of the board, Erwin Hameseder (as at March 13, 2022). The audit, remuneration, and nomination committees are primarily composed of non-independent directors as well. Many supervisory board members are representatives of regional Raiffeisen banks. The issue of independence of the board members may pose risks to the decision making of the company. The company discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation.

The company has no supervisory-board-level sustainability committee and there seem to be no relevant sustainability performance targets considered in executive remuneration plans. In terms of business ethics and compliance, RBI has established a group-wide code of conduct covering important issues, such as corruption, antitrust violations, insider dealings, and conflicts of interest, in a varying degree of detail. The company conducts comprehensive compliance trainings, compliance risk assessments, and third-party anti-corruption due diligence measures. It also offers its employees confidential channels to report on non-compliance issues as well as whistleblower protection.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Raiffeisen Bank International's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Raiffeisen bank's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

### *Breaches of international norms and ESG controversies*

As of April 8, 2022, the company is not facing any severe controversy.

## **B. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABLE BONDS WITH RBCZ'S SUSTAINABILITY STRATEGY**

### *Key sustainability objectives and priorities defined by the issuer*

RBCZ has signed the Sustainable Finance Memorandum of the Czech banking association (CBA - Česká bankovní asociace). The banks signatories of the CBA are committed to assess their activities in the light of the requirements for environmentally and socially responsible business, and to align their objectives with the objectives stated in the relevant UN global agreements, EU programs and policies as well as with national sustainable policy frameworks.

The CBA Sustainable Finance Memorandum is a follow-up to the UN Principles for Responsible Banking and binds the signing banks to apply sustainability principles in their business activities and also in relation to clients, suppliers, and other stakeholders.

### *Rationale for issuance*

Raiffeisen Bank Czech Republic has established this Sustainable Bond Framework (SBP or “the framework”) as a part of its broader sustainability strategy with the aim to focus on assets with a positive environmental and social impact in order to support the necessary transition to a sustainable future.

In May 2021, RBCZ has published its first Green Bond framework covering renewable energy, energy efficiency, green buildings, agriculture, and forestry. The issuer is updating its framework including sustainable and social categories that represent a significant portion of its portfolio.

Raiffeisen Bank Czech Republic’s Sustainability Bond framework is designed as an umbrella framework that will allow Raiffeisen Bank Czech Republic to issue Green Bonds, Social Bonds, or Sustainability Bonds, as the case may be.

### *Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under these Green, Social and Sustainable Bonds with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Green Categories</b>			
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective
Sustainable Agriculture and Forestry	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Pollution and prevention	✓	✓	Contribution to a material objective
Eco-efficient and /or circular economy	✓	✓	Contribution to a material objective
Sustainable Water and Wastewater Management	✓	✓	Contribution to a material objective
<b>Social Categories</b>			
Educational and vocational training	✓	✓	Contribution to a material objective
Access to essential services	✓	✓	Contribution to a material objective
Affordable housing	✓	✓	Contribution to a material objective
Employment generation and protection	✓	✓	Contribution to a material objective

**Opinion:** ISS ESG finds that the use of proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green, Social and Sustainable Bonds is clearly described by the issuer.



## PART II: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

### 1. Use of Proceeds

#### FROM ISSUER'S FRAMEWORK

An amount equivalent to the net proceeds raised by the issuance of Green / Social / Sustainability Bonds shall be used to finance or re-finance, in part or in full, new or existing Eligible Loans providing distinct environmental and societal benefits.

Eligible Loans can be loans originated by Raiffeisen Bank Czech Republic or loans/ leases originated by its subsidiary Raiffeisen - Leasing s.r.o.. Eligible Sustainable Loans may include loans or leases to private individuals (mortgages), legal entities, municipalities, and public sector (project finance or investment finance) as well as "Schuldschein" structures.

Raiffeisen Bank Czech Republic will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Loans and will strive to replace maturing Eligible Loans with the new ones and will provide transparency on the Eligible Loan origination timeframe in its annual reporting.

Eligible Loans are loans to finance assets dedicated to the Eligible Categories depicted within the tables below.

#### Eligible Green Categories

ELIGIBLE CATEGORY	ELIGIBILITY CRITERIA
<b>Green Buildings</b>	<p>Finance or refinance eligible green loans or investments in green assets or projects related to the construction, acquisition and ownership or renovation of buildings in the commercial and retail real estate sector<sup>2</sup>. Eligible loans may include both loans to private individuals (mortgages) or to legal entities, fulfilling the criteria presented below:</p> <ul style="list-style-type: none"> <li>▪ Commercial or residential green buildings which meet at least one of the following criteria: <ul style="list-style-type: none"> <li>- building has a recognized certification (at least applied or pre-certified)<sup>3</sup> with a minimum certification level of LEED Gold, BREEAM Very Good<sup>4</sup>, or DGNB/ ÖGNI Gold,</li> <li>- building belongs to the top 15% of low carbon buildings at the national level based on local building codes, building years and EPC certificates (if an assessment is possible),</li> <li>- in cases where an assessment of the top 15% low carbon buildings is not possible, Raiffeisen Bank Czech Republic will define buildings with the EPC with a min. level A (primary energy demand) as eligible.</li> </ul> </li> <li>▪ Refurbished buildings leading to one of the following criteria being fulfilled:</li> </ul>

<sup>2</sup> Sector may include office, warehousing & logistic, hotels, retail, healthcare, residential.

<sup>3</sup> In case of a denied certification or a not sufficient final certification the loan will be excluded from the Eligible Green Loan Portfolio.

<sup>4</sup> BREEAM "Very Good" buildings achieving a minimum score of 70% in the energy category.

