

# Second-Party Opinion

## OKB Sustainable Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the OKB Sustainable Financing Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, (v) Sustainable Water Management, (vi) Clean Transportation, (vii) Climate Change Adaptation, (viii) Promoting Employment Creation, (ix) Access to Essential Services, (x) Basic Infrastructure in Developing Countries, and (xi) Affordable Housing - are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible projects will lead to positive environmental and social impacts while advancing the UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** OKB established a dedicated sustainable bond team, named the Sustainability Team, which consists of cross-departmental representatives from International Relations & Analyses, Client Advisory Export Services, Product Export Services, OeEB (Oesterreichische Entwicklungsbank), Treasury and the Sustainability Manager. The team is responsible for reviewing potential projects on the alignment with the Sustainable Financing Framework. All projects are subject to an environmental and social risk assessment conducted by OKB or OeEB. Sustainalytics views OKB's internal process for project evaluation and selection to be aligned with market best practice.



**MANAGEMENT OF PROCEEDS** The OKB Sustainability Team will manage the net proceeds using a Sustainable Finance Register in which the proceeds of green, social and sustainable bonds will be earmarked for allocation. Pending full allocation, the unallocated proceeds will be invested in working capital financing for SMEs excluding businesses identified in OKB's SME exclusion list. The Sustainable Financing Register will be reviewed on an ongoing basis to track any material change based on eligibility criteria. Projects that are not aligned with the eligibility criteria will be excluded. This process is in line with market practice.



**REPORTING** OKB intends to report to investors annually on the allocation of proceeds on its website. The allocation reporting includes information on the eligible project categories financed including amounts allocated and the region, the remaining balance of unallocated proceeds and the allocated proceeds by type of lending (corporate loans/projects, lending via commercial banks and funds). Regarding the impact report, where available, OKB commits itself to disclosing data on relevant metrics based on each eligibility criterion on an annual basis. OKB also committed to an independent annual review of its reporting which is in line with best practice.

<b>Evaluation date</b>	29 August, 2019
<b>Issuer Location</b>	Vienna, Austria

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## Introduction

Oesterreichische Kontrollbank Aktiengesellschaft (“OKB” or the “Company”) is a special-purpose bank in Austria that provides financial and information services to the export industry and capital markets. As a private company with a government mandate, OKB operates through four segments: Export Services, Development Financing, Capital Market Services as well as Energy Market Services. OKB was founded in 1946 and is headquartered in Vienna, Austria.

OKB has developed the OKB Sustainable Financing Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance, in whole or in part, existing and future projects that support the reduction of poverty as a concern of development finance and improve climate protection while advancing the company’s sustainability strategy. The Framework defines eligibility criteria in seven green and four social areas:

### Green Eligible Categories

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Sustainable Water Management
6. Clean Transportation
7. Climate Change Adaptation

### Social Eligible Categories

1. Promoting Employment Creation
2. Access to Essential Services
3. Basic Infrastructure in Developing Countries
4. Affordable Housing

OKB engaged Sustainalytics to review the OKB Sustainable Financing Framework dated July 2019 and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of OKB’s sustainability and 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 OKB’s sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

<sup>1</sup> The Sustainability Bond Guidelines 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/>

<sup>2</sup> The OKB Sustainable Financing Framework is available on OKB’s website at: <https://www.oekb.at/investor-relations.html>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the OKB Sustainable Financing Framework

#### Summary

The following opinion is on the eligibility criteria, project selection, management of proceeds and reporting of the OKB Sustainable Financing Framework. As such, when referring to the OKB Sustainable Financing Framework, Sustainalytics refers to the named elements.

