



Československá obchodní banka

Green Bond framework

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1. Introduction

1.1 ČSOB's approach to Corporate Sustainability

Československá obchodní banka, a. s. (“**ČSOB**”) and its subsidiaries (together with ČSOB the “**ČSOB Group**”), as part of KBC Group NV and its subsidiaries (the “**KBC Group**”), is a member of the UN Global Compact platform, which operates under the auspices of the United Nations. As part of its business, the ČSOB Group strives to consistently fulfill its core values in the areas of human rights, working conditions, the environment and anti-corruption behavior.

Our key company values, responsibility, respect and being result driven towards needs of our society, are transformed into a business model in the following ways:

- The client and his needs always come first in everything we do.
- We offer clients a unique experience in using our bancassurance services.
- We strive for the long-term development of our company and thus pursue to achieve sustainable and profitable growth.
- We take responsibility towards society seriously.

We believe that a business strategy based on consideration as well as fairness is essential for building and maintaining trust in our company and helps us become a "reference" in domestic markets.

For us, sustainability means that we are able to respond to the expectations of all stakeholders, not only today, but also in the future. The basic conditions for sustainability are financial stability and prudent risk management, thanks to which we are able to meet all our obligations.

As a financial institution, we are an important driver of the real economy. By contributing to economic prosperity, i.e., by offering loans, insurance and asset management, we can manage the social and environmental impact of our operations and make a significant contribution to achieving positive results. In implementing our sustainability strategy, we focus on local communities and the economy. We are aware of the impact of our operations on society, and we respond to societal needs and expectations in a balanced, relevant and transparent manner.

We have aligned our sustainability strategy with the UN Sustainable Development Goals (SDG) objectives of 2015 and are implementing it through three basic positions:

- Reducing the negative impact on society by strictly adhering to binding policies and regulations in the areas of respect for human rights, environmental protection, promoting business ethics and addressing controversial societal issues, as well as reducing our own carbon footprint (within the KBC Group of which we are a part we have committed to reducing GHG emissions by 80 % by 2030) or by offering socially responsible investments.
- Increasing the positive impact on society in areas where we can contribute to improvement through our day-to-day activities. We actively respond to societal needs and offer added value through a range of activities thematically divided into four strategic pillars, i.e. For Longevity, For Business, For Education and For Nature.
- Responsible behavior towards employees and stimulating their own responsible behavior. We offer our employees the opportunity to use their talent and experience and thus find their preferable way in a rapidly changing world.

In carrying out our activities, we not only respect laws and regulations, but also impose other restrictions and rules, especially with regard to ethical behavior, openness, transparency, discretion and privacy¹.

1.2 Background of the Green Bond Framework

The ČSOB Group is convinced that the financial industry has a key role to play in the transition to a low carbon economy and is willing to contribute to the development of a sustainable financial market.

Green funding provides an opportunity for the ČSOB Group to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective.

¹ See [ČSOB Sustainability and Responsibility Policy](#) for full detail.

Green bonds (“**Green Bonds**”) can be issued under this green bond framework (this “**Framework**”) by ČSOB or any of its subsidiaries. The ČSOB Group will allocate an equivalent amount of the Green Bond proceeds to the relevant ČSOB Group member where the Eligible Assets (as defined in 2.1.) are located. This Framework is intended to accommodate secured and unsecured transactions in various formats and currencies. Further details will be provided in the applicable announcements and transaction documentation.

This Framework is in line with ICMA’s Green Bond Principles, 2021 (the “**Green Bond Principles**”). In the future, the ČSOB Group may align this Framework with emerging best practices, which may include European Green Bond Standard and other forthcoming regulatory requirements and guidelines.

2. Green Bond Framework

This Framework is presented through the following core components, which follow the voluntary guidelines of the Green Bond Principles:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

2.1 Use of Proceeds

An amount equivalent to the proceeds of Green Bond (“Use of Proceeds”) issuances is exclusively used to finance or refinance, in whole or in part, projects and activities in the following categories: **1) Renewable Energy, 2) Energy Efficiency, 3) Clean Transportation, 4) Green Buildings, 5) Pollution Prevention & Control, 6) Water Management and 7) Sustainable Land Use.**

To qualify as Green Bond Eligible Assets (“**Eligible Assets**”), the selected loans are required to meet the following eligibility criteria:

Category	Eligibility criteria
1. Renewable Energy	
Renewable energy power generation	<p>Loans to finance purchase of equipment related to wind, solar, geothermal, biomass and waste-to-energy, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:</p> <ul style="list-style-type: none"> • Onshore and offshore wind energy • Solar energy, for Solar thermal plants or Concentrated solar power systems min. 85% of generated electricity derived from solar energy • Geothermal energy (with direct emissions $\leq 100\text{g CO}_2/\text{kWh}$) • Energy from biomass, that is: <ul style="list-style-type: none"> – not grown in areas converted from land with previously high carbon stock such as wetlands or forests – not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands – not suitable for human consumption – and subject to sustainable transport: no excessive transport of input material or end product • Waste-to-energy, that is: <ul style="list-style-type: none"> – Waste incineration – Recyclables (especially plastics) should be segregated before conversion. Waste not to include plastics, rubber and tire-derived fuels.