	<ul style="list-style-type: none"> <li>- reduction of primary energy demand or carbon emissions of at least 30% in comparison with the performance of the building before the renovation;</li> <li>- OR at least two classes of improvement in energy EPC label (primary energy demand).</li> </ul> <p>Buildings that are used for the purpose of occupation by fossil fuel extraction or manufacturing of fossil fuel activities are explicitly excluded.</p> <p><u>Eligibility criteria under the current<sup>5</sup> version of the EU Taxonomy to be considered on a best effort basis:</u></p> <ul style="list-style-type: none"> <li>▪ For buildings built until 12/2020: buildings belong to the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED);</li> <li>▪ Buildings built after 12/2020: primary energy demand (PED) of the building must be at least 10% lower than the threshold set in the national nearly zero-energy building (NZEB) requirements<sup>6</sup>.</li> </ul>
<b>Renewable Energy</b>	<p>Finance or refinance eligible green loans and/or investments to equipment, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects such as:</p> <ul style="list-style-type: none"> <li>▪ Wind power,</li> <li>▪ Solar power,</li> <li>▪ Hydropower (up to 20MW)<sup>7</sup></li> <li>▪ Geothermal projects (with direct GHG emissions &lt; 100gCO<sub>2</sub>/kWh)</li> <li>▪ Energy from biomass (excluding biomass from sources depleting biomass and carbon pools, sources grown on land with high biodiversity, and sources that use land that competes with food sources)</li> <li>▪ Waste-to-energy<sup>8</sup></li> </ul>
<b>Energy Efficiency</b>	<p>Finance or refinance eligible green loans related to the development and implementation of products or technology that reduce energy consumption, including:</p> <ul style="list-style-type: none"> <li>▪ Energy efficient lighting (e.g. LEDs);</li> <li>▪ Projects improving the energy efficiency of industrial production process in a factory, excluding fossil fuel-powered equipment or improvements within carbon-intensive heavy industries (e.g., steel, cement, refining, etc.), aiming to achieve at least 30% improvement in energy efficiency;</li> <li>▪ Energy storage projects from renewable resources (e.g. fuel cells).</li> </ul>

<sup>5</sup> Final Delegated Act on Climate Change Mitigation.

<sup>6</sup> [https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<sup>7</sup> Hydropower facilities with capacity above 20 MW should either comply with power density above 5 W/m<sup>2</sup> or direct GHG emissions below 100gCO<sub>2</sub>e/kWh.

<sup>8</sup> Where the main goal for waste incinerations is to produce renewable energy and a 'substantial' reduction in net GHG emissions is achieved, compared to the alternative of waste management and disposal.

	<p><u>Eligibility criteria under the current version of the EU Taxonomy to be considered on a best effort basis:</u></p> <p>Energy efficiency is mentioned across various activities within EU Taxonomy, as such no general threshold can be applied, and decisions need to be made on a case-by-case basis depending on the sector and activity-specific background.</p>
<p><b>Clean transportation</b></p>	<p>Finance or refinance eligible green loans related to purchase, rental, leasing and operation of zero-direct emission vehicles as well as related infrastructure (e.g. electric charging points).<sup>9</sup></p> <p>For public transport and freight rail transport: manufacturing, acquisition as well as modernization of zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail, electric locomotives) are eligible.</p> <p>For commercial and retail vehicles: zero tailpipe emission vehicles (electric vehicles, hydrogen fuel cell vehicles).</p> <p>For personal mobility devices and cycle logistics: selling, purchasing, financing, leasing, renting and operation of personal mobility or transport devices where the propulsion comes from the physical activity of the user, from a zero-emissions motor, or a mix of zero-emissions motor and physical activity. This includes the provision of freight transport services by (cargo) bicycles.</p> <p>For infrastructure: Financing of low carbon transport infrastructure, including electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways, rail networks, highspeed railway lines, electric railway lines, pavements, bike lanes and pedestrian zones.</p>
<p><b>Sustainable Agriculture and Forestry</b></p>	<p>eligible green loans to finance or refinance environmentally sustainable management of living natural resources and land use including:</p> <p>Environmentally sustainable forestry<sup>10</sup>: including afforestation or reforestation, and preservation or restoration of natural landscape providing compliance or alignment with international forest certification standards (e.g., FSC/PEFC) evidenced by a copy of the certification or an audit report by a reputable consulting company confirming alignment with certification standards;</p>

<sup>9</sup> Excluding vehicles that are used for the purpose of transportation of fossil fuels.

<sup>10</sup> Excluded activities: Transformation of rain fed agricultural land into irrigated land; Commercial concessions over and logging on tropical natural forest; Purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to clear cutting and/or degradation of tropical natural forests or high nature value forest; Palm oil or tobacco plantations; Destruction of Critical Habitat; Establishment of permanent irrigation systems; Purchase of agricultural or forest land; Conversion of natural forest to a plantation.

	<p><b>Environmentally sustainable agriculture<sup>11</sup>:</b></p> <ul style="list-style-type: none"> <li>- Acquisition, maintenance, and management of certified agricultural practices under sustainable certification schemes, such as EU Organic and/ or equivalent national certification schemes<sup>12</sup>, as well as Global G.A.P. (at least applied or pre-certified)<sup>13</sup>.</li> <li>- Improvement or maintaining of existing carbon pools: changes in cropping patterns on agricultural land from annual to perennial crops; Renewal of existing orchards by replacing old with new.</li> </ul>
<p><b>Pollution prevention and control</b></p>	<p>Eligible green loans to finance or refinance development, construction, operation, and maintenance of sustainable waste management and recycling projects, activities, and operations, such as:</p> <ul style="list-style-type: none"> <li>▪ Waste prevention, waste reduction and waste recycling. This includes the development, operation and upgrade of recycling plants and recycling activities including metals, plastic, paper and others.</li> <li>▪ Reduction of industrial air emissions and greenhouse gas control: The purchase of new and refurbishment of existing equipment, technologies, and facilities that provide at least a 20% reduction in carbon emissions and/or serve as fossil fuel replacements.</li> </ul>
<p><b>Eco-efficient and / or circular economy adapted products, production technologies and processes<sup>14</sup></b></p>	<p>Eligible green loans to finance or refinance:</p> <p><b>Circular Design and Production Projects:</b></p> <ol style="list-style-type: none"> <li>1. Solutions that extend the product life cycle, such as applying modular design or design for disassembly, take-back schemes and redeploying products (reverse logistic), reuse, repair and/ or products regeneration and refurbishment;</li> <li>2. Production technologies that use recycled resources such as bio-based materials<sup>15</sup>.</li> </ol> <p><b>Circular Support and Products:</b></p> <ol style="list-style-type: none"> <li>3. Circular support through tools and services (e.g., sharing platforms and digital infrastructure/software) that enable circular economy strategies and business models;</li> </ol>

<sup>11</sup> Excluded activities: Transformation of rain fed agricultural land into irrigated land; Purchase of agricultural or forest land.

