

Second-Party Opinion

Raiffeisenbank Croatia Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Raiffeisenbank Croatia Sustainability 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 proceeds¹ are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to deliver positive environmental and social impact, and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12 and 15.



PROJECT EVALUATION / SELECTION Raiffeisenbank Croatia's Sustainability Bond Committee will be responsible for evaluating and selecting eligible projects that are in line with the eligibility criteria. Raiffeisenbank Croatia has in place internal procedures that incorporate ESG factors and associated risks for all allocation decisions. Sustainalytics considers these risk management systems to be adequate, and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Raiffeisenbank Croatia's Sustainable Portfolio Manager (SPM) will be responsible for managing the net proceeds on a portfolio basis. The SPM will track the allocation of net proceeds using an internal sustainability bond register. Raiffeisen Bank Croatia intends to allocate all proceeds to eligible assets within 36 months of issuance and pending allocation, proceeds may be temporarily held in money market instruments, cash or cash equivalents. Sustainalytics considers this process to be in line with market practice.



REPORTING Raiffeisenbank Croatia intends to report on the allocation of proceeds and corresponding impact in its allocation and impact report which will be published on its website on an annual basis until full allocation. Allocation reporting will include the amount of the bonds issued, the amount of bond proceeds outstanding, the amount of the proceeds allocated to eligible loans and the unallocated amount. In addition, Raiffeisenbank Croatia is committed to reporting on relevant impact metrics. Sustainalytics views Raiffeisenbank Croatia's allocation and impact reporting as aligned with market practice.

Evaluation date	June 24, 2022
Issuer Location	Zagreb, Croatia

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¹ Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Agriculture and Forestry, Pollution Prevention and Control, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Sustainable Water and Wastewater Management, Access to Essential Services, Employment Generation and Protection: Micro-, Small- and Medium-size Enterprises (MSME) Financing

Introduction

Raiffeisenbank Austria d.d.² (“Raiffeisenbank Croatia” or the “Bank”) is a subsidiary of Raiffeisen Bank International (“RBI” or the “Group”) and is headquartered in Zagreb, Croatia. The Bank provides a range of comprehensive financial services, including banking and insurance to individuals and companies in Croatia. As of 31 December 2021, the Bank had 1,649 employees and offers its services through a network of 62 branches in 36 Croatian cities.

Raiffeisenbank Croatia has developed the Raiffeisenbank Croatia Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social or sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future loans³ aimed at supporting Croatia’s transition to an environmentally sustainable economy and provide positive social impact. The Framework defines eligibility criteria in eight green and two social categories:

Green categories:

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

Social categories:

9. Access to Essential Services
10. Employment Generation and Protection: Micro-, Small- and Medium-size Enterprises (MSME) Financing

Raiffeisenbank Croatia engaged Sustainalytics to review the Raiffeisenbank Croatia Sustainability Bond Framework, dated June 2022, 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).⁴ The Framework has been published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ 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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

² The Bank is registered at Magazinska cesta 69, Zagreb, PIN 53056966535, Republic of Croatia.

³ Eligible loans may be loans originated by Raiffeisenbank Croatia, loans or leases originated by its subsidiary Raiffeisen Leasing d.o.o. (“Raiffeisen Leasing Croatia”) to private individuals (mortgages), legal entities, municipalities and the public sector.

⁴ 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/>

⁵ The Raiffeisenbank Croatia Sustainability Bond Framework is available on Raiffeisenbank Croatia’s website at: <https://www.rba.hr/en/gradani>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of Raiffeisenbank Croatia'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. Raiffeisenbank Croatia representatives have confirmed that: (1) they understand it is the sole responsibility of Raiffeisenbank Croatia to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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, Raiffeisenbank Croatia 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 Raiffeisenbank Croatia has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Raiffeisenbank Croatia Sustainability Bond Framework

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

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Agriculture and Forestry, Pollution Prevention and Control, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Sustainable Water and Wastewater Management, Access to Essential Services, Employment Generation and Protection: Micro-, Small- and Medium-size Enterprises (MSME) Financing – are aligned with those recognized by the GBP and SBP.
 - Raiffeisenbank Croatia has defined a look-back period of three years for the refinancing of capital expenditures, which Sustainalytics considers to be in line with market practice.
 - Under the Framework, Raiffeisenbank Croatia intends to use proceeds to finance or refinance project-based lending and general-purpose financing for pure play companies that derive at least 90% of their revenue from activities that are aligned with the Framework.⁷ Sustainalytics notes that the GBP and SBP favour project-based lending and financing, which provides more transparency in general than non-project-based lending. Nevertheless, Sustainalytics recognizes that the financing of pure play companies through sustainable bonds is commonly accepted as an approach that can generate a positive impact.

⁷ In accordance with the exclusionary criteria set out in the Framework, proceeds will not be allocated to companies that are linked to defense and weapons, nuclear energy, fossil fuel energy, mining, alcohol, tobacco and gambling.