2. Energy Efficiency

'Consumer Energy Efficiency Loans'	<p>'Consumer Energy Efficiency Loans' for home improvements of the ČSOB Group's retail clients where at least 50% of the home improvements are for energy-efficiency purposes, including:</p> <ul style="list-style-type: none">• new central heating or solar boilers• heat pumps• high-efficiency glazing• new insulation• thermostatic taps• solar panels <p>Note: As retail clients are required to use at least 50% of the loan for energy-efficiency purposes, conservatively 50% of the outstanding loan amount is viewed as 'eligible'.</p>
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3. Clean Transportation

Low carbon land transport	<p>Loans to finance low carbon land transport:</p> <ul style="list-style-type: none">• Public passenger transport, including electric, hybrid electric and hydrogen vehicles, rail transport, metros, trams and cable cars• Private light-duty and heavy goods vehicles that are electric, hybrid-electric or hydrogen based.• Following thresholds for eligibility apply:<ul style="list-style-type: none">– Hybrid vehicles: below 75gCO₂/km– Buses and trucks <1 gCO₂/km– Rail transport: <50gCO₂e/pkm– Freight rail: <25gCO₂/tkm• Dedicated freight railway lines (excluding transport with the main objective of transporting fossil fuels, i.e., it comprises less than 50% of total by tonnes-kilometre)• Supporting infrastructure for low carbon land transport e.g., IT upgrades, signalling, communication technologies and charging infrastructure, with explicit exclusion for standalone parking facilities
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4. Green Buildings

Residential Real Estate	Real estate loans for new or recently constructed energy efficient residential buildings belonging to the top 15% of the residential real estate in the country of location, represented as buildings with an EPC label of A or B.
Commercial Real Estate	<p>New or recently built commercial real estate buildings belonging to the top 15% of the commercial real estate building stock in terms of energy performance in the country of location, or which have obtained any of the following green building certificates:</p> <ul style="list-style-type: none">• LEED: [≥ "Gold"]• BREEAM: [≥ "Excellent"]• HQE: [≥ "Excellent"]

5. Pollution Prevention & Control

Waste reduction & recycling	<p>Sharing, repairing, reusing, refurbishing, and remanufacturing of goods and recycling of waste under following conditions:</p> <ul style="list-style-type: none">(i) Refurbishment, reconditioning and repair will support putting the products to their original use with very minimal or without any further pre-processing required.(ii) Refurbishment, reconditioning and repair will not include products specifically for use in the extraction of fossil fuel or products that inherently rely on fossil fuels.(iii) If recycling includes e-waste or waste from electrical and electronic equipment (WEEE), it must be accompanied by robust waste management processes to mitigate associated risks.
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6. Water Management

Sustainable water & wastewater management	<p>Loans to finance equipment, development, manufacturing, construction, operation and maintenance of:</p> <ul style="list-style-type: none">• water recycling and wastewater treatment facilities (out of scope are facilities for treatment of wastewater from fossil fuel operations, fracking, nuclear or mining, and desalination plants)• water storage facilities• water distribution systems with improved efficiency/quality• urban drainage systems• flood mitigation infrastructure, such as infiltration infrastructure
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7. Sustainable Land Use

Sustainable land use	<p>Loans to finance sustainable land use:</p> <ul style="list-style-type: none">• Sustainable agriculture in the EU, comprised of organic farming as certified in compliance with the EU and national regulation
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2.2 Process for project evaluation and selection

The Use of Proceeds categories of this Framework are aligned with the strategy and corporate sustainability approach of the ČSOB Group. The underlying Eligible Assets are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirements. The Eligible Assets are furthermore evaluated by an assessment against the ČSOB Group's sustainability policies and the standards of the ČSOB Sustainability and Responsibility Policy and KBC Group Sustainability Framework (including the exclusionary criteria) where applicable.

The ČSOB Group's business units provide information on the compliance of the projects with the criteria for Eligible Assets (as per 2.1).

