

Second-Party Opinion

Československá obchodní banka

Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Československá obchodní banka Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Pollution Prevention and Control, Water Management and Sustainable Land Use – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to deliver positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 11 and 12.



PROJECT EVALUATION AND SELECTION Československá obchodní banka's Green Bond Committee will be responsible for evaluating and selecting eligible assets that are in line with the eligibility criteria. Československá obchodní banka has in place due diligence processes to manage and mitigate potential environmental and social risks that are applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Československá obchodní banka's Treasury team will be responsible for the management of proceeds on a portfolio basis and will track allocations to eligible assets using an internal information system. Československá obchodní banka intends to allocate all proceeds to eligible assets within three years of issuance. Pending allocation, proceeds will be temporarily held in money market instruments, cash or cash equivalents. This is in line with market practice.



REPORTING Československá obchodní banka intends to report on the allocation of proceeds on its website on an annual basis. Allocation reporting will include the total amount of proceeds allocated to each eligible green asset category, the origination time frame and maturity profile of the loans per category and the balance of unallocated proceeds. In addition, Československá obchodní banka is committed to reporting on relevant impact metrics. Sustainalytics views Československá obchodní banka's allocation and impact reporting as aligned with market practice.

Evaluation Date December 5, 2022

Issuer Location Prague, Czechia

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendix	11

For inquiries, contact the Sustainable Finance Solutions project team:

Shreeya Garg (Amsterdam)
Project Manager
shreeya.garg@sustainalytics.com
(+31) 20 205 0067

Titus Vilches (Amsterdam)
Project Support

Julie Malinur (Amsterdam)
Project Support

Siina Matihaldi (Amsterdam)
Project support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Československá obchodní banka (“ČSOB” or the “Bank”) is a commercial bank headquartered in Prague, Czechia, and a subsidiary of KBC Group NV, (“KBC” or the “Group”), a Belgian banking and insurance group founded in 1998. ČSOB operates in retail, SME, corporate and institutional markets. The Bank has 8,087 employees, 4.2 million clients and held CZK 835.1 billion (EUR 34.3 billion) of assets in its loan portfolio as of December 2021.¹

ČSOB has developed the Československá obchodní banka Green Bond Framework (the “Framework”), under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to deliver positive environmental impact in Czechia and reduce the carbon footprint of the Bank’s portfolio. The Framework defines eligibility criteria in seven green categories:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings
5. Pollution Prevention and Control
6. Water Management
7. Sustainable Land Use

ČSOB engaged Sustainalytics to review the Československá obchodní banka Green Bond Framework, dated December 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework will be published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with 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 Green 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 1.12, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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

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

¹ ČSOB, “About the ČSOB Group”, at: <https://www.csob.cz/portal/csob/about-the-csob-group>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The ČSOB Green Bond Framework is available on Československá obchodní banka’s website at: www.csob.cz/portal/csob/emise-cennych-papiru/dluhopisy/zelene-dluhopisy

⁴ 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.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the ČSOB Green Bond Framework

Sustainalytics is of the opinion that the Československá obchodní banka Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Pollution Prevention and Control, Water Management and Sustainable Land Use – are aligned with those recognized by the GBP.
 - ČSOB has communicated to Sustainalytics that it will limit refinancing to capex under the Framework.
 - Under the Renewable Energy category, ČSOB may finance or refinance loans for the development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation projects and the purchase of equipment related to wind, solar, geothermal, biomass and waste-to-energy power in accordance with the following criteria:
 - Onshore and offshore wind power generation.
 - Onshore solar photovoltaic generation, and concentrated solar power and solar thermal plants where at least 85% of the electricity is generated from solar energy sources.
 - Geothermal projects with an emission intensity below 100 gCO₂e/kWh.
 - Biomass projects using waste material from forestry and agricultural residues as feedstock. Additionally, Sustainalytics notes that the Framework excludes biomass derived from sources of high biodiversity, which compete with food production or that deplete carbon pools.
 - Waste-to-energy projects using municipal solid waste as feedstock where recyclables will be segregated prior to incineration. In addition, the Bank has confirmed that the feedstock will not include plastics, rubber and tire-derived fuels.
 - Sustainalytics views these investments as aligned with market practice.
 - Under the Energy Efficiency category, ČSOB may finance or refinance home improvement loans for retail clients who have been prequalified under the Czech government's New Green Savings Programme aimed at improving the energy efficiency of dwellings in the country. Under the scheme, the Czech government provides subsidies of up to 50% of the cost of home improvements (or up to 60% if boiler subsidies are included), and ČSOB finances up to 50% of the remaining eligible costs. These home improvements include new central heating and solar

boilers, heat pumps, high-efficiency glazing, new insulation, thermostatic taps and solar panels.⁵ Sustainalytics views these investments as aligned with market practice.