<sup>12</sup> Based on the approval by [control bodies and authorities for equivalency for Romania](#) and in compliance with EEC No. 834/2007.

<sup>13</sup> In case of a denied certification or a not sufficient final certification the loan will be excluded from the Eligible Loan Portfolio.

<sup>14</sup> Virgin plastic-based solutions are excluded.

<sup>15</sup> Sustainable sourcing certifications for bio-based materials, such as RSB or other equivalent scheme, are considered eligible: <https://rsb.org/the-rsb-standard/about-the-rsb-standard/>.

	4. Certified eco-efficient products <sup>16</sup> .
<b>Sustainable Water and Wastewater Management</b>	<p>Eligible Green Loans to finance or refinance development, construction, operation and maintenance of sustainable water and waste-water management projects and facilities, such as:</p> <ul style="list-style-type: none"> <li>▪ Water treatment facilities, activities and technologies that increase water quality, sanitation facilities;</li> <li>▪ Upgrades to wastewater treatment plants for nutrient removal, wastewater discharge infrastructure;</li> <li>▪ Technologies that increase water-use efficiency, water recycling and reuse, water-saving systems and technologies and water metering.</li> </ul>

**Financing or refinancing of project-based lending and general-purpose financing for PURE PLAYERS companies<sup>17</sup> shall be considered eligible.**

**Eligible green categories respond to the following EU Taxonomy Objective (-s):** Climate Change Mitigation, the Sustainable Use and Protection of Water and Marine Resources, the Transition to a Circular Economy, Pollution Prevention and Control.

**Eligible Social Categories**

<b>ELIGIBLE CATEGORY</b>	<b>ELIGIBILITY CRITERIA</b>
<b>Education and vocational training</b>	<ul style="list-style-type: none"> <li>▪ Access to public and publicly subsidized educational services (e.g. for the youth, unemployed and elderly) as well as investments that support childhood development (e.g. kindergartens) through the provision of loans for construction/ upgrading of facilities and/ or equipment.</li> </ul>
<b>Access to essential services</b>	<ul style="list-style-type: none"> <li>▪ Construction, acquisition, renovation, expansion or maintenance of healthcare facilities for provision of free or subsidized healthcare services. For example: hospitals, pharmacies, diagnostic and other laboratory services, rehabilitation centres, assisted living, homes for the elderly.</li> <li>▪ Production and distribution of vital medication, medical equipment and medical supplies for the prevention and treatment of diseases that are considered infectious, rare or particularly common amongst a vulnerable group e.g., children, women, the elderly, etc.;</li> <li>▪ Regional development and/or infrastructure in underserved, underdeveloped and rural regions in Europe and other</li> </ul>

<sup>16</sup> Products that have a smaller environmental footprint over their life-cycle than other products serving the same use, and which meet the criteria of internationally recognized eco-labels or other relevant environmental certifications, such as EU Ecolabel certification: <https://ec.europa.eu/environment/ecolabel/>.

<sup>17</sup> The dedicated businesses are expected to derive more than 90 % of their turnover from environmentally friendly activities, which are in line with the Eligible Green Categories from the Sustainability Bond Framework. Moreover, the part of the turnover that is not classified as “green” is not allowed to be in any of the excluded sectors that are on the Exclusion list of the current framework.

	underdeveloped countries <sup>18</sup> (e.g., public transport and related infrastructure, sanitation infrastructure, high-speed internet, telecommunications and electricity related infrastructure, fire-fighting and rescue equipment, access to clean drinking water).
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>Financing the construction, renovation, and/or maintenance of social and affordable housing<sup>19</sup> through co-operative housing associations, building societies, non-profit organizations and public utility housing enterprises, with the aim of providing suitable homes for individuals and families.</li> </ul>
<b>Employment generation and protection: Micro-, Small- and Medium-size Enterprises (MSME) financing</b>	<p>To be eligible, the loans must meet the following criteria:</p> <ul style="list-style-type: none"> <li>Meet the definition of Micro-, Small- and Medium-size Enterprises (in line with the European Union’s definition of MSME<sup>20</sup>);</li> <li>Micro- and Small-size enterprises in all regions, and Medium-size enterprises located in underserved, underdeveloped and rural regions in Europe<sup>21</sup>; and</li> <li>Not be engaged in any of the business activities described in the Exclusions List (Annex A.); and</li> </ul>

**Opinion:** ISS ESG considers the Use of Proceeds description provided by RBCZ’s Sustainable Bond Framework as aligned with the ICMA’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guideline. The company uses eligible green and social asset categories proposed by the standards. Environmental and social benefits, as well as the specific target population for its eligible social categories are clearly described.

## 2. Process for Project Evaluation and Selection

### FROM ISSUER’S FRAMEWORK

The evaluation and selection process for eligible sustainable loans is a key process in ensuring that the amount equivalent to the net proceeds from sustainable bonds is allocated to assets and activities which meet the criteria in the framework.

<sup>18</sup> Underserved, owing to a lack of quality access to essential goods and services in [EU cohesions areas](#). Regions with the lowest GDP shall be supported with social projects designated to these [regions](#) having the most impactful outcome due to current socio-economic conditions. According to EU definition a region is considered less developed if its GDP per capita is less than 75% of EU - 27 average. Based on latest available data from Eurostat, as of 2018 all NUTS2 regions in Czech Republic were below that thresholds with exception of Praha.

