

## SECOND PARTY OPINION (SPO)

---

Sustainability Quality of the Issuer and Sustainability Finance Framework

Raiffeisen-Landesbank Steiermark AG

13 December 2022

### VERIFICATION PARAMETERS

---

Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green, social and sustainability instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles (June 2021), Social Bond Principles (June 2021), Sustainability Bond Guidelines (June 2021), as administered by the International Capital Market Association (ICMA)</li><li>• EU Taxonomy Climate Delegated Act (as of June 2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• RLB Steiermark's Sustainability Finance Framework (as of December 6, 2022)</li><li>• RLB Steiermark's selection criteria (as of December 6, 2022)</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>

## CONTENTS

SCOPE OF WORK .....	3
RLB STEIERMARK BUSINESS OVERVIEW .....	3
ASSESSMENT SUMMARY .....	4
SPO ASSESSMENT.....	5
PART I: ALIGNMENT WITH ICMA’S GBP, SBP AND SBG.....	5
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE .....	7
A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY BONDS TO THE UN SDGs.....	7
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA.....	21
PART IV: GREEN, SOCIAL AND SUSTAINABILITY BONDS LINK TO RLB STEIERMARK’S SUSTAINABILITY STRATEGY.....	34
A. RLB STEIERMARK’S BUSINESS EXPOSURE TO ESG RISKS.....	34
B. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH RLB STEIERMARK’S SUSTAINABILITY STRATEGY .....	36
ANNEX 1: Methodology .....	38
ANNEX 2: ISS ESG Corporate Rating Methodology .....	39
ANNEX 3: Quality management processes .....	39
About this SPO .....	40

## SCOPE OF WORK

Raiffeisen Landesbank Steiermark AG (“the issuer” or “RLB Steiermark”) commissioned ISS Corporate Solutions (ICS) to assist with its green, social and sustainability instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. RLB Steiermark’s Sustainability Finance Framework (as of December 6, 2022) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.
2. The selection criteria – whether the nominated project categories contribute positively to the UN Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (see annex 1).
3. The assessment against the EU Taxonomy’s Technical Screening Criteria for substantial contribution to climate change mitigation on a best-efforts basis<sup>1</sup>, as included in the EU Taxonomy Climate Delegated Act (June 2021).<sup>2</sup>
4. The green, social and sustainability instruments’ link to RLB Steiermark’s sustainability strategy – drawing on RLB Steiermark’s overall sustainability profile and issuance-specific Use of Proceeds’ categories.

## RLB STEIERMARK BUSINESS OVERVIEW

RLB Steiermark provides banking and financial services to private and corporate clients. Its products and services include current accounts and credit cards, online and mobile banking, pension and insurance, risk hedging, financing of start-ups and succession planning. The company was founded in 1927 and is headquartered in Graz, Austria.

<sup>1</sup> Whilst the final delegated act for climate change mitigation and adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in assessing in certain cases. Therefore, the EU Taxonomy has been evaluated on a “best efforts basis”.

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<p><b>Part 1:</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 sustainability instruments regarding Use of Proceeds (UoP), processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p>	<b>Aligned</b>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the selection criteria</b></p>	<p>The green, social and sustainability instruments will (re-)finance eligible asset categories which include: Green Buildings, Renewable Energy, Clean Transportation, Sustainable Water and Wastewater Management, Education and Vocational Training, Access to Essential Services and Affordable Housing.</p> <p>The product and services Use of Proceeds' categories have a significant contribution to SDGs 13 'Climate Action', 7 'Affordable and Clean Energy', 6 'Clean Water and Sanitation', 4 'Quality Education' and 3 'Good Health and Well-Being'.</p> <p>A limited contribution is provided to SDGs 1 'No Poverty', 10 'Reduced Inequalities' and 11 'Sustainable Cities and Communities'.</p> <p>The remaining Use of Proceeds' categories improve the company's operational impacts and mitigate potential negative externalities on SDGs 13 'Climate Action', 7 'Affordable and Clean Energy' and 6 'Clean Water and Sanitation'.</p> <p>With regards to the UoP categories for which the EU Taxonomy assessment has not been performed, the environmental and social risks are well managed.</p>	<b>Positive</b>
<p><b>Part 3:</b></p> <p><b>Assessment against the EU Taxonomy's Technical Screening Criteria for substantial contribution to climate change mitigation</b></p>	<p>RLB Steiermark's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy's Technical Screening Criteria for substantial contribution to climate change mitigation (Climate Delegated Act of June 2021) on a best-efforts basis.<sup>4</sup></p>	
<p><b>Part 4:</b></p> <p><b>Green, social and sustainability instruments' link to issuer's sustainability strategy</b></p>	<p>The key sustainability objectives and the rationale for issuing green, social and sustainability instruments are clearly described by the issuer.</p>	<b>Consistent with issuer's sustainability strategy</b>

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH ICMA’S GBP, SBP AND SBG

This section evaluates the alignment of the RLB Steiermark’s Sustainability Finance Framework (as of December 6, 2022) with ICMA’s GBP, SBP and SBG.

ICMA GBP, SBP AND SBG	ALIGNMENT	OPINION
<b>1. Use of Proceeds</b>	✓	<p>The Use of Proceeds’ description provided by RLB Steiermark’s Sustainability Finance Framework <b>is aligned</b> with ICMA’s GBP, SBP and SBG.</p> <p>The issuer’s green and social categories align with the project categories as proposed by ICMA’s GBP, SBP and SBG. The criteria are defined in a clear and transparent manner. The disclosure of the distribution of proceeds by project category will take place at the time of the reporting.</p> <p>Environmental and social benefits are described qualitatively. The issuer defines a look-back period of three years, which is considered to be best practice. RLB Steiermark also defines exclusion criteria.</p>
<b>2. Process for Project Evaluation and Selection</b>	✓	<p>The process for project evaluation and selection description provided by RLB Steiermark’s Sustainability Finance Framework is aligned with ICMA’s GBP, SBP and SBG.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>The issuer’s Sustainable Finance Committee consists of various departments and stakeholders with different expertise, which is considered to be best practice.</p>

<sup>3</sup> The evaluation is based on the RLB Steiermark’s Sustainability Finance Framework (November 2022 version), on the analysed selection criteria as received on 17.11.2022, and on the ISS ESG Corporate Rating updated on 14.10.2022 applicable at the SPO delivery date.

