

# **Sustainability Bond Framework**

**Raiffeisen Bank Zrt.**

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# Table of content

1.	Introduction.....	3
1.1.	General .....	3
1.2.	Approach to Sustainability .....	3
2.	Sustainability Bond Framework .....	5
3.	Use of Proceeds.....	6
3.1	Eligible Green Categories .....	6
3.2	Eligible Social Categories.....	12
4.	Process for Asset Evaluation and Selection .....	15
5.	Management of Proceeds.....	17
6.	Reporting .....	18
6.1	Eligible Green Categories .....	18
6.2	Eligible Social Categories.....	19
7.	External Review (pre-issuance) .....	19
8.	External Audit (post-issuance).....	19
	Annex A – Exclusions List .....	20
	Annex B – SDG Alignment.....	21

# 1. Introduction

## 1.1. General

Raiffeisen Bank Zrt. ("Raiffeisen Bank") is a member of the Austrian Raiffeisen Group with the majority shareholder being Raiffeisen Bank International Group which operates in 13 markets in the Republic of Austria, and Central and Eastern Europe. Raiffeisen Bank is the 6th largest bank in the Hungarian market. Raiffeisen Bank serves clients at 72 branches and business client centers throughout Hungary.

Raiffeisen Bank's diverse portfolio of financial products and services are available to a wide range of clients including private individual clients, SMEs or large companies: from personal needs loans, deposits, current or savings accounts and shopping cards for private individual clients to varied financing and consultancy solutions for companies. From the very beginning, Raiffeisen Bank has offered its services with emphasis on the particular needs of clients in the various regions. Besides its business activities, Raiffeisen Bank is also involved in a number of community service activities related to culture, education and charity, reflecting Raiffeisen's 140-year tradition.

## 1.2. Approach to Sustainability

Our sustainability strategy is based on three pillars, deeply rooted in the Bank's organizational culture: We are a **Responsible banker**, **Fair partner**, and an **Active corporate citizen**, so that we can connect our business activity to sustainable development both in our society and in the public sphere.

We focus on areas where we can generate value and create change, constantly monitoring our activity and impact. As a member of Raiffeisen Bank International Group (RBI), we complement RBI's Sustainability report, with our data and CSR activities so our impact on society and environment can be measured not only in the Hungarian market, but also as a part of a larger impact in Central and Eastern Europe. RBI supports the development of its core regions and benefits from this success story. That this is done in a sustainable way is part of RBI company principles. Raiffeisen Bank supports the RBI Group commitment and is contributing to RBI Group goals on local market.

RBI Group is a signatory of the UN Global Compact (UNGC) and shows its commitment to consistently complying with the ten UNGC principles of responsible business. In this context, global responsibility is expected of all employees and managers as well as from partners and suppliers of the RBI Group. Raiffeisen Bank policies are also in line (or will be till the predefined deadline) with Hungarian National Bank's, 47/2021. (IV. 14.) recommendation on climate-related

and environmental risks and the integration of environmental sustainability considerations into the activities of credit institutions<sup>1</sup>.

RBI goal is to be the most recommended financial services group in the CEE region by 2025, with sustainability being one of the most crucial elements in RBI's strategy.

Raiffeisen Bank's Sustainability Council, whose members include the top Management of the Bank, meets on a quarterly basis, discussing all sustainability related processes with the active facilitation of our Risk Management. Current green asset portfolio of Raiffeisen Bank includes mainly loans and corporate bonds related to sustainable buildings, renewable energy and clean transportation.

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<sup>1</sup> [Source](#), 2021

## 2. Sustainability Bond Framework

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

The Framework is aligned with the ICMA Green Bond Principles (GBP)<sup>2</sup>, ICMA Social Bond principles (SBP)<sup>3</sup> and ICMA Sustainability Bond Guidelines (SBG)<sup>4</sup>. These subsequently are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green, Social and Sustainability Bond markets.

In formulating the Framework care was also taken to reflect both the United Nations Sustainable Development Goals (SDGs) and, on the best effort basis, the requirements of the EU Taxonomy for sustainable economic activities<sup>5</sup> presented by the European Commission. The SDGs Raiffeisen Bank aims to target within the Framework can be found in Annex B.

Potential changes of the GBP, SBP, SBG, developments with regards to the EU Green Bond Standard (EU GBS)<sup>6</sup> and EU Taxonomy for sustainable economic activities will be reflected in future versions of the Framework, which will either keep or improve the current levels of transparency and reporting and will provide for external review by an entity which is eligible or accredited under any such prevailing principles or standards.

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

For each Green, Social and/ or Sustainability Bond issued, Raiffeisen Bank asserts that it will adhere to (1) Use of Proceeds, (2) Project Evaluation and Selection, (3) Management of Proceeds and (4) Reporting, as set out in this Framework.

