

Second-Party Opinion

Framework for Green and Social Loans in RBI Retail Banking

Evaluation Summary

Sustainalytics is of the opinion that the Framework for Green and Social Loans in RBI Retail Banking is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - Green Buildings, Renewable Energy, Energy and Efficiency, Clean Transportation, Sustainable Agriculture and Forestry, Water and Wastewater Management, Employment Generation, Affordable Housing, Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes, Employment Generation and Retention and Affordable Housing - are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 8, 9, 10, 11 and 15.



PROJECT EVALUATION AND SELECTION Raiffeisen Bank International's Network Banks will appoint relevant business units for evaluating and selecting eligible projects that are in line with the eligibility criteria. Raiffeisen Bank International monitors and manages ESG risks associated with eligible projects and assets through its Retail Credit Policy, which applies to all allocation decisions. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Raiffeisen Bank International's Network Banks will be responsible for the management and allocation of proceeds to eligible projects. The Network Banks will track net proceeds using an internal tracking system and intend to allocate all proceeds to eligible instruments within 36 months of issuance. Pending allocation, proceeds may be temporarily held in cash or other short-term instruments. This is in line with market practice.



REPORTING Raiffeisen Bank International intends to report on allocation of proceeds in its ESG retail report on an annual basis until full allocation. Allocation reporting will include the number and amount of loans allocated to eligible categories, loan types, corresponding retail segments and the origination date and type of products in the portfolio. In addition, Raiffeisen Bank International intends to report on relevant impact metrics. Sustainalytics considers the allocation and impact reporting commitments as aligned with market practice.



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Introduction

Raiffeisen Bank International (“RBI” or the “Bank”) is a corporate, retail and investment bank headquartered in Vienna, Austria. As of December 2023, RBI employs 44,887 staff members and serves 18.6 million customers through a network of approximately 1,519 business outlets, and has EUR 198 billion worth of assets under management.¹ The Bank offers corporate and investment banking, trade and export financing, factoring solutions, and leasing services across Central and Eastern Europe.

RBI has developed the Framework for Green and Social Loans in RBI Retail Banking dated March 2024 (the “Framework”) under which it intends to issue sustainability bonds and loans, and use the proceeds to finance or refinance, in whole or in part, existing or future projects expected to provide positive environmental outcomes and social advancements in Europe. The Framework defines eligibility criteria in nine areas:

The Framework defines eligibility criteria under the following environmental categories:

1. Green Buildings
2. Renewable Energy
3. Energy and Efficiency
4. Clean Transportation
5. Sustainable Agriculture and Forestry
6. Water and Wastewater Management
7. Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes

The Framework defines eligibility criteria under the following social categories:

8. Affordable Housing
9. Employment Generation and Retention

RBI engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),² Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP)³. The Framework will be published in a separate document.⁴

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;

The credibility and anticipated positive impacts of the use of proceeds; and

The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

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

¹ Raiffeisen Bank International, “Factsheet-Preliminary Results FY 2023”, at: <https://www.rbinternational.com/content/dam/rbi/ho/home/rbi-group/about-us/Factsheet-Preliminary%20Results%20FY%202023.pdf.coredownload.pdf>

² The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁴ The Framework for Green and Social Loans in RBI Retail Banking will be available on RBI’s website at: <https://www.rbinternational.com/en/investors/debt-investors-ratings/green-bonds.html#accordion-433524591f-item-9b3266cdd6>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of RBI's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. RBI representatives have confirmed (1) they understand it is the sole responsibility of RBI to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Framework for Green and Social Loans in RBI Retail Banking

Sustainalytics considers the Framework for Green and Social Loans in RBI Retail Banking to be credible, impactful and aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories - Green Buildings, Clean Transportation, Energy Efficiency, Renewable Energy, Sustainable Agriculture and Forestry, Water and Wastewater Management, Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes, Affordable Housing and Employment Generation - are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics considers that the eligible projects are expected to contribute to positive environmental and social impacts for the targeted populations in the markets where the Bank operates.
 - RBI has defined a look-back period of three years for refinancing operating expenditures, which Sustainalytics considers to be in line with market practice.
 - RBI may finance loans to private individuals, small and medium-sized enterprises (SMEs) and pure play companies that derive at least 90% of their revenue from eligible activities under the Framework.
 - The Bank intends to finance or refinance general purpose loans allocated to entities that derive 90% or more of their revenue from activities that comply with the eligibility criteria in the Framework. Sustainalytics considers that project and activity-based lending generally results in more direct environmental and social benefits and improve compliance with the criteria in the Framework. However, Sustainalytics acknowledges that the financing of pure play companies through green and social bonds is a commonly accepted approach that is likely to generate positive impacts.