Overall Sustainalytics considers the OKB Sustainable Financing Framework as credible and impactful and as aligning with the four core components of the Green Bond Principles 2018 and the Social Bond Principles 2018. Sustainalytics highlights the following elements of OKB's Sustainability Bond Framework:

- Use of Proceeds:
  - The use of proceeds categories of the OKB Sustainable Financing Framework align with those recognized as impactful by the Sustainability Bond Guidelines 2018. Sustainalytics believes that OKB's use of proceeds will contribute to fostering activities and technologies that reduce GHG emissions, promote sustainable resource management and provide social benefits in developing countries and Austria.
  - OKB intends to use the proceeds of the bonds to finance projects, corporate project-specific loans and intermediary lending, such as bank loans to specific end-users and/or investments in funds dedicated to eligible categories. OKB confirmed that existing projects are limited to those not older than three years, which is in line with market practice.
  - Sustainalytics notes that OKB includes the financing of large hydro power plants above 25MW with less than 100g CO<sub>2</sub>/kWh in its financing. Sustainalytics recognizes that large hydro power plants may have significant negative impacts related to GHG emissions, biodiversity and community relations. Sustainalytics welcomes OKB's clarification that it requires alignment with the relevant IFC Performance Standards (PS) in general, as for all projects, and with IFC standards for hydro power specifically. OKB also provided examples of large hydro power projects being rejected as a result of not meeting the standards. While Sustainalytics considers the IFC PS to be strong guidelines to manage E&S risks, Sustainalytics does not have insight into the individual large hydro power projects financed and can thus not determine their potential impacts on the environment and communities. However, Sustainalytics positively notes that OKB has committed to an independent external annual review, which provides post-issuance transparency on the eligible projects.
  - OKB's sustainability bond proceeds may be used to finance activities related to palm oil, a commodity associated with high social and environmental risks. Sustainalytics notes that financed activities are limited to biodiversity measures at Roundtable for Sustainable Palm Oil (RSPO)-certified palm oil plantations through funds financed and SME lending through intermediaries to SMEs with RSPO certified palm oil activities (see assessment in Appendix).
  - OKB intends to use the proceeds to finance energy efficiency projects that reduce energy consumption of underlying asset, technology, product or system(s) by at least 20% respectively and lead to an increase in energy efficiency of at least 20%. Sustainalytics views positively that OKB established a threshold that ensures significant energy efficiency improvements and that it excludes energy efficiency improvements which result in increased use of fossil fuels or projects that provide a fossil fuel lock-in in highly carbon-intensive industries. Sustainalytics encourages OKB to exclude any energy efficiency investment that contributes to a fossil fuel lock-in across all sectors.
  - Sustainalytics views positively OKB's exclusion of pollution prevention and control projects that are directly related to fossil fuel assets and high carbon intensive industries. In addition, Sustainalytics positively views that OKB limits its investment into waste to energy, biomass and geothermal for electricity production to projects that emit below 100g CO<sub>2</sub>/kWh, and clean