- Under the Green Buildings category, Raiffeisenbank Croatia may finance or refinance loans or investments for the acquisition, construction, refurbishment and renovation of residential, commercial and retail buildings⁸ that fulfil one of the following criteria:
 - Buildings that have achieved or are expected to achieve the following minimum certification levels: LEED Gold⁹, BREEAM Excellent¹⁰, DGNB/ ÖGNI Gold¹¹ or EDGE Advanced¹². Sustainalytics views the schemes specified in the Framework to be credible and the levels selected as aligned with market practice.
 - Buildings that belong to the top 15% of the low-carbon building stock at a national level based on primary energy demand or achieve an Energy Performance Certificate (EPC) rating of A, where assessment of the top 15% of low-carbon building stock is not feasible. Sustainalytics considers these investments as aligned with market practice.
 - Refurbishment of existing buildings that result in at least a 30% reduction in net primary energy demand or carbon emissions compared to pre-renovation levels.
 - Additionally, Sustainalytics notes that the Framework excludes financing towards buildings that are used for the purpose of storage, extraction or manufacturing of fossil fuel.
 - Sustainalytics considers investments under this category as aligned with market practice.
- Under the Renewable Energy category, Raiffeisenbank Croatia may finance or refinance loans or investments for the development, manufacturing, construction, installation, operation, distribution and maintenance of renewable energy projects and equipment related to wind, solar, hydropower, geothermal, biomass and waste-to-energy in accordance with the following criteria:
 - The Framework limits financing to concentrated solar power and solar thermal plants where at least 85% of the electricity is generated from solar energy sources.
 - Hydropower projects financed under the Framework will be (i) run-of-river hydropower projects without an artificial reservoir or with low storage capacity; or (ii) facilities with a power density greater than 10 W/m² or an emissions intensity below 50 gCO₂e/kWh.¹³ For all new hydropower projects, an Environmental Impact Assessment will be conducted by a credible body per project to ensure that no significant environmental and social risk, negative impact or controversy has been identified.
 - Geothermal projects with a direct emission intensity below 100 gCO₂/kWh.
 - Bioenergy projects financed under the Framework will be limited to waste feedstock including forestry and agricultural residues. Additionally, Sustainalytics notes that the Framework excludes biomass derived from sources of high biodiversity, which compete with food production or that deplete carbon pools.
 - For waste-to-energy projects, the Bank has confirmed to Sustainalytics that majority of recyclables (especially plastics) are segregated before energy conversion. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e., waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends the Bank to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, Raiffeisenbank Croatia may finance or refinance loans related to energy saving products or technologies, which may include:
 - Projects that lead to a 30% improvement in energy efficiency of industrial production process, excluding the financing of fossil-fuel powered equipment or improvements

⁸ This may include office, warehousing and logistic, hotels, retail, healthcare and residential buildings.

⁹ LEED certification is a globally recognized symbol of green buildings. More information can be accessed at: <https://www.usgbc.org/leed>

¹⁰ Standing for Building Research Establishment Assessment Method, BREEAM is a certification for a sustainable built environment. More information can be accessed at: <https://www.breeam.nl/>

¹¹ DGNB is a German sustainable building certification that is adapted to the Austrian Society for Sustainable Real Estate Management (ÖGNI). More information can be accessed at: <https://www.dgnb.de/en/index.php>

¹² EDGE, "Certification", at: <https://www.edgebuildings.com/certify/certification/>

¹³ For facilities in operation before 2020, power density greater than 5 W/m² or life cycle carbon intensity below 100 gCO₂e/kWh.