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<sup>2</sup> [Source](#), 2021 (with June 2022 Appendix).

<sup>3</sup> [Source](#), 2023.

<sup>4</sup> [Source](#), 2021.

<sup>5</sup> The eligibility criteria comply with the substantial contribution criteria acc. to the EU classification system for sustainable economic activities (the “EU Taxonomy”) for Climate Change Mitigation and Climate Change Adaptation as published in the [Final Delegated Act](#).

<sup>6</sup> [Source](#), 2021.

### 3. Use of Proceeds

An amount equivalent to the net proceeds raised by the issuance of Green, Social and/ or Sustainability Bonds shall be used to finance or re-finance<sup>7</sup>, in part or in full, new or existing Eligible Loans providing distinct environmental and social benefits.

Eligible Loans can be loans originated by Raiffeisen Bank or loans / finance leases originated by its subsidiary Raiffeisen Corporate Leasing Ltd. Eligible Loans may include loans or leases to private individuals (mortgages), legal entities, municipalities and public sector as well as "Schuldschein" structures.

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

Eligible Loans are to finance assets dedicated to the Eligible Categories shown in the tables below. Should a loan within the below described Eligible Categories fulfill the criteria of the EU Taxonomy for sustainable economic activities, it shall be identified as Eligible Loan.<sup>8</sup>

#### 3.1 Eligible Green Categories

Eligible Category	Eligibility Criteria
<b>Green Buildings</b>	Finance or refinance Eligible Loans or investments in green assets or projects related to the construction, acquisition, or renovation of buildings in the commercial and residential real estate sector <sup>9</sup> . Eligible loans may include both loans to private individuals (mortgages) or to legal entities, fulfilling the criteria presented below: <ul style="list-style-type: none"> <li>▪ <b>Green commercial, logistic, manufacturing, or residential buildings</b> which meet at least one of the following criteria:               <ul style="list-style-type: none"> <li>- building has a recognized certification (at least applied or pre-certified)<sup>10</sup> with a minimum certification level of LEED Gold, BREEAM Excellent, DGNB/ ÖGNI Gold or EDGE Advanced,</li> <li>- building belongs to the top 15% energy performing buildings on a national basis based on primary energy demand,</li> </ul> </li> </ul>

<sup>7</sup> Targeted look-back period: 3 years.

<sup>8</sup> Excluding projects which would lead to fossil fuel production and distribution or projects that provide a fossil fuel lock-in in highly carbon intensive industries (e.g. production of iron, steel and cement).

<sup>9</sup> Sector may include office, industrial & logistic (e.g., manufacture, factory, logistic center), hotels, retail, healthcare, residential properties, excluding buildings used for the purpose of extraction, storage, or transportation of fossil fuels.

<sup>10</sup> In case of a denied certification or a not sufficient final certification the loan will be excluded from the Eligible Green Loan Portfolio.

Eligible Category	Eligibility Criteria
	<ul style="list-style-type: none"> <li>- in cases where an assessment of the top 15% low carbon buildings is not possible, Raiffeisen Bank will define buildings with the EPC issued after 2023.12.31 with a min. level A (primary energy demand) or EPC issued before 2023.12.31 with a min. level BB as eligible.</li> <li>▪ <b>Refurbished buildings</b> leading to one of the following criteria being fulfilled: <ul style="list-style-type: none"> <li>- reduction of Primary Energy Demand or carbon emissions of at least 30% in comparison with the performance of the building before the renovation<sup>11</sup>,</li> <li>- At least two classes of improvement in EPC energy label and at least 30% improvement in energy efficiency.</li> <li>- Only if the refurbishment results in an eligible certification can the refurbishment and asset value be financed.</li> </ul> </li> </ul> <p>Buildings that are used for the purpose of occupation by fossil fuel extraction or manufacturing of fossil fuel activities are explicitly excluded.</p>
<b>Renewable Energy</b>	<p>Finance or refinance Eligible Loans and/ or investments to equipment, development, manufacturing, construction, installation, operation, distribution, and maintenance of <b>renewable energy projects</b> such as:</p> <ul style="list-style-type: none"> <li>▪ Wind power,</li> <li>▪ Solar power, <ul style="list-style-type: none"> <li>○ In case of concentrated solar heat and power (CS)) and other solar thermals majority of the electricity (85%) has to be generated in the facility sourced from solar energy.</li> </ul> </li> <li>▪ Hydropower: <ul style="list-style-type: none"> <li>○ Run-of-river without artificial reservoir or with low storage capacity, OR</li> <li>○ for hydropower facilities in operation before 2020: power density above 5 W/m<sup>2</sup> or direct GHG emissions below 100gCO<sub>2</sub>e/kWh apply; OR</li> <li>○ for hydropower facilities in operation after 2020, power density above 10W/m<sup>2</sup> or direct emissions below 50 gCO<sub>2</sub>e/kWh apply.</li> <li>○ For new projects subject to an Environmental Impact Assessment (EIA), EIA by a credible body is to be carried out with no significant risk or expected negative impact identified.</li> <li>○ For new projects subject to an Environmental Impact Assessment (EIA), EIA by a credible body is to be carried out with no significant risk or expected negative impact identified.</li> </ul> </li> </ul>

