

# GREEN BOND FRAMEWORK

Raiffeisen Bank Romania

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## 1. Introduction

### 1.1. About Raiffeisen Bank Romania

Raiffeisen Bank Romania (RBRO) is part of the Raiffeisen Bank International Group which operates in 14 markets in the Republic of Austria, and Central and Eastern Europe. Raiffeisen Bank Romania is one of the leading companies in the Romanian banking sector. Present on the local market for almost 28 years, at the end of 2019 the Bank had a portfolio of over 2 million private individual clients, 92,000 SMEs and 5,700 companies. With over 650,000 digital clients using the Raiffeisen Smart Mobile and Raiffeisen Online apps, the Bank's network counts 351 units, 785 ATMs, 334 self-service multifunctional machines and 21,000 POSs.

The Bank offers its clients a diverse portfolio of financial products and services, available to private individual clients, SMEs and 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.

### 1.2. Raiffeisen Bank Romania's Sustainability Contribution

Raiffeisen Bank Romania has integrated comprehensive sustainability measures into its business. The underlying principles are derived from the ideas of Friedrich Wilhelm Raiffeisen for whom social solidarity, self-help and sustainability were guidelines for economic activity. Sustainability and corporate responsibility are key components of our identity and corporate culture.

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**. We focus on areas where we can generate value and create change, constantly monitoring our activity and impact. Since 2009, we annually publish and transparently communicate our sustainability results and performance, aiming to improve the process every year. Therefore, the decisions we make are based on thoroughly researched and monitored aspects, that offer us a real-time overview of our activity and its related impacts.

We have committed to financing responsibly, therefore RBRO performs a thorough analysis on every application it receives. The Bank has implemented a policy regarding social and environmental risk management in 2014. The policy applies to all sectors and is used to evaluate potential legal person clients. In addition, Raiffeisen Bank Romania uses all reasonable efforts to maintain its **Coal Related Activities Exposure<sup>1</sup> at zero** at all times.

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<sup>1</sup> Coal Related Activities means activities which relate to long-term (more than 36 months) project finance and/or corporate finance for the development of new coal-related projects including coal-mining, coal transportation, as well as infrastructure services exclusively dedicated to support any of these activities, and coal-fired power plants. It excludes captive coal-fired power plants used for industrial applications such as mining, smelters, cement or chemical industries, etc.

Raiffeisen Bank International (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.

### 1.3. Our contribution to the Sustainable Development Goals

The banking sector plays a vital role in mobilizing financial resources that contribute to building and sustainably developing Romanian society.

Through the nature of our activity, we have undertaken the responsibility of supporting and contributing to the implementation of the 17 Sustainable Development Goals (SDGs) launched by the United Nations in 2015. The Bank's operations and projects can significantly contribute to meeting the following targets:



RBRO's Green Bond will particularly support achieving the following targets mentioned below:



SDG 2 – Zero hunger



SDG 7 – Affordable and clean energy



SDG 9 – Industry, innovation and infrastructure



SDG 11 – Sustainable cities and communities



SDG 13 – Climate action



SDG 15 – Life on land

## 1.4. The Green Bond Framework

RBRO has established this Green Bond Framework (“the Framework”) as a part of its broader sustainability strategy with the aim to focus on assets with a positive environmental impact in order to support the necessary transition to an environmentally sustainable future.

The Framework is aligned with the ICMA Green Bond Principles (GBP)<sup>2</sup>, which are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market. The Framework as such consists of the following components:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- External review

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 latest reports on the European Union Green Bond Standard (EU GBS)<sup>3</sup> and the European taxonomy for sustainable activities (EU Taxonomy), prepared by the Technical Expert Group. Potential changes of the GBP or developments with regards to the EU GBS or EU Taxonomy 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.

## 2. Use of Proceeds

An amount equivalent to the net proceeds raised by the issuance of Green Bonds shall be used to finance or re-finance, in part or in full, new or existing Eligible Loans providing distinct environmental benefits (“Eligible Green Loans”). Eligible Loans can be loans originated by RBRO or Raiffeisen Leasing IFN, a wholly owned (99.99%) subsidiary of RBRO.