- within carbon-intensive heavy industries such as steel, cement and refining. Sustainalytics views positively the inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment and technologies.
- The construction, renovation or refurbishment of transmission or distribution lines dedicated to connecting renewables to the grid. The Bank may also finance distributed assets that are components of the grid, such as fuses, circuit breakers, disconnectors, reactors, capacitors. Sustainalytics considers these investments as aligned with market practice.
 - Installation, maintenance, and repair of: (i) energy efficiency equipment such as LED lighting; (ii) charging stations for electric vehicles; (iii) instruments used to measure, regulate and control the energy performance of buildings such as zoned thermostats, building automation and control systems and smart meters, excluding the application of such smart meters for gas. Sustainalytics considers these investments as aligned with market practice.
- Under the Clean Transportation category, Raiffeisenbank Croatia may finance or refinance loans for the purchase, operation, rental and leasing of zero-emission vehicles, such as passenger vehicles (including bicycles, cars, vans and trucks), public transit vehicles (including trains, trams, buses and vessels) as well as other zero direct emission vehicles. The Bank may also finance or refinance loans related to associated infrastructure such as electric vehicle charging points. Sustainalytics considers these investments to be aligned with market practice.
 - Under the Sustainable Agriculture and Forestry category, Raiffeisenbank Croatia may finance or refinance loans to promote the environmentally sustainable management of living natural resources and land use in accordance with the following criteria:
 - Sustainable forestry activities that have been certified under credible international schemes such as Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC). Sustainalytics views these certification schemes as robust and credible. However, Sustainalytics notes that it is market expectation to specify all eligible certification schemes and encourages the Bank to report on any other certification schemes they intend to include. The Bank further confirmed that plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions.
 - Sustainable agricultural activities certified by EU Organic or other national or international certifications that are recognized as equivalent to EU Organic. Additionally, Raiffeisenbank Croatia may finance activities that support the adoption, promotion, and implementation of conservation agriculture practices¹⁴ that meet the requirements of the Food and Agriculture Organization of the United Nations (FAO) or equivalent national or international standards. 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.
 - Sustainable techniques and practices include crop rotation, permaculture, cover crops, soil enrichment, natural pest predators, integrated pest management, polyculture farming, no-till farming systems, agroforestry, biodynamic farming, water management.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Pollution Prevention and Control category, Raiffeisenbank Croatia may finance or refinance loans or investments for the development, construction, upgrade, operation and maintenance of sustainable waste management and recycling projects, activities and operations aimed at preventing, reducing and recycling waste (metals, plastic and paper). Investments under this category will be made in accordance with the following criteria:
 - The Bank has confirmed to Sustainalytics that: (i) source segregation of waste will be carried out, (ii) recycling of electronic waste will be accompanied by a robust waste management plan to mitigate associated risks, and (iii) chemical recycling of plastics will not be financed under the Framework. Sustainalytics views these investments to be aligned with market practice.
 - Under the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes category, Raiffeisenbank Croatia may finance loans or investments for resource use efficiency and circular or recyclable products. This may include:

¹⁴ Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

- The design of technology and solutions that extend the product life cycle, such as product reuse, repair or refurbishment, integration of modular design or design for disassembly and incorporating take-back schemes or reverse logistics.
- Production technologies which utilize recycled resources such as bio-based materials. Raiffeisenbank Croatia has confirmed that production using bio-based materials will be limited to those materials which are certified by the Roundtable on Sustainable Biomaterials.¹⁵ The Bank has communicated to Sustainalytics that it will limit financing under the Framework to the following technologies: (i) bio-based sorbents¹⁶, (ii) waste sanitation¹⁷, (iii) production of bio-fertilizer from vines¹⁸, and (iv) production of bio-fertilizer from fish waste¹⁹.
- Sustainalytics views investments under this category as aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, Raiffeisenbank Croatia may finance loans or investments for the development, construction, operation and maintenance of the following sustainable water and wastewater management projects and facilities:
 - Water treatment facilities, activities and technologies that improve water quality, and sanitation facilities. Where desalination plants are financed, the Bank confirmed that the plants will be powered by low-carbon sources such as renewables and have reasonable assurance of an appropriate waste management program for the disposal of brine.
 - Upgrades to wastewater treatment plants to remove nutrients and wastewater discharge infrastructure. Raiffeisenbank Croatia confirms that wastewater from fossil fuel operations will not be treated.
 - Technologies that increase water-use efficiency such as water metering, water saving systems, water recycling and water reuse. Raiffeisenbank Croatia has confirmed that technologies financed will not be dependent on fossil fuels.
 - These investments are in line with market practice.
- Under the Access to Essential Services category, Raiffeisenbank Croatia may finance or refinance loans related to healthcare, education and other infrastructure according to the following criteria:
 - The construction, renovation, expansion or maintenance of public or private healthcare facilities. The Bank has confirmed to Sustainalytics that in case of private healthcare facilities, only the proportion of the loan proceeds corresponding to the percentage of the for-profit healthcare provider's revenues that is government funded and supports universal access will be considered eligible under the Framework. Sustainalytics considers these expenditures to be aligned with market practice, given the strong presence of a universal healthcare system in Croatia. Facilities financed under the Framework may include hospitals, diagnostic and laboratory services, rehabilitation centers, and homes for the elderly that enable the provision of free or subsidized healthcare services and are accessible to all regardless of ability to pay. Additionally, Raiffeisenbank Croatia has confirmed to Sustainalytics that it will limit financing towards elderly care centers that are owned and operated by a public company or a private not for profit company.
 - Raiffeisenbank Croatia may also finance the production and distribution of essential medicine for vulnerable populations such as children, women and the elderly, in response to situations that result in public health care crises such as the COVID-19 pandemic. The Bank has communicated to Sustainalytics that medical equipment and supplies will be accessible to the

¹⁵ The Roundtable on Sustainable Biomaterials is a globally recognized certification body for materials compliant with circular economy principles. More information can be accessed at: <https://rsb.org/why-choose-rsb/>

¹⁶ This technology leverages sorbents to remove harmful toxins (PFAS) from water which can be applied to a) environmental remediation, b) potable water, c) industrial manufacturing facilities, or d) commercial airports.

¹⁷ This technology sanitizes waste to produce alkaline bio-fertilizer which can be applied to soils to improve soil fertility.