<sup>11</sup> Calculation is done based on the comparison of the energy demand values on the certificates (before/ after).

Eligible Category	Eligibility Criteria
	<p>Projects where there is significant controversy surrounding the project cannot be Eligible Loan.</p> <ul style="list-style-type: none"> <li>▪ Geothermal projects (with direct GHG emissions &lt; 100gCO<sub>2</sub>/kWh)</li> <li>▪ Energy from biomass (excluding biomass from sources depleting biomass and carbon pools, sources grown on land with high biodiversity and sources that use land that competes with food sources). There are two types of biomasses: <ul style="list-style-type: none"> <li>○ Waste, which means agricultural or forestry residues, wastewater and sewage sludge that are not sourced from fossil fuel operations<sup>12</sup>;</li> <li>○ Non-waste biomass <ul style="list-style-type: none"> <li>(i) agricultural biomass used as a raw material for biofuels produced from waste and residual materials directly from agricultural areas, liquid bio-energy carriers and fuels produced from biomass can only and exclusively be grown on land for which an annual nutrient management plan has been created<sup>13</sup>,</li> <li>(ii) Palm oil can only be sourced from RSB- or RSPO-certified palm oil operations),</li> <li>(iii) biomass feedstock is sustainably sourced (guaranteed by certification schemes issued based on Hungarian Government Decree 821/2021. (XII. 28.)<sup>14</sup>),</li> <li>(iv) production feedstock does not take place on land with high biodiversity (at least within last 10 years) or peat and</li> <li>(v) a Food Security Impact Assessment (FSIA) is needed to demonstrate no competition with food/feed.</li> </ul> </li> </ul> </li> <li>▪ For the production of electricity, projects are limited to those with lifecycle carbon emissions below 100gCO<sub>2</sub>e/kwh. For production of biofuels there is an expected % lifecycle carbon emissions improvement form fossil fuel baseline - which varies if the biofuel will be used for (i) transport 94gCO<sub>2</sub>e/Mj, (ii) electricity 183gCO<sub>2</sub>e/Mj or (iii) heat 80gCO<sub>2</sub>e/Mj. The specific % depends on the year of construction: <ul style="list-style-type: none"> <li>a) at least 50 % for biofuels, biogas consumed in the transport sector, and bioliquids produced in installations in operation on or before 5 October 2015;</li> </ul> </li> </ul>

<sup>12</sup> The source of waste will be segregated and collected separately.

<sup>13</sup> 34/2021 on certain rules for the sustainable cultivation of biomass for the production of renewable energy. (X. 6.) is detailed in Decree AM.

<sup>14</sup> [Link](#)



Eligible Category	Eligibility Criteria
	<p>b) at least 60 % for biofuels, biogas consumed in the transport sector, and bioliquids produced in installations starting operation from 6 October 2015 until 31 December 2020;</p> <p>c) at least 65 % for biofuels, biogas consumed in the transport sector, and bioliquids produced in installations starting operation from 1 January 2021;</p> <p>d) at least 70 % for electricity, heating and cooling production from biomass fuels used in installations starting operation from 1 January 2021 until 31 December 2025, and 80 % for installations starting operation from 1 January 2026.</p>
<b>Energy Efficiency</b>	<p>Finance or refinance Eligible Loans related to the development and implementation of <b>products or technology that reduce energy consumption</b>. Examples include, but are not limited to:</p> <p>Investments in manufacturing equipment, infrastructure, and technology to improve energy efficiency<sup>15</sup>. Eligible project should have an energy efficiency (weighted average) that is at least 30% better compared to the performance before the investment. Fossil-fuel powered equipment that are inherently carbon intensive are excluded. Examples: Individual renovation measures including installation, maintenance or repair of:</p> <ul style="list-style-type: none"> <li>- Energy efficiency equipment (e.g., LED lighting),</li> <li>- Instruments and devices for measuring, regulation and controlling energy performance of buildings (e.g., zoned thermostats, building automation and control systems, smart meters).</li> </ul>
<b>Clean transportation</b>	<p>Finance or refinance Eligible Loans for manufacturing, acquisition, and modernization of zero direct emission vehicles (including light commercial vehicles (such as vans), or zero emission public transport (such as bus, truck, rail), etc.)<sup>16</sup> as well as related infrastructure and development, manufacture or purchase of key components for clean transportation (for e.g., copper foil for EV battery production) exclusively for zero direct emission vehicles and infrastructure (excluding components wholly</p>

<sup>15</sup> Exclusion applies to: 1. Products and technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels. 2. Energy-efficient technologies designed or intended for production processes in heavy industries, such as steel, cement, aluminum, etc. 3. oil or gas fired boilers, CHP, and cogeneration facilities.