<sup>4</sup> Whilst the final delegated act for climate mitigation and adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in assessing certain cases. Therefore, at this stage, the EU Taxonomy has been evaluated on a “best efforts basis”.

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The management of proceeds proposed by RLB Steiermark’s Sustainability Finance Framework is aligned with the ICMA GBP, SBP and SBG.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions.</p> <p>The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer also discloses the balance of unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting proposed by RLB Steiermark’s Sustainability Finance Framework is <b>aligned</b> with ICMA’s GBP, SBP and SBG.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The roles and responsibilities of the stakeholders involved in the monitoring and reporting process are clearly defined, which is considered to be best practice.</p> <p>RLB Steiermark explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually, until the bond matures/until the proceeds have been fully allocated.</p> <p>The issuer will seek to provide information on the level, information, frequency, scope, duration of its impact reporting. An external auditor will verify annually, until full allocation of the proceeds, the appropriate allocation of the funds, which is considered to be best practice.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

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

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

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



#### 1. Products and services

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

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



Each of the green, social and sustainability instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:<sup>5</sup>

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings<sup>6</sup></b></p> <p><b>For Construction of new buildings, the activity complies with the following criteria:</b></p> <p>The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive</p>	<p><b>Significant Contribution</b></p>	  

<sup>5</sup> ISS ESG's review is limited to the examples of projects spelled out in the framework.

<sup>6</sup> Financing or refinancing of eligible loans or investments in green assets or projects related to the construction, acquisition and ownership or renovation of buildings in the commercial and residential real estate sector. Eligible loans may include both loans to private individuals (mortgages) or to legal entities.

2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).<sup>7</sup>

**Green Buildings**

**Acquisition and ownership of buildings<sup>8</sup>**

- For buildings built until 12/2020: Buildings belong to the top 15%<sup>9</sup> of the national or regional building stock expressed as operational Primary Energy Demand (PED).
- For buildings built after 12/2020: the building meets the criteria specified above for construction of new buildings that are relevant at the time of the acquisition.
- Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW) it is efficiently operated through energy performance monitoring and assessment.

**Significant Contribution**



**Limited Contribution**



**Renewable Energy<sup>10</sup>**

Wind power

**Significant Contribution**



<sup>7</sup> For buildings larger than 5 000 m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.

For buildings larger than 5 000 m2, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.

<sup>8</sup> Buildings that are used for the purpose of occupation by fossil fuel extraction or manufacturing of fossil fuel activities are explicitly excluded.

<sup>9</sup> In cases where an assessment of the top 15% low carbon buildings is not possible, buildings with an EPC with a min. level A (primary energy demand) is considered eligible.

<sup>10</sup> Financing or refinancing of eligible green loans and/or investments to equipment, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects.



The activity generates electricity from wind power.

**Renewable Energy**

Solar power

The activity generates electricity using solar PV technology or concentrated solar power (CSP) technology.

**Significant Contribution**



**Renewable Energy**

**Production of heat/cool from solar thermal heating and from geothermal energy**

The life-cycle GHG emissions from the generation of heat/cool from geothermal energy are lower than 100g CO2e/kWh.<sup>11</sup>

**Significant Contribution**



**Renewable Energy**

*Hydropower plants < 10MW*<sup>12</sup>

The activity complies with either of the following criteria:





- the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;
- the power density of the electricity generation facility is above 5W/m<sup>2</sup>; and
- the life-cycle GHG emissions from the generation of electricity from

**Significant Contribution**



<sup>11</sup> Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.

<sup>12</sup> New projects are subject to an Environmental Impact Assessment (EIA), carried out by a credible body, which verifies that no significant risk or expected negative impact exists.

<p>hydropower are lower than 100g CO<sub>2</sub>e/kWh.<sup>13</sup></p>		
<p><b>Renewable Energy</b></p> <p><i>Hydropower plants 10MW &lt; 20MW</i></p> <p>The activity complies with either of the following criteria:</p> <ul style="list-style-type: none"> <li>• the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;</li> <li>• the power density of the electricity generation facility is above 5W/m<sup>2</sup>; and</li> <li>• the life-cycle GHG emissions from the generation of electricity from hydropower are lower than 100g CO<sub>2</sub>e/kWh.<sup>14</sup></li> </ul>	<p><b>Significant Contribution</b></p>	<p></p> <p></p>
<p><b>Renewable Energy</b></p> <p><i>Geothermal energy</i></p> <p>For electricity generation from geothermal energy, life-cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100g CO<sub>2</sub>e/kWh.<sup>15</sup></p>	<p><b>Significant Contribution</b></p>	<p> </p>

<sup>13</sup> The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.

<sup>14</sup> The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.

<sup>15</sup> Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.

**Clean Transportation**

Finance or refinance eligible loans for manufacturing, acquisition and modernization of zero direct emission vehicles (e.g. trains, trams, commercial and retail electric vehicles) as well as related infrastructure (e.g. charging stations)<sup>16</sup> and development, manufacture or purchase of key components for clean transportation

For passenger interurban rail transport, the activity complies with one of the following criteria:

- the trains and passenger coaches have zero direct (tailpipe) CO2 emissions;
- the trains and passenger coaches have zero direct (tailpipe) CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).



<sup>16</sup> ISS ESG’s review is limited to the examples of projects spelled out in the framework.