- Under the Clean Transportation category, ČSOB may finance or refinance loans for: i) electric, hybrid electric and hydrogen public passenger transport, including rail, metros, trams and cable cars; ii) electric, hybrid electric or hydrogen private light-duty and heavy-goods vehicles; iii) freight railway lines excluding those where fossil fuels account for more than 50% of all freight transported in tonne-kilometres; and iv) supporting infrastructure for low-carbon land transport, such as signalling, communication technologies, IT upgrades and electric vehicle charging infrastructure excluding standalone parking facilities. The Framework includes emissions thresholds of < 1 gCO₂e/km for buses and trucks, < 75 gCO₂e/km for hybrid passenger vehicles, < 50 gCO₂e/pk for passenger rail and < 25 gCO₂e/tkm for freight rail.
- Under the Green Buildings category, the Bank may finance or refinance the acquisition and refurbishment of new or recently built buildings in accordance with the following criteria:
 - Residential buildings that obtained an energy performance certificate (EPC) rating of A or B. Based on the current available data, Sustainalytics notes that only buildings with EPC A can be conclusively considered to belong in the top 15% energy performing buildings of the building stock in the country based on primary energy demand. Sustainalytics has not been able to determine whether EPC B rating would place a building among the top 15% energy-performing buildings in the country. Nevertheless, ČSOB has confirmed to Sustainalytics that it will limit financing to buildings in the top 15% of the national building stock.
 - Commercial buildings that belong to the top 15% of commercial real estate in terms of energy performance in Czechia, Slovakia, Belgium, Hungary and Bulgaria or have obtained one of the following green buildings certifications: LEED Gold,⁶ BREEAM Excellent⁷ or HQE Excellent.⁸
- Under the Pollution Prevention and Control category, ČSOB may finance or refinance loans for: i) sharing, repairing, reusing, refurbishing and remanufacturing of products; and ii) recycling of waste according to the following criteria:
 - The Bank has confirmed that: i) repair, refurbishment and remanufacturing will support restoring products to their original use with minimal requirement of pre-processing; and ii) projects intended for fossil fuel operations will not be financed under the Framework.
 - ČSOB confirmed to Sustainalytics that: i) chemical recycling of plastics will not be financed under the Framework; and ii) recycling of electronic waste will be accompanied by a robust waste management plan to mitigate associated risks.
 - Sustainalytics views these investments as aligned with market practice.
- Under the Water Management category, ČSOB may finance or refinance loans for the development, manufacturing, construction, operation and maintenance of: i) water recycling and wastewater treatment facilities; ii) water storage facilities; iii) water distribution systems; iv) urban drainage systems; and v) flood mitigation infrastructure, according to the following criteria:
 - CSOB has confirmed to Sustainalytics that it will exclude the treatment of wastewater from fossil fuel-powered operations, fracking, nuclear and mining and desalination plants.
 - CSOB has also confirmed that urban drainage systems and flood mitigation infrastructure projects will be based on vulnerability assessments and adaptation plans to identify potential climate risks and strategies to manage and mitigate these risks in accordance with requirements of the EU's EIA directive.⁹
 - Sustainalytics views these investments as aligned with market practice.