<sup>16</sup> Excluding vehicles that are used for the purpose of transportation of fossil fuels.

Eligible Category	Eligibility Criteria
	<p>dedicated to or intended for ICE and CNG passenger cars and supply chain).<sup>17</sup></p> <p>For infrastructure: Financing of low carbon transport infrastructure such as, but not limited to, electric charging points, electricity grid connection upgrades, hydrogen fueling stations, rail networks, highspeed railway lines, electric railway lines, pavements, bike lanes and pedestrian zones.</p> <p>The following projects are excluded from the category: (i) parking facilities<sup>18</sup> (ii) new construction and existing road retrofits (roads, road bridges, parking facilities etc.) and (iii) fossil fuel filling stations and other assets which may prolong the life and/or facilitate the use of fossil fuel powered transport.</p>
<p><b>Sustainable Forestry and Agriculture</b></p>	<p>Eligible Loans to finance or refinance environmentally sustainable management of living natural resources and land use including:</p> <p><b>Environmentally sustainable forestry<sup>19</sup>:</b></p> <ul style="list-style-type: none"> <li>▪ including afforestation or reforestation, and preservation or restoration of natural landscape providing compliance or alignment with international forest certification standards (FSC/PEFC) evidenced by a copy of the certification or an audit report by a reputable consulting company confirming alignment with certification standards. Afforestation can be carried out based on the afforestation execution plan approved by the forestry authority, ensuring that plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions.</li> </ul> <p>- Urban greening projects, such as park and green areas development and restoration.</p> <p><b>Environmentally sustainable agriculture<sup>20</sup>:</b></p>

<sup>17</sup> Suppliers are not allowed to be in any of the excluded sectors that are on the Exclusion list of the current framework.

<sup>18</sup> including standalone facilities, even if linked to charging and alternative fuel infrastructure.

<sup>19</sup> Excluded activities: Transformation of rain fed agricultural land into irrigated land; Commercial concessions over and logging on tropical natural forest; Purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to clear cutting and/or degradation of tropical natural forests or high nature value forest; Palm oil or tobacco plantations; Destruction of Critical Habitat; Establishment of permanent irrigation systems; Purchase of agricultural or forest land; Conversion of natural forest to a plantation.

<sup>20</sup> Excluded activities: Transformation of rain fed agricultural land into irrigated land; Purchase of agricultural or forest land, purchase of palm oil.

Eligible Category	Eligibility Criteria
	<ul style="list-style-type: none"> <li>▪ Acquisition, maintenance, and management of certified agricultural practices under sustainable certification schemes, such as EU Organic and/ or equivalent national certification schemes<sup>21</sup> (at least applied or pre-certified)<sup>22</sup>;</li> <li>▪ Use of sustainable agriculture products and raw materials: certified 'Silver' under Biomass Biofuel Sustainability Association (2BSVs), or the Farm Sustainability Assessment, a tool from the Sustainable Agriculture Initiative Platform (SAI Platform) to engage, assess and improve the sustainability practices at a farm level;</li> <li>▪ Support the adoption, promotion and implementation of conservation agriculture practices, meeting the requirements of the Food and Agriculture Organization of the United Nations (FAO) or equivalent national or international standards;</li> <li>▪ Restoration of wetlands for treatment of invasive species, cleaning sediment sites, seeding, planting, maintenance, and monitoring wetlands.<sup>23</sup></li> <li>▪ Land rehabilitation and remediation projects. The remediation must not be related to the contamination or negative environmental externality from the borrower's own activities.</li> <li>▪ Investments and expenditures related to: <ul style="list-style-type: none"> <li>• Preservation or conservation of biodiversity, valuable natural habitats, and landscapes (forests, marshes, creeks, coastal ecosystem)</li> <li>• Promotion, restoration or preservation of biological diversity in urban areas such as parks, and green spaces.</li> </ul> </li> <li>▪ • Soil remediation projects</li> </ul>

Financing or refinancing of project-based lending and general-purpose financing for Pure Players companies<sup>24</sup> shall be considered eligible.

