

# Second-Party Opinion

## Tatra banka Sustainable Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Tatra banka Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings; Renewable Energy; Energy Efficiency; Clean Transportation; Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry; Pollution Prevention and Control; Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes; Sustainable Water and Wastewater Management; Climate Change Adaptation; Education and Vocational Training; Access to Essential Services; Affordable Housing; and Employment Generation and Protection – are aligned with those recognized by the Green Bond Principles or Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15.



**PROJECT EVALUATION AND SELECTION** Tatra banka’s Sustainable Finance Committee will be responsible for the evaluation and selection of assets and projects in line with the eligibility criteria. Tatra banka will undertake environmental and social risk assessments that adhere to internal policies, applicable laws and regulations for all allocation decisions. Sustainalytics considers the risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Tatra banka’s sustainable loan portfolio manager will be responsible for the management of proceeds on a portfolio basis and track the allocation of proceeds using a sustainable bond portfolio. Tatra banka intends to allocate all the proceeds within 36 months of issuance. Pending allocation, proceeds will be temporarily held in cash, cash equivalents and other liquid marketable investments in line with Tatra banka’s treasury management policies. Sustainalytics considers this process to be in line with market practice.



**REPORTING** Tatra commits to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include the volume and net proceeds outstanding, the amount of proceeds allocated to eligible projects, the net proceeds allocated per use of proceeds category, the geographical split and the balance of unallocated proceeds. Impact reporting will include, on a best-effort basis, metrics in alignment with the ICMA Harmonised Framework for Impact Reporting Handbook. Sustainalytics considers Tatra banka’s allocation and impact reporting commitments to be aligned with market practice.

<b>Evaluation date</b>	July 13, 2023
<b>Issuer Location</b>	Slovakia, Europe

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## Introduction

Tatra banka, a.s. (“Tatra banka” or the “Bank”) is a subsidiary of Raiffeisen Bank International (“RBI” or the “Group”) which is a corporate, retail and investment bank with operations in Central and Eastern Europe. Established in 1990, Tatra banka is headquartered in Bratislava, Slovakia. The Bank provides a range of financial services, including banking, insurance, pension funds and asset management to one million customers as of 31 December 2022. Tatra banka had approximately 3,558 employees serving in 129 branches across 43 cities in Slovakia as of 31 December 2022.

Tatra banka has developed the Tatra banka Sustainable Bond Framework (the “Framework”), under which it intends to issue green, social and sustainability bonds, and use the proceeds to finance or refinance, in whole or in part, existing and future projects aimed at supporting sustainable development and socioeconomic advancement in the EU.

The Framework defines eligibility criteria in nine green categories:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry
6. Pollution Prevention and Control
7. Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes
8. Sustainable Water and Wastewater Management
9. Climate Change Adaptation

The Framework defines eligibility criteria in four social categories:

1. Education and Vocational Training
2. Access to Essential Services
3. Affordable Housing
4. Employment Generation and Protection

The Bank engaged Sustainalytics to review the Tatra banka Sustainable Bond Framework, dated July 2023, 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), and Social Bond Principles 2021 (SBP).<sup>1</sup> The Framework has been published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> 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 2021, as administered by ICMA;
- 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.

<sup>1</sup> 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/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The Tatra banka Sustainable Bond Framework is available on Tatra banka’s website at: <https://www.tatrabanka.sk/en/about-bank/economic-results/green/>

<sup>3</sup> 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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of the Bank'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. The Bank representatives have confirmed that: (1) they understand it is the sole responsibility of the Bank to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) 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 the Bank.

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 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. Upon twenty-four (24) months following the evaluation date set stated herein, the Bank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond 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 the Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Tatra banka Sustainable Bond Framework

Sustainalytics is of the opinion that the Tatra banka Sustainable Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Bank's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings; Renewable Energy; Energy Efficiency; Clean Transportation; Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry; Pollution Prevention and Control; Eco-efficient Circular Economy Adapted Products; Production Technologies and Processes; Sustainable Water and Wastewater Management; Climate Change Adaptation; Education and Vocational Training; Access to Essential Services; Affordable Housing; and Employment Generation and Protection – are aligned with those recognized by the GBP and SBP. Sustainalytics considers that the eligible projects are expected to contribute to the decarbonization of Tatra banka's investment portfolio and deliver positive environmental and social impact in the EU.
  - Tatra banka has defined a look-back period of three years for the refinancing of operating expenditures under the Framework, which Sustainalytics considers to be in line with market practice.
  - Under the Framework, the Bank intends to use the proceeds for project-based lending and general-purpose financing for pure play companies that derive at least 90% of their revenue from activities in the eligible categories identified in the Framework. Sustainalytics recognizes that the GBP and the SBP favour project-based lending and financing, and there is less transparency

in general with non-project-based lending. Nevertheless, Sustainalytics recognizes that the financing of pure play companies through green and social bonds is commonly accepted as an approach that can generate positive impact.

- Sustainalytics notes that Tatra banka intends to finance research and development (R&D) expenditures in the following categories: Green Buildings; Renewable Energy; Energy Efficiency; Clean Transportation; Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry; Pollution Prevention and Control; and Sustainable Water and Wastewater Management. R&D activities will include those related to: increasing the production of green hydrogen; performance improvements to solar panels; CO<sub>2</sub> emission levels measurement and monitoring in transportation and infrastructure through control systems and processes; life cycle and adaptability monitoring of trees species to site conditions through spatial technologies and remote sensing; and pollution levels measurement in water and wastewater management processes through control systems. Sustainalytics considers this to be aligned with market practice.
- Under the Green Buildings category, Tatra banka may finance or refinance the planning, designing, construction, operation, maintenance, renovation, acquisition and ownership of residential, commercial and retail buildings according to the following criteria:
  - Buildings that have achieved or are expected to achieve one of the following minimum certification<sup>4</sup> levels: i) LEED Gold;<sup>5</sup> ii) BREEAM Excellent;<sup>6</sup> iii) DGNB or ÖGNI Gold;<sup>7</sup> or iv) EDGE Basic or Advanced.<sup>8</sup> Sustainalytics views these certification schemes as robust and credible.
  - Buildings that belong to the top 15% of the most energy-efficient buildings at the national level based on primary energy demand (PED).<sup>9</sup> In case an assessment of the top 15% energy-efficient buildings is not feasible, the Bank will limit financing to buildings that have an energy performance certificate (EPC) of level A or above in the EU.
  - Buildings that have undergone a thermal technical assessment prior to the issuance of an EPC. Sustainalytics notes that a thermal technical assessment is conducted to obtain a building permit in Slovakia until the issuance of an EPC. The assessment evaluates the extent to which the thermal performance of a building's envelope helps in reducing reliance on mechanical heating and cooling by considering orientation, windows, construction, insulation, ventilation and zoning of rooms, and climatic data of the project's site.<sup>10</sup> Sustainalytics views this assessment to be credible in the context of energy efficiency due to its focus on the energy performance of buildings. Nevertheless, Sustainalytics acknowledges that a thermal technical assessment certification is a prerequisite to obtaining an EPC in Slovakia, which the Bank intends to use among the criteria to identify projects under the Green Buildings category.
  - Buildings built after 31 December 2020, whose PED is at least 10% lower than the nearly zero-energy building (NZEB)<sup>11</sup> requirements in the relevant jurisdiction implementing the EU Energy Performance of Buildings Directive (EPBD).<sup>12</sup>
  - Renovation of buildings that: i) results in at least a 30% reduction in net PED or carbon emissions compared to pre-renovation levels; or ii) complies with the applicable requirements for major renovations.<sup>13</sup> The Bank has communicated to Sustainalytics

<sup>4</sup> In case of a denied certification or an insufficient final certification, the loan will be excluded.

<sup>5</sup> LEED: <https://www.usgbc.org/leed>

<sup>6</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>7</sup> DGNB: <https://www.dgnb.de/en/index.php>

<sup>8</sup> EDGE: <https://edgebuildings.com/certify/certification/>

<sup>9</sup> The assessment to identify the top 15% of buildings will be based on local building codes, building years and Energy Performance Certificates (EPC).