### Clean Transportation

For urban and suburban transport, road passenger transport, the activity complies with one of the following criteria:

- the activity provides urban or suburban passenger transport, and its direct (tailpipe) CO2 emissions are zero;
- until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as categories M2 and M3 that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single-deck articulated vehicle) or 'CD' (double-deck articulated vehicle), and comply with the latest EURO VI standard, i.e. both with the requirements of Regulation (EC) No 595/2009 and, from the time of the entry into force of amendments to that Regulation, in those amending acts, even before they become applicable, and with the latest step of the Euro VI standard set out in Table 1 of Appendix 9 to Annex I to Regulation (EU) No 582/2011 where the provisions governing that step have entered into force but have not yet become applicable for this type of vehicle. Where such standard is not available, the direct CO2 emissions of the vehicles are zero.

Significant  
Contribution



Limited  
Contribution



**Clean Transportation**

**For operation of personal mobility devices, cycle logistics,** the activity complies with one of the following criteria:

- The propulsion of personal mobility devices comes from the physical activity of the user, from a zero-emissions motor, or a mix of zero-emissions motor and physical activity.
- The personal mobility devices are allowed to be operated on the same public infrastructure as bikes or pedestrians

**Significant Contribution**



**Limited Contribution**



**Clean Transportation**

**For transport by motorbikes, passenger cars and light commercial vehicles,** the activity complies with one of the following criteria:





- for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007:
  - until 31 December 2025, specific emissions of CO<sub>2</sub>, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO<sub>2</sub>/km (low- and zero-emission light-duty vehicles);
  - from 1 January 2026, specific emissions of CO<sub>2</sub>, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero.
- for vehicles of category L, the tailpipe CO<sub>2</sub> emissions equal to 0g CO<sub>2</sub>e/km

**Significant Contribution**



**Limited Contribution**



<p>calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.</p>		
<p><b>Clean Transportation</b></p> <p><b>For infrastructure for personal mobility, cycle logistics</b>, the infrastructure that is constructed and operated is dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refueling installations for personal mobility devices.</p>	<p><b>Significant Contribution</b></p>	
<p><b>Clean Transportation</b></p> <p><b>For infrastructure enabling low-carbon road transport and public transport</b>, the activity complies with the following criteria:</p> <ul style="list-style-type: none"> <li>the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electric charging points, hydrogen fueling stations or electric road systems (ERS).</li> </ul>	<p><b>Significant Contribution</b></p>	
<p>The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	<p><b>Limited Contribution</b></p>	
<p><b>Clean Transportation</b></p> <p><b>For infrastructure enabling low-carbon road transport and public transport</b>, the activity complies with one of the following criteria:</p> <ul style="list-style-type: none"> <li>the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods;</li> </ul>	<p><b>Significant Contribution</b></p>	

- the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signaling systems for metro, tram and rail systems.

The infrastructure is not dedicated to the transport or storage of fossil fuels.

**Sustainable Water and Wastewater Management**<sup>17 18</sup>

**For construction, extension and operation of water collection, treatment and supply systems,** the water supply system complies with one of the following criteria:

- the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy);
- the leakage level is either calculated using the Infrastructure Leakage Index (ILI) rating method and the threshold value equals to or is lower than 1.5, or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council. That calculation is to be applied across the extent of water supply (distribution) network where

**Significant Contribution**

**Limited Contribution**



<sup>17</sup> Eligible green loans to finance or refinance development, construction, operation and maintenance of sustainable water and waste-water management projects and facilities.

<sup>18</sup> Equipment and / or methods will not be dependent on fossil fuels. Systems and measures will not provide water for fossil fuel operations, fracking, nuclear and mining.

the works are carried out, i.e. at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs).

**Sustainable Water and Wastewater Management**



**For construction, extension and operation of wastewater collection and treatment**

- The net energy consumption<sup>19</sup> of the wastewater treatment plant equals to or is lower than:
  - a) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10.000 p.e.;
  - b) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10.000 and 100.000 p.e.;
  - c) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100.000 p.e.
- For the construction and extension of a wastewater treatment plant or a wastewater treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons), an assessment of the direct GHG emissions is performed. The results are disclosed to investors and clients on demand.



<sup>19</sup> Net energy consumption of the operation of the wastewater treatment plant may take into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs), and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy).



<p><b>Education &amp; Vocational Training</b></p> <p>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</p>	<p><b>Significant Contribution</b></p>	
<p><b>Access to Essential Services</b></p> <p><b>Construction, renovation, expansion or maintenance of health care facilities for provision of free or subsidized healthcare services</b></p> <p><b>Health Care Facilities</b></p> <p>Examples include<sup>20</sup>: Hospitals, pharmacies, diagnostic and other laboratory services, rehabilitation centers, assisted living, homes for the elderly<sup>21</sup></p>	<p><b>Limited Contribution</b></p>	
<p><b>Access to Essential Services</b></p> <p><b>Medication, Medical Equipment &amp; Supplies</b></p> <p>Production and distribution of vital medication, medical equipment and medical supplies in relation to COVID-19 and/or similar public health emergencies, particularly common amongst vulnerable groups e.g., children, women, the elderly, etc.</p>	<p><b>Significant Contribution</b></p>	

<sup>20</sup> ISS ESG's review is limited to the examples of projects spelled out in the framework.

<sup>21</sup> Only homes for elderly accepted by the national public social insurance (e.g. in case of Austria in accordance with federal states' local Sozialhilfegesetz or the Mindestsicherungsgesetz) are financed here, which insures the affordability.

**Affordable Housing**

**Social & Affordable Housing<sup>22</sup>**

Financing the construction, renovation, or maintenance of social and affordable housing 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.

**Limited Contribution**





RLB states that financing or refinancing of project-based lending and general-purpose financing for pure player companies<sup>23</sup> shall be considered eligible.