<sup>19</sup> Social and affordable housing is highly regulated under national laws and entitled persons must comply with a set of socio-economic criteria to ensure that social and affordable housing is made available to vulnerable persons:

<sup>20</sup> [Source](#).

<sup>21</sup> Underserved, owing to a lack of quality access to essential goods and services in [EU cohesions areas](#). Regions with the lowest GDP shall be supported with social projects designated to these [regions](#) having the most impactful outcome due to current socio-economic conditions. According to EU definition a region is considered less developed if its GDP per capita is less than 75% of EU - 7 average. Based on latest available data from Eurostat, as of 2018 all NUTS2 regions in Czech Republic were below that thresholds with exception of Praha.

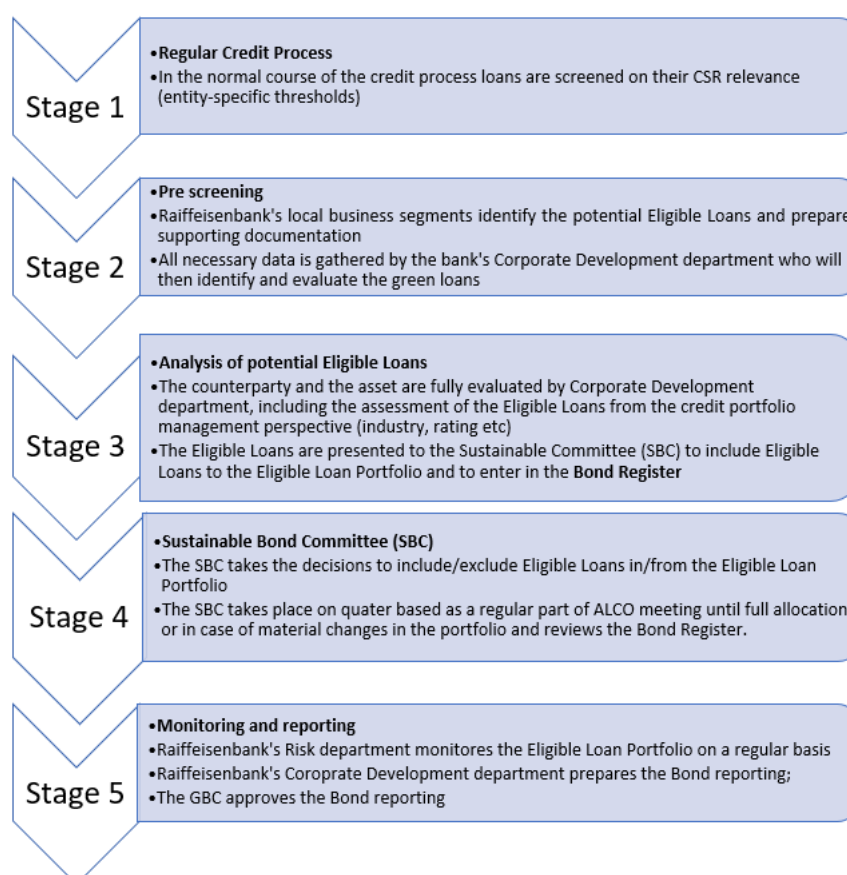
All potential eligible sustainable loans are subject to Raiffeisenbank’s standard credit process in line with the normal course of business and only loans that have been approved through this process can be considered for sustainable bond eligibility.

Raiffeisenbank’s Sustainable Bond Committee (“SBC”) is responsible for ensuring that allocations are made to Eligible Sustainable Loans as specified in the use of proceeds section above and to oversee the entire issuance process. The SBC is composed of members of the local Asset Liability Management Committee (ALCO) which includes representatives from Risk, Business, Treasury. Hence SBC represents a sub-committee of ALCO and meets on a quarterly basis in the frame of the ALCO meeting and until full allocation of the proceeds.

The Sustainable Bond Committee will be responsible for:

- Ensuring the potential eligible sustainable loans are aligned with the categories and eligibility criteria as specified in the use of proceeds section above, and approving any proposed changes to the eligible sustainable loan portfolio in the event that the Loans no longer meet the eligibility criteria;
- Ensuring the proposed allocations are aligned with the relevant general company policies and company’s ESG strategy; and
- Approving the allocation and impact report.

The loans are assessed in accordance with their social and environmental impact, thanks to a several stages selection process:



**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by RBCZ's Sustainable Bond Framework as aligned with the ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guideline. The Company provides transparency and clearly defined the responsibility of the Sustainability Bond Committee in its evaluation and step-by-step selection process. ESG risks related to the project categories are managed during the credit processes and no business are conducted in environmentally or socially harmful sectors as defined in the Compliance Framework and RBCZ's Code of Conduct.

### 3. Management of Proceeds

#### FROM ISSUER'S FRAMEWORK

An amount equivalent to the net proceeds of any Raiffeisenbank Sustainable Bonds will be managed by the Sustainable Portfolio Manager (SPM) on a portfolio basis. SPM is responsible for collecting and monitoring all relevant data for the evaluation and selection of Eligible Sustainable Loans which will then be presented to the SBC on regular basis.

Raiffeisenbank will strive to regularly add eligible sustainable loans to the eligible sustainable loan portfolio so that a full allocation of an amount at least equal to the proceeds of the green bonds is achieved until maturity of the bonds. All eligible sustainable loans to be included in the eligible sustainable loan portfolio are entered in Raiffeisenbank's sustainable bond register managed by the SPM. The sustainable bond register assures that the eligible sustainable loans are not externally refinanced.

On an annually basis the SPM will check the eligibility and availability of the eligible sustainable loans in the sustainable bond register. Raiffeisenbank will strive to substitute any redeemed or maturing eligible sustainable loans with other eligible sustainable loans and/or if any such loans cease to be an eligible sustainable loan, as soon as practicable once an appropriate substitution option has been identified.

Pending the allocation or reallocation, as the case might be, of an amount equivalent to the net proceeds of Raiffeisenbank sustainable bonds to the eligible sustainable loans, the bank will invest the balance of the net proceeds in money market instruments, cash and/or cash equivalents instruments.