- Under the Green Buildings category, RBI may finance or refinance loans to private individuals and SMEs for the construction, acquisition, ownership and renovation of buildings, the installation of energy efficient equipment in buildings financed and on-site renewable generation in accordance with the following criteria:
 - Buildings certified to or expected to be certified to the following minimum certification levels: LEED Gold;⁶ BREEAM Excellent;⁷ DGNB or ÖGNI Gold.⁸ This is in line with market practice.
 - Buildings built before December 2020 belonging to the top 15% of the national building stock in terms of primary energy demand (PED), or having an EPC A or above, or having other nationally or internationally recognized pre-certification which leads to an EPC A or above. This is in line with market practice.
 - Buildings built after December 2020 with energy performance at least 10% higher than the threshold for nearly zero-energy buildings in the local market, in terms of PED. This is in line with market practice.
 - Refurbishments of existing buildings that result in: i) at least a 30% reduction in net PED or carbon emissions compared to pre-renovation levels; or ii) a two-step improvement in the EPC rating as well as a reduction of at least 20% in the net PED. Noting that retrofits that result in performance improvements of at least 20% will result in some environmental benefits, Sustainalytics considers it market practice that retrofits achieve emissions or energy performance improvements of at least 30%. RBI has confirmed to Sustainalytics that only expenditures related to retrofits will be financed and not the entire asset value of the buildings.
 - Individual renovation measures including the installation, maintenance and repair of: i) energy efficiency equipment, such as LED lighting, energy-efficient windows and doors, heating, ventilation and air-conditioning systems, water heating systems with highly efficient technologies, reducing water and energy using efficient kitchen and sanitary water fittings; ii) charging stations for electric vehicles in buildings; iii) instruments and devices for measuring, regulating and controlling the energy performance of buildings, such as zoned thermostats, building automation and control systems and smart meters; and iv) on-site renewable energy technologies, including solar photovoltaic systems. Sustainalytics notes that the Framework excludes financing of smart gas meters. This is in line with market practice.
- Under the Clean Transportation category, RBI may finance or refinance loans to private individuals and SMEs for the purchase, rental, leasing and operation of zero-emission vehicles, personal mobility devices and related infrastructure and equipment according to the following:
 - Hybrid passenger vehicles with emissions intensity up to 75gCO₂/km or 120.70 gCO₂/mile based on lab tests using the WLTP or NEDC procedures.
 - Buses including bus rapid transit (BRT) systems with an emissions threshold below 50 gCO₂e/pkm or 80.47 gCO₂/pmi.
 - Light commercial vehicles and heavy trucks with emissions intensity up to 25 gCO₂/tkm or 40.23 gCO₂/tmi.
 - Passenger rail with direct emissions below 50 gCO₂e/pkm or 80.47 gCO₂/pmi.
 - Personal mobility devices such as bicycles, e-scooters and related infrastructure, such as electric vehicle charging points, and protective and maintenance equipment.
 - Sustainalytics notes that the Framework excludes financing for parking facilities and vehicles used for the transportation of fossil fuels.
 - Sustainalytics considers investments under this category to be in line with market practice.
- Under the Energy Efficiency category, the Bank may finance or refinance loans to private individuals or SMEs for:
 - Projects improving the energy efficiency of production processes in factories that lead to a minimum 30% improvement in energy efficiency. Project examples include installation of LED lighting, energy-efficient air conditioning and solar panels. Sustainalytics notes that the Framework excludes the financing of fossil fuel-powered