**2. Improvements of operational performance (processes)**

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

RLB Steiermark finances operations/processes in a variety of third-party sectors. For clarity, ISS ESG does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

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

USE OF PROCEEDS (Processes)	OPERATIONAL IMPACT IMPROVEMENT <sup>24</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><b>Renovation of existing buildings</b></p> <p>Reduction of Primary Energy Demand of at least 30% in comparison with the</p>		

<sup>22</sup> In compliance with the [Federal Act on Charitable Housing](#).

<sup>23</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 of the Sustainability Finance 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.

<sup>24</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

performance of the building before the renovation.<sup>25</sup>

### Clean Transportation

**For infrastructure enabling low-carbon road transport and public transport,** the activity complies with the following criteria:

the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electricity grid connection upgrades.



The infrastructure is not dedicated to the transport or storage of fossil fuels.

### Sustainable Water and Wastewater Management

**For renewal of water collection, treatment and supply systems,** the renewal of the water supply system leads to improved energy efficiency in one of the following ways:

- by decreasing the net average energy consumption of the system by at least 20% compared to own baseline performance averaged for three years, including abstraction and treatment, measured in kWh per cubic meter produced water supply;
- by closing the gap by at least 20% either between the current leakage level averaged over three years, calculated using the Infrastructure Leakage Index (ILI) rating method and an ILI of 1.5, or between the current leakage level averaged over three years, calculated using another appropriate method, and the threshold value established in accordance with Article 4 of



<sup>25</sup> The energy performance is certified using an as built Energy Performance Certificate (EPC).

Directive (EU) 2020/2184. The current leakage level averaged over three years is calculated across the extent of water supply (distribution) network where the works are carried out, i.e. for the renewed water supply (distribution) network at district metered area(s) (DMAs) or pressure managed area(s) (PMAs).

### Sustainable Water and Wastewater Management

#### For renewal of wastewater collection and treatment,

- The renewal of a collection system improves energy efficiency by decreasing the average energy consumption by 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis. That decrease of energy consumption can be accounted for at the level of the project (i.e. the collection system renewal) or, across the downstream wastewater agglomeration (i.e. including the downstream collection system, treatment plant or discharge of wastewater).
- The renewal of a wastewater treatment plant improves energy efficiency by decreasing the average energy consumption of the system by at least 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis.<sup>26</sup>



<sup>26</sup> For the purposes of points 1 and 2, the net energy consumption of the system is calculated in kWh per population equivalent per annum of the wastewater collected or effluent treated, taking into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs) and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy). For the purpose of point 1 and 2, the operator demonstrates that there are no material changes relating to external conditions, including modifications to discharge authorization(s) or changes in load to the agglomeration that would lead to a reduction of energy consumption, independent of efficiency measures taken.

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

The table below evaluates the selection criteria against issuance-specific KPIs. The majority of the assets will be located in the DACH region, with 90% in Austria, and the least part in Central and Eastern Europe.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into financing process

RLB Steiermark's environmental and social risk management is part of the bank's standard Risk Credit Management. It is responsible for collecting and monitoring all data required for the evaluation and selection of eligible green and social loans as well as for the management of the green /social/sustainability instrument. It proposes to the Sustainability Finance Committee (SFC) to include eligible green/social loans to the eligible green/social loan portfolio. The SFC approves the allocation.

According to the risk appetite of the RLB Steiermark, environmental, social and governance (ESG) risk factors are embedded in the risk strategy. Based on the risk strategy, the ESG risk factors are also taken into account in the credit processes.

A selection process for sustainable finance is in place. It outlines RLB Steiermark's approach to ESG investing; i.e. credit application; assessment of ESG factors of the application including ESG risk questionnaire; sector policies (sensitive business areas are regulated in individual sector policies, e.g., war material, nuclear power, coal, gambling); identification of sustainable/green credits; code of conduct and analysis of all data; documentation of the selection process; the SFC reviews the eligible loan portfolio.

If an assessment indicates a high ESG risk, an account manager defines measures that need to be implemented to reduce the risks. The credit process applies to all lending products.

#### ESG guidelines into financing process for most sensitive sectors financed under the framework

##### ESG guidelines into financing process for forestry/agriculture

The bank does not perform a specific or tailored E&S risk management for the sectors forestry and agriculture. However, in its code of conduct, it specifies that the bank pays attention to sustainability with its business partners.

Financing or participation in businesses or projects that involves the risk of posing lasting and significant environmental hazard (e.g. destruction of rainforests, pollution of land, air or water) does not correspond to the business policy of RLB Steiermark.

RLB Steiermark excludes some forest activities to a certain extent:

- Trade and production of wood from illegal logging

- Deforestation and clearing of rainforests
- Removal of high conservation value forest

The proportion of financing in the area of the defined exclusion criteria has a maximum of 3.6% of the group's customer business. From an extent of 5% of the total turnover of the company, the fields affected by the exclusion criteria are not financed by RLB Steiermark.<sup>27</sup>

### Labor, Health and Safety

All assets financed will be located in the EU, where high health & safety and labor standards are ensured by EU legislation.

RLB Steiermark is a member of the UN Global Compact and supports human rights. The company states that it does not engage with business partners that do not comply with human rights. In the long-term, it plans to require from its suppliers to respect human rights by contract.



In its 2021 sustainability report, the issuer states that it does not directly or indirectly finance any business, projects or parties where forced labor (including debt bondage) or child labor is used, or which infringes the European Convention on Human Rights, the labor and social obligations of the respective supplier country, applicable regulations of international organizations and in particular the relevant UNO conventions or violate the rights of local populations or indigenous people.

### Biodiversity and Community dialogue

Austria is one of the designated countries deemed to have robust environmental and social governance to protect their people and the natural environment, according to the Equator Principles.