<sup>10</sup> Concerted Action Energy Performance of Buildings, "Implementation of the EPBD in the Slovak Republic", (2021), at: <https://epbd-ca.eu/ca-outcomes/outcomes-2015-2018/book-2018/countries/slovak-republic>

<sup>11</sup> European Commission, "Nearly zero-energy buildings", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<sup>12</sup> European Commission, "Energy performance of buildings directive", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)

<sup>13</sup> As required by applicable national and regional building regulations for "major renovations" implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded must meet the cost-optimal minimum energy performance requirements of the respective national law or regulation.

- that financing will be limited to renovation expenditure deemed eligible under the Framework. Sustainalytics notes that the EU Taxonomy requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which varies among EU member states. Therefore, Sustainalytics encourages the Bank to report on the actual improvement in PED performance or energy savings achieved in comparison with the existing building stock in the area or region.
- Individual renovation measures, including the installation, maintenance or repair of equipment and technologies in buildings, such as: i) charging stations for electric vehicles;<sup>14</sup> ii) thermal or electric energy storage units and the ancillary technical equipment; iii) high efficiency micro combined heat and power (CHP) plants powered by renewable energy;<sup>15</sup> and iv) heat exchange or recovery systems not intended for use in fossil fuel systems.
  - Sustainalytics notes that the Framework excludes the financing of buildings that are used for the storage, extraction or manufacturing of fossil fuels.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Renewable Energy category, the Bank may finance or refinance the purchase, acquisition, development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy generation projects related to wind, solar, hydropower, geothermal, biomass and hydrogen in accordance with the following criteria:
- Onshore and offshore wind energy projects. The Bank has confirmed that balsa wood certified by the Forest Stewardship Council (FSC)<sup>16</sup> or Programme for the Endorsement of Forest Certification (PEFC)<sup>17</sup> will be used in the manufacturing of wind turbines. In view of ongoing concerns regarding illegal logging in the Amazon Forest as a consequence of increasing demand for balsa wood for wind power generation, Sustainalytics views positively the sourcing of FSC and PEFC certified balsa wood.
  - Onshore solar photovoltaic generation and concentrated solar power (CSP) plants. Tatra banka has confirmed to Sustainalytics that CSP projects will be limited to those that generate at least 85% of the electricity from solar energy sources.
  - Hydropower projects financed under the Framework will be either: i) run-of-river without an artificial reservoir or with low storage capacity; or ii) have power density greater than 5 W/m<sup>2</sup> or emissions intensity below 100 gCO<sub>2</sub>e/kWh. Hydropower facilities that became operational after 2020 will have either: i) power density greater than 10 W/m<sup>2</sup>; or ii) life cycle carbon intensity below 50 gCO<sub>2</sub>e/kWh. Additionally, all new hydropower projects will undergo an environmental and social impact assessment conducted by a credible body to ensure that no significant environmental and social risks, negative impacts or controversies have been identified.
  - Geothermal projects where the life cycle GHG emissions from the generation of electricity are lower than 100 gCO<sub>2</sub>/kWh.
  - Energy storage projects such as fuel cells. The Bank has confirmed that energy storage projects financed under the Framework will be connected to renewables.
  - Construction, renovation or refurbishment of electricity grids. The Bank has confirmed that the electrical grid will be dedicated to connecting renewables to the power grid and will support or integrate at least 90% renewable electricity. Additionally, if less than 90% of the electricity transmitted on the grid is from renewables, the Bank will use a pro-rata approach to determine the green allocation to grid development or maintenance, or meet one of the following criteria specified in the EU Taxonomy Delegated Act: a) more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO<sub>2</sub>e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;

<sup>14</sup> The charging stations in standalone parking facilities will be excluded unless such parking spaces are within the building itself.

<sup>15</sup> The bank has confirmed to Sustainalytics that the financing of CHP plant projects will be limited to those where at least 85% of the electricity is generated from solar energy sources.

<sup>16</sup> FSC, at: <https://anz.fsc.org/>

<sup>17</sup> PEFC, at: <https://pefc.org/for-business/supply-chain-companies/certify-your-construction-project>

- b) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO<sub>2</sub>e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. Tatra banka has also confirmed the exclusion of new transmission and distribution infrastructure dedicated to connecting new fossil power plants or new nuclear power plants.
- Bioenergy produced from anaerobic digestion or composting of: i) agricultural and forestry residues; ii) sewage sludge;<sup>18</sup> iii) biowaste such as bio soils and animal manure, fats and oils.<sup>19</sup> Additionally, the Bank has confirmed that: i) financing related to animal fats and oils will be limited to 10% of the net proceeds from each issuance; and ii) the biowaste will be collected and segregated at source. Sustainalytics notes the exclusion of biomass from sources depleting biomass and carbon pools, sources grown on land with high biodiversity and sources that use land that competes with food sources.
  - Manufacture of hydrogen through electrolysis powered by renewable energy, and equipment for the production and use of hydrogen powered by renewable energy.
  - The Bank may also finance or refinance the manufacturing of components for onshore solar, wind, marine renewables, hydropower and geothermal energy and has confirmed that facilities financed will be wholly dedicated to components for renewables.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, Tatra banka may finance or refinance the development, implementation, maintenance and repair of energy-efficient products and technologies, which may include:
- Projects that achieve at least a 30% energy efficiency improvement in industrial production processes. Project examples include energy-efficient equipment used for the production of milk, grain, rice and bread.
  - Energy efficient equipment such as: i) high-efficiency windows, doors and wall systems with low U-values; ii) roofs, lofts, basements and ground floors, including measures to ensure airtightness; iii) insulation products; iv) household appliances, including refrigerators and washing machines, and cooling and ventilation systems that belong to the highest two populated classes of the relevant EU energy label and comply with the Do no Significant Harm criteria under the EU Taxonomy Climate Delegated Act. Sustainalytics notes that the Bank's reliance on EU energy labels to define eligibility in this category is consistent with the EU Taxonomy Climate Delegated Act; v) space heating and domestic hot water systems; vi) LEDs, smart lighting solutions and daylight controls; vii) electric heat pumps or absorption heat pumps driven by solar-heated or geothermal-heated water; viii) façade and roofing elements with a solar shading or solar control function; ix) building automation and control systems; x) building energy management systems; xi) zoned thermostats and sensing equipment; xii) products for heat metering and thermostatic controls; xiii) district heating exchangers and substations; and xiv) products for smart monitoring<sup>20</sup> and heating systems and sensing equipment. Other project examples may include activities related to installation, replacement, maintenance and repair of heating, ventilation, air-conditioning and water heating systems. Sustainalytics encourages the Bank to report on estimated or achieved energy efficiency gains, where feasible.
  - Replacement of energy intensive networks with fibre-optic networks. The Bank has confirmed that network upgrades financed under the Framework will be supported by a study or evidence that supports such upgrades.
  - Data centres or equipment for data centres with annualized PUE equal to or lower than 1.5 for data processing, hosting and other related activities. Sustainalytics highlights

<sup>18</sup> The Bank has communicated to Sustainalytics that sewage sludge used as feedstock will exclude wastewater from fossil fuel operations.

<sup>19</sup> The Framework excludes the procurement of fats and oils derived from intensive or industrial livestock operations.

<sup>20</sup> Sustainalytics notes that the Bank excludes financing of smart meters for gas.