⁵ State Environmental Fund of the Czech Republic, "New Green Savings Programme", at: <https://www.sfzp.cz/en/administered-programmes/new-green-savings-programme/>

⁶ LEED: <https://www.usgbc.org/leed>

⁷ BREEAM: <https://www.breeam.nl/wat-is-breeam-nl-1>

⁸ HQE: <https://www.behqe.com/presentation-hqe/what-is-hqe>

⁹ European Commission, "Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

- Under the Sustainable Land Use category, ČSOB may finance or refinance loans that support sustainable agriculture practices certified by EU Organic¹⁰ and national-level regulations implemented in alignment with the EU Organic certification, excluding financing of livestock production activities. This is in line with market practice.
- Project Evaluation and Selection:
 - ČSOB has established the Green Bond Committee (the “Committee”), which will be responsible for evaluating and selecting eligible assets that are in line with the Framework’s eligibility criteria. The Committee consists of at least one general manager from ČSOB Group Treasury, Corporate Sustainability and the relevant business unit, if required.
 - The Bank has in place due diligence processes to manage or mitigate potential environmental and social risks that are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
 - Based on the establishment of a formal committee for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - ČSOB’s Treasury team will be responsible for the management of proceeds on a portfolio basis and will track allocations to eligible assets using the Bank’s information system.
 - ČSOB intends to allocate all proceeds to eligible assets within three years of issuance. Any unallocated proceeds will be temporarily held in money market instruments, cash or cash equivalents.
 - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - ČSOB intends to report on the allocation and impact of proceeds in a separate report, which will be published on the Bank’s website on an annual basis.
 - Allocation reporting will include the amount of net proceeds allocated per category, the origination time frame and maturity profile of the loans per category and the amount of unallocated proceeds.
 - The impact report will include relevant impact metrics, such as estimated avoided CO₂ emissions (in tCO₂e), the amount of installed renewable energy generation (in GW or MW) and the estimated annual energy savings compared to the baseline (in MWh or GWh).
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the ČSOB Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of ČSOB

Contribution to ČSOB’s sustainability strategy

Sustainalytics is of the opinion that ČSOB demonstrates a commitment to sustainability through its Principles of Sustainable and Responsible Business, which are underpinned by three key environmental and social pillars: i) reducing the negative impact on the environment by adhering to all binding legislation and committing to reduce the Bank’s carbon footprint; ii) increasing positive environmental and social impact through the Bank’s everyday activities; and iii) promoting responsible behaviour of the Bank’s employees.¹¹ Additionally, the Bank adheres to KBC’s Sustainability Framework, under which the Group has outlined the strategies and targets for each of the focus areas.¹²

¹⁰ European Commission, “The organic logo”, at: https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en#:~:text=The%20European%20Union%20organic%20logo,them%20across%20the%20entire%20EU

¹¹ ČSOB, “Principles of Sustainable and Responsible Business of the ČSOB Group”, at: <https://www.csob.cz/portal/documents/10710/795014/principles-of-responsible-and-sustainable-business.pdf>

¹² KBC, “KBC Group Sustainability framework”, (2022), at: https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_CorporateSustainabilityFramework.pdf

In terms of environmental impact at the Group level, the Bank's parent KBC has set a target to reduce its scope 1 and 2 GHG emissions by 80% by 2030 from a 2015 baseline.¹³ As of 2021, KBC had reduced its direct GHG emissions by 71% from a 2015 baseline.¹⁴ KBC has also initiated a strategy to address indirect GHG emissions from its loan portfolio, setting objectives for the eight most carbon-intensive sectors,¹⁵ including a 43% reduction of emission intensity in residential real estate and a 39% reduction of emission intensity in the energy sector by 2030 against a 2021 baseline.¹⁶ In 2021, KBC also exited all remaining direct thermal coal-related financing and dedicated 63% of its total granted loan portfolio for the energy sector to renewable energy and biofuels.¹⁷ KBC aims to continue decarbonizing its portfolio by adapting to regulatory frameworks, including the EU Taxonomy, and monitoring its performance, especially in carbon-intensive sectors.

At the Bank level, ČSOB aims to become carbon neutral by 2040.¹⁸ In 2021, ČSOB reduced its carbon footprint by 61% compared to a 2015 baseline.^{19,20} In addition, the Bank has reduced its waste by 60% and electricity consumption by 40% since 2015.²¹ In 2021, ČSOB issued green loans worth CZK 3.2 billion (EUR 131 million) to finance low-energy and passive housing.²² The same year, mortgages for energy-efficient homes increased by 185% on a year-on-year comparison in line with ČSOB's long-term goal to achieve a carbon-neutral mortgage portfolio.²³

Sustainalytics is of the opinion that the ČSOB Green Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities. Nevertheless, Sustainalytics encourages ČSOB to establish and communicate time-bound quantitative targets for its portfolio and transparently report on its progress toward achieving such targets.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to occupational health and safety, biodiversity loss, effluents and emissions, and business ethics. While ČSOB has limited involvement in the implementation of specific projects that will be financed under the Framework, it is exposed to environmental and social risks associated with the loans that it may finance.