⁶ LEED: <https://www.usgbc.org/leed>

⁷ BREEAM: <https://bregroup.com/products/breeam/>

⁸ DGNB: <https://www.dgnb-system.de/en/certification/certification-process/>

- equipment or improvements involving carbon-intensive heavy industries, such as steel, cement and refining of fossil fuels.
- Purchase, installation, maintenance and repair of appliances in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369⁹ and those registered in the Green Technology Selector.¹⁰ Such appliances may include fridges, freezers, dishwashers, washing machines, televisions and lamps. Sustainalytics notes that RBI's reliance on EU energy labels to define eligibility in this category is consistent with the technical screening criteria of the EU Taxonomy.
 - Sustainalytics considers investments under this category to be in line with market practice.
- Under the Renewable Energy category, the Bank may finance or refinance loans and investments in SMEs for the development, manufacture, construction, operation, distribution, storage, maintenance and purchase of equipment for renewable energy projects in accordance with the following the criteria:
- Wind power.
 - Solar power, including concentrated solar power (CSP) technology. For CSP, the Framework limits financing to facilities that derive at least 85% of the electricity from solar energy.
 - Hydropower facilities with low storage capacity or run-of-river without artificial reservoir; or hydropower facilities with a capacity above 20 MW that meet one of the following criteria: i) facilities that are operational before the end of 2019 with power density greater than 5 W/m² or life cycle carbon intensity below 100 gCO₂e/kWh; ii) facilities that are operational after 2019 with power density greater than 10 W/m² or life cycle carbon intensity below 50 gCO₂e/kWh. Sustainalytics notes that all new hydropower projects will be subject to an environmental and social risk assessment to ensure that no significant risk, negative impact or controversy related to the project are identified.
 - Generation of bioenergy from anaerobic digestion or composting of: i) agricultural and forestry residues; ii) sewage sludge; iii) bio-waste. RBI has confirmed to Sustainalytics that: i) sewage sludge from fossil fuel operations will be excluded; ii) bio-waste is source segregated and collected separately; and iii) waste from palm oil operations is excluded.
 - Sustainalytics considers investments under this category to be in line with market practice.
- Under the Sustainable Agriculture and Forestry category, RBI may finance or refinance loans to SMEs for:
- Sustainable forestry activities that have been certified under Forest Stewardship Council (FSC)¹¹ or Programme for the Endorsement of Forest Certification (PEFC).¹² Sustainalytics views these certification schemes as robust and credible.
 - Sustainable agricultural activities certified under EU Organic¹³ or equivalent national or international certifications. Additionally, RBI may finance activities that support the adoption, promotion and implementation of conservation agriculture practices¹⁴ that meet the requirements of the Food and Agriculture Organization of the United Nations (FAO) or equivalent national or international standards. The Framework excludes

⁹ European Parliament, "Regulation (EU) 2017/136", at: <https://eur-lex.europa.eu/eli/reg/2017/1369/oj>

¹⁰ Green Technology Selector, at: <https://techselector.com/ts-en/>

¹¹ FSC: <https://ca.fsc.org/ca-en/what-is-fsc/fsc-certified-forests>

¹² PEFC: <https://www.pefc.org/standards-implementation>

¹³ EU Organic: https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en

¹⁴ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of principles "that are universally applicable in all agricultural landscapes and cropping systems," namely: i) minimum tillage and soil disturbance less than 15 cm or less than 25% of the cropped area, whichever is lower; ii) permanent soil cover of at least 30% with crop residues and live mulches; and iii) crop rotation and intercropping involving at least three different crop species. FAO, "Conservation Agriculture", at: <http://www.fao.org/conservation-agriculture/en/>

- investments of such activities on lands with high biodiversity¹⁵ and on protected lands.¹⁶
- Sustainable techniques and practices include crop rotation, permaculture, cover crops, soil enrichment, natural pest predators, integrated pest management, polyculture farming, no-till farming systems, agroforestry, biodynamic farming and water management. Sustainalytics considers these expenditures to be in line with market practice.
 - The use of sustainable agriculture products and raw materials certified under Biomass Biofuel Sustainability Association (2BSvs)¹⁷ and Farm Sustainability Assessment silver or above under Sustainable Agriculture Initiative (SAI) Platform.¹⁸
- Beekeeping operations for biodiversity conservation.
 - Sustainalytics notes positively that the Framework excludes financing for plantations of palm oil or tobacco, and activities that may lead to the destruction of critical habitat or degradation of tropical natural forests.
 - Sustainalytics considers investments under this category to be in line with market practice.
- Under the Water and Wastewater Management category, RBI may finance or refinance loans to SMEs for the development, construction, operation and maintenance of water distribution systems that have demonstrated a 20% improvement in efficiency over three years, water recycling facilities, wastewater treatment facilities and flood mitigation infrastructure. Flood mitigation infrastructure will be based on vulnerability assessments and adaptation plans to identify potential climate risks and relevant management strategies. The Bank has confirmed to Sustainalytics that treatment of wastewater from fossil fuel operations will not be financed. Sustainalytics considers investments under this category to be in line with market practice.
 - Under the Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes category, RBI may finance or refinance loans to SMEs for:
 - Projects that extend the product life cycle, through product reuse, repair, refurbishment and regeneration, integration of modular design or design for disassembly, and incorporating take-back schemes or reverse logistics. RBI has confirmed to Sustainalytics that products specifically for use in the extraction of fossil fuels or that inherently rely on fossil fuels will be excluded. Sustainalytics considers this to be in line with market practice.
 - Production technologies that use recycled resources, such as bio-based materials certified under schemes such as the Roundtable on Sustainable Biomaterials. Sustainalytics considers this to be in line with market practice.
 - Operational leasing of products, including electric vehicles, electric forklifts, printing equipment, medical equipment, IT equipment, material processing equipment, construction electric machinery, photovoltaic panels, equipment for topography devices, aesthetic cosmetic devices and equipment for restaurants. RBI has communicated to Sustainalytics that the proceeds will be used by RBI or its partner subsidiaries or affiliates¹⁹ for them to finance: i) the acquisition of eligible assets for leasing; and ii) the post-asset acquisition expenditures, including the maintenance of assets, under the Bank's larger leasing programme. RBI has confirmed to Sustainalytics that these products will: i) comply with the EU Taxonomy's technical screening criteria for "Product-as-a-service and other circular use- and result-oriented