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- vehicles to those below 50g CO<sub>2</sub>/km/passenger. In addition, OKB confirmed that waste to energy projects follow the waste hierarchy.<sup>3</sup>
- OKB uses credible third-party standards for its investments in environmentally sustainable food production, such as the Forest Stewardship Council (FSC)<sup>4</sup>, Marine Stewardship Council (MSC), Rainforest Alliance, Aquaculture Stewardship Council (ASC) certification without variance to the standard,<sup>5</sup> UTZ. (see Appendix 1 for additional details).
  - In addition, Sustainalytics recognizes that OKB may extend the list of certification schemes in the future. While OKB commits to an independent annual review, given the variety of certifications and the differences in environmental and social aspects that they address, Sustainalytics encourages OKB to ensure that any schemes added to its list are at least as robust and stringent as those enumerated above.
  - OKB's social eligible investments include the following specifications on target population:
    - Construction, expansion and modernization of basic infrastructure in OECD DAC countries<sup>6</sup> such as drinking water infrastructure, sewage and sanitation services, telecommunication, energy and transport infrastructure including roads and bridges. Sustainalytics highlights that the construction of roads and bridges is limited to those that increase the connectivity of communities restricted in their development and energy distribution infrastructure. Energy distribution projects exclude those energy distribution infrastructure expansions or upgrades that are designed to or are likely to result in the connection of new fossil-fuel-based power generation to the grid.
    - SME financing is limited to SMEs as defined by the IFC<sup>7</sup> in OECD DAC countries and limited to SMEs in Austria located in regions with an unemployment rate that is higher than the annual average national unemployment rate. Sustainalytics encourages detailed reporting on the impacts achieved through SME financing.
    - OKB limits investments in education and health institutions to those which are affordable and accessible to the public in OECD DAC countries.
    - OKB intends to finance the construction or modernization of affordable housing and the provision of mortgages for low income customers. Low income population is defined by OKB and OeEB according to national definitions of the countries where the houses are placed or the IFC definition of the respective country. Sustainalytics encourages OKB to provide transparency on the individual criteria per country upon issuance.
    - OKB intends to use part of the proceeds to finance projects to improve medical waste management. These include projects in Africa that involve waste management systems that aim to prevent unnecessary waste and to separate waste and recycle it where possible, accompanied by extensive training in waste management, and air emission abatement systems and an analytical system to measure emissions at incineration. They also involve the incineration of remaining medical waste without energy capture, although emission abatement systems will prevent the release of certain pollutants. Sustainalytics acknowledges the social and health benefits for local communities of improving the management and treatment of medical waste, which include a reduction in exposure to the risk of injury and infection. However, the incineration of remaining medical waste will result in an increase in GHG emissions.

<sup>3</sup> The waste hierarchy is a set of priorities for the efficient use of resources. According to the waste hierarchy waste avoidance should be prioritized first, followed by reuse, recycling, recovery with waste treatment and disposal being the least preferable options.

<http://ec.europa.eu/environment/waste/framework/>

<sup>4</sup> The WWF considers the Forest Stewardship Council (FSC) to be the most credible certification system to ensure environmentally responsible, socially beneficial and economically viable management of forests in the industry.

[http://wwf.panda.org/our\\_work/forests/forest\\_sector\\_transformation2/forest\\_certification/](http://wwf.panda.org/our_work/forests/forest_sector_transformation2/forest_certification/)

<sup>5</sup> A list of variance requests and variances previously granted is available on ASC's website: ASC's list of variance requests and variances previously granted is available here: <http://variance-requests.asc-aqua.org/>

<sup>6</sup> OECD Development Assistance Committee list of Official Development Assistance Recipients (current list can be downloaded here:

<http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm>), country needs to be defined as developing country by the effective list at time of commitment.

<sup>7</sup> IFC's definition of MSMEs available at:

[https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors)

Sustainalytics acknowledges that some alternatives such as autoclaving, microwaving, steam treatment, and chemical treatment, encouraged by the WHO<sup>8</sup> among others, are difficult to implement in the context of emerging markets given the skillset needed, availability of water, availability of electricity, and availability of technicians familiar with the technology.<sup>9</sup> Sustainalytics nonetheless regards the use of incineration, especially without energy capture, as a limitation and recommends that OKB explains the reasons for choosing incineration over alternatives in detail in its reporting.

- **Project Evaluation and Selection:**
  - OKB’s Sustainability Team will be responsible for the oversight of the Sustainable Financing Framework and will manage the evaluation and selection process. The team is comprised of cross-functional representatives from International Relations & Analyses, Client Advisory Export Services, Product Export Services, OeEB (Oesterreichische Entwicklungsbank), Treasury and the Sustainability Manager. OKB’s project evaluation and selection process will be coordinated and chaired by the company’s Sustainability Manager and reviewed by the Sustainability Team regarding compliance of the framework with the proposed eligible use of proceeds. This process is in line with current market practice.
- **Management of Proceeds:**
  - OKB will establish a Sustainable Finance Register to monitor and account for the allocation of the proceeds from the framework. The proceeds will be deposited in the general funding accounts and earmarked for allocation in the Sustainable Financing Register. Pending full allocation, proceeds will be invested in working capital financing for SMEs, excluding businesses that fall into OKB’s identified SME exclusion list within the framework. Sustainalytics considers OKB’s management of proceeds as in line with current market practice.
- **Reporting:**
  - OKB will annually report on the allocation of proceeds, until full allocation. Annual updates will be provided through the company website for investors. These updates will disclose the eligible project categories financed including amounts allocated and the region, the remaining balance of unallocated proceeds, and the allocated proceeds by type of lending (corporate loans/projects, lending via commercial banks and funds). In addition to the allocation report, where available, OKB will report on potential impact metrics associated with project activities, such as renewable energy produced (gWh), annual GHG emissions reduced/avoided (in tons CO<sub>2</sub>), annual energy savings, waste prevented, minimized, reused or recycled, estimated annual reduction in water consumption (m<sup>3</sup>), number of clean vehicles deployed, number of micro enterprises and/or SMEs funded, and number of beneficiaries. OKB’s reporting process is in line with current market practice. OKB also committed to an independent review of its annual reporting, which is considered market best practice.