- that Tatra banka has committed to: i) procure renewable energy (or primarily power the data centres with renewables); or ii) use free cooling technology that takes advantage of cool ambient conditions and reduces the need for mechanical cooling and associated power. Sustainalytics believes that data centres with annualized PUE equal to or lower than 1.5 with renewable energy procurement or free cooling technology will support reduction in scope 1 and 2 emissions.
- Electric heat pumps, absorption heat pumps that are driven by solar-heated or geothermal-heated water and ancillary technical equipment. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems and that the Bank will limit financing to heat pumps that have a global warming potential (GWP) below 675. Nevertheless, Sustainalytics recommends Tatra banka to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
  - Smart grid solutions intended for more efficient transmission and distribution of energy and monitoring of energy consumption. Project examples include smart appliances, smart substations, smart meters,<sup>21</sup> sensors and controllers. Additionally, Tatra banka has confirmed that it will exclude the financing of transmission lines that are directly connected to fossil fuel power plants.
  - Sustainalytics notes that the Framework excludes the financing of fossil fuel-powered equipment and energy efficiency improvements in carbon-intensive and heavy industries.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, the Bank may finance or refinance loans for the: i) manufacturing, acquisition and modernization of zero direct emissions vehicles; ii) development, manufacturing or purchase of components; and iii) the development, acquisition, operation, maintenance and upgrade of associated infrastructure, in accordance with the following criteria:
- Zero direct emissions vehicles, including: i) public transport vehicles such as buses, trains, trams and ferries; ii) passenger and freight vehicles such as electric cars, hydrogen cars and trucks.
  - Low-carbon public transport vehicles such as buses, trains, trams and ferries where: i) low-carbon ferries will be fully powered by biofuel or hydrogen; and ii) the primary purpose of ferries carrying cargos ships will not be the transportation of fossil fuel freight, i.e., fossil fuels will not represent more than 50% of the share in total mass transported.
  - Low-carbon passenger vehicles with a tailpipe emissions intensity threshold of 50 gCO<sub>2</sub>/km until December 2025 and 0 gCO<sub>2</sub>/km from January 2026. The emission intensity will be calculated based on the World Harmonized Light-duty Vehicle Test Procedure (WLTP), which uses real-driving data to replicate actual driving conditions.
  - Infrastructure for zero direct emissions passenger and freight transport vehicles, such as charging stations for electric vehicles, electric railways and bicycle paths.
  - The Bank has confirmed to Sustainalytics that financing will be limited to manufacturing parts that are exclusively destined for vehicles financed under this category.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry category, Tatra banka may finance or refinance the following projects:
- Sustainable forestry projects such as afforestation, reforestation and the preservation of natural landscape that have been certified under FSC, PEFC or Sustainable Forestry Initiative (SFI).<sup>22</sup> Sustainalytics views these certification schemes as robust and

<sup>21</sup> Sustainalytics notes that the Bank excludes financing of smart meters for gas.

<sup>22</sup> SFI, at: <https://forests.org/standards/>

- credible. Sustainalytics notes that plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions. The Bank may also finance urban greening projects, such as the development and restoration of parks and green areas. Sustainalytics considers these investments to be aligned with market practice.
- Sustainable agricultural activities certified by EU Organic or other certifications that are recognized as being equivalent to EU Organic or national certification schemes demonstrating equivalent performance<sup>23</sup> or where the borrower has applied for the certification.<sup>24</sup> Sustainalytics notes that it is market expectation to specify all eligible certification schemes and standards and encourages the Bank to report on any other certification schemes and standards they intend to include.
  - Additionally, the Bank may finance activities that support the adoption, promotion, and implementation of conservation agriculture practices that fulfil the requirements of the Food and Agriculture Organization of the United Nations (FAO)<sup>25</sup> or equivalent national or international standards.<sup>26</sup> Sustainalytics notes that it is market expectation to specify all eligible standards and encourages the Bank to report on any other standards it intends to use.
  - Land rehabilitation and remediation projects, excluding the financing of: i) decommissioned fossil fuel or mining sites; and ii) remediation activities that are related to the contamination from the borrower's or the Bank's own activities. Sustainalytics considers investments under this activity to be aligned with market practice.
- Under the Pollution Prevention and Control category, Tatra banka may finance or refinance the development, construction, operation and maintenance of waste management, sorting and recycling facilities, activities and operations according to the following criteria:
    - Waste prevention, reduction and recycling projects, including the development, operation and upgrade of recycling plants and associated activities for metals, plastic and paper. Sustainalytics notes that: i) chemical recycling of plastics will not be financed under the Framework; ii) the recycling of electronic waste will be accompanied by a robust waste management plan to mitigate associated risks; iii) segregation of waste will be carried out at source before waste collection; and iv) only zero direct emissions waste collection vehicles will be financed.
    - Industrial air emissions reduction and GHG control projects that either lead to at least a 20% reduction in carbon emissions or serve as a replacement to fossil fuels. This may include the installation of scrubbers, bio-filters and sensors. The Bank has confirmed that: i) projects intended for fossil fuel operations will not be financed under the Framework; and ii) pollution prevention measures financed will not be applied to fossil fuel-powered equipment or technologies.
    - Landfill gas capture projects (excluding for flaring) where the landfill is non-operational and has a high gas capture efficiency of at least 75%. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
    - 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, Tatra banka may finance or refinance the design of eco-efficient products and production activities that increase resource efficiency. These activities may include:

<sup>23</sup> Based on the approval by control bodies and authorities for equivalency and in compliance with EEC No. 834/2007 which was replaced in Jan 2022 by Regulation (EU) 2018/848.

<sup>24</sup> In case of a denied certification or a not sufficient final certification the loan will be excluded.

<sup>25</sup> Food and Agriculture Organization of the United Nations (FAO), "Conservation Agriculture", at: <http://www.fao.org/conservation-agriculture/en/>

<sup>26</sup> Based on the approval by control bodies and authorities for equivalency and in compliance with EEC No. 834/2007 which was replaced in Jan 2022 by Regulation (EU) 2018/848.



- Projects that extend the life cycle of products. This may include product reuse, repair, refurbishment and regeneration; integration of modular design or design for disassembly; and incorporation of take-back schemes or reverse logistics.
- Production technologies that use recycled resources, such as bio-based materials. The Bank has confirmed that the production of bio-based materials will be limited to those certified under the Roundtable on Sustainable Biomaterials.<sup>27</sup> The Bank has communicated to Sustainalytics that it may finance the following technologies under the Framework: i) bio-based sorbents,<sup>28</sup> ii) waste sanitation,<sup>29</sup> iii) production of bio-fertilizer from vines<sup>30</sup>; and iv) the production of biofertilizer from fish waste.<sup>31</sup> The Bank further confirmed the exclusion of bio-based plastics as an input in the financed production technologies and processes from the Framework.
- Production of aluminium-based products with: i) at least 90% of inputs being scrap or recycled aluminium, or ii) at least 75% of input being scrap or recycled aluminium and the remaining (primary) aluminium having a carbon intensity below 2.5 tCO<sub>2</sub>e/t. The Bank will limit financing to recycling facilities with robust waste management processes.
- Sustainalytics considers investments under this category to be in line with market practice.
- Under the Sustainable Water and Wastewater Management category, Tatra banka may finance or refinance the development, construction, acquisition, installation, operation and maintenance of the following sustainable water and wastewater management projects and facilities:
  - Water collection, treatment and supply systems that lead to energy efficiency improvements by decreasing the net average energy consumption or improving the average leakage by at least 20% compared to the baseline performance averaged over three years. The Bank has confirmed that water treatment facilities financed under the Framework will be powered by low-carbon sources, such as renewables. Additionally, water collection infrastructure financed may include weirs, sand dams, aquifer storage and rainwater harvesting systems. Additionally, water supply infrastructure financed under the Framework may include pumping stations and drains; gravity-fed canal systems; high-efficiency drip, flood or pivot irrigation systems.
  - Wastewater collection and treatment facilities, such as pumping stations, force mains, collectors, filtration systems, tertiary treatment. Desalination plants financed under the Framework: i) will be powered by low-carbon sources, such as renewables; and ii) will have in place an appropriate waste management programme for the disposal of brine. The Bank has confirmed that the wastewater treatment facilities financed under the Framework will be powered by low-carbon sources, such as renewables and the treatment of wastewater from fossil fuel operations (such as produced water from fracking) will not be financed.
  - Flood mitigation infrastructure projects that are supported by a vulnerability assessment to identify potential climate risks and an adaptation plan to address the risks identified by the vulnerability assessment.
  - Technologies that increase water-use efficiency, such as water metering; water saving systems, such as irrigation controllers; rain sensors, soil moisture sensors, water-management systems for irrigation, water recycling and water reuse. The Bank has confirmed that technologies financed will not be dependent on fossil fuels.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Climate Adaptation category, Tatra banka may finance or refinance the following projects:

<sup>27</sup> Roundtable on Sustainable Biomaterials, "Why Choose RSB", at: <https://rsb.org/why-choose-rsb/>.

<sup>28</sup> This technology leverages sorbents to remove harmful toxins (PFAS) from water, and can be applied to: i) environmental remediation, ii) potable water, iii) industrial manufacturing facilities, and iv) commercial airports.