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

Eligible Green Loans are loans to finance assets dedicated to the following Eligible Categories:

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<sup>2</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> [https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard\\_en](https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en)




Eligible Category	Eligibility Criteria	SDG Target
<b>Green Buildings</b>	<p>Finance or refinance Eligible Green Loans or investments in green assets or projects related to the construction of new buildings, acquisition and ownership of existing buildings or renovation of existing buildings (with a minimum energy efficiency upgrade) in the commercial and retail real estate sector<sup>4</sup>. Eligible loans may include both loans to <u>private individuals (mortgages)</u> or to <u>legal entities</u>, fulfilling the criteria presented below:</p> <p><b>Green commercial and residential buildings</b> will meet at least one of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ Building has a recognized certification (at least applied or pre-certified) and a minimum certification level of LEED Gold, BREEAM Very Good<sup>5</sup>, DGNB/ÖGNI Gold or Edge Advanced,</li> <li>▪ OR building belongs to the top 15% of low carbon buildings at national level based on local building codes, building years and EPC certificates (if an assessment is possible),</li> <li>▪ OR in cases where an assessment of the top 15% low carbon buildings is not possible, RBRO will define buildings with the EPC with a min. level A as eligible.</li> </ul> <p><b>Refurbished buildings</b> (e.g. insulation of walls and roofs, insulation of facades, roofs, replacement of boilers) leading to reduction of Primary Energy Demand of at least 30% in comparison with the energy performance of the building before the renovation.</p> <p>Buildings that are used for the purpose of occupation by fossil fuel extraction or manufacturing of fossil fuel activities are explicitly excluded.</p> <p><u>Eligibility criteria under the current<sup>6</sup> version of the EU Taxonomy to be considered on a best effort basis:</u></p> <ul style="list-style-type: none"> <li>▪ For buildings built until 12/2020: Buildings belong to the top 15% of low carbon buildings in the respective country (if benchmarks exist);</li> <li>▪ Buildings built after 12/2020: Primary Energy Demand (PED) of the building must be at least 20% lower than the threshold set in the national nearly zero-energy building (NZEB) requirements<sup>7</sup>;</li> </ul>	 <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>  <p>13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries</p>

<sup>4</sup> may include office, warehousing & logistic, hotels, retail, healthcare, residential



<sup>5</sup> BREEAM “Very Good” buildings achieving a minimum score of 70% in the Energy category

<sup>6</sup> Final report of the Technical Expert Group on Climate Change Mitigation: [https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en](https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en)

<sup>7</sup> [https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<b>Renewable Energy</b>	<p>Finance or refinance Eligible Green Loans and/or investments to equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy projects such as:</p> <ul style="list-style-type: none"> <li>▪ Wind onshore;</li> <li>▪ Solar Power;</li> <li>▪ Hydropower (up to 20MW)<sup>8</sup>;</li> <li>▪ Geothermal projects (with direct emissions &lt; 100gCO<sub>2</sub>/kWh according to GHG lifecycle assessment);</li> <li>▪ Energy from biomass (excluding biomass from sources depleting biomass and carbon pools, sources grown on land with high biodiversity and sources that use land that competes with food sources);</li> <li>▪ Waste-to-energy, including biogas;</li> </ul>	 <p>7.2 <i>By 2030, increase substantially the share of renewable energy in the global energy mix</i></p>
<b>Energy Efficiency</b>	<p>Finance or refinance Eligible Green Loans related to the development and implementation of products or technology that reduce energy consumption. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ Energy efficient lighting (e.g. LEDs);</li> <li>▪ Projects improving the energy efficiency of industrial production process in a factory, excluding fossil fuel-powered equipment or improvements within carbon-intensive heavy industries (e.g., steel, cement, refining, etc.), aiming to achieve at least 30% improvement in energy efficiency;</li> <li>▪ Energy storage projects (e.g. fuel cells);</li> <li>▪ Smart grid solutions for more efficient transmission/distribution of energy;</li> </ul> <p><u>Eligibility criteria under the current version of the EU Taxonomy to be considered on a best effort basis:</u> Energy efficiency is mentioned across various activities within EU Taxonomy, as such no general threshold can be applied, and decisions need to be made on a case-by-case basis depending on the sector and activity specific background;</p>	 <p>9.4 <i>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</i></p>
<b>Clean Transportation</b>	<p>Finance or refinance Eligible Green Loans for zero direct emission or low-carbon vehicles as well as infrastructure for low carbon transport;</p> <p>Eligibility criteria for the category of clean transportation is aligned with the current version of EU Taxonomy:</p> <p><u>Public Transport and Freight rail transport:</u></p>	 <p>11.2 <i>By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving</i></p>