¹⁵ UN Biodiversity Lab, "High biodiversity lands in Austria", at:

https://map.unbiodiversitylab.org/location/UNBL/austria?basemap=grayscale&coordinates=47.717307,13.9764405,7&layers=wdpa-protected-areas_100

¹⁶ Protected Planet, "Austria", at: <https://www.protectedplanet.net/country/AUT>

¹⁷ European Commission, "Voluntary schemes", at: https://energy.ec.europa.eu/topics/renewable-energy/bioenergy/voluntary-schemes_en.

Sustainalytics notes that 2BSvs requires only compliance with EU regulatory thresholds and has not been demonstrated to promote best-in-class performance, which has been critiqued by some observers.

¹⁸ Sustainable Agriculture Initiative (SAI) Platform: <https://saiplatform.org/>

¹⁹ RBI, "Leasing", at: <https://www.rbinternational.com/en/corporates/solutions/financing-solutions/leasing.html#tabs-c69fe0be7d-item-222e5e13f7-tab>

service models”;²⁰ and ii) exclude products reliant on fossil fuels, such as conventional vehicles, gas-fired household appliances or gas-fired ovens and stoves.

- Sustainalytics notes that the expenditures include financing for leases, which normally include provisions for take-back and maintenance of assets and products, leading to the extended use of these assets and products, therefore generating a primary impact of contributing to a more circular economy .
 - Sustainalytics recognizes that financing operational leasing contributes to the circular economy by allowing one asset to be utilized by multiple users, and notes that it has the potential to contribute to limiting GHG emissions from the manufacturing of new products. Sustainalytics encourages RBI to report on estimated or achieved GHG emissions savings.
- Production of aluminium-based consumer and end products where: i) at least 90% of the input will be recycled aluminium; or ii) at least 75% of the input will be recycled aluminium and the remaining being primary aluminium with an emissions intensity below 2.5 tCO₂e/t aluminium. Financing will be limited to recycling facilities with robust waste management processes. Sustainalytics considers this to be in line with market practice.
- Under the Affordable Housing category, RBI may provide mortgages to households for the acquisition of social and affordable housing in Albania, under the Albanian government’s social housing programmes. Eligible households are defined by Albanian law No. 22/2018²¹ through three set of conditions: economic condition, housing condition and social or family condition. The economic condition determines the eligibility of the household and housing and the social or family condition decides the priority of the beneficiaries. Sustainalytics notes that the economic condition limits households to those with incomes up to 120% of the territorial average income.²² Sustainalytics also notes that the interest rates of the mortgages provided by RBI are calculated based on the eligible household’s income condition and affordability and are guaranteed to be lower than the market rate, according to Albania’s Council of Ministers Decision No. 453 of 2019.²³ In addition, RBI has confirmed to Sustainalytics that it has responsible lending practices in place to understand the borrower’s financial situation, mitigate risks, ensure the terms of loans are understood by the borrowers and to avoid predatory lending. In order to contribute meaningfully to increasing access to affordable housing, Sustainalytics considers it good practice for issuers to define a target population with a threshold up to the average median income for a municipality or a regional level. Given the relatively high thresholds (120% of average income) used in the Albanian government’s social housing programmes, Sustainalytics encourages the Bank to prioritize households whose income is below average median income and report on the positive social impacts achieved.
 - Under the Employment Generation and Retention category, RBI may finance or refinance loans for micro, small and medium-sized enterprises (MSMEs) as defined by the European Commission,²⁴ which are: i) located in underserved, underdeveloped and rural regions in Europe;²⁵ ii) majority owned by women, with at least a 50% share; iii) majority owned by youth under 35 years of age, with at least a 50% share; or iv) are self-employed individuals or micro enterprises with less than 10 employees. Sustainalytics notes that some, though not all, youth-owned MSMEs and self-employed individuals or micro enterprises with less than 10 employees face obstacles in securing access to finance and encourages the Bank to consider such obstacles when qualifying loans under this category.