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<sup>21</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>22</sup> In case of a denied certification or a not sufficient final certification the loan will be excluded from the Eligible Loan Portfolio.

<sup>23</sup> Use of inorganic or synthetic fertilizers, pesticides and herbicides will be excluded.

<sup>24</sup> The dedicated businesses are expected to derive more than 90 % of their turnover from environmentally friendly activities, which are in line with the Eligible Green Categories from the Sustainability Bond Framework. Moreover, the part of the turnover that is not classified as "green" is not allowed to be in any of the excluded sectors that are on the Exclusion list of the current framework.

## 3.2 Eligible Social Categories

Eligible Category	Eligibility Criteria
<b>Student loans</b>	<p>Social benefits are designed to enable all prospective students to study, regardless of their financial or social situation.</p> <p>The social loan is paid out to students in instalments over a longer period of time with a lower interest rate than conventional loans.</p> <ul style="list-style-type: none"> <li>• The loan is limited to education related expenses.</li> <li>• Age limit requirement (18 up to 44 years).</li> <li>• Domestic and primary residency in Hungary.</li> <li>• Study programs should be from a state or state-accredited university in Hungary.</li> <li>• Eligible study programs are: first undergraduate degree, second degree, master’s (postgraduate studies) and doctorate studies.</li> <li>• Responsible lending practices are in place to               <ul style="list-style-type: none"> <li>○ understand borrowers’ financial situation,</li> <li>○ mitigate risk for borrowers and help ensure that they understand the terms of loans;</li> <li>○ and ensure avoidance of predatory lending.</li> </ul> </li> </ul>
<b>Access to essential services</b>	<p>Eligible Social Loans to finance or refinance:</p> <p><b>Healthcare:</b></p> <ul style="list-style-type: none"> <li>▪ Construction, acquisition, renovation, expansion, or maintenance of not-for-profit health care facilities for provision of free or subsidized healthcare services for public use and accessible by all regardless of ability to pay. For example: hospitals, diagnostic and other laboratory services, rehabilitation centers<sup>25</sup>, assisted living, homes for the elderly<sup>26</sup>.</li> <li>▪ Production and distribution of medical equipment and medical supplies for the prevention and treatment of diseases that are considered infectious, rare or particularly common amongst a vulnerable group e.g., children, women, the elderly, etc.</li> </ul>

<sup>25</sup> The rehabilitation center may be intended for people battling substance abuse or those in need of rehabilitation due to some reason.

<sup>26</sup> Target population applies to assisted living and homes for elderly: fragile people with diminishing autonomy who can no longer live alone or without assistance in their home, dependent elderly people, people in need of medical care. For the sake of clarity, “Dependent people” refer to people eligible for a dependency status as defined by the regulation. “Elderly people” will refer to people aged 65+.

Eligible Category	Eligibility Criteria
	<ul style="list-style-type: none"> <li>○ The expenditure is aimed at addressing a discernable need such as treatment of undertreated diseases, addressing a gap in availability of essential medicines or major diseases.</li> <li>○ The medication is affordable such as <ul style="list-style-type: none"> <li>(i) public health systems, or</li> <li>(ii) available to all irrespective of the ability to pay, or</li> <li>(iii) manufacturers to be financed make at least 90% of revenue from affordable generic medication.</li> </ul> </li> <li>▪ Financing the manufactures of pharmaceuticals (under the Framework) where there is a risk of prohibitive pricing for low-income population of the area is excluded.</li> </ul> <p><b>Affordable basic infrastructure:</b></p> <ul style="list-style-type: none"> <li>▪ Regional development and/or infrastructure in underserved and underdeveloped regions in Hungary<sup>27</sup> (e.g., public transport and related infrastructure<sup>28</sup> sanitation infrastructure, high speed internet, telecommunications, and electricity related infrastructure<sup>29</sup>, access to clean drinking water). Such infrastructure projects will be eligible only in underdeveloped regions where it is currently not present or is inadequate.</li> </ul>
<p><b>Employment generation and protection: Micro-, Small- and Medium-size Enterprises</b></p>	<p>To be eligible, the loans must meet all of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ Meet the definition of Micro-, Small- and Medium-size Enterprises (in line with the European Union's definition of MSME<sup>30</sup>);</li> </ul>

<sup>27</sup> Underserved, owing to a lack of quality access to essential goods and services in [EU cohesions areas](#). Regions with the lowest GDP shall be supported with social projects designated to these regions having the most impactful outcome due to current socio-economic conditions. A region is considered less developed if its GDP per capita is less than 75% of EU - 27 average and less than the average GDP of all the regions in Hungary. Based on latest available data from Eurostat, as of 2020 all NUTS2 regions in Hungary were below these thresholds with exception of Budapest.