<sup>29</sup> This technology sanitizes waste to produce alkaline biofertilizer, which can be applied to soils to improve soil fertility.

<sup>30</sup> This technology enables the recovery of valuable fibres from vine pruning that would otherwise go to waste and also produces a product that aims to improve the yield of grapevines.

<sup>31</sup> Fly larvae are able to rapidly convert fish waste into castings, which can be used for animal feed or fertilizer. This process recovers valuable resources that would otherwise go to waste to produce bio-based fertilizers that improve the growth response of plants.

- Observation and monitoring systems to protect in extreme weather events, R&D and development of adaptation related infrastructure. Project examples include the construction of dams, river borders, reservoirs, flood resistant houses and trainings for emergency teams such as firefighters, police, military in the event of climate related disasters such as floods.
  - Adaptive solutions such as fireproof roofs, green roofs, painting roofs with reflecting colours, and roof tile vents that enhance resilience to expected changes in climate. The Bank may also finance climate change monitoring systems, including satellite-based monitoring instruments, real-time monitoring systems on water levels, weather and hydrological radars.
  - R&D of technologies and equipment that enable adaptation and enhance resilience to climate related hazards. The Bank has communicated to Sustainalytics that this may include technologies and equipment related to efficient irrigation systems, water saving technologies, satellites for environmental observation and early warning systems.
  - The Bank has confirmed that climate adaptation projects will be supported by vulnerability assessment to identify potential climate risks and adaptation plans to address the risks identified by the vulnerability assessment.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Education and Vocational Training category, the Bank may finance or refinance loans for the construction and upgrade of educational facilities, and equipment that support access to public, private (not-for-profit) and publicly subsidized<sup>32</sup> educational services for unemployed individuals, children,<sup>33</sup> young adults and elderly population seeking education to obtain a new qualification. The Bank has confirmed that all facilities and equipment will be accessible to the general population regardless of their ability to pay. Sustainalytics views these investments as socially impactful and considers that such expenditures will enhance access to good quality education in the EU.
  - Under the Access to Essential Services category, the bank may finance or refinance activities that meet the following criteria:
    - Purchase of equipment and construction, renovation, expansion of free or subsidized public and private not-for-profit healthcare facilities, including hospitals, diagnostic and laboratory services, rehabilitation centres, treatment centres, nursing homes, assisted living and elderly homes. The Bank has confirmed all healthcare facilities and elderly homes financed under the Framework will be available for public use and therefore accessible for the general population regardless of ability to pay. Sustainalytics views these investments as socially impactful and considers that such expenditures will enhance the access to good quality healthcare services in the EU.
    - Production and distribution of essential medication, medical equipment and medical supplies for vulnerable populations, such as children, women and elderly during public health emergencies, such as the COVID-19 pandemic. The Bank has communicated to Sustainalytics that financed medical equipment and supplies will be accessible to the target populations regardless of ability to pay. Additionally, the Bank has confirmed that expenditures in this category related to the COVID-19 pandemic, will be refinanced only; no new financing related to the COVID-19 pandemic will be made under the Framework. These investments are aligned with market practice.
    - Development of basic infrastructure in underserved and underdeveloped<sup>34</sup> regions in the European Union. Financing under the Framework will be limited to regions with no or inadequate access to such infrastructure, and may include:

<sup>32</sup> The financing will be provided only public education facilities that do not charge any user fees.

<sup>33</sup> Kindergarten children.

<sup>34</sup> The Framework defines underserved and underdeveloped regions as those where: (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 lower than 75% of average EU GDP per inhabitant.

- Public transport and related infrastructures, such as buses, cycling rental services, bike lanes, parking stations, passenger shelters, EV sharing systems and EV charging stations.
  - Roads or bridges to enhance access to essential services such as education, healthcare in underdeveloped and underserved regions.<sup>35</sup>
  - Sanitation infrastructure such as flush or pour flush to piped sewer systems. The Bank has confirmed that desalination plants will not be financed under the Framework.
  - High-speed internet and basic telecommunications infrastructure to improve communication in the targeted regions.
  - Electricity-related infrastructure such as power transformers, voltage regulators, circuit breakers, switchgear, capacitors, fuses, controls, arresters, conductors and EV charging infrastructure and associated grid control technologies, including supervisory control and data acquisition systems. The Bank has confirmed that it will exclude activities or assets connected to fossil fuel operations.
  - Firefighting and rescue equipment, excluding the financing of helicopters used in such operations. Infrastructure that supports access to clean and potable water for residential or public access purposes.
  - Sustainalytics views these investments as socially impactful and considers that such investments will support enhancing access to basic infrastructure in the EU.
- Under the Affordable Housing category, Tatra banka may finance or refinance the construction, renovation and maintenance of social and affordable housing<sup>36</sup> through government-regulated co-operative housing associations, building societies, non-profit organizations and public utility housing enterprises in Slovakia in accordance with the following criteria:
    - Affordable housing for low-income populations defined by respective national affordable housing programmes. In the absence of national affordable housing programmes or official government definitions of low-income socioeconomic groups in Slovakia, the Bank will apply the definition of families whose incomes do not exceed 80% of the national median family income as the target population.
    - Sustainalytics notes that the role of Tatra banka in affordable housing projects is limited to financing the development of housing units and the Bank does not have control on deciding the detailed criteria on low-income groups and affordability mechanisms. Therefore, Sustainalytics encourages Tatra banka, where feasible, to disclose the affordable housing programmes financed and relevant beneficiaries defined under national affordable housing programs and to report on the social impact achieved as part of its annual reporting commitments.
  - Under the Employment Generation and Protection category, the Bank may finance or refinance loans to micro, small and medium-sized enterprises (MSMEs) as defined by the European Commission<sup>37</sup> that are: i) located in underserved and underdeveloped<sup>38</sup> regions in the European Union; or ii) microenterprises in the EU's Employment and Social Innovation (EaSI) programme;<sup>39</sup> or iii) women-owned MSMEs<sup>40</sup>. The Bank has confirmed that it will exclude financing to MSMEs involved with child labour and poor working conditions. Sustainalytics notes the Bank's intention to promote gender equality and empower women and self-employment and considers that such financing is expected to contribute to economic growth and employment generation for the target populations.

<sup>35</sup> Ibid

<sup>36</sup> The Framework defines affordable housing as housing units that are targeted towards vulnerable individuals that meet with a set of socio – economic criteria as defined under the national law. The affordable housing units have below market rents charged in accordance with the relevant regulated rent standards.

<sup>37</sup> European Commission, "Internal Market, Industry, Entrepreneurship and SMEs", at: [https://single-market-economy.ec.europa.eu/smes/sme-definition\\_en](https://single-market-economy.ec.europa.eu/smes/sme-definition_en)

<sup>38</sup> The Framework defines underserved and underdeveloped regions as those where: (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 lower than 75% of average EU GDP per inhabitant.

<sup>39</sup> EU Commission, "EU Programme for Employment and Social Innovation", at: <https://ec.europa.eu/social/main.jsp?catId=1081>

<sup>40</sup> Majority-owned or majority-managed or led at the most senior level by women (majority meaning more than 50%).