²⁰ European Commission, “Annex 2 to the Commission Delegated Regulation”, (2023), at: https://finance.ec.europa.eu/system/files/2023-06/taxonomy-regulation-delegated-act-2022-environmental-annex-2_en_0.pdf

²¹ Government of Albania, “LIGJ Nr. 22/2018 PËR STREHIMIN SOCIAL”, at: <https://financa.gov.al/wp-content/uploads/2018/12/liqj-nr.-22-dt.-3.5.2018.pdf>

²² Average income is defined as the average level of family consumption according to the lowest territorial data disaggregated by the Albanian Institute of Statistics. INSTAT, at: <https://www.instat.gov.al>

²³ Government of Albania, “VENDIM Nr. 453, datë 3.7.2019”, at:

<https://planifikimi.gov.al/index.php?eID=dumpFile&t=f&f=5102&token=364577a6d0a7ab907326f661d00dffe2996d80cc>

²⁴ European Commission, “Internal Market, Industry, Entrepreneurs, and SMEs”, at: https://ec.europa.eu/growth/smes/sme-definition_en

²⁵ A region is defined as underserved, underdeveloped and rural if: i) the GDP per inhabitant at current market prices by NUTS 3 regions is lower than the country’s GDP per inhabitant, and ii) the country’s GDP per inhabitant is less than 75% of EU average GDP per inhabitant. As the relevant data for Bosnia, Herzegovina, and Kosovo is not available under the Eurostat Nomenclature of Territorial Units for Statistics Classification (NUTS 3), RBI will apply country specific statistics and use the same definition to target underserved, underdeveloped and rural region. <https://ec.europa.eu/eurostat/web/nuts/overview>

- Sustainalytics views positively the exclusionary criteria set out in the Framework, under which proceeds will not be allocated to assets directly linked to fossil fuels, defense and weapons, nuclear energy, mining, alcohol, tobacco and gambling.
- Project Evaluation and Selection:
 - RBI’s Network Banks (NWBs) will appoint different business units to evaluate and select eligible projects that are in line with the Framework’s eligibility criteria. The business units will gather and verify data required for the evaluation and selection of eligible projects and ensure expenditures are in line with the Bank’s general policies.
 - RBI has implemented a Retail Credit Policy that incorporates ESG factors and associated risks at a local, regional and global level and is applicable to all allocation decisions made under the Framework. This policy mandates the ESG risks for all assets to be monitored, reviewed and managed regularly. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - RBI’s Retail Banking department in the head office will be responsible for the management and allocation of proceeds at a group level whereas each NWB will manage proceeds at the subsidiary level. RBI will track the proceeds using an internal tracking system on a portfolio basis.
 - RBI intends to allocate all proceeds to eligible assets within 36 months of issuance. The Bank has confirmed to Sustainalytics that pending allocation, proceeds may be temporarily held in cash, cash equivalents or other liquid instruments.
 - RBI has communicated to Sustainalytics that instruments issued under the Framework may include multi-tranche loan facilities. RBI intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
 - Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - RBI intends to report on the allocation of proceeds in its ESG Retail Report, which will be published on its website on an annual basis. Allocation reporting will include the number and amount of loans allocated to eligible categories and loan types, breakdown by NWBs, corresponding retail segments, origination date and type of products in the portfolio.
 - Where feasible, impact reporting may include key performance indicators such as GHG emissions reduced or avoided (in tCO₂e), energy savings (in MWh), green building certification schemes and levels, and the number of financed enterprises in each target region.
 - Sustainalytics notes that in case RBI obtains revolving credit facilities under the Framework, the Bank will report on allocation until loan maturity.
 - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Framework for Green and Social Loans in RBI Retail Banking aligns with the four core components of the GBP, SBP, GLP and SLP.