¹⁸ This technology enables the recovery of valuable fibers from vine pruning that would otherwise go to waste and also produces a product which in turn aims to improve the yield of grape vines.

¹⁹ Fly larvae are able to rapidly convert fish waste into castings which can be used as animal proteins 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.

target population regardless of their ability to pay. This is in line with market practice.

- The construction or upgrade of essential educational facilities and equipment that support the provision of access to public and publicly subsidized educational services for the youth, the unemployed and the elderly. The Bank may also finance investments for the construction of infrastructure to support childhood development, including kindergartens. The Bank has confirmed that financing will be limited to public schools and non-fee paying private schools which are accessible to all regardless of ability to pay. These investments are aligned with market practice.
- The development of basic infrastructure in underserved, underdeveloped and rural counties in Croatia.²⁰ The infrastructure financed may include:
 - Public transport and related infrastructure, such as roads and bridges to increase connectivity in underdeveloped rural areas, or where road connectivity does not exist or is clearly inadequate and hinders a community's development. The financing will exclude the upkeep and upgrade of major roads and highways.
 - Sanitation infrastructure, such as, sewage network, water systems, pumping system and water filtration systems.
 - High speed internet and basic telecommunications in areas with either no or substantially inadequate access.
 - Electricity-related infrastructure in areas with either no or substantially inadequate access. Project examples include the development of transmission and distribution infrastructure that improves access to electricity in areas where such infrastructure is either not accessible or has very limited accessibility. The Bank has confirmed that expenditures related to transmission grids connected to a dedicated fossil fuel power plant (coal, oil or natural gas) will be excluded.
 - Firefighting and rescue equipment such as clothes, tubes and fire protective materials in areas where there is no or substantially inadequate access to such equipment. The Bank has confirmed to Sustainalytics that this will exclude the financing of helicopters.
 - Access to clean drinking water that is potable for residential or public-access purposes.
 - Sustainalytics considers these investments to be aligned with market practice.
- Installment of elevators and supporting infrastructure that enables access in existing buildings in which at least one resident has disability, or at least 20% of building residents are older than 60 years. Raiffeisenbank has confirmed that the installment of such elevators goes beyond that which is required by the local law and that other access barriers such as stairs will be replaced with adequate infrastructure to support access to the elevator. In addition, the Bank has communicated to Sustainalytics that financing will be provided subject to the fulfillment of these two conditions. This is in line with market practice.
- Under the Employment Generation and Protection: Micro-, Small- and Medium-size Enterprises (MSME) Financing category, Raiffeisenbank Croatia may finance or refinance loans to (i) micro, small, and medium-sized enterprises (MSMEs) as defined by the European Commission²¹ and (ii) micro, small and medium-sized enterprises which are located in underserved, underdeveloped counties in Croatia,²² and (iii) are not engaged in defence and weapons, nuclear energy, fossil fuel energy, mining, alcohol, tobacco and gambling. Sustainalytics considers these investments to be in alignment with market practice.
- In accordance with the exclusionary criteria set out in the Framework, proceeds will not be allocated to assets directly linked to defense and weapons, nuclear energy, fossil fuel energy,

²⁰ Such counties are defined under the Framework as those where the GDP per capita is below the average of Croatia (pure average).

²¹ European Commission, "Internal Market, Industry, Entrepreneurs, and SMEs", at: https://ec.europa.eu/growth/smes/sme-definition_en

²² Such regions are defined under the Framework as those where the GDP per capita is below the average GDP of Croatia (pure average).

mining, alcohol, tobacco and gambling. Sustainalytics views positively the Framework's inclusion of the exclusionary criteria.

- **Project Evaluation and Selection:**
 - Raiffeisenbank Croatia's Sustainability Bond Committee (SBC) will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The SBC is comprised of members from the Asset Liability Management Committee which comprises representatives from the Risk, Business and Treasury departments.
 - Raiffeisenbank Croatia has in place internal procedures that incorporate ESG factors to all allocation decisions made under the Framework. This policy mandates ESG risks for all assets to be monitored, reviewed and managed regularly. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
 - Based on the cross-functional oversight for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - Raiffeisenbank Croatia's Sustainable Portfolio Manager (SPM) will be responsible for managing the net proceeds on a portfolio basis. The SPM will track the allocation of net proceeds using an internal sustainability bond register.
 - Raiffeisenbank Croatia intends to allocate all proceeds to eligible assets within 36 months of issuance. Pending allocation, proceeds may be temporarily held in money market instruments, cash or cash equivalents.
 - Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - Raiffeisenbank Croatia intends to report on the allocation of proceeds and corresponding impact in its allocation and impact report, which will be published on its website on an annual basis until full allocation.
 - Allocation reporting will include the total amount of bonds issued, the amount of bond proceeds outstanding, the amount and number of eligible loans, the amount of proceeds allocated to eligible loans and the balance of unallocated proceeds.
 - Where feasible, impact reporting may include key performance indicators such as GHG emissions reduced or avoided (tCO₂e), energy savings (MWh), green building certification schemes and levels and the number of financed MSMEs in the target regions.
 - 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 Raiffeisenbank Croatia Sustainability 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.