The Vienna building code states, for example, building projects shall not violate public interests and interests of neighbors, allowing these to participate in oral negotiations. The Austrian federal Ministry of Arts, Culture, Civil Service and Sport provides standards for public participation which regulate how citizens can participate during the generation of policies, programs and land use plans and law.



RLB Steiermark confirms to follow the Austrian regulation on environmental impact assessment, transposing the Directive 2011/92/EU, regulated in the Environmental Impact Assessment Act 2000 – UVP-G 2000. It also adheres to the relevant nature conservation laws, which include the Habitats and Birds Directive protecting species and habitats in the EU.

<sup>27</sup> Is a company in a market-leading position with regard to of the defined exclusion criteria, a negative assessment can also occur if sales shares are below 5%. Financing in the area of the defined criteria will be granted from an extent of 5% of the total financing volume was assessed as negative.

### Inclusion

- ✓ The issuer ensures that vulnerable or disadvantaged populations (youth, unemployed, elderly and women) can have access to basic services it finances under this framework (e.g. the service is free and/or subsidised).

### Data protection and information security

- ✓ RLB Steiermark confirms that it follows the EU's General Data Protection Regulation (GDPR) laid out in its data protection policy. The people in charge and suppliers are required to comply with the principles of data processing (e.g. prohibition on data processing if it is not purpose related; processing of personal data in an appropriate way; privacy by design and default; duty for accountability). If additional data is collected from the data subjects, this must be justified accordingly and may require the consent of the data subjects. IT security management is provided using rules of conduct for employees. Internal audits are taking place regularly to examine the data security of the bank, and may provide recommended actions.

### Responsible treatment of customers with debt repayment problems

- ✓ The issuer confirms that it strives to avoid over-indebtedness of customers and treats its customers fairly, even in the event of payment difficulties. It has implemented various measures to deal responsibly with clients having debt repayment problems. For example, RLB Steiermark offers debt forbearance to its clients, including e.g. covenants limiting indebtedness and conservative loan-to-value ratios.

### Sales practices

The firm's principles of remuneration document says that a list of objectives for incentives ensure a healthy balance between quantitative and qualitative targets.

The targets contained in the list of objectives correspond to legal (e.g. compliance, conflicts of interest), personnel policy and sales-oriented (uniform sales management) requirements. It is planned to expand the catalog of objectives in regard to sustainability as well.

- ✓ The bonus model provides one-time payments to those employees not captured by the incentive model. RLB Steiermark says that, due to their insignificance, the bonuses do not represent a "tangible incentive" to take disproportionate risks.

According to education guidelines of RLB Steiermark, investment advisors receiving training must understand the key features, risks and functions of the investment products available through the bank, including any general tax implications and costs that the customer may incur in connection with the transactions. RLB Steiermark complies with applicable legal and regulatory obligations with respect to customer protection. Its securities manual explains that the extent of investor protection is dependent on the

customer classification, i.e. each group of customers must be granted the level of protection that is required according to knowledge and experience. Accordingly, the protection is greatest for retail customers and least for eligible counterparties. Adequate product offers are among others ensured via checklists. In order to distribute a product, sufficient information needs to be available about the product; it needs to correspond to the target market and the distribution strategy, and that the rules of conduct have been observed. This includes a check regarding conflicts of interest and the suitability and appropriateness of the product for the respective customer. To the extent that a product is regularly distributed (e.g. to a large number of customers) outside of the positive target market, the Investment Committee has to investigate whether the determination of the specific target market has been made correctly, whether the data provider works reliably or whether the distribution strategy has to be changed.

A process for regular and annual product monitoring exists. The degree of risk tolerance of customers is determined as part of the target market definition for the individual product groups. In 2021, RLB Steiermark conducted a customer survey covering topics such as performed services and criticism on costs and fees. It also has a complaint management system in place, which includes a set procedure.

### Responsible marketing



RLB Steiermark confirms that it does not accept false or misleading marketing or advertising. For every product, a target market specification is defined, including risk indicators, risk profiles and loss bearing capacity, according to the Product Governance Policy of the issuer. It also says that it needs to be ensured that costs and fees are set in relation to the expected return and are presented transparently. The sales department determines the costs and fees for the financial instrument and assesses if the costs and fees of the financial instrument are compatible with the needs of the target market.

The issuer has implemented rules of conduct through which it commits to act honestly, fairly and professionally in the best interests of its clients when providing investment services and ancillary services. The Securities Supervision Act obliges the Bank to provide the customer with certain information in writing in a comprehensible form before the conclusion of the contract, so that the customer can make an informed investment decision, such as regarding costs, ancillary costs and associated fees and the investment strategies and their risks.



## Exclusion criteria

The issuer has defined a set of exclusion criteria including for certain industries (e.g. tobacco industry<sup>28</sup>, armaments industry<sup>29</sup>, gambling<sup>30</sup>), certain activities (e.g. environmentally hazardous activities including coal power plants and oil production and oil sand<sup>31</sup>), unethical behavior (e.g. corruption, tax evasion, accounting falsification), serious violations of human and labor rights and child labor.

According to its code of conduct, RLB Steiermark does not support bribery or corruption by employees, suppliers or third parties with whom it does business or who act on its behalf. It does not participate in transactions where there is reasonable suspicion that bribery or corruption exists. The code also obliges the firm to comply with all laws to prevent money laundering and the financing of terrorism and RLB Steiermark strives to only work with reputable customers who only conduct legal business activities including that their funds come from legal sources.

The issuer also has an anti-fraud process for commercial clients in place to identify fraud.

<sup>28</sup> No financing is provided in this area. An exception is made for the medical use of tobacco. With regard to the sales of tobacco and tobacco products, the share of financing in the area of the defined exclusion criteria is a maximum of 0.5% of the group's customer business. Above a level of 1% of the company's total sales in fields affected by the exclusion criteria, no financing is provided by RLB Steiermark. If a company is in a leading position in the market with regard to the defined exclusion criteria, a negative assessment can also be made in the case that the sales share is less than 1%. Financing in the area of the defined criteria is evaluated negatively when in excess of 1% of the total customer business in the group.