Section 2: Sustainability Strategy of RBI

Contribution to RBI’s sustainability strategy

RBI integrates ESG considerations into its lending portfolio by focusing on investments aimed at contributing to the achievement of the UN SDGs.²⁶ Under its sustainability strategy, RBI aims to create sustainable value by being: i) a responsible banker to reduce the environmental impact of its operations; ii) a fair partner to its employees and business partners; and iii) an engaged citizen to generate a positive impact on the communities where it operates.²⁷

²⁶ RBI, “Responsible Banking”, at: <https://www.rbinternational.com/en/sustainability.html>

²⁷ RB, “Sustainability Strategy Framework”, at: <https://www.rbinternational.com/en/sustainability/governance/sustainability-strategy-framework.html>

In 2022, in order to reduce the carbon footprint of its business operations, the Bank's targets were approved by the Science Based Targets, having committed to setting CO₂ reduction targets for its core business following the well below 2°C reduction pathway. Additionally, RBI aims to reduce absolute scope 1 and 2 CO₂ emissions by 25% by 2030 from a 2020 baseline of 52,887 tCO₂e to 39,665 tCO₂e.²⁸

Under RBI's commitment towards responsible banking, the Bank has set targets to: i) implement UNEP FI's six principles of responsible banking through 2021 to 2024; ii) conduct an annual portfolio analysis; iii) reduce negative environmental impact of the Group's portfolio by developing sector guidelines for CO₂ intensive business areas; iv) develop sustainable products, such as green mortgages and sustainable deposits; v) develop an ESG management incentive programme; vi) promote ESG knowledge and awareness to relevant stakeholders; and vii) increase the portfolio expansion for green and social bonds.²⁹

Additionally, to address the environmental impact of its portfolio, as of 2022 the Bank has issued EUR 1.9 billion in green bonds in Austria since 2018. RBI's green loan portfolio comprises investments in green buildings, clean transportation, energy efficiency, sustainable real estate, sustainable mobility, manufacturing industry, water supply sewage treatment and water management, sustainable forestry and farming and renewable energy. The Bank has issued EUR 6.1 billion in sustainable financing instruments, which includes green financing of EUR 2.7 billion and ESG-linked financing of EUR 986 million as of 31 December 2021. RBI has set a target to increase the share of corporate loans for ESG-compliant investments from approximately 10% as of December 2021 to 33% by 2025.³⁰

Moreover, RBI has established a policy under which it has committed to prohibiting any transaction with companies that generate more than 25% of their revenue from thermal coal mining and banning any new financial services to new or existing thermal coal power plants. RBI has policies in place for the exclusion of financing oil and gas, steel, real estate and construction, nuclear power, weapons and military equipment, gaming and gambling, tobacco, etc.³¹

Sustainalytics is of the opinion that the Framework for Green and Social Loans in RBI Retail Banking is aligned with the Bank's overall sustainability strategy and initiatives and will further the RBI's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include risks related to land use and biodiversity issues, occupational health and safety, business ethics, predatory lending, and community relations. The Bank plays a limited role in the development of the specific projects that it finances, however, by offering lending and financial services, it is exposed to risks associated with the companies or projects that it may finance.

Sustainalytics is of the opinion that RBI is able to manage or mitigate potential risks by implementing the following:

- RBI has integrated ESG risk management procedures into its Corporate Credit Policy, which includes: an exclusion list of investments in certain industries and activities, an overview on how climate related risks affect the industry, and an ESG analysis of customer and transaction.
- RBI conducts a yearly evaluation using the UNEP FI Portfolio Analysis Impact Tool to assess its portfolios' potential positive and negative impacts from a social, environmental and economic lens.³² The Bank's climate stress test aligns with the European Central Bank's climate risk stress test,³³ relating to the banks' climate-risk preparedness based on its climate stress test capabilities, business models and exposure to emission-intensive companies.³⁴
- RBI has implemented a code of conduct that provides guidance on the Bank's activities related to business ethics, bribery and corruption, anti-money laundering, corporate responsibility, and overall

²⁸ RBI, "Allocation and Impact Report (2022)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

RBI, "Allocation and Impact Report (2022)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

²⁹ RBI, "Allocation and Impact Report (2022)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

³⁰ Ibid.