Section 2: Sustainability Strategy of Raiffeisenbank Croatia

Contribution of Framework to Raiffeisenbank Croatia's Sustainability Efforts

The Raiffeisenbank Croatia Sustainability Bond Framework aims to help drive sustainability through financing loans with distinct environmental and social goals. Sustainalytics is of the opinion that Raiffeisenbank Croatia demonstrates a commitment to sustainability by following the environmental and social principles of Raiffeisen Bank International and by having incorporated appropriate measures into its own business and lending portfolio.

The sustainability strategy and emissions reduction targets of RBI are applicable to all subsidiaries of the Group, including Raiffeisenbank Croatia. RBI's 2021 Sustainability Report defines its commitment to sustainability through a focus on nine action areas, including (i) sustainable entrepreneurship, (ii) environmentally friendly society, (iii) social product responsibility, and (iv) ecological product responsibility.²³ RBI has set a target to reduce its total CO₂ emissions by 65% by 2050 from a 2011 baseline.²⁴ In addition, RBI 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, the Partnership for Carbon Accounting Financials and the Association for Environmental Management and

²³ RBI, "Sustainability Reports", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

²⁴ RBI, "Sustainability Reports", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

Sustainability, which are reflective of the Bank's commitment to supporting projects that enable the transition to a low-carbon, climate-resilient economy required to limit global warming.²⁵

In addition to its environmental commitments, RBI has a stated focus on communities which includes the provision of financing that positively impacts society. As of 31 December 2021, RBI had issued EUR 6.1 billion in sustainable financing instruments, which includes green financing of EUR 2.7 billion and ESG-linked financing of EUR 986 million.²⁶ In the same year, RBI financed approximately EUR 499 million for access to basic services and EUR 190 million for training and education.²⁷ In addition, RBI funds community projects aimed at supporting young and female entrepreneurs through its programmes Women in Adria²⁸ and Incredibles.²⁹

In 2021, Raiffeisenbank Croatia developed its own sustainability strategy which is focused on three key areas: (i) investment in green and sustainable products and clients, (ii) creating a positive impact on society and employees, and (iii) reducing the environmental impact of its operations.³⁰ Sustainalytics further notes that Raiffeisenbank Croatia has committed to issue its own Sustainability Report in 2023.

Sustainalytics is of the opinion that the Raiffeisenbank Croatia Sustainability Bond Framework aligns with the Group's overall sustainability strategy and initiatives and will further the Group's action on its key environmental and social priorities. Nevertheless, Sustainalytics encourages Raiffeisenbank Croatia to set quantitative, time-bound targets and objectives and transparently report on its progress against the targets in its Sustainability Report.

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 a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use and biodiversity issues, occupational health and safety, business ethics and community relations. While Raiffeisenbank Croatia has limited involvement in the development of the specific projects to be financed under the Framework, it is exposed to environmental and social risks associated with the loans that it may finance.

Raiffeisenbank Croatia commits and adheres to strategies and policies developed by RBI. Sustainalytics is of the opinion that Raiffeisenbank Croatia is able to manage or mitigate potential risks through implementation of the following Group-level policies:

- RBI has developed an ESG risk management process through which RBI identifies and quantifies potential ESG risks and implements strategies to address these risks. In addition, RBI works to improve its existing governance and risk management processes by incorporating safeguards to address ESG risks within its Three Lines of Defense Model.³¹ Insights into the management of ESG risks will be transferred to the Group's subsidiaries through organized training sessions and regular workshops.
- RBI has implemented a code of conduct, which provides guidance on RBI's activities related to business ethics, stakeholder associations, compliance with laws and regulations, bribery and corruption, anti-money laundering and overall corporate responsibility.³²
- RBI has also developed a supplier code of conduct to ensure that its suppliers adhere to RBI's values and social and environmental commitments. In order to eliminate potential risks, RBI's supplier code of conduct addresses specific topics such as occupational health and safety, environmental protection, business integrity, compliance, monitoring and audits.³³
- Raiffeisenbank Croatia adheres to RBIs standards for occupational health and safety, as well as local statutory standards. In addition to this, Raiffeisenbank Croatia has a contract with a local

²⁵ RBI, "Responsible Banking", at: <https://www.rbinternational.com/en/sustainability.html>

²⁶ RBI, "Sustainability Report (2021)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

²⁷ RBI, "Sustainability Reports", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

²⁸ RBI, "Women in Adria", at: <https://raiffeisenbank.ba/mala-preduzeca-i-obrtnici/women-adria>

²⁹ ACT Group, "Amazing Young Entrepreneurs Are Wanted!", (2022), at: <https://act-grupa.hr/traze-se-nevjerovatni-mladi-poduzetnici/>

³⁰ Raiffeisenbank Croatia Sustainability Bond Framework.