<sup>29</sup> There is no financing of weapons of war. The proportion of financing of the defined exclusion criteria equals a maximum of 0.5% of the customer business in the group. When exceeding 5% of the total turnover of the company in the fields affected by the exclusion criteria, the company is not financed by RLB Steiermark. Is a company in a market-leading position with regard to the defined exclusion criteria, a negative assessment can also be provided when sales shares are below 5%. Financing in the area of the defined criteria above an extent of 5% of the total financing volume is assessed as negative.

<sup>30</sup> There is no financing from direct providers. The proportion of financing in the range of the defined exclusion criteria is a maximum of 0.5% of the customer business in the group. From an extent of 5% of the total turnover of the company in the fields affected by the exclusion criteria, there will be no financing by RLB Steiermark. Is a company in a market-leading position with regard to the defined exclusion criteria, a negative assessment can occur even if sales shares are below 5%. Financing in the area of the defined criteria will be evaluated negatively from an extent of 5% of the total financing volume.

<sup>31</sup> The proportion of financing in the area of the defined exclusion criteria reaches a maximum of 0.5% of the customer business in the group. From an extent of 5% of the total turnover of the company in the fields affected by the exclusion criteria, the company is not financed by RLB Steiermark. Is a company in a market-leading position with regard to the defined exclusion criteria, a negative assessment can also be made even if sales shares are below 5%. Financing in the area of the defined criteria will be assessed negatively from an extent of 5% of the total financing volume.

## PART III: ASSESSMENT OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT'S TECHNICAL SCREENING CRITERIA FOR A SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

ISS ESG assessed the selection criteria of RLB Steiermark and processes as well as company policies for the nominated Use of Proceeds, project categories, against the relevant Climate Change Mitigation requirements of the EU Taxonomy Climate Delegated Act (June 2021)<sup>32</sup> on a best-efforts basis, based on information provided by RLB Steiermark.

This alignment assessment is based on the selection criteria and RLB Steiermark's processes and policies for project selection.

The table below shows the assessment of the selection criteria against the relevant EU Taxonomy activity, based on the Technical Screening Criteria of the EU Taxonomy Substantial Contribution to Climate Change Mitigation. Where the project selection criteria fully meet the EU Taxonomy criteria requirements, a tick is shown in the table below.

Where the project selection criteria have no overlap with the relevant Technical Screening Criteria, or there is no relevant EU Taxonomy activity, a "red circle" is shown in the table below (if any).

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>33</sup>		ASSESSMENT AGAINST THE EU TAXONOMY TECHNICAL SCREENING CRITERIA FOR A SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION
EU Taxonomy activity, based on substantial contribution to mitigation	SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
4.1. Electricity generation using solar photovoltaic technology	RLB Steiermark confirms that the activity generates electricity using solar PV technology.	✓
4.2. Electricity generation using concentrated solar power technology	RLB Steiermark confirms that the activity generates electricity using CSP technology.	✓

<sup>32</sup> [EU Taxonomy Climate Delegated Act](#)

<sup>33</sup> Ibid.

4.3. Electricity generation from wind power	RLB Steiermark confirms that the activity generates electricity from wind power.	✓
4.5. Electricity generation from hydropower	<p>RLB Steiermark confirms that the activity fulfils the hydropower requirements as laid out in point 4.5.</p> <p>The activity complies with either of the following criteria:</p> <p>(a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;</p> <p>(b) the power density of the electricity generation facility is above 5 W/m<sup>2</sup>;</p> <p>(c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO<sub>2</sub>e/kWh.</p>	✓
4.6. Electricity generation from geothermal energy	<p>RLB Steiermark confirms that for electricity generation from geothermal energy, life-cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100g CO<sub>2</sub> e/kWh.</p> <p>Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.</p>	✓
4.21. Production of heat/cool from solar thermal heating	RLB Steiermark confirms that it will invest in the production of heat/cool from solar thermal heating.	✓
4.22. Production of heat/cool from geothermal energy	<p>RLB Steiermark confirms for production of heat/cool from geothermal energy that the life-cycle GHG emissions from the generation of heat/cool from geothermal energy are lower than 100g CO<sub>2</sub>e/kWh.</p> <p>Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.</p>	✓
5.1. Construction, extension and	RLB Steiermark confirms that for construction, extension and operation of water collection, treatment and supply systems,	✓




<p>operation of water collection, treatment and supply</p>	<p>the water supply system complies with one of the following criteria:</p> <ul style="list-style-type: none"> <li>a) the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy);</li> <li>b) the leakage level is either calculated using the Infrastructure Leakage Index (ILI) rating method and the threshold value equals to or is lower than 1.5, or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council. That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e. at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs).</li> </ul>	
<p>5.2. Renewal of water collection, treatment and supply systems</p>	<p>RLB Steiermark confirms that for renewal of water collection, treatment and supply systems, the renewal of the water supply system leads to improved energy efficiency in one of the following ways:</p> <ul style="list-style-type: none"> <li>a) by decreasing the net average energy consumption of the system by at least 20% compared to own baseline performance averaged for three years, including abstraction and treatment, measured in kWh per cubic meter produced water supply;</li> <li>b) by closing the gap by at least 20% either between the current leakage level averaged over three years, calculated using the Infrastructure Leakage Index (ILI) rating method and an ILI of 1.5, or between the current leakage level averaged over three years, calculated using another appropriate method, and the threshold value established in accordance with Article 4 of Directive (EU) 2020/2184. The current leakage level averaged over three years is calculated across the extent of water supply (distribution) network where the works are carried out, i.e. for the</li> </ul>	<p style="text-align: center;">✓</p>