This framework may evolve from time to time to account for the evolution of market standards and regulation. The eligibility criteria may evolve in particular to include further EU Taxonomy aligned categories. Loans must meet the eligibility criteria at the time they are flagged as eligible loans, but subsequent changes to the framework will not apply to outstanding Green, Social or Sustainability Bonds (grandfathering). Any new Green, Social or Sustainability Bonds shall be aligned with the most recent version of the Framework.

**Opinion:** ISS ESG finds that the Management of Proceeds proposed by RBCZ's Sustainable Bond Framework is aligned with the ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guideline. The Sustainable Portfolio Manager under the review of the Sustainable Bond Committee will ensure on an annual basis that total Eligible Sustainable Loans meet or exceed the proceeds raised by sustainable bond. Finally, the Bank specifies the investment instruments for unallocated proceeds.



#### 4. Reporting

##### FROM ISSUER'S FRAMEWORK

Raiffeisenbank will publish an annual allocation report on the use of proceeds from any sustainable bonds outstanding under this framework, including a description of its eligible sustainable loan portfolio. Reporting will be provided on an annual basis until full allocation and thereafter (including any material changes to the eligible sustainable loan portfolio) until the maturity of Raiffeisenbank's Green/ Social/Sustainability Bonds.

The Raiffeisenbank allocation and impact report is expected to disclose the amount of the Green/Social/Sustainability Bond proceeds outstanding, the total amount of the proceeds allocated to eligible loans and the unallocated amount. It shall also disclose, qualitative and where possible, quantitative indicators of the eligible green/social and sustainable loan portfolio, such as:

- Total volume of Green, Social and Sustainability bonds issued,
- Total amount and number of eligible loans,
- Total amount of proceeds allocated to eligible loans,
- Breakdown by eligible categories, and
- Balance of unallocated proceeds, if any.

Within its annual allocation & impact report, when relevant and feasible, Raiffeisenbank will report on several key performance indicators (KPIs) in aggregate form at the eligible category level for Raiffeisenbank's Green/Social/Sustainability Bonds. A list of potential indicators is presented below.

GREEN ELIGIBLE CATEGORIES	EXAMPLE OF POSSIBLE KEY PERFORMANCE INDICATORS
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>▪ Estimated annual energy savings (MWh)</li> <li>▪ Estimated annual reduced and/ or avoided GHG emissions (tCO2e)</li> <li>▪ Type of scheme, certification level, if applicable</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>▪ Installed renewable energy capacity (MW)</li> <li>▪ Expected annual renewable energy generation (MWh)</li> <li>▪ Estimated annual GHG emission avoided (tCO2e)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>▪ Annual energy savings (MWh)</li> <li>▪ Estimated annual GHG emission avoided (tCO2e)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>▪ Number of people using public mass transportation</li> <li>▪ Estimated annual GHG emission avoided (tCO2e)</li> </ul>
<b>Sustainable Agriculture and Forestry</b>	<ul style="list-style-type: none"> <li>▪ Total land area certified</li> <li>▪ Estimated annual GHG emissions avoided (tCO2e)</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>▪ Type and annual amount of recycled waste (tonnes)</li> <li>▪ Energy generation (MWh per year)</li> </ul>

<b>Eco-efficient and / or circular economy adapted products, production technologies and processes</b>	<ul style="list-style-type: none"> <li>▪ Annual savings of relevant resources (e.g., tonnes raw material/year)</li> <li>▪ Estimated annual GHG emissions avoided or reduced (tCO<sub>2</sub>e) and/or energy savings (MWh per year), if applicable</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>▪ Annual absolute (gross) water savings (in m<sup>3</sup> or in %)</li> <li>▪ Annual absolute (gross) amount of wastewater treated, reused or avoided (in m<sup>3</sup> or in %)</li> </ul>
<b>SOCIAL ELIGIBLE CATEGORIES</b>	<b>EXAMPLE OF POSSIBLE KEY PERFORMANCE INDICATORS</b>
<b>Education and Vocational Training</b>	<ul style="list-style-type: none"> <li>▪ Number of education facilities</li> <li>▪ Number of individuals / students enrolled</li> <li>▪ Number of educational programs or professional development measures</li> <li>▪ Number of students attaining standard for the targeted education level</li> </ul>
<b>Access to essential services</b>	<ul style="list-style-type: none"> <li>▪ Number of medical facilities built/ upgraded</li> <li>▪ Number of patients reached with improved healthcare</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>▪ Number of individuals benefiting from affordable housing</li> <li>▪ Number of affordable buildings or dwellings constructed or renovated</li> <li>▪ m<sup>2</sup> of affordable living space constructed or renovated</li> </ul>
<b>Employment generation and retention</b>	<ul style="list-style-type: none"> <li>▪ Number of financed enterprises and split per region/ sector if available</li> <li>▪ Number of jobs created / supported and split per region if available</li> <li>▪ Number and average amount of the MSME loans</li> <li>▪ Number of financed enterprises with 50% women share</li> </ul>
<p>In addition, the impact report will include a number of case studies to highlight the qualitative impacts of some of the Raiffeisenbank's eligible loans allocated to.</p>	

**Opinion:** ISS ESG finds that the reporting proposed by RBCZ's Sustainable Bond Framework is aligned with the ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. The bank commits transparently on the level of expected reporting, project categories and reporting metrics, and reporting frequency.

## External review

### FROM ISSUER'S FRAMEWORK

#### **External review (pre-issuance)**

To confirm the transparency and robustness of Raiffeisenbank's Sustainable Bond Framework, it is verified and approved by an external second opinion provider, ISS ESG, confirming the alignment with the ICMA GBP, SBP, and SBG. The Second Party Opinion will be published on the bank's webpage.