³¹ RBI, "Sustainability Reports", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

³² RBI, "Code of Conduct (2020)", at: https://www.rbinternational.com/en/who-we-are/governance-and-compliance/code-of-conduct/_jcr_content/root/responsivegrid/contentcontainer/contentbox/downloadlist.download.html/0/English.pdf

³³ RBI, "Code of Conduct for Suppliers", at: https://www.rbinternational.com/en/who-we-are/governance-and-compliance/code-of-conduct/_jcr_content/root/responsivegrid/contentcontainer_981732308/contentbox/downloadlist.download.html/0/RBI%20Group%20Supplier%20Code%20of%20Conduct.pdf

occupational health and safety practice, which advises on matters relating to health, safety and hygiene in the workplace.³⁴

- Aligned with the European Convention on Human Rights and the Universal Declaration of Human Rights, RBI commits to protecting human rights by avoiding financing any projects or parties that do not follow these human rights standards.³⁵ Additionally, as a signatory to the UNGC, RBI commits to combating corruption, promoting environmental sustainability, and protecting human rights by eliminating forced and child labour, and following the UN principles on labour standards.³⁶

Based on Raiffeisenbank Croatia's adherence to the aforementioned group-wide policies, standards and assessments, Sustainalytics is of the opinion that the Bank is well positioned to manage and mitigate the environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 11 use of proceeds categories are aligned with those recognized by the GBP, SBP and SBG. Sustainalytics has focused on four categories below where the impact is specifically relevant in the local context.

Importance of financing green buildings in Croatia

The buildings sector is the largest consumer of energy in the EU.³⁷ As of 2021, the building sector was responsible for 40% of the total energy consumption in the EU and 36% of energy-related GHG emissions.³⁸ As a part of the European Green Deal, the EU has committed to reduce emissions from the building sector by 60% by 2030 in comparison to 2015 and achieve climate neutrality by 2050.³⁹ Given that about 35% of the buildings in the EU are over 50 years old and almost 75% of the building stock is energy inefficient, the renovation of buildings to improve their energy efficiency is expected to play a major role in decarbonizing the sector and the economy.⁴⁰

Croatia's residential buildings ranked 24th amongst the then EU-28 in terms of energy consumption per square metre in 2013.⁴¹ Most residential buildings in Croatia are more than 45 years old which indicates that a majority of them are energy inefficient.⁴² In line with the EU's Energy Performance of Buildings Directive,⁴³ Croatia introduced in its Building Act local nearly zero-energy building (NZEB) guidelines, which have been mandatory for all new building applications since December 2019.⁴⁴ The Croatia Green Building Council was formed in 2009, and has since led projects to decarbonize the building sector in the country⁴⁵ and promote the use of sustainable building solutions as cost-effective urban climate mitigation measure in Croatia. Among other initiatives, Croatia's Low-Carbon Development Strategy proposes a scenario for the renovation of the country's building stock at an annual rate of 1.6-3% until 2050, requiring a total investment of up to EUR 18.4 billion, with 60% of it dedicated to retrofits.⁴⁶

In this context, Sustainalytics is of the opinion that Raiffeisenbank Croatia's financing of green building projects is expected to support the decarbonization of the Croatian building sector and contribute to the EU target of achieving climate neutrality within the building sector by 2050.

Importance of renewable energy and energy efficiency projects in Croatia

³⁴ RBI, "Sustainability Report (2021)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

³⁵ RBI, "Code of Conduct (2020)", at: https://www.rbinternational.com/en/who-we-are/governance-and-compliance/code-of-conduct/_jcr_content/root/responsivegrid/contentcontainer/contentbox/downloadlist.download.html/0/English.pdf

³⁶ RBI, "Sustainability Report (2021)", at: <https://www.rbinternational.com/en/sustainability/sustainability-report.html>

³⁷ European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html

³⁸ European Commission, "Energy Performance of Buildings Directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

³⁹ Ibid.

⁴⁰ European Commission, "Energy Performance of Buildings Directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁴¹ European Commission, EU Building Factsheet, at: https://ec.europa.eu/energy/eu-buildings-factsheets_en

⁴² European Commission, EU Building Factsheet, at: https://ec.europa.eu/energy/eu-buildings-factsheets_en

⁴³ European Commission, "Energy Performance of Buildings Directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁴⁴ Republic of Croatia, Ministry of Physical Planning, Construction and State Assets, "Nearly zero-energy buildings guidelines", at: <https://mpgi.gov.hr/about-the-ministry-139/scope-of-the-ministry/energy-efficiency-in-the-buildings-sector/nearly-zero-energy-buildings-guidelines-nzeb/7535>

⁴⁵ Globalabc, "Our members", at: <https://globalabc.org/members/our-members/croatia-green-building-council>