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

- Regarding ESG risks, the KBC Enterprise Risk Management Framework outlines the Group's processes and standards to manage enterprise-wide risks, including ESG risks, which KBC is gradually integrating into its Risk Management Framework.²⁴ In addition, KBC assesses climate risks using various tools and processes, such as stress tests and climate risk mapping.^{25,26} Insights from these assessments inform KBC's ESG risk management policies, which are then cascaded down to its subsidiaries, including ČSOB.

¹³ Ibid.

¹⁴ KBC, "Sustainability Report", (2021), at: <https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/PerfRep/2021/csr-sr-2021.pdf?zone=footer-2>

¹⁵ These sectors are real estate; building and construction; agriculture, farming and fishing; automotive; food production and beverages; energy; metals; and chemicals.

KBC, "Sustainability Report", (2021), at: <https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/PerfRep/2021/csr-sr-2021.pdf?zone=footer-2>

¹⁶ KBC, "Climate Report", (2022), at: https://multimediafiles.kbcgroup.eu/ng/published/kbccom/pdf/kbccom_landing_links/20220930-climate-report.pdf?zone=

¹⁷ KBC, "Sustainability Report", (2021), at: <https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/PerfRep/2021/csr-sr-2021.pdf?zone=footer-2>

¹⁸ ČSOB, "ČSOB Group Social Responsibility and Sustainability Report 2021", at: <https://www.csob.cz/portal/csob/social-responsibility/responsible-business-practises/annual-reports>

¹⁹ ČSOB has confirmed to Sustainalytics that the carbon footprint calculation includes scope 1, 2 and category 7 scope 3 (employee commuting) emissions.

²⁰ ČSOB, "Podnikáme udržitelně", at: <https://www.csob.cz/portal/v-obraze/svet-kolem-nas/podnikame-udrzitelne>

²¹ ČSOB, "ČSOB Group Social Responsibility and Sustainability Report 2021", at: <https://www.csob.cz/portal/csob/social-responsibility/responsible-business-practises/annual-reports>

²² Ibid.

²³ Ibid.

²⁴ KBC, "Risk Report", (2021), at: <https://www.kbc.com/content/dam/kbccom/doc/investor-relations/3-Reports/20221006-risk-report.pdf>

²⁵ Ibid.

²⁶ The climate risk stress test is conducted by the European Central Bank as a part of their banking supervision programme.

ECB, "Climate change and banking supervision", at: <https://www.bankingsupervision.europa.eu/about/climate/html/index.en.html>

- In its Environmental Policy, the Bank outlines its ISO 14001-certified²⁷ environmental management system and commits to minimizing its environmental impact through continuous improvement of its policies.^{28,29} Additionally, the EU Directive 2014/52/EU requires an environmental impact assessment for projects that are likely to have significant impact on the environment to ensure that associated risks are adequately assessed before approval.³⁰
 - Regarding biodiversity loss, the KBC Group Biodiversity Policy states the Group's commitment to protecting biodiversity through policies that limit its exposure to sectors which have a higher risk of involving protected areas, including forestry, fisheries, cocoa, soy, oil and gas, coffee and sugarcane.³¹
 - Regarding waste management, ČSOB's Environmental Policy and Energy Policy sets a commitment to monitoring the use of natural resources and supporting responsible waste management.³² In addition, the Bank adheres to the EU's directive on electrical and electronic equipment waste, which regulates the treatment of electrical and electronic waste. As part of the directive, the original producers of electronic and electric equipment are responsible for the recovery and recycling of these goods at no additional cost to the end consumer in all EU countries.³³
 - ČSOB's Code of Conduct guides the Bank's conduct towards customers, suppliers and authorities.³⁴ This includes guidance on topics such as conflicts of interest, data protection, insider trading and whistleblowing. The Code of Conduct is applicable to all departments, branches and employees.³⁵
 - KBC has implemented an overarching human rights policy, which is applicable to the Group's customers, suppliers and employees.³⁶ The policy defines the Group's, its customers' and suppliers' approach to the management of human rights and working conditions, the environment and climate, corruption and unacceptable conduct. The policy further states that suppliers must comply with applicable national laws and stipulates that suppliers must integrate social, ethical and environmental criteria into their sales, purchases and outsourcing procedures.³⁷
 - KBC adopted the Equator Principles in 2004 and integrated them into its general credit policy.³⁸ In addition, ČSOB is domiciled in Czechia, which is recognized as a Designated Country under the Equator Principles,³⁹ indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate common environment and social risks associated with the projects financed under the Framework.