<sup>8</sup> For power density below 5 W/m<sup>2</sup>: max life-cycle emissions <100g CO<sub>2</sub>/kWh and lifecycle assessment is verified by an independent third party

	<p>Zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail) are eligible;  <u>Commercial and retail vehicles:</u>          For passenger cars and light commercial vehicles:</p> <ul style="list-style-type: none"> <li>• Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric);</li> <li>• Vehicles with tailpipe emission intensity of max 50 g CO<sub>2</sub>/km (WLTP)<sup>9</sup> are eligible until 2025;</li> <li>• From 2026 onwards only vehicles with emission intensity of 0g CO<sub>2</sub>/km (WLTP) are eligible;</li> </ul> <p><u>Infrastructure for low carbon transport:</u>          Examples: electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways, rail networks, pavements, bike lanes and pedestrian zones;</p>	<p><i>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 person</i></p>
<p><b>Agriculture and Forestry</b></p>	<p>Eligible Green Loans to finance or refinance environmentally sustainable management of living natural resources and land use including:</p> <p><u>Environmentally sustainable forestry</u><sup>10</sup>: including afforestation or reforestation, and preservation or restoration of natural landscape providing compliance or alignment with international forest certification standards (e.g. FSC/PEFC) evidenced by a copy of the certification or an audit report by a reputable consulting company confirming alignment with certification standards;</p> <p><u>Environmentally sustainable agriculture</u><sup>11</sup>:</p> <ul style="list-style-type: none"> <li>- Acquisition, maintenance and management of organic farming as certified in compliance with the EU and national regulation;</li> <li>- Improvement or maintaining of existing carbon pools: Changes in cropping patterns on agricultural land from annual to perennial crops; Renewal of existing orchard by replacing old with new;</li> </ul>	 <p>15.2  <i>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</i></p>  <p>2.4.  <i>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,</i></p>

<sup>9</sup> **WLTP**: Worldwide Harmonized Light Vehicle Test Procedure: <https://www.wltpfacts.eu/what-is-wltp-how-will-it-work>

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

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



		<i>drought, flooding and other disasters and that progressively improve land and soil quality</i>
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Eligible Green Categories respond to the following EU Taxonomy Objective: **Climate Change Mitigation.**