Upon submission of projects by the business units, the Green Bond Committee, comprised of representatives including at least one general manager from ČSOB Group Treasury (ALM department), Corporate Sustainability and representatives from the business units (when required), will verify the compliance of the projects with the Use of Proceeds requirements and select projects as Eligible Assets. The Green Bond Committee also verifies that all selected Eligible Assets comply with the standards of the ČSOB Group's and KBC Group Sustainability Framework, where applicable.

The Green Bond Committee will document the assessment process with the view to demonstrate to an independent auditor that funded loans meet the applicable eligibility criteria.

2.3 Management of Proceeds

The net proceeds of the Green Bonds will be managed by the Treasury team of ČSOB Group on a portfolio basis. As long as the Green Bonds are outstanding, it is intended to exclusively allocate an amount equivalent to the net proceeds to a Green Bond portfolio of Eligible Assets in line with the above-mentioned eligibility criteria and evaluation and selection process. The ČSOB Group will individually label all allocated Eligible Assets in its internal information systems and will monitor these allocations on a monthly basis. If an asset no longer meets the eligibility criteria, the ČSOB Group will remove the loan from the Green Bond portfolio and will strive to replace it with an Eligible Asset as soon as possible, subject to availability.

Pending the full allocation of the proceeds to Eligible Assets, or in case insufficient Eligible Assets are available, the ČSOB Group commits to hold the balance of net proceeds not allocated to Eligible Assets within the treasury of the ČSOB Group, invested in money market products, cash and/or cash equivalent, with maximum allocation period of 3 years from date of issuance.

Based on the internal monitoring of the portfolio of Eligible Assets, the Green Bond Committee will review and approve allocations of bond proceeds to Eligible Assets on a quarterly basis.

2.4 Reporting

The ČSOB Group has the ambition to regularly provide investors with information on both the allocation of proceeds and the non-financial impact of the Eligible Assets included in its Green Bond portfolio.

2.4.1 Allocation of proceeds reporting

On at least an annual basis the ČSOB Group will prepare a report to update investors on the allocation of the net proceeds of the Green Bonds to Eligible Assets. This report provides information about:

- The total amount of proceeds allocated to Eligible Assets
- The allocated amounts to Eligible Assets per Use of Proceeds category
- Origination timeframe and maturity profile of the loans per Use of Proceeds category
- The amount of unallocated proceeds

2.4.2 Impact reporting

On an annual basis, the ČSOB Group intends to report on the impact of the Eligible Assets by category from a sustainable and environmental perspective. The ČSOB Group aims to report on the impact indicators listed in Appendix A below, subject to the availability of information and baseline data and based on methodologies that will be publicly available.

Both allocation report and non-financial impact report will be made publicly available in the Green Bond section of ČSOB's investor relations webpage.

2.5 External review

2.5.1 Consultant review

Prior to issuance, ČSOB has commissioned Sustainalytics to provide a second party opinion confirming the alignment of this Framework with the ICMA's Green Bond Principles.

The second party opinion will be available in the Green Bond section of ČSOB's investor relations webpage.

2.5.2 Verification

The ČSOB Group will request on an annual basis, starting one year after issuance of the first Green Bonds issue and provided that any Green Bonds are still outstanding, a limited assurance report of the allocation of the Green Bond proceeds to Eligible Assets, provided by a reputable external auditor.

2.5.3 Certification

The ČSOB Group aims to seek external certification of its Green Bonds in line with the recognized international standards of the Climate Bonds Initiative.

Appendix A – Impact indicators

Examples of quantitative impact indicators:

For Renewable Energy:

- Installed renewable energy capacity in GW or MW
- Expected or actual annual renewable energy generation in MWh
- Estimated annual GHG emissions avoided (in tCO₂e)

For Energy Efficiency:

- Energy savings in MWh or GWh
- Annual GHG emissions avoided (in tCO₂e)
- Annual GHG emissions reduced (in tCO₂e)
- Number of energy efficiency measures financed by category
- Number of retail vehicles financed
- Number of public transportation projects financed
- Number of people using the new public clean transportation means

For Green Buildings

- Date of construction
- Certification level
- Estimated annual energy savings in MWh or GWh compared to a baseline
- Estimated annual GHG emissions avoided/reduced in tons of CO₂e

Examples of additional possible impact indicators:

- Alignment with UN Sustainable Developments Goals, such as: SDG7) Affordable and Clean Energy, SDG13) Climate Action, SDG12) Responsible Consumption and Production, SDG 15) Life on Land
- Annual water savings, volume of wastewater treated or avoided
- Mitigation of negative impact (e.g. reduction in local GHG emissions, health impact, biodiversity and noise level)
- Land area of certified/sustainable forestry or organic farming

For all other use of proceeds categories, specific impact indicators will be developed over time once Green Bond proceeds will be allocated to these categories.

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