⁴⁶ Republic of Croatia, Ministry of Economy and Sustainable Development, "Low-Carbon Development Strategy of the Republic of Croatia Until 2030 with a View to 2050", at: https://mingor.gov.hr/UserDocsImages/klimatske_aktivnosti/odrzivi_razvoji/NUS/lts_nus_eng.pdf

The energy sector is the most significant contributor of GHG emissions in the EU, accounting for approximately 75% of the EU's total GHG emissions in 2021.⁴⁷ The EU has set an objective to achieve climate neutrality by 2050, with an interim target to reduce GHG emissions by 55% by 2030 compared to 1990 levels. In this context, increasing the share of renewables in the EU's energy mix and reducing energy consumption has the potential to contribute substantially to meeting the EU's climate goals.⁴⁸ As part of the Renewable Energy Directive, the EU has set a target to increase the share of renewable energy in the overall energy mix to 32% by 2030.⁴⁹ In 2021, the EU Commission proposed raising this target to 38-40%.⁵⁰

In Croatia, the energy sector is the largest contributor to GHG emissions with a share of 87.7% in the country's total CO₂ emissions.⁵¹ In 2021, renewable energy share in Croatia accounted for approximately 28.5% of Croatia's energy mix.⁵² The Croatian government has set the target to increase the share of renewable energy to 36.4% of the total energy consumed by 2030 and to 65.6% by 2050.⁵³ To support this target, Croatia's Energy Strategy focuses on initiatives to improve energy efficiency, energy security and increase the production of renewable energy resources. In this sense, the Croatian government has planned to spend EUR 1.32 billion on grid efficiency upgrades and improved renewable energy transmission infrastructure by 2030.⁵⁴

Considering the above, Sustainalytics is of the opinion that the renewable energy and energy efficiency projects which may be financed by Raiffeisenbank Croatia under the Framework are expected to support the transition towards a low-carbon economy in Croatia and the EU.

Importance of financing sustainable agriculture projects in Croatia

Agriculture accounts for 10% of total GHG emissions in the EU.⁵⁵ Agriculture is also responsible for approximately 45% of land use in the EU, while forests account for approximately 37.5%.⁵⁶ Self-sufficient in most agriculture products, the EU-27 combined make up the single largest exporter of agri-food products in the world.⁵⁷ According to the UN Food and Agriculture Organization, the demand for food is likely to grow by 70% by 2050 relative to 49% in 2009.⁵⁸ According to the European Environment Agency, in 2021, agriculture was reported to have the most significant negative environmental impact in Europe.⁵⁹ Nitrogen oxide emissions from soil and methane emissions from enteric fermentation contribute to more than 80% of the total agricultural emissions in the EU.⁶⁰

In Croatia, agriculture accounted for approximately 26.5% of total land use and forests account for approximately 44.6% in 2021.⁶¹ In 2020, agriculture was the third largest emitting sector of the Croatian economy with GHG emissions contributing 2,692.3 ktCO₂e.⁶² Methane emissions from livestock farming contributed to 36.2% of CO₂e emission from the sector.⁶³ To mitigate emissions from this sector, Croatia has implemented the Agriculture Strategy that aims to improve agricultural operations, including production, processing and product distribution by 2030. The strategy supports the implementation of the National

⁴⁷ European Commission, "Questions and Answers -Making our energy system fit for our climate targets", at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3544

⁴⁸ European Commission, "European Green Deal", at: https://ec.europa.eu/clima/eu-action/european-green-deal_en

⁴⁹ European Commission, "Renewable energy directive 2018/2001/EU", at: https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en

⁵⁰ European Commission, "Proposal for an amending Renewable Energy Directive(EU) 2018/2001", at: https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en

⁵¹ UNFCCC, "Croatia 2021 National Inventory Report", (2021), at: <https://unfccc.int/documents/271575>

⁵² International Trade Administration, "Croatia Country Commercial Guide", (2021), at: <https://www.trade.gov/country-commercial-guides/croatia-renewable-energy>

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ European Parliament, "EU agricultural policy and climate change", (2020), at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/651922/EPRS_BRI\(2020\)651922_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/651922/EPRS_BRI(2020)651922_EN.pdf)

⁵⁶ FAO, "Agriculture land in Europe", at: <https://www.fao.org/family-farming/detail/en/c/357469/#:~:text=Agricultural%20land%20accounts%20for%20almost%20half%20of%20the,EU%20territory.%20Title%20of%20publication%3A%20Food%20%26%20Farming>

⁵⁷ European Environment Agency, "Agriculture", (2020), at: <https://www.eea.europa.eu/themes/agriculture/intro>

⁵⁸ Food and Agriculture Organization, How to feed the world 2050, at:

https://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf

⁵⁹ European Environment Agency, "State of the nature in the EU", (2020), at: <https://www.eea.europa.eu/highlights/state-of-nature-in-the>

⁶⁰ European Environment Agency, "Greenhouse Gas emissions from agriculture", (2021), at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-agriculture>

⁶¹ International Trade Administration, "Europe - Country Commercial guide", (2021), at: <https://www.trade.gov/country-commercial-guides/croatia-agricultural-sector>

⁶² UNFCCC, "Croatia 2022 National Inventory Report", (2022), at: <https://unfccc.int/documents/461772>

⁶³ Ibid.