### 3. Process for Asset Evaluation and Selection

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

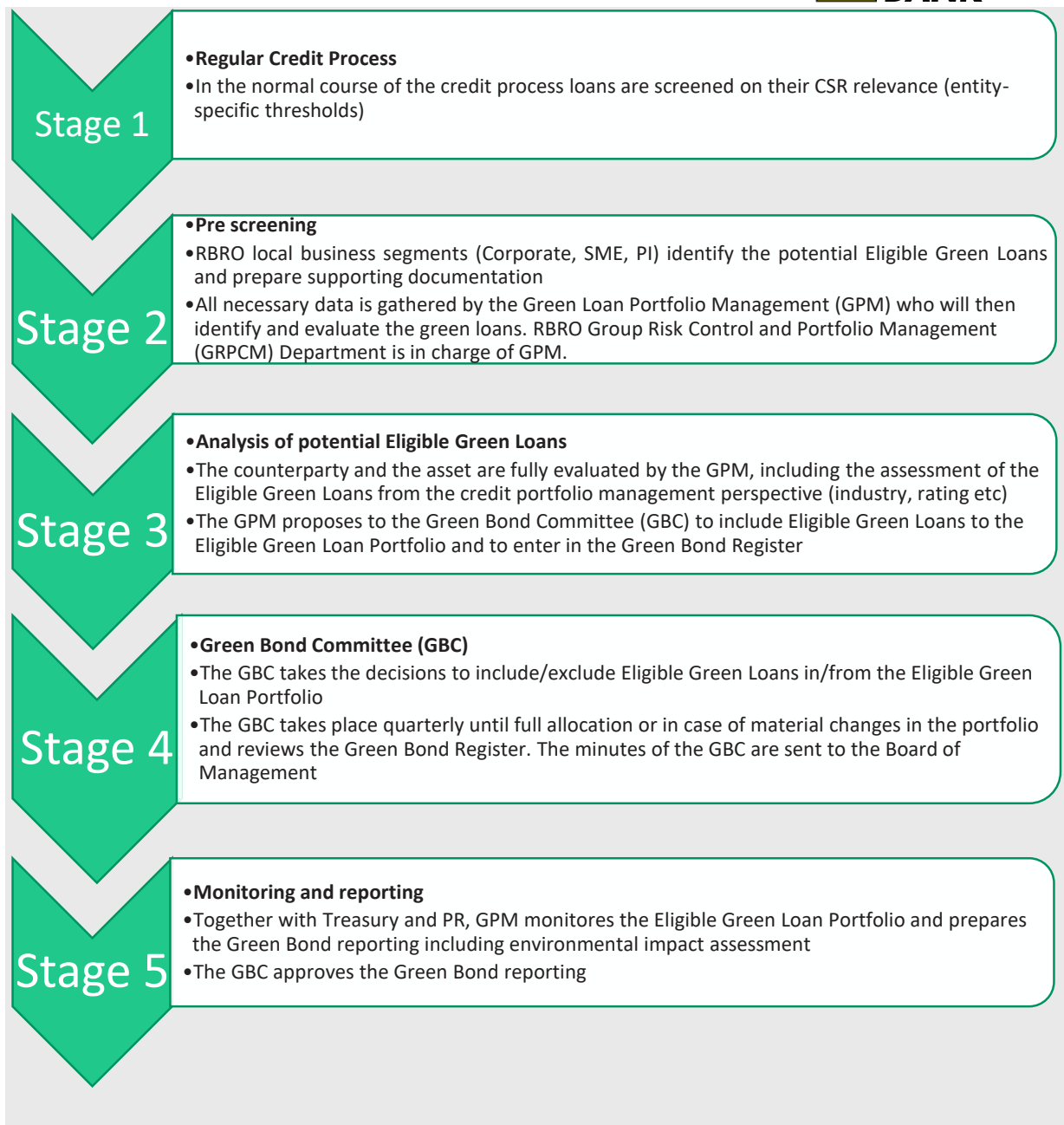
All potential Eligible Green Loans are subject to RBRO’s standard credit process in line with the normal course of business and only loans that have been approved through this process can be considered for Green Bond eligibility.

RBRO has established a Green Bond Committee (“GBC”) to ensure that allocations are made to Eligible Green Loans as specified in the use of proceeds section above and to oversee the entire issuance process. The GBC is composed of members of the local Asset Liability Management Committee (ALCO) which include representatives from the RBRO Board, Business, Treasury, Risk and Operations.