- In addition, Sustainalytics notes that in accordance with the exclusionary criteria set out in the Framework, proceeds will not be allocated to projects or assets related to defence, weapons, nuclear energy, fossil fuel energy, mining, alcohol, tobacco and gambling. Sustainalytics views positively the presence of exclusionary criteria in the Framework.
- Project Evaluation and Selection:
  - Tatra banka's project teams will identify and recommend eligible projects to the Bank's Sustainable Finance Committee (the "Committee"), which will be responsible for evaluating and selecting projects using the criteria in the Framework on a quarterly basis. The Committee comprises representatives from the Bank's Asset Liability Committee (including board members), Treasury, Business and Risk departments.
  - The Bank has implemented regular credit processes and has implemented a sustainability and risk management framework to identify and manage social and environmental risks associated with the projects and assets that may be financed under the Framework. The Bank also assesses project compliance with applicable national and international laws and regulations. Additionally, the Bank implements a monitoring process for any risks identified through its assessments. These measures are applicable to all allocation decisions made under the Framework. Sustainalytics considers Tatra banka's environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
  - Based on the establishment of the Committee and the presence of risk management systems, Sustainalytics considers Tatra banka's project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - Tatra banka's Sustainable Loan Portfolio Manager will be responsible for the management of proceeds on a portfolio basis and will track the allocation of proceeds using an internal Sustainable Bond Portfolio.
  - The Bank intends to allocate all proceeds to eligible assets within three years of issuance. Pending allocation, proceeds will be temporarily held in cash, cash equivalents or other liquid instruments in alignment with Tatra banka's treasury management policies.
  - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Tatra banka intends to report on the allocation and impact of proceeds in a sustainable bond report, which will be published on its website on an annual basis until full allocation.
  - Allocation reporting will include information such as the amount of net proceeds outstanding, the amount of proceeds allocated to eligible projects, the net proceeds allocated per use of proceeds category, the geographical split and the balance of unallocated proceeds.
  - The Bank may align its impact reporting with the ICMA Harmonised Framework for Impact Reporting Handbook<sup>41</sup> on a best effort basis. This may include key performance indicators, such as estimated annual GHG emissions avoided (in tCO<sub>2</sub>e), annual energy savings (in MWh), number of EV charging stations installed, type and amount of recycled waste (in tonnes), number of loans to MSMEs, number of jobs created and number of households benefitting from affordable housing.
  - Based on the commitment to both 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 Tatra banka Sustainable Bond Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

<sup>41</sup> ICMA, "Harmonised Framework for Impact Reporting", (2022), at: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022v2-020822.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf)

## Section 2: Sustainability Strategy of Tatra banka

### Contribution to Tatra banka's sustainability strategy

Sustainalytics is of the opinion that Tatra banka demonstrates a commitment to sustainability by adhering to the environmental and social principles of Raiffeisen Bank International and incorporating appropriate measures into its own business and lending portfolio. RBI's 2022 Sustainability Report defines its commitment to sustainability through a focus on nine areas, including: i) sustainable entrepreneurship; ii) environmentally friendly society; iii) ecological product responsibility; iv) social product responsibility; and v) fair business and operating practices.<sup>42</sup>

The sustainability strategy and emissions reduction targets of RBI apply to all subsidiaries of the Group, including Tatra banka. In 2022, RBI established the following targets validated by the Science Based Targets initiative as aligned with the well-below 2°C reduction pathway: i) a 25% reduction in scope 1 emissions by 2030; ii) a 40% reduction in scope 2 emissions by 2040; and iii) maintaining the portfolio temperature score at 2.74°C<sup>43</sup> by 2027 to address the scope 3 emissions from its portfolio; relative to a 2021 baseline.<sup>44</sup> RBI reduced its scope 1 and 2 emissions by 22% and its scope 3 emissions by 17% between 2020 and 2022.<sup>45</sup> As of 2022, RBI fulfilled 43% of its energy consumption through renewable electricity, which is well above the EU target<sup>46</sup> of 32.5% by 2030.<sup>47</sup>

As of 31 December 2022, RBI and its network banks had issued EUR 8.2 billion (34% more than the 2021 volume) in sustainable financing instruments. This includes EUR 3.7 billion in green financing, EUR 1.0 billion in social financing and EUR 1.85 billion in ESG-linked financing.<sup>48</sup> Under green financing, RBI issued EUR 2.1 billion in sustainable real estate, EUR 727 million in renewable energy, EUR 407 million in sustainable mobility, EUR 327 million in energy efficiency, EUR 24 million in water supply, sewage treatment and waste management, and EUR 1 million in sustainable forestry and farming projects.<sup>49</sup> Tatra banka more specifically was the first Slovakian bank to issue a green bond, raising EUR 300 million in April 2021, which were mostly allocated to finance the development of green residential and commercial buildings, renewable energy generation projects and low-carbon transportation vehicles.

In addition to its environmental commitments, RBI has a stated focus on communities, which includes the provision of financing that positively impacts society. In this context, RBI issued EUR 783 million (57% more than the 2021 volume) towards projects that provide access to basic services, EUR 223 million (17% more than the 2021 volume) towards training and education projects and EUR 6 million towards affordable residential accommodation.<sup>50</sup> Projects financed through these investments include the development of healthcare facilities, educational and training facilities and enhancement of access to affordable residential accommodation for low-income populations as defined in the respective national programmes and in line with the funding eligibility criteria stipulated by the respective governments.<sup>51</sup>

RBI also participates in various international initiatives related to environmental and social sustainability, such as the United Nations Environment Programme Finance Initiative's Principles for Responsible Banking,<sup>52</sup> the Partnership for Carbon Accounting Financials<sup>53</sup> and the United Nations Global Compact<sup>54</sup>, reflecting RBI's commitment to supporting projects that enable the transition to a low-carbon, climate-resilient economy.<sup>55</sup>

Sustainalytics is of the opinion that the Tatra banka Sustainable Bond Framework is aligned with RBI's overall sustainability strategy and will further RBI and the Bank's action on their mutual environmental and social priorities. Nevertheless, Sustainalytics encourages Tatra banka to develop bank-level quantitative, time-bound targets and transparently report on its progress against the targets.

<sup>42</sup> RBI, "Sustainability Report 2022", (2022) at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

<sup>43</sup> Reduction from 3.20°C in 2021.

<sup>44</sup> RBI, "Sustainability Report 2022", (2022) at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> European Commission, "2030 climate & energy framework", (2021) at: [https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2030-climate-energy-framework\\_en](https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2030-climate-energy-framework_en)

<sup>48</sup> RBI, "Sustainability Report 2022", (2022) at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> UNEP Finance Initiative, "Principles for Responsible Banking", at: <https://www.unepfi.org/banking/bankingprinciples/>

<sup>53</sup> PCAF, "About PCAF", at: <https://carbonaccountingfinancials.com/about>

<sup>54</sup> UNGC, "About UNGC", at: <https://unglobalcompact.org/>

<sup>55</sup> RBI, "Memberships and Initiatives", (2022) at: <https://www.rbinternational.com/en/sustainability/our-community-investment/memberships.html>

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks commonly associated with the eligible projects could include issues related to land use and biodiversity, waste generated during construction, occupational health and safety, business ethics and community relations. While the Bank plays a limited role in the development of the specific projects that it finances, 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 the Bank is able to manage or mitigate potential risks through implementation of the following:

- Tatra banka has communicated to Sustainalytics that the ESG Risk Framework<sup>56</sup> of its parent organization, Raiffeisen Bank International, also applies to the Bank. The policies are implemented through a central risk management unit at RBI's head office. The ESG Risk Framework provides a high-level overview and guidance on measures initiated or planned to meet market expectations and regulatory requirements related to risk management.
- RBI's Retail Credit Policy defines the minimum standards for decision-making for retail lending in its network banks. Additionally, Tatra banka's Credit Policy details the management of non-retail credit risk. The Bank's Credit Policy also defines the targeted and restricted sectors for financing as well as the sectors excluded from financing, the minimum requirements for a client's credit transaction (rating, value of collateral, required margin), and the target structure of the loan portfolio.<sup>57</sup>
- Projects financed will be subject to Tatra banka's standard credit process which ensures that credit applications are subject to an enhanced environmental and social risk management process in addition to the Bank's regular due diligence process. Tatra banka has developed an Environmental Policy<sup>58</sup> that aims to reduce the negative impact of the Bank's operations on the environment. The Bank regularly monitors and implements preventive measures on sustainable use of resources, materials, soil biodiversity, waste production, emissions and pollution. The Bank also has an Environmental Management System certified under ISO 14001:2016,<sup>59</sup> which aims to provide organizations with a long-term environmental management framework integrating social and economic needs.
- Tatra banka adheres to RBI's standards for occupational health and safety as laid out in the Austrian Employee Protection Act<sup>60</sup> and its subsidiaries also comply with local statutory standards.<sup>61</sup> The Occupational Safety And Health Protection Act For Slovakia<sup>62</sup> established basic requirements for employers to ensure occupational safety and health. The Bank has also established an Occupational Health and Safety Commission to evaluate potential risk areas and resolve issues related to occupational health and safety.<sup>63</sup>
- Tatra banka's policies aligns with the standards of the European Convention on Human Rights and the Universal Declaration of Human Rights, committing the Bank to protecting human rights by avoiding financing any projects or parties that do not follow these standards.<sup>64</sup> As part of the RBI Group, a signatory to the UNGC, Tatra banka is committed to combating corruption, promoting environmental sustainability and protecting human rights, including eliminating forced and child labour and following the UN principles on labour standards.<sup>65</sup>

<sup>56</sup> The RBI ESG Risk Framework was shared by the Bank with Sustainalytics.