#### **Alignment with Sustainability Bond Guidelines 2018**

Sustainalytics has determined that OKB’s green, social and sustainability bond proceeds and transactions align with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix B: Sustainability Bond/ Sustainability Bond Programme External Review Form.

<sup>8</sup> World Health Organization, Health-care waste, February 2018: <https://www.who.int/news-room/fact-sheets/detail/health-care-waste>

<sup>9</sup> Tuttnauer, Facing the Standards Gap: An Autoclave for the Rest of Us, August 2016: | <https://tuttnauer.com/blog/facing-the-standards-gap/>; Program for Appropriate Technology in Health (PATH), Treatment Alternatives for Medical Waste Disposal, October 2005, [https://path.azureedge.net/media/documents/TS\\_trt\\_alt\\_med\\_wst\\_disp.pdf](https://path.azureedge.net/media/documents/TS_trt_alt_med_wst_disp.pdf)

## Section 2: Sustainability Performance and Strategy of the Issuer

### Contribution of the Framework to the Issuer's sustainability performance and strategy

OKB has integrated sustainability considerations, especially resource management, climate protection and social development, into its core business model and has implemented a sustainability governance structure. OKB has committed itself to promoting resource efficiency, renewable energy, reducing GHG emissions and facilitating social development while advancing the company's sustainability strategy through the following efforts:

- In 2017, OKB identified key external factors including ecological and social impacts of the company's own activities through a materiality assessment and implemented KPIs to link material topics with the company's internal procedures.<sup>10</sup> The process also identified environmental and social objectives such as optimizing the direct and indirect ecological impacts of the company's activities and fostering social development.<sup>11</sup>
- Since 2003, OKB aligned its sustainability reporting with the Global Reporting Initiative (GRI) standards. Moreover, in 2019, OKB set annual targets as part of its sustainability programme, including issuing its first sustainable bond, mobilizing capital to finance SMEs, and expanding investments in renewable energy and climate protection.<sup>12</sup> OKB reports on its progress on environmental indicators, such as reducing Scope 2 CO<sub>2</sub> emissions<sup>13</sup> per employee by 14%, waste paper consumption per employee by 18% and power consumption per employee by 4% in 2018 compared to 2017.<sup>14</sup>
- OKB carries its development financing efforts into effect through OeEB, OKB's wholly owned subsidiary with a primary focus on specific activities such as promoting MSMEs, renewable energy, and resource efficiency. In addition to its permission to act in all developing countries according to the OECD DAC list, OeEB is obligated to assist the poorest countries.<sup>15</sup> In this respect climate-related projects account for 40% of OeEB's project portfolio. As the largest Austrian provider of climate financing in developing countries in 2017,<sup>16</sup> OeEB has financed EUR 590 million in climate-related projects since its inception in 2008. Moreover, OeEB financed USD 135 million in cooperation with the IFC with the objective of increasing access to renewable energy in India, demonstrating the company's dedication to fostering renewable energy and energy efficiency projects by increasing accessibility in developing countries.<sup>17</sup>
- For its MSME financing services, OeEB commits to combining its financial products with local training measures to generate jobs by transferring know-how from large companies to small businesses in developing countries. Moreover, OeEB intends to expand its activities in Africa to 20% of its new business which amounts to EUR 55 million per year.<sup>18</sup>

Given OKB's and OeEB's sustainability strategy, efforts and targets, Sustainalytics considers OKB well positioned to issue green, social and sustainability bonds.