<sup>28</sup> It includes roads and bridges to increase connectivity in underdeveloped areas, or where road connectivity does not exist or is clearly inadequate and hinders a community's development. Financing excludes the upkeep and upgrade of major roads and highway.

<sup>29</sup> for electricity-related infrastructure, expenditures related to transmission grids connected to a dedicated fossil fuel power plant (coal, oil or natural gas) are excluded.

<sup>30</sup> [Source](#).

Eligible Category	Eligibility Criteria
<b>(MSME) financing</b>	<ul style="list-style-type: none"> <li>▪ Micro- Small- and Medium-size enterprises located in underserved and underdeveloped regions in Hungary<sup>31</sup>; and</li> <li>▪ Not be engaged in any of the business activities described in the Exclusions List (Annex A).</li> </ul>

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<sup>31</sup> Underserved, owing to a lack of quality access to essential goods and services in [EU cohesions areas](#). Regions with the lowest GDP shall be supported with social projects designated to these regions having the most impactful outcome due to current socio-economic conditions. A region is considered less developed if its GDP per capita is less than 75% of EU - 27 average and less than the average GDP of all the regions in Hungary. Based on latest available data from Eurostat, as of 2020 all NUTS2 regions in Hungary were below these thresholds with exception of Budapest.

## 4. Process for Asset Evaluation and Selection

The evaluation and selection process for Eligible Loans is a key process in ensuring that the amount equivalent to the net proceeds from Green, Social and/ or Sustainability Bonds is allocated to assets and activities which meet the criteria in the Framework.

All potential Eligible Loans are subject to Raiffeisen Bank's standard credit process in line with the normal course of business and only loans that have been approved through this process can be considered for Green, Social and/ or Sustainability Bond eligibility.

Raiffeisen Bank acts in accordance with the highest ethical and professional standards and is committed to conducting lending business in a sustainable and responsible manner and does not enter into business relationships in sensitive areas that conflict with this claim. No business is conducted in environmentally or socially harmful sectors as defined in the Compliance Framework and Code of Conduct of Raiffeisen Bank. Financed transactions must comply with environmental regulations as well as the European Convention on Human Rights and the Universal Declaration of Human Rights of the United Nations.

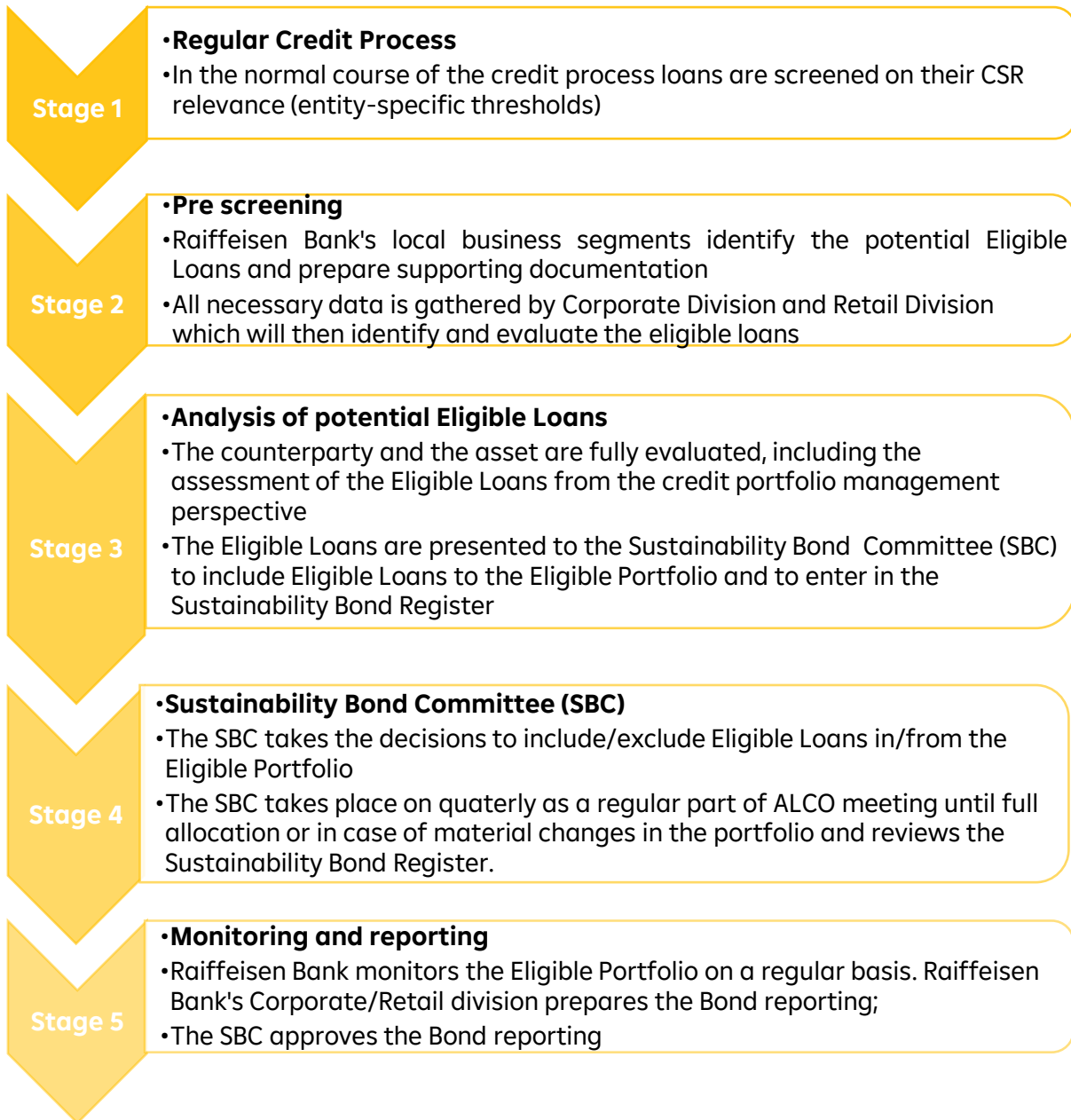
According to the risk appetite of the association, environmental, social and governance (ESG) risk factors are embedded in the risk strategy. Based on the risk strategy, the ESG risk factors are also taken into account in the credit processes. Raiffeisen Bank is committed to constantly enhancing the internal ESG risk management processes.