<sup>57</sup> Tatra banka, "Tatra banka Annual Report Slovak Republic", (2022), at: <https://www.tatrabanka.sk/files/archiv/en/about/economic-results/annual-reports/Annualreport2022.pdf>

<sup>58</sup> Tatra banka, "Tatra banka Environmental Policy", (2021), at: <https://www.tatrabanka.files/archiv/en/about/important-documents/EnvironmentalPolicy.pdf>

<sup>59</sup> ISO, "ISO 14004:2016 Environmental Management System", at: <https://www.iso.org/standard/60856.html>

<sup>60</sup> International Labor Organisation, "Austria Worker Protection Act", at:

[https://www.ilo.org/dyn/natlex/natlex4.detail?p\\_isn=42245&p\\_lang=en#:~:text=Stipulates%20the%20employer's%20obligation%20to,employees%20aga inst%20occupational%20health%20risks](https://www.ilo.org/dyn/natlex/natlex4.detail?p_isn=42245&p_lang=en#:~:text=Stipulates%20the%20employer's%20obligation%20to,employees%20aga inst%20occupational%20health%20risks).

<sup>61</sup> Raiffeisen Bank International, "Sustainability Report", (2022), at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

<sup>62</sup> International Labor Organisation, "Occupational safety and health Protect act for Slovakia",

at: [https://www.ilo.org/dyn/natlex/natlex4.listResults?p\\_lang=en&p\\_country=SVK&p\\_count=349&p\\_classification=14&p\\_classcount=54](https://www.ilo.org/dyn/natlex/natlex4.listResults?p_lang=en&p_country=SVK&p_count=349&p_classification=14&p_classcount=54)

<sup>63</sup> Tatra banka, "Tatra banka Annual Report Slovak Republic", (2022), at: <https://www.tatrabanka.sk/files/archiv/en/about/economic-results/annual-reports/Annualreport2022.pdf>

<sup>64</sup> Ibid.

<sup>65</sup> Raiffeisen Bank International, "UN Global Compact", at: <https://www.rbinternational.com/en/who-we-are/governance-and-compliance/un-global-compact.html>



- Tatra banka has also developed its own Principles of Ethical Conduct<sup>66</sup> based on the RBI Banking Group Standards.<sup>67</sup> The Principles of Ethical Conduct provide guidance on the Bank's activities related to responsible business, bribery and corruption, and prevention. The Bank also has also implemented a whistleblowing mechanism<sup>68</sup> for its employees to proactively report incidents related to ethical conduct.<sup>69</sup>
- RBI has developed a group-level supplier code of conduct<sup>70</sup> to ensure that suppliers to its networked banks and their loan borrowers adhere to RBI's values and social and environmental commitments on topics such as occupational health and safety, environmental protection, business integrity, compliance, monitoring and audits.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the Bank 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 13 use of proceeds categories are aligned with those recognized by the GBP or SBP. Sustainalytics has focused on two categories below where the impact is specifically relevant in the local context.

#### Importance of financing green buildings

The buildings sector is the largest consumer of energy in the EU, accounting for approximately 40% of the total energy consumption in the region.<sup>71</sup> In 2021, the buildings sector was responsible for 36% of energy-related GHG emissions, with heating, cooling and domestic hot water usage representing 80% of the total energy usage.<sup>72</sup> Approximately 75% of the EU's building stock is energy inefficient, with 85% of it built before 2001 and 85-95% expected to still be standing in 2050.<sup>73</sup> Therefore, renovation of buildings is expected to play a major role in decarbonizing the buildings sector and the economy.<sup>74</sup> Only 11% of the EU's total building stock currently undergoes some level of renovation each year, with only 0.2% of it carrying out deep renovations that reduce energy consumption by at least 60%.<sup>75</sup> In the context of the 2030 Climate Target Plan and the European Green Deal, which set a target for climate neutrality by 2050 and an interim target to reduce emissions by 60% by 2030 in comparison with 2015, the European Commission proposed a revision to the Energy Performance of Buildings Directive<sup>76</sup> in December 2021, introducing measure to meet the target of having a zero emissions and fully decarbonized building stock in the EU by 2050.<sup>77</sup>

Slovakia accounts for 1.1 % of the EU's total GHG emissions, with buildings and services accounting for 16% of the country's total emissions.<sup>78</sup> In 2019, Slovakia committed to achieving climate neutrality by 2050 by reducing emissions from 42 MtCO<sub>2e</sub> in 2019 to approximately 14 MtCO<sub>2e</sub> by 2050.<sup>79</sup> Slovakia also established a target to achieve an energy efficiency improvement of 30.3% by 2030, relative to a 2007 baseline.<sup>80</sup> In 2021, the Slovak Government approved the Long-Term Renovation Strategy and Recovery and Resilient Plan with

<sup>66</sup> Tatra banka, "Ethical Conduct at Tatra banka Group", at: <https://www.tatrabanka.sk/files/en/about-bank/important-documents/principles-ethical-conduct-tbg.pdf>

<sup>67</sup> Raiffeisen Bank International, "Code of Conduct", (2023), at: <https://www.rbinternational.com/en/who-we-are/governance-and-compliance/code-of-conduct.html>

<sup>68</sup> Raiffeisen Bank International, "Whispli", at: <https://rbi.whispli.com/whistleblowing?locale=en>

<sup>69</sup> Ibid.

<sup>70</sup> Raiffeisen Bank International, "Group Code of Conduct", at: <https://www.rbinternational.com/en/who-we-are/governance-and-compliance/code-of-conduct.html>

<sup>71</sup> European Parliament, "Report on maximising the energy efficiency potential of the EU building stock", (2021), at: [https://www.europarl.europa.eu/doceo/document/E-9-2021-000238\\_EN.html](https://www.europarl.europa.eu/doceo/document/E-9-2021-000238_EN.html)

<sup>72</sup> European Commission, "Energy performance of buildings directive", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en#facts-and-figures](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en#facts-and-figures)

<sup>73</sup> European Commission, "Factsheet - Energy Performance of Buildings", at: [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_21\\_6691](https://ec.europa.eu/commission/presscorner/detail/en/fs_21_6691)

<sup>74</sup> European Commission, "Energy performance of buildings directive", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en#facts-and-figures](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en#facts-and-figures)

<sup>75</sup> European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives" (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1603122220757&uri=CELEX:52020DC0662>

<sup>76</sup> European Commission, "Factsheet - Energy Performance of Buildings", at: [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_21\\_6691](https://ec.europa.eu/commission/presscorner/detail/en/fs_21_6691)

<sup>77</sup> Ibid.

<sup>78</sup> European Parliament, "Climate action in Slovakia: Latest state of play" (2021), at: [https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_BRI\(2021\)698767](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2021)698767)

<sup>79</sup> European Parliament, "Climate action in Slovakia", (2021), at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698767/EPRS\\_BRI\(2021\)698767\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698767/EPRS_BRI(2021)698767_EN.pdf)

<sup>80</sup> Ministry of Economy of Slovakia, "Integrated National Energy and Climate Plan for 2021 to 2030", (2019), at: [https://energy.ec.europa.eu/system/files/2020-03/sk\\_final\\_necp\\_main\\_en\\_0.pdf](https://energy.ec.europa.eu/system/files/2020-03/sk_final_necp_main_en_0.pdf)

substantial allocations towards the buildings sector.<sup>81</sup> The Slovakian government also developed an Adaptation Strategy of the Slovak Republic on Adverse Impacts of Climate Change<sup>82,83</sup> with adaptation measures in key sectors.<sup>84</sup> Specifically for buildings, the strategy specifies measures to increase air circulation and support the reuse of rainwater and wastewater, in addition to other energy efficiency related measures.<sup>85</sup> As of 2019, Slovakia had the smallest number of LEED and BREEAM certified buildings among central and eastern European countries, with 21 certified buildings, compared to 127 in Poland, 60 in Czechia and 27 in Hungary.<sup>86</sup>

In this context, Sustainalytics is of the opinion that Tatra banka's financing of green building projects is expected to support the decarbonization of the building sector and contribute to the EU's target of achieving a fully decarbonized building stock by 2050.