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

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of green buildings and energy efficiency to climate change mitigation in Czechia

²⁷ ISO, "ISO 14001 family – Environmental management", at: <https://www.iso.org/iso-14001-environmental-management.html>

²⁸ KBC, "Our own environmental footprint", at: <https://www.kbc.com/en/corporate-sustainability/limiting-our-adverse-impact/our-own-environmental-footprint.html?zone=>

²⁹ ČSOB, "Environmental Policy", (2016), at: <https://www.csob.cz/portal/documents/10710/795014/environmentalni-politika-csob-en.pdf>

³⁰ European Commission, "Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

³¹ KBC, "KBC Group Biodiversity Policy", (2020), at: https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_KBCGroupBiodiversityPolicy_May2020.pdf

³² ČSOB, "ČSOB Environmental Policy", (2016), at: <https://www.csob.cz/portal/documents/10710/795014/environmentalni-politika-csob-en.pdf>

³³ European Commission, "Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012L0019>

³⁴ ČSOB, "Code of Conduct for Employees of CSOB Group, Member of KBC Group", (2014), at:

<https://www.csob.cz/portal/documents/10710/795014/code-of-conduct.pdf>

³⁵ KBC, "Diversity & Inclusion Policy", at: https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_Diversity%20Policy.pdf

³⁶ KBC, "KBC Group Policy on Human Rights", (2021), at: https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_KBCGroupPolicyonHumanRights.pdf

³⁷ KBC, "KBC Group Policy on Human Rights", (2021), at: https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_KBCGroupPolicyonHumanRights.pdf

³⁸ KBC, "Equator Principles", at: <https://www.kbc.com/en/corporate-sustainability/limiting-our-adverse-impact/equator-principles.html>

³⁹ Equator Principles, "Designated & Non-Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

In 2021, the building sector was responsible for 36% of the EU's energy-related GHG emissions, representing 40% of the bloc's total energy consumption.⁴⁰ In Czechia, buildings accounted for approximately 10% of the country's total CO₂ emissions and 37% of the total final energy consumption in 2019.^{41,42}

Approximately 75% of the EU's building stock is energy inefficient and only 1% of it is renovated annually.⁴³ The renovation and retrofit of existing buildings have the potential to reduce the EU's total energy consumption by 5-6% and to reduce total CO₂ emissions by approximately the same percentage.⁴⁴ Therefore, the refurbishment of inefficient energy systems is critical to achieving the EU's 2030 and 2050 energy targets.⁴⁵ Acknowledging the importance of decarbonizing the buildings sector, the EU has set targets to reduce buildings' GHG emissions by 60%, final energy consumption by 14% and energy consumption for heating and cooling by 18% by 2030 based on 2015 levels.⁴⁶ Through the Renovation Wave strategy, the EU aims to double the annual energy renovation rates by 2030 to achieve these targets.⁴⁷ In addition, all new buildings since 2021 should be nearly zero-energy under the Energy Performance of Buildings Directive (EPBD).⁴⁸

In July 2022, the European Commission urged Czechia to fully transpose the EPBD into local legislation to ensure that the country is on track to provide an energy efficient and decarbonized building stock by 2050.^{49,50} The country expects to reduce the energy use of buildings by 24% by 2050 and reduce GHG emissions from buildings by 40% by 2050 based on 2020 levels.⁵¹ Under its COVID-19 pandemic recovery and resilience plan, Czechia has vowed to invest EUR 1.6 billion in energy efficiency projects, including large-scale renovation of residential and public buildings, and childcare and long-term care facilities.^{52,53}

In this context, Sustainalytics is of the opinion that ČSOB's financing of green buildings and energy efficiency home improvements is expected to reduce the environmental footprint of the buildings sector in Czechia.