	renewed water supply (distribution) network at district metered area(s) (DMAs) or pressure managed area(s) (PMAs).	
5.3. Construction, extension and operation of wastewater collection and treatment	<p>RLB Steiermark confirms that for construction, extension and operation of wastewater collection and treatment:</p> <ol style="list-style-type: none"> <li>1) The net energy consumption<sup>34</sup> of the wastewater treatment plant equals to or is lower than: <ol style="list-style-type: none"> <li>a) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10.000 p.e.;</li> <li>b) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10.000 and 100.000 p.e.;</li> <li>c) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100.000 p.e.</li> </ol> </li> <li>2) For the construction and extension of a wastewater treatment plant or a wastewater treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons), an assessment of the direct GHG emissions is performed. The results are disclosed to investors and clients on demand.</li> </ol>	✓
5.4. Renewal of wastewater collection and treatment	<p>RLB Steiermark confirms that for renewal of wastewater collection and treatment,</p> <ol style="list-style-type: none"> <li>1) The renewal of a collection system improves energy efficiency by decreasing the average energy consumption by 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis. That decrease of energy consumption can be accounted for at the level of the project (i.e. the collection system renewal) or, across the downstream wastewater agglomeration (i.e. including the downstream collection system, treatment plant or discharge of wastewater).</li> </ol>	✓

<sup>34</sup> Net energy consumption of the operation of the wastewater treatment plant may take into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs), and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy).

	<p>2) The renewal of a wastewater treatment plant improves energy efficiency by decreasing the average energy consumption of the system by at least 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis.</p> <p>3) For the purposes of points 1 and 2, the net energy consumption of the system is calculated in kWh per population equivalent per annum of the wastewater collected or effluent treated, taking into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs) and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy).</p> <p>4) For the purpose of point 1 and 2, the operator demonstrates that there are no material changes relating to external conditions, including modifications to discharge authorization(s) or changes in load to the agglomeration that would lead to a reduction of energy consumption, independent of efficiency measures taken.</p>	
<p>6.1. Passenger interurban rail transport</p>	<p>RLB Steiermark confirms that</p> <p>a) the trains and passenger coaches have zero direct (tailpipe) CO2 emissions; or that</p> <p>b) the trains and passenger coaches have zero direct (tailpipe) CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).</p>	<p style="text-align: center;">✓</p>
<p>6.3 Urban and suburban transport, road passenger transport</p>	<p>RLB Steiermark confirms both requirements. For urban and suburban transport, road passenger transport, the activity complies with one of the following criteria:</p> <p>a) the activity provides urban or suburban passenger transport, and its direct (tailpipe) CO2 emissions are zero;</p> <p>b) until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as</p>	<p style="text-align: center;">✓</p>

	<p>categories M2 and M3 that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single-deck articulated vehicle) or 'CD' (double-deck articulated vehicle), and comply with the latest EURO VI standard, i.e. both with the requirements of Regulation (EC) No 595/2009 and, from the time of the entry into force of amendments to that Regulation, in those amending acts, even before they become applicable, and with the latest step of the Euro VI standard set out in Table 1 of Appendix 9 to Annex I to Regulation (EU) No 582/2011 where the provisions governing that step have entered into force but have not yet become applicable for this type of vehicle. Where such standard is not available, the direct CO2 emissions of the vehicles are zero.</p>	
6.4 Operation of personal mobility devices, cycle logistics	<p>RLB Steiermark confirms for the operation of personal mobility devices, cycle logistics, the activity complies with one of the following criteria:</p> <p>a) The propulsion of personal mobility devices comes from the physical activity of the user, from a zero-emissions motor, or a mix of zero-emissions motor and physical activity.</p> <p>b) The personal mobility devices are allowed to be operated on the same public infrastructure as bikes or pedestrians</p>	✓
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	<p>RLB Steiermark confirms that for transport by motorbikes, passenger cars and light commercial vehicles, the activity complies with one of the following criteria:</p> <p>a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007:</p> <ul style="list-style-type: none"> <li>• until 31 December 2025, specific emissions of CO2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO2/km (low- and zero-emission light-duty vehicles);</li> <li>• from 1 January 2026, specific emissions of CO2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero.</li> </ul> <p>b) for vehicles of category L, the tailpipe CO2 emissions equal to 0g CO2e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.</p>	✓

6.13 Infrastructure for personal mobility, cycle logistics	RLB Steiermark confirms for infrastructure for personal mobility, cycle logistics, the infrastructure that is constructed and operated is dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refuelling installations for personal mobility devices.	
6.15. Infrastructure enabling low-carbon road transport and public transport	<p>RLB Steiermark confirms that for infrastructure enabling low-carbon road transport and public transport</p> <p>1) the activity complies with one of the following criteria:</p> <ul style="list-style-type: none"> <li>• the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric road systems (ERS);</li> <li>• the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods;</li> <li>• the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signalling systems for metro, tram and rail systems.</li> </ul> <p>2) The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	
7.1 Construction of new buildings	RLB Steiermark confirms that the Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC). <sup>35</sup>	

<sup>35</sup> For buildings larger than 5 000 m<sup>2</sup>, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.

For buildings larger than 5 000 m<sup>2</sup>, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.



<p>7.2. Renovation of existing buildings</p>	<p>RLB Steiermark has eligible criteria of refurbished buildings resulting in a reduction of primary energy demand (PED) of at least 30% in comparison with the performance of the building before the renovation.</p> <p>The energy performance is certified using an as built Energy Performance Certificate (EPC).<sup>36</sup></p>	<p>✓</p>
<p>7.7. Acquisition and ownership of buildings</p>	<p>RLB Steiermark confirms<sup>37</sup>:</p> <ul style="list-style-type: none"> <li>• For buildings built until 12/2020: Buildings belong to the top 15%<sup>38</sup> of the national or regional building stock expressed as operational Primary Energy Demand (PED);</li> <li>• For buildings built after 12/2020: The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC); and</li> <li>• Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</li> </ul>	<p>✓</p>

<sup>37</sup> Buildings that are used for the purpose of occupation by fossil fuel extraction or manufacturing of fossil fuel activities are explicitly excluded.