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

The Sustainability Bond Committee will be responsible for:

- Ensuring the potential Eligible Loans are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above, and approving any proposed changes to the eligible Sustainable Portfolio in the event that the Loans no longer meet the eligibility criteria;
- Ensuring the proposed allocations are aligned with the relevant general company policies and company's ESG strategy;
- Approving the Allocation and Impact Report.

The Eligible Loans are assessed based on their social and environmental impact in the following process:





## 5. Management of Proceeds

An amount equivalent to the net proceeds of any Raiffeisen Bank's Green, Social and/ or Sustainability Bonds will be managed by the Sustainable Portfolio Manager (SPM) on a portfolio basis. SPM is responsible for collecting and monitoring all relevant data for the evaluation and selection of Eligible Loans which will then be presented to the SBC on regular basis.

Raiffeisen Bank will strive to regularly add Eligible Loans to the Eligible Portfolio so that a full allocation of an amount at least equal to the proceeds of the Green, Social and / or Sustainability Bonds is achieved until maturity of the bonds, but at the latest 36 months after the issuance. All Eligible Loans to be included in the Eligible Portfolio are entered in Raiffeisen Bank's Sustainability Bond Register managed by the SPM. The Sustainability Bond Register assures that the Eligible Loans are not externally refinanced.

On an annually basis the SPM will check the eligibility and availability of the Eligible Loans in the Sustainability Bond Register. Raiffeisen Bank will strive to substitute any redeemed or maturing Eligible Loans with other eligible Loans and/or if any such loans cease to be an eligible, replace them as soon as practicable once an appropriate substitution option has been identified.

Pending the allocation or reallocation, as the case might be, of an amount equivalent to the net proceeds of Raiffeisen Bank Green, Social and/ or Sustainability Bonds to the Eligible Loans, the bank will invest the balance of the net proceeds in, cash and/or cash equivalents instruments as per issuer's liquidity policy.

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

## 6. Reporting

Raiffeisen Bank has the ambition to publish Allocation and Impact Report on the use of proceeds from any Green, Social and/ or Sustainability Bonds outstanding under this framework, including a description of its Eligible Portfolio. Reporting will be provided on an annual basis until full allocation and thereafter (including any material changes to the Eligible Portfolio) until the maturity of Raiffeisen Bank's Sustainability Bonds.

The Raiffeisen Bank Allocation and Impact Report is expected to disclose the amount of Green, Social and/ or Sustainability Bond proceeds outstanding, the total amount of the proceeds allocated to Eligible Loans and the unallocated amount. It shall also disclose qualitative and where possible, quantitative indicators of the eligible portfolio, such as:

- Total volume of Green, Social and/ or Sustainability bonds issued,
- Total amount and number of Eligible Loans,
- Total amount of proceeds allocated to Eligible Loans,
- Breakdown by Eligible Categories, and
- Balance of unallocated proceeds, if any.