### Well positioned to address common environmental and social risks associated with the projects

While the eligible categories are recognized as impactful by the GBP, SBP, SBG, Sustainalytics recognizes that the eligible categories have potential environmental and social risks such as workers' health and safety, community relations, biodiversity and ecological risks related to the construction, renovation and deconstruction of large-scale infrastructure and land use change. Moreover, social projects in general can include risks of increasing inequality if not targeted well at the relevant population group. These risks can be even more prevalent in regions where credible regulatory frameworks are lacking. Sustainalytics highlights the following measures that OKB has taken to mitigate related risks. Given that projects can be either financed by OKB or OeEB, which follow different risk assessment methods, Sustainalytics highlights both E&S risk assessment methods below.

<sup>10</sup> OKB Sustainability Report 2018 pg. 19

<sup>11</sup> OKB Sustainability Report 2018 pg. 34

<sup>12</sup> OKB Sustainability Report 2018 pg. 97

<sup>13</sup> Scope 2 emissions are indirect emissions from the generation of purchased energy.

<sup>14</sup> OKB Sustainability Report 2018 pg. 79

<sup>15</sup> OKB Sustainability Report 2018 pg. 44

<sup>16</sup> OeEB corporate website, December 2018: <https://www.oe-eb.at/en/news/news/2018/climate-finance.html>

<sup>17</sup> OKB Sustainability Report 2018 pg. 46

<sup>18</sup> OKB Sustainability Report 2018 pg. 36

- **OKB:** According to the OKB E&S Assessment Procedure, projects are assessed and classified into two pathways: Type 1 projects<sup>19</sup> have to be reviewed in accordance with the OECD Common Approaches.<sup>20</sup> The pathway requires an Environmental and Social Impact Assessment (ESIA) report for high-risk projects and alignment with international E&S standards such as World Bank Safeguard Policies, World Bank EHS Guidelines,<sup>21</sup> IFC Performance Standards, and UN Global Compact. In the case of projects, that do not fall under the Common Approaches, i.e. Type 2 projects,<sup>22</sup> an environmental and social audit in accordance with the “Watchful Eye” principle, which is based on an environmental and social questionnaire by sector, is conducted.<sup>23</sup>
- OKB’s E&S Assessment Procedures are based on potential environmental impacts including generation of significant air emissions, greenhouse gas emissions, effluents, wastewater, waste, hazardous waste, noise and vibrations, significant use of natural resources and impacts on endangered species as well as social impacts such as labor and working conditions, occupational health and safety situations, community health, safety and security, land acquisition and cultural heritage.<sup>24</sup>
- OKB requires the buyer and/or project sponsor to conduct public consultations with local communities and interested parties directly affected by the project,<sup>25</sup> mitigating risks related to community relations.
- **OeEB:** All lending and equity investment projects to be financed by OeEB are subject to an E&S assessment. OeEB’s internal assessment procedures follow several international standards such as the IFC PS<sup>26</sup>, the EDFI Principles for Responsible Financing of Sustainable Development,<sup>27</sup> the World Bank’s EHS Guidelines and the ILO Fundamental Conventions.<sup>28</sup> OeEB confirmed to Sustainalytics that it contractually obliges its partners to implement an Environmental and Social Management System (ESMS) commensurate to the risk profile of the FI. In case an FI does not have a sufficiently developed ESMS, OeEB would draw up an Environmental and Social Action Plan (ESAP) in order to improve the E&S performance of such FIs over time. Similarly, for corporate loans and financing of funds OeEB assesses the corporate’s/fund’s E&S performance or management system to ensure alignment with OeEB’s requirements. If environmental or social risks are identified, OeEB will identify an action plan, which becomes a binding condition in the loan agreement.