<sup>38</sup> In cases where an assessment of the top 15% low carbon buildings is not possible, buildings with an EPC with a min. level A (primary energy demand) is considered eligible.

## PART IV: GREEN, SOCIAL AND SUSTAINABILITY BONDS LINK TO RLB STEIERMARK'S SUSTAINABILITY STRATEGY

### A. RLB STEIERMARK'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

#### *ESG risks associated with the issuer's industry*

The issuer is classified as part of the Public & Regional Banks industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria
Labor standards and working conditions
Business ethics



#### *ESG performance of the issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on the ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

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

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

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>39</sup>	DIRECTION OF IMPACT	UN SDGS
<b>Financing of energy-efficient housing and eco-friendly cars</b>	3%	CONTRIBUTION	 

*Breaches of international norms and ESG controversies*

At issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public & Regional Banks industry are as follows: Sexual harassment in the workplace; failure to respect the right to just and favorable conditions of work, and failure to mitigate climate change impacts

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

<sup>39</sup> Percentages presented in this table are not cumulative.

## B. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH RLB STEIERMARK'S SUSTAINABILITY STRATEGY

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

RLB Steiermark states that it is aware that sustainable transformation is a crucial challenge for the economy, the environment and today's society. It is its intention to prioritize the future and pursue long-term solutions.

Key sectors for the issuer are renewable energy (wind energy, solar energy, photovoltaic, hydro power, biomass, geothermal energy etc.); energy-efficient buildings and certified green buildings.

The company's goal is to increase its portfolio of sustainable financing in the three areas mentioned above to around 750 million euros by 2024 or around 10% of total customer financing (retail and 7.725 billion euros as of December 31, 2021). The bank is currently revising its sustainability strategy in which it sees environmental, social and economic aspects to be equally considered.

The issuer derives three central roles for itself from the planned strategy:

- As a role model, it wants to act in accordance with ESG criteria at every customer meeting and continuously expand its sustainable product portfolio. In accordance with the Raiffeisen idea, it consciously takes on a leading role in Styria on the way to a sustainable future.
- As pioneers, it will network with experts and implement lighthouse projects in order to continuously reduce its consumption of resources and those of its customers.
- As an enabler, it supports customers and organizations in actively shaping a sustainable future in Styria with solutions from the RLB Steiermark ecosystem.

### *Rationale for issuance*

RLB Steiermark has established this framework to generate funding for assets with a positive environmental and social impact in order to support the necessary transition to a sustainable future. In regard to the growing demand, RLB Steiermark strives to widen its range of products. In a broader sense, RLB Steiermark aims to contribute to ecological and social affairs and transfer this opportunity to its investors and customers in the form of covered bonds as well as unsecured bonds or deposits.

**Opinion:** *The key sustainability objectives and the rationale for issuing green, social & sustainability bonds are clearly described by the issuer. The project categories financed are in line with the sustainability objectives of the issuer.*

## DISCLAIMER

1. Validity of the Second Party Opinion (SPO): Valid as long as the framework remains unchanged.
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes SPOs which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide.
3. SPOs are based on data provided by the Issuer/Borrower and ISS does not warrant that the information presented in this SPO is complete, accurate or up to date. Neither ISS or ICS will have any liability in connection with the use of these SPOs, or any information provided therein.
4. Statements of opinion and value judgments given by ISS are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the SPO is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above.
5. This SPO, certain images, text and graphics contained therein, and the layout and company logo of ICS, ISS ESG, and ISS are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. The use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The Issuer/Borrower that is the subject of this report may have purchased self-assessment tools and publications from ICS or ICS may have provided advisory or analytical services to the Issuer/Borrower. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any Issuer/Borrower's use of products and services from ICS by emailing [disclosure@issgovernance.com](mailto:disclosure@issgovernance.com).

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG (“DB”) owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital (“Genstar”) and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies is available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2022 | Institutional Shareholder Services and/or its affiliates

## ANNEX 1: Methodology

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainability Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if RLB Steiermark's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

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

### Environmental and social risks assessment methodology

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

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

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

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which RLB Steiermark's Green Bonds, Social Bonds, Sustainability Bonds contributes to related SDGs has been identified.

## ANNEX 2: ISS ESG Corporate Rating Methodology

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

For more information, please visit:

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

## ANNEX 3: Quality management processes

### SCOPE

RLB Steiermark commissioned ICS to compile a Green Bonds, Social Bonds, Sustainability Bonds SPO. The Second Party Opinion process includes verifying whether the Sustainability Finance Framework aligns with the ICMA's GBP, SBP and SBG and to assess the sustainability credentials of its green, social and sustainability instruments, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021), Social Bond Principles (June 2021), Sustainability Bond Guidelines (June 2021)
- EU Taxonomy Climate Delegated Act (June 2021)

### ISSUER'S RESPONSIBILITY

RLB Steiermark'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.

This independent Second Party Opinion of the green, social and sustainability instruments to be issued by RLB Steiermark has been conducted based on ISS ESG methodology and in line with ICMA's GBP, SBP and SBG.

The engagement with RLB Steiermark took place from September to December 2022.

### ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

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

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 information about SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For Information about this green, social and sustainability instruments' SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

#### Project lead

Elena Johansson  
Associate  
ESG Consultant

#### Project support

Louis Cottin  
Analyst  
ESG Consultant

#### Project supervision

Marie-Bénédicte Beaudoin  
Associate Director  
Head of ISS ESG SPO Operations