#### **External Audit (post-issuance)**

Raiffeisenbank's external auditor will verify on an annual basis until full allocation of any Green/ Social/ Sustainability Bonds issued under this framework that Raiffeisen Bank Czech Republic duly applied the defined procedures of approval of the Sustainable Bond Committee and that an amount equal to the net proceeds of any Green/ Social/ Sustainability Bond has been allocated to eligible loans as defined in the present framework.

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE





### A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABLE BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green, Social, and Sustainable Bond’s Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the RBCZ’S Green, Social and Sustainable Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 1 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the Green, Social and Sustainable Bonds 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
<b>Green Eligible Categories</b>		
<p><b>Green Buildings</b> <i>Loans for commercial and residential buildings with a recognized certification with a minimum certification level of LEED Gold, BREEAM Very Good, DGNB/ ÖGNI Gold</i></p>	<b>Significant contribution<sup>22</sup></b>	
<p><b>Green Buildings</b> <i>Loans for commercial and residential buildings with the EPC with a min. level A as eligible</i></p> <p><b>Green Buildings</b> <i>Loans for commercial and residential buildings belong to the top 15% of low carbon buildings at the national level</i></p>	<b>Limited Contribution<sup>23</sup></b>	
<p><b>Green Buildings</b> <i>Loans for refurbished buildings that underwent a renovation that has led to a reduction of primary energy demand (PED) of at least 30% OR at least two classes of improvement in energy EPC label (primary energy demand)</i></p>	<b>Limited Contribution<sup>24</sup></b>	 

<sup>22</sup> The assessment for ÖGNI Gold certification differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDG.

<sup>23</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDG.

<sup>24</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDG.

**Green Buildings**

*Loans for refurbished buildings that underwent a renovation that has led to a reduction of primary energy demand (PED) of at least 30%*

Limited Contribution



**Renewable energy**

*Finance or refinance eligible green loans and/or investments to equipment, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects (wind, solar, hydropower, geothermal)*

Significant Contribution<sup>25</sup>



Significant Contribution

**Renewable energy**

*Finance or refinance eligible green loans and/or investments to equipment, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects for certified biomass*

Limited contribution



**Renewable energy**

*Finance or refinance eligible green loans and/or investments to equipment, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects for waste-to-energy*

No  
Net Impact

**Energy Efficiency**

*Finance or refinance eligible green loans related to the development and implementation of products or technology that reduce energy consumption:*

*Energy-efficient lighting (e.g. LEDs)  
Projects improving the energy efficiency of industrial production process in a factory<sup>26</sup> aiming to achieve at least 30% improvement in energy efficiency*

Limited Contribution



<sup>25</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Assets compliance with EU taxonomy is not evaluated under the SPO.

<sup>26</sup> Excluding fossil fuel-powered equipment or improvements within carbon-intensive heavy industries (e.g., steel, cement, refining, etc).

**Energy Efficiency**

Renewable energy storage projects  
(e.g., fuel cells)

Significant Contribution



**Clean Transportation**

Finance or refinance eligible green loans related to purchase, rental, leasing and operation of zero- direct emission vehicles as well as related infrastructure (e.g. electric charging points)

Limited contribution



**Sustainable Agriculture and Forestry**

Eligible green loans to finance or refinance environmentally sustainable Forestry with international forest certification standards (FSC/PEFC)

Limited contribution



**Sustainable Agriculture and Forestry**

Eligible green loans to finance or refinance environmentally sustainable Agriculture certified EU organic or and/ or equivalent national certification schemes<sup>27</sup>

Significant contribution



**Sustainable Agriculture and Forestry**

Eligible green loans to finance or refinance environmentally sustainable agriculture certified Global G.A.P or other relevant standards

Limited contribution



**Sustainable Agriculture and Forestry**

Eligible green loans to finance or refinance improvement or maintenance of existing carbon pools that rely on the certificates or the alignment with certifications of the agriculture projects (sustainable agriculture certified Global G.A.P or other relevant standards)

Limited contribution<sup>28</sup>



<sup>27</sup> Based on the approval by [control bodies and authorities for equivalency for Romania](#) and in compliance with EEC No. 834/2007.

<sup>28</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDG.

**Pollution and prevention**

*Eligible green loans to finance Sustainable waste management including the development, operation and upgrade of recycling plants and recycling activities including metals, plastic, paper and others*

**Significant contribution**



**Pollution and prevention**

*Eligible green loans to finance equipment, technologies and facilities to reduce industrial air emissions (at least a 20% reduction in carbon emissions and/or serve as fossil fuel replacements)*

**Limited contribution**



**Pollution and prevention**

*Eligible green loans to finance equipment, technologies and facilities towards greenhouse gas control*

**No Net Impact**

**Circular economy**

*Eligible green loans to finance or refinance solutions that extend the product life cycle*

*Eligible green loans to finance or refinance production technologies that use recycled resources such as bio-based materials*

*Eligible green loans to finance or refinance certified eco-efficient products (EU Ecolabel)*

**No Net Impact**

**Circular economy**

*Eligible green loans to finance or refinance specialized software/support that enables circular economy strategies and business models*

*Eligible green loans to finance or refinance production technologies that use almost 100% of recycled resources*

**Limited contribution<sup>29</sup>**



**Sustainable Water and Wastewater Management**

*Financing water treatment facilities, wastewater discharge infrastructure, sanitation facilities, and other*

**Significant Contribution**



<sup>29</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDG.