Importance of renewable energy projects to facilitate emission reduction in Czechia

In 2020, the energy sector was the largest contributor to the EU's GHG emissions, representing approximately 75% of total GHG emissions.⁵⁴ At 35%, fossil fuels were still one of the dominant sources of energy consumed in the EU as of 2020.⁵⁵ In 2021, the emission intensity of electricity generation amounted to 265 gCO₂e/KWh, 20% more GHG intensive than in 2020.⁵⁶ In Czechia, the electricity and heat sector accounted for approximately 58% of the country's total CO₂ emissions in 2019, and the GHG intensity of electricity and heat production amounted to 406 gCO₂e/KWh, higher than the EU average, demonstrating the critical need to decarbonize the country's electricity sector.^{57,58}

⁴⁰ European Commission, "Making Our Homes and Buildings Fit for a Greener Future", (2021), at:

https://ec.europa.eu/commission/presscorner/detail/en/fs_21_6691

⁴¹ Our World in Data, "CO₂ emissions by sector, Czechia", at: <https://ourworldindata.org/grapher/co-emissions-by-sector?country=~CZE>

⁴² IEA, "Czech Republic 2021: Energy Policy Review", (2021), at: <https://iea.blob.core.windows.net/assets/301b7295-c0aa-4a3e-be6b-2d79aba3680e/CzechRepublic2021.pdf>

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 European Commission, "In focus: Energy efficiency in buildings", (2020), at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

⁴⁵ European Parliament, "Report on maximising energy efficiency potential of the EU building stock", (2020), at:

https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_FN.pdf

⁴⁶ European Commission, "A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives", (2020), at: https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

⁴⁷ European Commission, "Renovation wave", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

⁴⁸ European Commission, "Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings", (2021), at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁴⁹ European Commission, "July Infringements package: key decisions", (2022), at: https://ec.europa.eu/commission/presscorner/detail/EN/inf_22_3768

⁵⁰ European Commission, "Energy efficiency in buildings: Commission refers Czechia and Slovenia to Court for failure to ensure proper display of energy performance certificates for buildings", (2019), at: http://europa.eu/rapid/press-release_IP-19-464_en.htm

⁵¹ BPIE, "A Review of EU Member States' 2020 Long-term Renovation Strategies", (2020), at: https://www.bpie.eu/wp-content/uploads/2020/09/LTRS-Assessment_Final.pdf

⁵² European Commission, "Czechia's recovery and resilience plan", at: https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/czechias-recovery-and-resilience-plan_en

⁵³ European Commission, "Laying the Foundations for Recovery: Czechia", (2021), at: https://ec.europa.eu/info/sites/default/files/com-2021-419-czechia_factsheet_en.pdf

⁵⁴ European Commission, "Powering a climate-neutral economy: Commission sets out plans for the energy system of the future and clean hydrogen", (2020), at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1259

⁵⁵ Eurostat, "Energy statistics – an overview", at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy_statistics_-_an_overview#:~:text=Oil%20and%20petroleum%20products%20accounted,at%20the%20end%2Duse%20level

⁵⁶ European Environment Agency, "Greenhouse gas emission intensity of electricity generation in Europe", at:

<https://www.eea.europa.eu/ims/greenhouse-gas-emission-intensity-of-1>

⁵⁷ Our World in Data, "CO₂ emissions by sector, Czechia", at: <https://ourworldindata.org/grapher/co-emissions-by-sector?country=~CZE>

⁵⁸ IEA, "Czech Republic 2021: Energy Policy Review", (2021), at: <https://iea.blob.core.windows.net/assets/301b7295-c0aa-4a3e-be6b-2d79aba3680e/CzechRepublic2021.pdf>

To achieve climate neutrality by 2050, the EU established an action plan which includes decarbonizing the energy sector by increasing the share of renewable energy in final consumption to 45% by 2030 and enhancing energy efficiency.⁵⁹ The share of renewables in final consumption was 22.2% in 2021, only 0.1 percentage points above 2020 levels.⁶⁰ Achieving climate neutrality would require the EU to increase the share of renewables in electricity generation from 38% in 2021 to 62% by 2030 and 91% by 2050.^{61,62} The government of Czechia has established targets for renewables to account for 22% of the country's gross final energy consumption and 17% of total energy generation by 2030,⁶³ compared to 13% and 13.5% respectively in 2020.⁶⁴

In this context, Sustainalytics is of the opinion that ČSOB's financing of renewable generation projects is expected to support the EU's and Czechia's renewable-energy transition.

Contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
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
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
Pollution Prevention & Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Water 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
Sustainable Land Use	2. Zero Hunger	2.4 by 2030 ensure sustainable food production systems and implement resilient agricultural practices that increase productivity

⁵⁹ European Commission, "Renewable energy directive", at: https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en

⁶⁰ European Environment Agency, "Share of energy consumption from renewable sources in Europe", (2022), at: <https://www.eea.europa.eu/ims/share-of-energy-consumption-from>

⁶¹ D'Aprile, P. et al. (2020), "Net-Zero Europe Decarbonization Pathways and Socioeconomic Implications", McKinsey & Company, at: https://www.mckinsey.com/~media/mckinsey/business_functions/sustainability/our_insights/how_the_european_union_could_achieve_net_zero_emissions_at_net_zero_cost/net-zero-europe-vf.pdf

⁶² European Environment Agency, "Share of energy consumption from renewable sources in Europe", (2022), at: <https://www.eea.europa.eu/ims/share-of-energy-consumption-from>

⁶³ IEA, "Czech Republic 2021: Energy Policy Review", (2021), at: <https://iea.blob.core.windows.net/assets/301b7295-c0aa-4a3e-be6b-2d79aba3680e/CzechRepublic2021.pdf>

⁶⁴ Ibid.

		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
--	--	--

Conclusion

Československá obchodní banka has developed the Československá obchodní banka Green Bond Framework, under which it may issue green bonds and use the proceeds to finance and refinance loans for projects related to renewable energy, energy efficiency, clean transportation, green buildings, pollution prevention and control, water management and sustainable land use. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact and reduce the carbon footprint of the Bank's portfolio.

The Československá obchodní banka Green Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for the Bank to report on their allocation and impact. Furthermore, Sustainalytics believes that the Československá obchodní banka Green Bond Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 6, 7, 11 and 12. Additionally, Sustainalytics is of the opinion that ČSOB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that the Bank is well positioned to issue green bonds and that the Československá obchodní banka Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Československá obchodní banka
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Československá obchodní banka Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 5, 2022
Publication date of review publication: Original publication date [please fill this out for updates]:	

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:

- | | |
|--|--|
| <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 (please specify): | |

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Pollution Prevention and Control, Water Management, and Sustainable Land Use – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to deliver positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <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 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 GBP | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

ČSOB's Green Bond Committee will be responsible for evaluating and selecting eligible assets that are in line with the eligibility criteria. ČSOB has in place due diligence processes to manage and mitigate potential environmental and social risks, that are applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability 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 Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

ČSOB's Treasury team will be responsible for the management of proceeds on a portfolio basis and will track allocations to eligible assets using an internal information system. ČSOB intends to allocate all proceeds to eligible assets within three years of issuance. Pending allocation, proceeds will temporarily be held in money market instruments, cash or cash equivalents. This is in line with market practice.

Tracking of proceeds:

- Green 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*):

ČSOB intends to report on the allocation of proceeds on its website on an annual basis. Allocation reporting will include the total amount of proceeds allocated to each eligible green asset category, the origination timeframe and maturity profile of the loans per category and the balance of unallocated proceeds. In addition, ČSOB is committed to reporting on relevant impact metrics. Sustainalytics views ČSOB'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 Green Bond financed share of total investment
- Other (please specify): the origination timeframe and maturity profile of the loans per category and the balance of unallocated proceeds

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): Installed renewable energy capacity, renewable energy generation, green buildings certification level, land area of certified/sustainable forestry or organic farming.

Frequency

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

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- 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 (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating: An issuer can have its Green Bond, associated Green 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 performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