³¹ Ibid.

³² RBI, "Sustainability Report (2022)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

³³ Ibid.

³⁴ European Central Bank, "ECB Banking Supervision launches 2022 climate risk stress test", at: <https://www.bankingsupervision.europa.eu/press/pr/date/2022/html/ssm.pr220127~bd20df4d3a.en.html>

compliance with laws and regulations.³⁵ Additionally, to ensure responsible lending, RBI has in place a Retail Credit Lending Policy, which sets mandatory lending rules, product parameters, verification methods and risk appetite.³⁶ The policy is compliant with all the Guidelines on Loan Origination and Monitoring of the European Banking Authority, and requires, for example, the avoidance of over-indebtedness, the prevention of customers in financial difficulties from further indebtedness and the reduction of foreign currency lending risks. Furthermore, RBI has a Retail Restructuring Policy to help customers comply with their contractual obligations in case of restructuring.³⁷

- The Bank complies with all applicable health and safety regulations in the countries where it conducts its business operations. RBI has also developed a supplier code of conduct to ensure that its suppliers adhere to RBI's values and social and environmental commitments. In order to eliminate potential risks, RBI's supplier code of conduct addresses specific topics such as occupational health and safety, environmental protection, business integrity, compliance, monitoring and audits.³⁸
- Aligned with the European Convention on Human Rights and the Universal Declaration of Human Rights, RBI is committed to protecting human rights by avoiding financing any projects or parties that do not follow these human rights standards.³⁹ Additionally, as a signatory to the UNGC, RBI is committed to combating corruption, promoting environmental sustainability and protecting human rights by eliminating forced and child labour, and following the UN principles on labour standards.⁴⁰
- The Bank is headquartered in Austria, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate common environment and social risks associated with the projects financed under the Framework.⁴¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that RBI has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

Importance of financing renewable energy and energy efficiency projects

To limit global warming to 1.5°C above pre-industrial levels in accordance with the commitments of the Paris Agreement, global GHG emissions need to reach net zero by 2050.⁴² The EU has committed to reducing GHG emissions by at least 40%, increasing energy efficiency by at least 32.5% and increasing the share of renewable energy to at least 32% by 2030 compared to 1990 levels.⁴³ In this context, increasing the share of renewables in the EU's energy mix and reducing energy consumption has the potential to contribute significantly to meeting the EU's climate goals.⁴⁴ In 2018, the EU set a target to increase the share of renewable energy in its total energy use to 32% by 2030.⁴⁵ Subsequently, in 2021, the EU Commission proposed raising the target to 38-40%.⁴⁶ To achieve these objectives, the EU is focusing on a clean energy transition in key industries: electricity, heating and cooling, and transport.⁴⁷

³⁵ RBI, "Code of Conduct (2023)", at: https://www.rbinternational.com/content/dam/rbi/ho/home/sustainability-esg/responsible-banking/code-of-conduct/coc-2023/coc-2023-updated/RBI_CodeOfConduct_Folder_EN.pdf.coredownload.pdf

³⁶ RBI has shared a summary of its Retail Credit Lending Policy with Sustainalytics.

³⁷ RBI has shared a summary of its Retail Restructuring Policy with Sustainalytics.

³⁸ RBI, "Code of Conduct for Suppliers", at: <https://www.rbinternational.com/en/raiffeisen/sustainability-esg/responsible-banking/code-of-conduct.html>

³⁹ RBI, "Code of Conduct (2020)", at: https://www.rbinternational.com/content/dam/rbi/ho/home/sustainability-esg/responsible-banking/code-of-conduct/coc-2023/coc-2023-updated/RBI_CodeOfConduct_Folder_EN.pdf.coredownload.pdf

⁴⁰ RBI, "Sustainability Report (2022)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

⁴¹ Equator Principles, "Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

⁴² United Nations, "For a livable climate: Net-zero commitments must be backed by credible action", at: <https://www.un.org/en/climatechange/net-zero-coalition>

⁴³ European Commission, "Romania: Summary of the Commission assessment of the draft National Energy and Climate Plan 2021-2030", at: https://energy.ec.europa.eu/system/files/2019-06/necp_factsheet_ro_final_0.pdf

⁴⁴ European Commission, "European Green Deal", at: https://ec.europa.eu/clima/eu-action/european-green-deal_en

⁴⁵ European Commission, "Renewable energy directive 2018/2001/EU", at: https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en

⁴⁶ European Commission, "Proposal for an amending Renewable Energy Directive(EU) 2018/2001", at: https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en

⁴⁷ Eurostat, "Renewable energy statistics", at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics#:~:text=The%20share%20of%20renewables%20in,compared%20with%209.6%20%25%20in%202004.