In the Allocation and Impact Report, when relevant and feasible, Raiffeisen Bank will report on Key Performance Indicators (KPIs) in aggregate form at the Eligible Category level for Raiffeisen Bank's Sustainability Bonds. A list of potential indicators is presented below.

### 6.1 Eligible Green Categories

Eligible Categories	Example of Possible Key Performance Indicators
Green Buildings	<ul style="list-style-type: none"> <li>▪ Estimated annual energy savings (MWh)</li> <li>▪ Estimated annual reduced and/ or avoided GHG emissions (tCO<sub>2</sub>e)</li> <li>▪ Type of scheme, certification level, if applicable</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 avoided (tCO<sub>2</sub>e)</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>▪ Number of people using public mass transportation</li> <li>▪ Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li> </ul>
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>▪ Total land area certified</li> <li>▪ Estimated annual GHG emissions avoided (tCO<sub>2</sub>e)</li> </ul>

## 6.2 Eligible Social Categories

Eligible Categories	Example of Possible Key Performance Indicators
Student loan	<ul style="list-style-type: none"> <li>▪ Number of loans financed</li> <li>▪ Number of students benefited</li> <li>▪ Number of students who could successfully finish their studies</li> <li>▪ Number of tuition fees financed for EU vs Non-EU students</li> </ul>
Access to essential services	<ul style="list-style-type: none"> <li>▪ Number of medical facilities built/ upgraded</li> <li>▪ Number of patients reached with improved healthcare</li> </ul>
Employment generation and retention	<ul style="list-style-type: none"> <li>▪ Number of financed enterprises and split per region/ sector if available</li> <li>▪ Number of jobs created / supported and split per region if available</li> <li>▪ Number and average amount of the MSME loans</li> </ul>

In addition, the Impact report will highlight the qualitative impacts of Eligible Loans.

## 7. External Review (pre-issuance)

To confirm the transparency and robustness of Raiffeisen Banks's Sustainability Bond Framework, it is verified and approved by an external second opinion provider, Sustainalytics, confirming the alignment with the ICMA GBPs, SBPs and SBGs. The Second Party Opinion will be published on the webpage of the Bank.

## 8. External Audit (post-issuance)









Raiffeisen Bank's external auditor will verify on an annual basis until full allocation of Sustainability Bonds issued under this Framework that Raiffeisen Bank duly applied the defined procedures of approval of the Sustainability Bond Committee and that an amount equal to the net proceeds of Green, Social and/ or Sustainability Bond has been allocated to Eligible Loans as defined in the present Framework.

## **Annex A – Exclusions List**




Raiffeisen Bank will not allocate proceeds received from the issuance of Green, Social and/ or Sustainability Bond to loans for companies operating in the following sectors:

- × Defence and Weapons
- × Nuclear Energy
- × Fossil Fuel Energy
- × Mining
- × Alcohol
- × Tobacco
- × Gambling

## Annex B – SDG Alignment

Eligible Category	Contribution to UN SDGs	UN SDGs specific target(-s) <sup>32</sup>
Green Buildings	 	<ul style="list-style-type: none"> <li>11.3 Ensure inclusive and sustainable urbanization, planning and management.</li> <li>13.1. Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.</li> </ul>
Renewable Energy	 	<ul style="list-style-type: none"> <li>7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.</li> <li>13.1. Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.</li> </ul>
Energy Efficiency	 	<ul style="list-style-type: none"> <li>7.3 double the global rate of improvement in energy efficiency by 2030.</li> <li>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.</li> </ul>
Clean Transportation		<ul style="list-style-type: none"> <li>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.</li> </ul>
Environmentally sustainable management of living natural resources and land use		<ul style="list-style-type: none"> <li>2.4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</li> </ul>

<sup>32</sup> The mapping is in line with the ICMA document “Green, Social & Sustainability Bonds: A High-Level Mapping To The Sustainable Development Goals”. [Link](#) to the document.

Eligible Category	Contribution to UN SDGs	UN SDGs specific target(-s) <sup>32</sup>
Access to essential services	 	<ul style="list-style-type: none"> <li>▪ 3.8. Achieve universal health coverage (UHC), 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.</li> <li>▪ 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</li> <li>▪ 4.a build and upgrade education facilities that are child, disability, and gender sensitive and provide safe, non-violent, inclusive, and effective learning environments for all.</li> </ul>
Employment generation and retention		<ul style="list-style-type: none"> <li>▪ 8.2. Achieve higher levels of productivity of economies through diversification, technological upgrading, and innovation, including through a focus on high value added and labor-intensive sectors.</li> <li>▪ 8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services.</li> <li>▪ 8.6 by 2020 substantially reduce the proportion of youth not in employment, education or training.</li> </ul>

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