*technologies and related services of (waste)water treatment plants offered to external customers*

**Sustainable Water and Wastewater Management**

*Financing of (waste)water management and treatment technologies and construction and other related services of (waste)water treatment plants used for company's own operational improvements*

Limited Contribution



**Social Eligible Categories**

**Education and vocational training**

*Financing the construction/upgrading of facilities and/ or equipment for public and publicly subsidized educational services*

Limited contribution



**Access to Essential Services – Healthcare**

*Financing the production and distribution of vital medication, medical equipment and medical supplies for the prevention and treatment of diseases that are highly infectious and/or rare and/or common amongst a vulnerable group*

Significant contribution











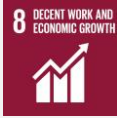

**Access to Essential Services – Healthcare**

*Financing the construction, acquisition, renovation, expansion or maintenance of health care facilities*

Limited contribution





<p><b>Access to Essential Services – Infrastructure</b></p> <p><i>Financing public transport in underserved, underdeveloped and rural regions in the EU</i></p> <p><i>Financing public infrastructure (i.e., streets, water, sewer, storm management, etc.) in underserved, underdeveloped and rural regions in the EU</i></p>	<p><b>Significant contribution</b></p> <p><b>Significant Contribution</b></p> <p><b>Significant contribution</b></p>	  
<p><b>Access to Essential Services – Infrastructure</b></p> <p><i>Financing of telecommunication infrastructure in underserved, underdeveloped and rural regions in the EU</i></p>		
<p><b>Affordable Housing</b></p> <p><i>Financing of affordable housing<sup>30</sup> in Czech Republic</i></p>	<p><b>Limited Contribution</b></p>	   
<p><b>Social Housing</b></p> <p><i>Financing of social housing<sup>31</sup> in Czech Republic</i></p>		   
<p><b>Employment generation and protection</b></p> <p><i>Micro-, Small- and Medium-size Enterprises (MSME) financing</i></p>	<p><b>Significant Contribution<sup>32</sup></b></p> <p><b>Limited Contribution</b></p>	  

<sup>30</sup> Target population are debtors with gross earnings equal or lower than the annual gross average earnings as estimated by Czech Statistical Office and which will be revised annually. According to OECD operational definition on ‘affordable housing’ adopted by the issuer, these populations risk spending 30% of their monthly household income on rent.

<sup>31</sup> Target population are: 1. individuals and households experiencing housing emergency that is assessed based on the categories defined in the European Typology on Homelessness and Housing exclusion (ETHOS) 2. individuals and households that spend more than 40% of the income for the housing as defined in the Concept of social housing in Czech Republic

<sup>32</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs.

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

### Key Performance Indicators for Green and Social Categories

The table below presents the findings of an ISS ESG assessment of the Green, Social and Sustainable Bond’s eligibility criteria against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### Labor and Health & Safety

✓ Projects financed under this framework are located in the EU, where all member states have ratified the core international labor standards on freedom of association, discrimination, forced labor, and child labor. EU sets minimum standards for working & employment conditions and informing & consulting workers. For example, European Working Time Directive entitles workers to 4 weeks’ annual paid leave. Nonetheless, the EU adopts directives which its member countries incorporate into national law. Hence, the levels of protection provided beyond EU minimum standards differ from one member country to another.

○ Regarding health and safety, Directive 89/391/EEC also known as EU Safety and Health Work Directive 1989 sets basic requirements to prevent and ensure against health and safety risks at workplace, and this complemented by specialized directives. For example, specific to financed buildings under this framework, Directive 92/57/EEC sets minimum health and safety standards on construction sites. Nonetheless, considering that the EU only sets minimum standards on health and safety, and it is up to each member country to ensure sufficient protection of health and safety at workplace, there is limited or no information available on policies concerning health and safety management systems.

##### Business Ethics

✓ Under Raiffeisen Bank International (RBI)’s Code of Conduct, the issuer has a policy in place to ensure business ethics. Each RBI Group entity follows risk-based “Know Your Customer” due diligence procedures and takes reasonable steps to prevent, detect and report suspicious transactions.

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

✓ The bank has a policy in a group-wide level and within this financing framework to exclude sectors/activities that have a detrimental impact on environment and/or society.

##### User Safety

Regarding the safety of building users and infrastructure users, the Bank exclusively finances assets in the EU, where laws and regulations are in place ensuring the safety of building users. On an EU level, Construction Products

- ✓ Regulation (CPR) 305/2011 sets standards harmonizing national fire safety regulations with regard to approved construction materials and cables designed to ensure fire safety in buildings. Nevertheless, standards on operational safety of buildings (e.g. emergency exits, fire sprinklers, fire alarm systems) are set by national laws, which vary from one country to another. For example, specific to buildings financed under this framework in the Czech Republic, buildings safety is ensured under the Decree No. 23/2008 Coll., on the technical requirements for the fire protection of buildings, which lays down the technical requirements for fire protection in the design, construction and use of buildings.
- ✓ Regarding the safety of vehicles, all vehicles are commercialized in the EU where crash tests (NCAP) are mandatory.
- Regarding the safety of other products financed, the company does not have specific measures in place to ensure that risks are addressed. Nevertheless, the bank has an AI ESG tool solution to check controversies relating to projects financed.

#### Site Selection

- ✓ The bank has procedures in place which provide minimum assurance for responsible site selection. This includes building permits in the EU which ensure that sites are responsibly selected and compliance with EIA Directive that ensure that if projects have significant effects on the environment, i.e. sites with high environmental value, would be made subject to an assessment prior to Development Consent being given.

### Key Performance Indicators for Green Categories

#### ASSESSMENT AGAINST ISS ESG KPI

##### Biodiversity

- ✓ Although RBCZ does not have policies in place to ensure that biodiversity management is conducted, all projects located in Europe are required to comply with the EU Directive 2014/52/EU<sup>33</sup>, the Council Directive 92/43/EEC and the directive 2009/147/EC, transposed in the Czech Republic legal framework, and to conduct an Environmental Impact Assessment to identify, describe and assess biodiversity risks. All assets outside the EU will not be considered eligible projects.

##### Circular economy / Waste Management

- ✓ Although RBCZ does not have policies in place regarding recycling, all projects located in Europe are required to comply with Directive 2009/125/EC regarding eco-design requirements for energy-related products and Directive 2000/53/EC regarding end-of-life vehicle and to assess possibilities for reuse/recycling and

<sup>33</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=FR>

recovery along the life cycle of the products. For projects that are not covered by these directives, the assets will have to be either certified or have an internationally recognized label to be considered eligible.



Under this Sustainable Bond Framework, the projects that will be considered eligible must possess the EMS certification (ISO 14001).