### Impact of financing MSMEs

SMEs represent 99% of all businesses in the European Union, employing approximately 100 million people<sup>87</sup> and accounting for 58% of the bloc's 2021 GDP.<sup>88</sup> Despite their important role in the economy, SMEs in the EU face challenges, such as difficult access to finance and limited availability of skilled labour.<sup>89</sup> To increase access to finance for SMEs, the European Commission has implemented several programs and initiatives through local financial institutions.<sup>90</sup> The SME Initiative,<sup>91</sup> for example, a joint initiative by the European Commission and the European Investment Bank Group, aims to stimulate SME financing by providing partial risk cover to originating financial institutions for their SME loan portfolios. The initiative is currently operational in Bulgaria, Finland, Italy, Malta, Romania, Spain and may be extended to other EU Member states.<sup>92</sup> In addition, the European Investment Fund in turn provides microfinance for microenterprises, vulnerable groups and supports the development of social enterprises through its Employment and Social Innovation Program.<sup>93</sup>

In 2020, SMEs represented 99.9% of all business entities in Slovakia, employing approximately 73.2% of the active labour force and accounting for 54.6% of Slovakia's GDP.<sup>94</sup> Considering the importance of the sector and the disproportionate effect the pandemic had on SMEs, the Slovakian government implemented specific initiatives to improve access to finance for SMEs during the COVID-19 pandemic.<sup>95</sup> These include interest-free loans for start-ups and SMEs and mortgage instalment postponements by specialized government-owned banks<sup>96</sup> and the Slovak Business Agency (SBA);<sup>97</sup> the Short-Time Work Scheme compensated employees in companies with suspended operations or significant reduction in revenue during the pandemic restrictions.<sup>98</sup> The SBA provides microloans ranging from EUR 2,500 to EUR 50,000 to micro and small businesses via a microlending scheme, which are repayable over periods from six months to four years.<sup>99</sup> Also in response to the COVID 19 pandemic effects on SMEs, the European Investment Bank provided EUR 30 million to support Slovakian SMEs in sustaining jobs, enabling continuity in investments and

<sup>81</sup> Buildings for the Future, "Buildings for the future 2021", at: <https://bpb.sk/wp-content/uploads/2022/03/BPB-annual-report-2021-A4-screen-1.pdf>

<sup>82</sup> Ministry of Environment of Slovakia, "Adaptation Strategy of the Slovak Republic on Adverse Impacts of Climate Change", (2014), at: <https://climate-adapt.eea.europa.eu/repository/11273729.pdf>

<sup>83</sup> UNFCCC, "Low-Carbon Development Strategy of the Slovak Republic until 2030 with a View to 2050", (2019), at: <https://unfccc.int/sites/default/files/resource/LTS%20SK%20eng.pdf>

<sup>84</sup> Ibid.

<sup>85</sup> Ministry of Environment of Slovakia, "Adaptation Strategy of the Slovak Republic on Adverse Impacts of Climate Change", (2014), at: <https://climate-adapt.eea.europa.eu/repository/11273729.pdf>

<sup>86</sup> OECD, "The overview of green building sector in Slovakia" (2019), at:

[https://www.researchgate.net/publication/333071610\\_The\\_overview\\_of\\_green\\_building\\_sector\\_in\\_Slovakia](https://www.researchgate.net/publication/333071610_The_overview_of_green_building_sector_in_Slovakia)

<sup>87</sup> European Commission, "Entrepreneurship and small and medium-sized enterprises (SMEs)", at: [https://single-market-economy.ec.europa.eu/smes\\_en](https://single-market-economy.ec.europa.eu/smes_en)

<sup>88</sup> European Parliament, EPP Group, "Helping small business to thrive", at: <https://www.eppgroup.eu/what-we-stand-for/our-priorities/helping-small-business-to-thrive#:~:text=SMEs%20produce%2058%25%20of%20European,provide%20a%20qualified%20young%20workforce.>

<sup>89</sup> European Committee of the Regions, "EU Policy Framework on SMEs : state of play and challenges", (2019), at :

<https://cor.europa.eu/en/engage/studies/Documents/EU-SMEs/EU-policy-SMEs.pdf>

<sup>90</sup> European Commission, "Financing programmes for SMEs", at: [https://commission.europa.eu/business-economy-euro/growth-and-investment/financing-investment/financing-programmes-smes\\_en](https://commission.europa.eu/business-economy-euro/growth-and-investment/financing-investment/financing-programmes-smes_en)

<sup>91</sup> European Investment Fund, "The SME Initiative", at: [https://www.eif.org/what\\_we\\_do/guarantees/sme\\_initiative/index.htm](https://www.eif.org/what_we_do/guarantees/sme_initiative/index.htm)

<sup>92</sup> Ibid.

<sup>93</sup> European Commission, "Microfinance and Social Entrepreneurship axis of EaSI", at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=1084>

<sup>94</sup> Slovak Business Agency, "Small and medium-sized enterprises in the regions of the Slovak Republic", (2021), at :

<https://monitoringmsp.sk/en/2021/05/26/small-and-medium-sized-enterprises-in-the-regions-of-the-slovak-republic/>

<sup>95</sup> OECD, "SME and entrepreneurship policy in the Slovak Republic", at: <https://www.oecd-ilibrary.org/sites/ba31844a-en/index.html?itemId=/content/component/ba31844a-en>

<sup>96</sup> Specialized government-owned banks include The Slovak Guarantee and Development Bank and Eximbank.

<sup>97</sup> OECD, "SME and entrepreneurship policy in the Slovak Republic", at: <https://www.oecd-ilibrary.org/sites/ba31844a-en/index.html?itemId=/content/component/ba31844a-en>

<sup>98</sup> OECD, "OECD SME and Entrepreneurship Outlook 2021", at: <https://www.oecd.org/cfe/smes/Slovak-Rep.pdf>

<sup>99</sup> Slovak Business Agency, "Microloan Program", at: <https://www.sbagency.sk/en/microloan-programme>

expansion plans.<sup>100</sup> Slovakia has one of the highest regional economic disparities among EU member states; the Bratislava region, for example, has one of the highest GDPs per capita in the EU at EUR 39,704, which is 2.3 times higher than the national average. Other indicators expose regional disparities, including unemployment, level of education, access to services and safety in the eastern and central parts of Slovakia.<sup>101</sup> Improving access to finance for SMEs, especially in these regions has the potential to alleviate some of these regional inequalities.<sup>102</sup>

Given the above context, Sustainalytics is of the opinion that the financing of MSMEs under the Framework is expected to contribute to financial inclusion, foster economic and social development and contribute to reducing social inequalities in Slovakia and the EU more broadly.

### 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 Tatra banka Sustainable Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
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
Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry	2. Zero Hunger	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,

<sup>100</sup> European Investment Bank, "EIB provides €30 million to EXIMBANKA SR to accelerate COVID-19 recovery of SMEs and mid-caps", at: <https://www.eib.org/en/press/all/2021-431-eib-provides-eur30-million-to-eximbanka-sr-to-accelerate-covid-19-recovery-of-smes-and-mid-caps>

<sup>101</sup> World Bank, "Narrowing economic disparities between Slovakia's regions is essential for economic growth", (2023), at: <https://blogs.worldbank.org/europeandcentralasia/narrowing-economic-disparities-between-slovakias-regions-essential-economic>,

<sup>102</sup> OECD, "SME and entrepreneurship policy in the Slovak Republic", at: <https://www.oecd-ilibrary.org/sites/ba31844a-en/index.html?itemId=/content/component/ba31844a-en>

		flooding and other disasters and that progressively improve land and soil quality
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable 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
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Education and Vocational Training	4. Quality Education	4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
Access to Essential Services	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	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

Affordable Housing	11. Sustainable cities and communities	11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation and Protection	8. Decent Work and Economic Growth	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. Reduced Inequalities	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

Tatra banka has developed the Tatra banka Sustainable Bond Framework under which it may issue green, social or sustainability bonds and use the proceeds to finance projects to support sustainable development in the EU and promote socioeconomic growth in Slovakia. Sustainalytics considers that the projects funded with proceeds from bonds issued under the Framework are expected to provide positive environmental and social impact.

