

Nova Ljubljanska banka d.d., Ljubljana

Type of Engagement: Annual Review

Date: 12 June 2024

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Introduction

In June 2023, Nova Ljubljanska banka d.d., Ljubljana (“NLB” or “the Bank”) issued a green bond (the “2023 Green Bond”) to finance or refinance loans that promote transition to a low-carbon economy. In 2024, NLB engaged Sustainalytics to review the projects financed with proceeds from the 2023 Green Bond (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the NLB Green Bond Framework (Framework).¹ Sustainalytics provided a Second-Party Opinion on the Framework in May 2023.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria
Renewable Energy	<p>Financing or refinancing the production of renewable energy:</p> <ol style="list-style-type: none"> Solar energy - Photovoltaics (PV) and concentrated solar power (CSP); cogeneration of heat/cool and power from solar energy Wind energy - On and off-shore Geothermal energy ($\leq 100\text{g CO}_2\text{e/kWh}$) Bioenergy ($\leq 100\text{g CO}_2\text{e/kWh}$); fuel that is derived from sources of high biodiversity, that competes with food sources or that depletes carbon pools is excluded Hydropower - Small-scale hydropower projects (less than 25MW) with either: <ol style="list-style-type: none"> Life cycle emissions $\leq 100\text{g CO}_2\text{e/kWh}$ or Power density $> 5\text{W/m}^2$ or The electricity generation facility is a run of river plant and does not have an artificial reservoir <p>Financing or refinancing the production of transmission and distribution of electricity projects, including but not limited to transmission and distribution infrastructure, as well as smart metering.</p> <p>Financing or refinancing of the installation, maintenance and repair of renewable energy technologies.</p>

¹ NLB, “Green Bond Framework”, (2023), at: <https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/debt-instruments/nlb-green-bond-framework.pdf>

² Sustainalytics, “Second-Party Opinion, NLB”, (2023), at: <https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/debt-instruments/nlb-green-bond-framework-second-party-opinion.pdf>

Green Building	<p>Financing or refinancing of new or existing buildings:</p> <ul style="list-style-type: none"> i. Buildings built before 31 December 2020 with EPC label \geq 'A' or belonging to the top 15% of the national building stock based on primary energy demand (PED) ii. Buildings built after 31 December 2020 with energy performance of at least 10% better than the threshold for Nearly Zero-Energy Buildings (NZEB) based on primary energy demand (PED) in the local market iii. Buildings that have been refurbished, resulting in a reduction of PED of at least 30% and validated through an Energy Performance Certificate iv. Buildings that have been refurbished meeting the criteria for major renovations under applicable building regulations v. New, existing or refurbished buildings which received at least one of the following certifications: <ul style="list-style-type: none"> a. BREEAM 'Excellent' or above b. LEED 'Gold' or above c. DGNB 'Gold' and/or above d. HQE 'Excellent' and/or above
Energy Efficiency	<p>Financing or refinancing of energy efficiency projects, such as:</p> <ul style="list-style-type: none"> i. Manufacture of rechargeable batteries (e.g., lithium-ion batteries), battery packs and accumulators for transport, stationary and off-grid energy storage ii. Construction of facilities that store electricity and return it later in the form of electricity iii. Installation of electric heat pumps iv. Installation, maintenance and repair of energy efficiency equipment including LED street lamps
Clean Transportation	<p>Financing or refinancing of low carbon vehicles and rolling stock:</p> <ul style="list-style-type: none"> i. Zero emission vehicles powered by electricity ii. Zero emission passenger and freight rail transportation <p>Financing or refinancing of low-carbon transportation infrastructure:</p> <ul style="list-style-type: none"> i. Infrastructure for personal mobility and cycle logistics ii. Infrastructure for rail transport iii. Infrastructure enabling low-carbon road transport and public transportation, such as EV charging points and hydrogen fueling stations

Table 2: Key Performance Indicators

Use of Proceeds	Key Performance Indicators
Renewable Energy	i. Total installed capacity in MW ii. Estimated annual avoided emissions in tonnes of CO ₂ equivalent iii. Estimated annual energy saved in MWh iv. Renewable capacity connected to the grid (GW)
Green Building	i. Estimated ex-ante annual energy consumption in kWh/m ² ii. Estimated annual energy savings in MWh/GWh iii. Estimated annual reduced and/or avoided emissions in tonnes of CO ₂ equivalent
Energy Efficiency	i. Estimated annual energy savings in MWh ii. Estimated annual reduced and/or avoided emissions in tonnes of CO ₂ equivalent
Clean Transportation	i. Estimated annual reduced and/or avoided emissions in tonnes of CO ₂ equivalent ii. Number of fossil-free vehicles deployed iii. Number of electric vehicles charging points installed iv. Kilometers of rail tracks v. Estimated passenger-kilometers and/or passengers; or tonnes kilometers and/or tonnes transported vi. Other relevant indicators depending on the considered projects

Issuer's Responsibility

NLB is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2023 Green Bond. The work undertaken as part of this engagement included collection of documentation from NLB and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by NLB. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by NLB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. NLB has disclosed to Sustainalytics that 68.2% of the net proceeds from the 2023 Green Bond were allocated by March 2024, while it intends to allocate the remaining 31.8% of the proceeds by June 2026.

³ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendix

In 2023, NLB issued the 2023 Green Bond and raised EUR 500 million, of which EUR 40.4 million were used to finance new projects while EUR 300.7 were used to refinance existing projects. NLB intends to allocate the remaining EUR 158.9 million by June 2026.

Table 4: Allocation and Estimated Impact from the projects financed by the 2023 Green Bond proceeds

Use of Proceeds Category	Number of Loans Advanced	Sub-Category	Net Proceeds Allocated (EUR million)	Estimated Impact ⁴
Renewable Energy	275	Solar Energy	33.7	<ul style="list-style-type: none"> i. Energy generated: 79,520.2 MWh ii. Capacity installed: 67.1 MW iii. Emissions avoided: 11,591.3 tonnes of CO₂/year
	5	Wind Energy	58.1	<ul style="list-style-type: none"> i. Energy generated: 96,111.5 MWh ii. Capacity installed: 37.2 MW iii. Emissions avoided: 103,636.1 tonnes of CO₂/year
	5	Hydropower	10.5	<ul style="list-style-type: none"> i. Energy generated: 22,803.6 MWh ii. Capacity installed: 12.8 MW iii. Emissions avoided: 16,593.8 tonnes of CO₂/year
	11	Transmission and Distribution of electricity	136.2	Reported Impact: Increase in installed renewable energy production: 270.4 MW
Green Building	1	Construction of new buildings	11.4	Emissions avoided: 196 tonnes of CO ₂ /year
	2	Renovation of existing buildings	42.3	Emissions avoided: 5,845.7 tonnes of CO ₂ /year
	235	Acquisition and ownership of buildings	23.7	Emissions avoided: 389.1 tonnes of CO ₂ /year

⁴ NLB has informed Sustainalytics that the estimated impact is in CO₂ units and not in CO₂ equivalent units as per the Framework due to poor data availability for calculating emissions from non-CO₂ GHGs.

Energy Efficiency	1	Manufacture of batteries	10.1	Total capacity of manufactured rechargeable batteries: 675,000 KWh/year
Clean Transportation	6	Urban and suburban transport, road and passenger transport	1.4	Emissions avoided: 10.9 tonnes of CO ₂ /year
	402	Transport by motorbikes, passenger cars and light commercial vehicles	13.7	Emissions avoided: 745.4 tonnes of CO ₂ /year
Total	947		341.1	

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