### Community dialogue



Although the issuer does not have policies in place to ensure that dialogue with local communities is conducted, all infrastructure projects located in Europe are required to comply with the EU Directive 2014/52/EU and to conduct an Environmental Impact Assessment, to which dialogue with local communities is part of.

Besides, RBCZ's credit policy ensures the identification of controversies associated with the projects through media monitoring.

### Water



Although all projects located in Europe are required to comply with the EU Directive 2020/852 and to promote sustainable use of water, there is limited or no information available on policies concerning water management.

### Product life cycle and environmental aspect<sup>34</sup>



All projects located in Europe are required to comply with the European Directive on the Restriction of the use of certain hazardous substances in electrical and electronic equipment of relevant projects.

### Site selection (green buildings)



No or limited information is available on policies ensuring the assets or projects are not located out of a maximum of 1 km from one or more modalities of public transport.

### Construction standards (green buildings)



No or limited information is available on policies concerning sustainable procurement of building materials (e.g., recycled materials, third-party certification of wood-based materials). However, for buildings that will be BREEAM certified as "Very Good" or equivalent certifications and level (LEED, DGNG), requirements on green procurement of building materials are covered by the certifications.

### Environmental aspects of solar panels used



Although RBCZ does not have policies in place regarding the environmental aspects of solar panels used, all eligible projects are located in Europe where it

<sup>34</sup> Eligible green categories concerned here: Circular economy and clean transportation

is required to comply with the WEEE Directive, including the creation of collection schemes where consumers can return electronic equipment free of charge.

#### Environmental aspects of charging stations (clean transportation)

- No or limited information is available on policies ensuring that comprehensive life-cycle-assessments for the charging station have been conducted. However, all eligible projects are located in Europe where it is required to comply with the WEEE Directive.

#### Pollution (sustainable agriculture)

- ✓ The issuer will only select assets that have received an organic farming certification in compliance with the EU and national legislation. The company applies the IFC's Performance Standards. These cover client-related sustainable management aspects for crop cultivation such as water resources, water contamination, soil erosion and fertility, greenhouse gas emissions, responsible use of pesticides, alternatives to pesticides, and waste in general terms.

#### Environmental impact of wastewater management

- No or limited information is available on policies ensuring that leak detection methods or repair systems are in place.
- No or limited information is available on policies ensuring that measures to reduce the environmental impacts of sewage sludge disposal are in place.

### Key Performance Indicators for Social Categories

#### Inclusion<sup>35</sup>

- ✓ Within the RBI code of conduct, the issuer has a policy in place ensuring that fair-pricing and non-discriminatory access to their services is respected in compliance with EU standards. The bank also ensures that this policy on non-discriminatory access to financed products and services would apply to its loan beneficiaries by requiring clients to respond to a questionnaire on their protection of social safeguard and by screening clients on social controversies through its proprietary AI ESG tool.

#### Quality Management<sup>36</sup>

- The issuer does not have policies or measures in place to ensure that financed projects have sound quality management systems but complies with EU regulatory requirements. For example, specific to its financed health-care

<sup>35</sup> For all eligible social categories: Education and vocational training, Access to essential services, Affordable housing, Employment generation and protection; Micro-, Small- and Medium-size Enterprises (MSME) financing

<sup>36</sup> Eligible social categories concerned here: Education and vocational training, Access to Essential Services, Affordable Housing

essential services category in the Czech Republic, healthcare providers are obliged to follow Czech health regulatory requirements on quality management systems and receive external audits. Nonetheless, the company does not have policies in place to ensure that healthcare providers comply with international standards for good manufacturing practices, which are essential to ensuring best practices in quality management of financed projects.

#### Prerequisites for Affordable Housing

- ✓ RBCZ has an AI ESG tool to ensure that eligible assets assigned to non-profit oriented housing organizations are democratically organized.
- ✓ RBCZ's selection criteria comply with the Czech regulatory framework for affordable housing.
- The issuer does not have a policy to ensure tenant rights include lifelong right of residence for housing categories<sup>37</sup> besides housing cooperatives (which by law ensures beneficiaries a lifelong right of residence).

<sup>37</sup> For housing categories other than housing cooperatives, RBCZ cannot guarantee a right to lifelong residence as this is not ensured by law. Tenancies are commonly agreed by private contracts, which the issuer does not have access to and is assessed on case-by-case basis.

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## ANNEX 1: Methodology

### ISS ESG Green/Social KPIs

The ISS ESG Green/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 RBCZ Green, Social and Sustainable Bonds.

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

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/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 to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by RBCZ (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, ISS ESG identifies the extent to which RBCZ’s Green, Social and Sustainable Bonds contribute to related SDGs.



## ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

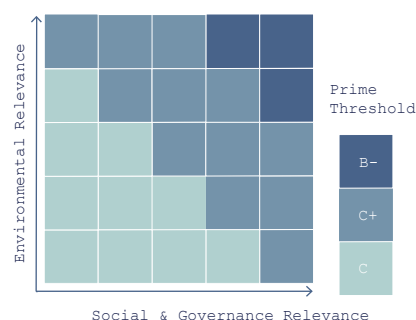
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 3: Quality management processes

### SCOPE

RBCZ commissioned ISS ESG to compile a Green, Social and Sustainable Bonds SPO. The Second Party Opinion process includes verifying whether the Eligibility criteria aligns with the ICMA's Green and Social Bond Principles and Sustainable Bond Guidelines and to assess the sustainability credentials of its Green, Social and Sustainable Bonds, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) (June 2021)
- ISS ESG Key Performance Indicators relevant for use of proceeds categories selected by the issuer

### ISSUER'S RESPONSIBILITY

RBCZ's 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.

ISS ESG has conducted this independent Second Party Opinion of the Green, Social and Sustainable Bonds to be issued by RBCZ based on ISS ESG methodology and in line with the ICMA Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines (GBP/SBP/SBG) (June 2021).

The engagement with RBCZ took place from April to May 2022.

### ISS ESG'S 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 behaviour 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 ISS ESG 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.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Green, Social and Sustainable Bonds SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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