Development Strategy of the Republic of Croatia by focusing on GHG emission reduction from the agricultural sector and strengthening the sustainable management of agricultural and forest resources.⁶⁴

Considering the above, Sustainalytics is of the opinion that sustainable agriculture and forest projects financed under the Framework are expected to promote sustainable agricultural and forestry practices in Croatia and reduce overall GHG emissions from Croatia and the EU.

Alignment with/contribution to SDGs

The Sustainable Development Goals adopted set in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The bonds issued under the Raiffeisenbank Croatia Sustainability Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
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 9. Industry, Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
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
Sustainable Agriculture and Forestry	2. Zero Hunger 15. Life on Land	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality 15.2 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 ⁶⁵

⁶⁴ The Republic of Croatia, "Strategic Environmental Assessment Process", at:

https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fpoljoprivreda.gov.hr%2FUserDocsImages%2Fdokumenti%2FStrategija_poljoprivrede_2020_2030%2FStrategija%2520poljoprivrede%2520do_2030_732022.docx&wdOrigin=BROWSELINK

⁶⁵ UN Statistics Division, "Progress summary for SDG targets with a 2020 deadline" at: <https://unstats.un.org/sdgs/report/2020/progress-summary-for-SDG-targets/>; Sustainalytics notes that this SDG target represents an interim goal established by the UN in 2015 as a pathway to achieve sustainable development by 2030 and has not since been updated. However, in 2020, the UN reported that the global forest cover continues to shrink, albeit at a slower

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 and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.1 Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries 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
Access to Essential Services	3. Good Health and Well-being 4. Quality Education	8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Employment generation and protection: Micro-, Small- and Medium-size Enterprises (MSME) financing	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion

Raiffeisenbank Croatia has developed the Raiffeisenbank Croatia Sustainability Bond Framework under which it may issue green, social and sustainability bonds, and use the proceeds to finance or refinance in whole or in part, existing or future loans in the following eligible categories: Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Agriculture and Forestry, Pollution Prevention and Control, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Sustainable Water and Wastewater Management, Access to Essential Services and Employment Generation and Protection: Micro, Small and Medium-size Enterprises (MSME) Financing. Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental and social impact in Croatia.

The Raiffeisenbank Croatia Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and makes commitments for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Raiffeisenbank Croatia Sustainability 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, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Raiffeisenbank Croatia has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is of the opinion that Raiffeisenbank Croatia is adequately positioned to issue sustainability bonds and that the Framework is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines (2021), 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:	Raiffeisenbank Croatia
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Raiffeisenbank Croatia Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 24, 2022
Publication date of review publication: Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise 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 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

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, Sustainable Agriculture and Forestry, Pollution Prevention and Control, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Sustainable Water and Wastewater Management, Access to Essential Services and Employment Generation and Protection: Micro-, Small- and Medium-size Enterprises (MSME) Financing - 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 deliver positive environmental and social impact, and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12 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 type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or 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 checked="" type="checkbox"/> Other (please specify): Sustainable Agriculture and Forestry |

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 type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
 Other (please specify):

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Raiffeisenbank Croatia's Sustainability Bond Committee will be responsible for evaluating and selecting eligible projects that are in line with the eligibility criteria. Raiffeisenbank Croatia has in place internal procedures that incorporate ESG factors and associated risks for all allocation decisions. Sustainalytics considers these 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 checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Raiffeisenbank Croatia's Sustainable Portfolio Manager (SPM) will be responsible for managing the net proceeds on a portfolio basis. The SPM will track the allocation of net proceeds using an internal sustainability bond register. Raiffeisenbank Croatia intends to allocate all proceeds to eligible assets within 36 months of issuance and pending allocation, proceeds may be temporarily held in money market instruments, cash or cash equivalents. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Raiffeisenbank Croatia intends to report on the allocation of proceeds and corresponding impact in its allocation and impact report which will be published on its website on an annual basis until full allocation. Allocation reporting will include the amount of the bonds issued, the amount of bond proceeds outstanding, the amount of the proceeds allocated to eligible loans and the unallocated amount. In addition, Raiffeisenbank Croatia is committed to reporting on relevant impact metrics. Sustainalytics views Raiffeisenbank Croatia's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Sustainability Bond financed share of total investment
- Other (please specify): Amount of bonds issued, amount of bond proceeds outstanding and the unallocated amount.

Frequency:

- Annual Semi-annual
- 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 type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): Green Buildings Certification scheme and levels, Number of financed MSMEs |

Frequency:

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

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Allocation and Impact Report published on their website. |
| <input type="checkbox"/> 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:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> 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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About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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