The Tatra banka Sustainable Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for the Bank to report on their allocation and impact. Sustainalytics believes that the Tatra banka Sustainable Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15. Additionally, Sustainalytics is of the opinion that the Bank 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 Tatra banka is well positioned to issue sustainability bonds and that the Tatra banka Sustainable Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

## Appendix

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name: Tatra banka

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: Tatra banka Sustainable Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: July 13, 2023

Publication date of review publication:

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.



**1. USE OF PROCEEDS**

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, 5. Environmentally Sustainable Management of Living Natural Resources and Land Use, Agriculture and Forestry, Pollution Prevention & Control, Eco-efficient Circular Economy Adapted Products, Production Technologies and Processes, Sustainable Water and Wastewater Management, Climate Change Adaptation, Education and Vocational Training, Access to Essential Services, Affordable Housing and Employment Generation and Protection – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15.

**Use of proceeds categories as per GBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use, agriculture and forestry |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input checked="" type="checkbox"/> Eco-efficient circular economy adapted products, production technologies and processes                         | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services  |
| <input checked="" type="checkbox"/> Affordable housing  | <input checked="" type="checkbox"/> Employment generation and protection: Micro-, Small- and Medium-size Enterprises (MSME) financing |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Education and Vocational Training   |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Tatra banka's Sustainable Finance Committee will be responsible for the evaluation and selection of assets and projects in line with the eligibility criteria. Tatra banka will undertake environmental and social risk assessments that adhere to its internal policies and applicable laws and regulations for all allocation decisions. Sustainalytics considers the risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):  |   |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Tatra banka's sustainable loan portfolio manager will be responsible for the management of proceeds on a portfolio basis and track the allocation of proceeds using an ESG Bond Portfolio. Tatra banka intends to allocate all the proceeds within 36 months of issuance. Pending allocation, proceeds will be temporarily held in cash, cash equivalents and/or other liquid marketable investments in line with Tatra banka's treasury management policies. Sustainalytics considers this process to be in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |   |  |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |

#### 4. REPORTING

Overall comment on section (if applicable):

Tatra commits to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include the volume and net proceeds outstanding, the amount of proceeds allocated to eligible projects, the net proceeds allocated per use of proceeds category, the geographical split and the balance of unallocated proceeds. Impact reporting will include, on a best effort basis, metrics in alignment with the ICMA Harmonised Framework for Impact Reporting Handbook. Sustainalytics considers Tatra banka's allocation and impact reporting commitments to be aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts  | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): Total volume and net proceeds outstanding of ESG bonds issued, breakdown by net proceeds allocation per eligible category, breakdown by geographic distribution and balance of unallocated proceeds. |   |

#### Frequency:

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

#### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported (expected or ex-post):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings          |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries |

Target populations Other ESG indicators (please specify):

Use of Proceeds Category	Example of Impact Reporting Metrics
Green Buildings	<ul style="list-style-type: none"> <li>▪ Certification Standards - Type of scheme, certification level</li> <li>▪ Level of Energy Performance Certificate (EPC), if applicable</li> <li>▪ Annual energy savings (MWh)</li> <li>▪ Final and/or Primary Energy Use (kWh/m<sup>2</sup>)</li> <li>▪ Estimated annual GHG emission reduced/avoided (tCO<sub>2</sub>e)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>▪ Installed renewable energy capacity (MW)</li> <li>▪ Expected annual renewable energy generation (MWh)</li> <li>▪ Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>▪ Annual energy savings (MWh)</li> <li>▪ Estimated annual GHG emission reduced/avoided (tCO<sub>2</sub>e)</li> <li>▪ Number of smart meters installed, if applicable</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>▪ Number of people using public mass transportation</li> <li>▪ Number of retail and/or public transportation vehicles financed</li> <li>▪ Number of EV charging stations units installed, if applicable</li> <li>▪ Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li> <li>▪ Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes</li> <li>▪ Annual GHG emissions reduced/avoided in tCO<sub>2</sub>-e p.a.</li> <li>▪ Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> </ul>
Agriculture and Forestry	<ul style="list-style-type: none"> <li>▪ Total sustainable agriculture land area certified (e.g., by FSC, PEFC etc.)</li> <li>▪ Increase in area under certified organic or sustainable agriculture (ha and % of acreage farmed)</li> <li>▪ Conversion of agricultural land to more diverse cropping systems (e.g., agroforestry) (ha and % of acreage farmed)</li> <li>▪ Estimated annual GHG emissions avoided (tCO<sub>2</sub>e)</li> <li>▪ Agricultural Certifications - Type of scheme, certification level</li> <li>▪ Maintenance/safeguarding/increase of natural landscape area in urban areas in km<sup>2</sup> and in % for increase</li> </ul>
Pollution prevention and control	<ul style="list-style-type: none"> <li>▪ Type and annual amount of recycled waste (tonnes)</li> <li>▪ Amount of waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/ or in absolute amount in tonnes p.a.</li> <li>▪ GHG emissions avoided from waste management activities (tCO<sub>2</sub>e p.a.)</li> </ul>
Eco-efficient circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> <li>▪ Annual absolute (gross) amount of secondary raw materials, by-products and/or waste that is recovered in tonnes p.a. and/or in % of total waste that will be used to develop new materials</li> <li>▪ Estimated annual GHG emissions avoided or reduced (tCO<sub>2</sub>e) and/or energy savings (MWh per year), if applicable</li> </ul>
Sustainable Water Management and Wastewater Management	<ul style="list-style-type: none"> <li>▪ Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a, reduction in water use in %</li> <li>▪ Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup> and as %</li> <li>▪ Area covered by sustainable land and water resources management practices (hectares)</li> </ul>
Climate change adaptation	<ul style="list-style-type: none"> <li>▪ Temperature related: Increase in grid resilience, energy generation, transmission/distribution, and storage in MWh</li> <li>▪ Temperature related: Reduction in emergency and unplanned rail and tarmac replacement in km</li> <li>▪ Water related: Reduced/avoided water loss (in reservoirs/waterways/natural habitats etc.) in m<sup>3</sup></li> </ul>

Use of Proceeds Category	Example of Impact Reporting Metrics
	<ul style="list-style-type: none"> <li>▪ Water related: Additional water availability and/or increased water catchment in m<sup>3</sup>/year</li> <li>▪ Land related: Reduction in repair costs and/or operating days lost due to landslides</li> <li>▪ Land related: Increase in area under wetland management in km<sup>2</sup></li> </ul>
Education and vocational training	<ul style="list-style-type: none"> <li>▪ Number of education facilities</li> <li>▪ Number of individuals / students enrolled</li> <li>▪ Number of educational programmes or professional development measures</li> <li>▪ Number of students attaining standard for the targeted education level</li> </ul>
Access to essential services	<ul style="list-style-type: none"> <li>▪ Number of new / renovated / expanded health care facilities</li> <li>▪ Number of patients reached with improved healthcare</li> </ul>
Affordable Housing	<ul style="list-style-type: none"> <li>▪ Number of individuals benefiting from affordable housing</li> <li>▪ Number of affordable buildings or dwellings constructed or renovated</li> <li>▪ m2 of affordable living space constructed or renovated</li> <li>▪ Number of individuals / social housing organizations benefiting from housing mortgages</li> </ul>
Employment generation and retention: Micro-, Small- and Medium-size Enterprises (MSME) financing	<ul style="list-style-type: none"> <li>▪ Number of financed enterprises</li> <li>▪ Breakdown by region and sector of MSME loans</li> <li>▪ Number of MSME loans</li> <li>▪ Average amount of the MSME loan</li> <li>▪ Number of jobs created / supported and split per region, when available</li> </ul>

**Frequency:**

- Annual
  Semi-annual
- Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report
- Information published in ad hoc documents
  Other (please specify): Allocation and Impact Report on Tatra banka's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification

- Verification / Audit  Rating
- Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.



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