The Green Bond Committee will be responsible for:

- Ensuring the potential Eligible Green 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 Green Loan Portfolio in the event that the Loans no longer meet the eligibility criteria;
- Ensuring the proposed allocations are aligned with the relevant general company policies and company’s ESG strategy;
- Approving the Green Bond Reporting;

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



## Exclusions

Eligible Activities will exclude:

- Enterprises involved in production, trade or activities including, but not limited to, nuclear energy generation, weapons and munitions, mining, hazardous chemicals (gasoline, kerosene, and other petroleum products), wood or other forestry products other than from sustainably managed forests, forced/child labor, and impinging on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples;

## 4. Management of Proceeds

An amount equivalent to the net proceeds of any RBRO Green Bonds will be managed by the Group Risk Control and Portfolio Management (GRPCM) department of RBRO on a portfolio basis. GRPCM is in charge of Green Loan Portfolio Management (GPM). RBRO Treasury, PR & Communication departments will support GRPCM in monitoring the portfolio and preparing the annual reporting.

RBRO will strive to regularly add Eligible Green Loans to the Eligible Green Loan Portfolio so that a full allocation of an amount at least equal to the proceeds of the green bonds is achieved until maturity of the bonds. All Eligible Green Loans to be included in the Eligible Green Loan Portfolio are entered in RBRO's Green Bond Register. The Green Bond Register assures that the Eligible Green Loans are not externally refinanced. Additionally, the approved Eligible Green Loans will be flagged in RBRO's core banking system as "green".

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

Pending the allocation or reallocation, as the case might be, of an amount equivalent to the net proceeds of RBRO Green Bonds to the Eligible Green Loans, RBRO Treasury will invest the balance of the net proceeds in money market instruments, cash and/or cash equivalents instruments.

## 5. Reporting

RBRO has the ambition to publish an annual report on the use of proceeds from any Green Bonds outstanding under this framework, including a description of its Eligible Green Loan Portfolio. Reporting will be provided on an annual basis until full allocation, and thereafter if there are any material changes to the Eligible Green Loan portfolio, until the maturity of RBRO's Green Bonds.

Each annual report will be reviewed and approved by the Green Bond Committee and will be made available on the issuer's website (<https://www.raiffeisen.ro>).

The RBRO Green Bond Report is expected to disclose the amount of the Green Bond proceeds outstanding, the total amount of the proceeds allocated to Eligible Green Loans and the unallocated amount. It shall also disclose, on an aggregated level, qualitative and where possible, quantitative indicators of the Eligible Green Loan Portfolio, such as:

- Total amount of green bonds issued
- Total amount and number of Eligible Green Loans

- Breakdown by Eligible Category (Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Agriculture and Forestry)
- Breakdown of Green Building loans (including type of building and building certificates)
- The geographic distribution of Eligible Green Loans
- Share of proceeds allocated
- Share of proceeds yet unallocated, if any
- Share of proceeds financed / re-financed

Where feasible, and on a best effort basis, RBRO intends to publish an impact report that will provide information on the environmental impact of its Eligible Green Loan Portfolio by category. Reporting is intended to be provided on an annual basis until full allocation, and thereafter if there are any material changes to the Eligible Green Loan portfolio, until the maturity of RBRO's Green Bonds.

The following table summarizes examples of impact indicators that could be disclosed:

Eligible Categories	Example of Possible Key Performance Indicators
Green Buildings	<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>
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>▪ Number of retail vehicles financed</li> <li>▪ Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li> </ul>
Agriculture and Forestry	<ul style="list-style-type: none"> <li>▪ Total land area certified by FSC and PEFC</li> <li>▪ Estimated annual GHG emissions avoided (tCO<sub>2</sub>e)</li> </ul>

## 6. External review

### 6.1. Second party opinion (pre-issuance)

To confirm the transparency and robustness of RBRO's Green Bond Framework, it is verified and approved by an external second opinion provider, Sustainalytics, confirming the alignment with the ICMA Green Bond Principles (2018) and EU Green Bond Standard, where applicable. The Second Party Opinion is published on RBRO's website (<https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/>).

### 6.2. Audit of the Allocation Report (post-issuance)

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

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