The Austrian National Energy and Climate Plan estimates that electricity consumption is likely to grow by up to 23% in 2030 and 66% in 2050, compared to 2017 levels, indicating the need for a clean electricity supply with an increased share of renewable sources.⁴⁸ As of 2023, renewable energy accounted for 81% of Austria's total electricity mix.⁴⁹ Through its Renewable Deployments Act, Austria commits to achieve a 100% share of renewable sources in electricity consumption by 2030.⁵⁰ To achieve its 2030 goal, the Austrian government offers special market premiums and investment grants.⁵¹ As a signatory to the Paris Agreement, Austria has committed to achieving carbon neutrality by 2040⁵² and 100% renewable electricity by 2030.⁵³ Additionally, in line with its Clean Energy Package, the government is focusing on renovating its building stock to reduce the country's energy consumption, considering that renewable energy only makes up 37% of the country's total energy mix.^{54,55}

In this context, Sustainalytics is of the opinion that RBI's financing of renewable generation and energy efficiency projects is expected to support the clean energy transition in Europe.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework for Green and Social Loans in RBI Retail Banking are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Efficiency	7. Affordable and Clean Energy 9. Industry, Innovation, and Infrastructure	7.3 By 2030 double the global rate of improvement in energy efficiency. 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

⁴⁸ IEA, "Austria 2020 Energy Policy Review", at: <https://www.iea.org/reports/austria-2020>

⁴⁹ European Commission, "Austria 2023 Country Report", at: https://economy-finance.ec.europa.eu/system/files/2023-05/AT_SWD_2023_620_en.pdf

⁵⁰ IEA, "Austria's Renewable Employment Act", at: <https://www.iea.org/policies/17793-austrias-renewable-deployment-act>

⁵¹ BMK Infothek, "Milestone for the energy transition: The Renewable Energy Expansion Act is ready", (2021), at: <https://infothek.bmk.gv.at/meilenstein-fuer-die-energie-wende-das-erneuerbaren-ausbau-gesetz-ist-fertig/>

⁵² Government of Austria, "Progress report 2020 in accordance with Article 24(1) of Directive 2012/27/EU", at:

https://iea.blob.core.windows.net/assets/ea419c67-4847-4a22-905a-d3ef66b848ba/Austria_2020_Energy_Policy_Review.pdf

⁵³ Bloomberg, "Austria Ends Coal Era and Commits to More Renewable Energy", 2020, at: <https://www.bloomberg.com/news/articles/2020-04-17/austria-ends-coal-era-and-commits-to-more-renewable-energy>

⁵⁴ Government of Austria, "#mission2030 - Austrian Climate and Energy Strategy (2018)", at: https://gruenstattgrau.at/wp-content/uploads/2020/10/mission2030_oe_climatestrategy_ua.pdf

⁵⁵ European Environment Agency, "Share of energy from renewable sources, by country", at: https://www.eea.europa.eu/data-and-maps/daviz/countries-breakdown-actual-res-progress-14#tab-googlechartid_chart_21

Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable Agriculture and Forestry	2. Zero Hunger 15. Life on Land	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality 15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems 15.2 Sustainable management of forests, halt deforestation, restore degraded forests and increase afforestation and reforestation
Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Employment Generation and Retention - Micro, small and medium enterprises	8. Decent Work and Economic Growth 10. Reduced Inequalities	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Conclusion

RBI has developed the Framework for Green and Social Loans in RBI Retail Banking under which it intends to issue sustainability bonds and loans, and use the proceeds to finance or refinance, in whole or in part, existing or future projects intended to provide positive environmental outcomes and social advancements in Europe. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Framework for Green and Social Loans in RBI Retail Banking outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework for Green and Social Loans in RBI Retail Banking is aligned with the overall sustainability strategy of RBI and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 2, 6, 7, 8, 9, 10, 11 and 15. Additionally, Sustainalytics is of the opinion that RBI has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that RBI is well positioned to issue sustainability bonds and that that Framework for Green and Social Loans in RBI Retail Banking is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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