Overall, while Sustainalytics does not have full insight into future projects financed under the framework, Sustainalytics considers OKB’s and OeEB’s alignment with credible and recognized E&S risk assessment standards, continuous monitoring of projects, lack of controversies, and its consideration of the local context, to be indicative of strong E&S risk mitigation procedures.

### Section 3: Impact of Use of Proceeds

All eleven use of proceeds categories are recognized as impactful by GBP, SBP and SBG. Given that OKB intends to use the majority of the proceeds to finance projects and companies internationally, Sustainalytics has focused on four eligible categories below where the impact is specifically relevant in a global context.

#### Importance of renewable energy and energy efficiency to mitigate climate change across the globe

OKB intends to use part of the bonds’ proceeds to finance renewable energy projects such as solar, wind, geothermal, hydropower, biomass/biofuel and waste to energy as well as technology that provide energy

<sup>19</sup> including investment goods projects that have a repayment period of two years or more and a value upon application of EUR 10 million and above or that are to be implemented in sensitive regions

<sup>20</sup> OECD Common Approaches available at: <http://www.oecd.org/trade/topics/export-credits/environmental-and-social-due-diligence/>

<sup>21</sup> <http://documents.worldbank.org/curated/en/157871484635724258/Environmental-health-and-safety-general-guidelines>

<sup>22</sup> Projects with a repayment term of less than two years and an order value of less than €10 million

<sup>23</sup> OKB Environmental and Social Aspect available at: <https://www.oekb.at/en/export-services/about-oekb-export-services/environmental-and-social-aspects.html>

<sup>24</sup> OKB Environmental and Social Assessment available at: <https://www.oekb.at/en/dam/jcr:b86c9650-2b2f-41ce-805c-1acad55a813d/OeKB-ESIA-Process-Description-%20Dec%202018.pdf>

<sup>25</sup> OKB Environmental and Social Assessment available at: <https://www.oekb.at/en/dam/jcr:b86c9650-2b2f-41ce-805c-1acad55a813d/OeKB-ESIA-Process-Description-%20Dec%202018.pdf>

<sup>26</sup> [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

<sup>27</sup> [https://www.edfi.eu/wp/wp-content/uploads/2017/09/EDFI-Responsible-Financing-SDG\\_Principles\\_final\\_190515.pdf](https://www.edfi.eu/wp/wp-content/uploads/2017/09/EDFI-Responsible-Financing-SDG_Principles_final_190515.pdf)

<sup>28</sup> <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>

efficiency. Given that global energy demand is rapidly increasing due to a growing population,<sup>29</sup> particularly in developing countries, shifting towards clean and efficient energy plays an important role in combatting climate change while limiting the global average temperature increase to 1.5 degrees Celsius as specified by the IPCC 2018 report.<sup>30</sup>

Global electricity demand increased by 3.1% in 2017.<sup>31</sup> Since energy-related transformations in industry, buildings and transport could amount to 48% of global GHG emission reductions by 2030, the IEA Bridge Scenario identified energy efficiency as a primary objective to mitigate climate change.<sup>32</sup> Furthermore, according to the International Renewable Energy Agency (IRENA), the share of renewable energy sources must increase to 65% of global energy supply by 2050 to keep the global temperature increase below 2°C in conjunction with the Paris Agreement.<sup>33</sup> Although the share of renewable energy in the global energy portfolio increased by 7.9% in 2018,<sup>34</sup> fossil fuel energy still meets 70% of the energy demand globally,<sup>35</sup> demonstrating the need to further increase the share of renewable energy.

Based on the above, Sustainalytics believes that fostering renewable energy projects, as well as energy efficiency projects will play a vital role in reducing GHG emissions globally and supporting global climate change mitigation targets.

### Importance of financing SMEs to facilitate employment generation

OKB intends to use its part of the bonds' proceeds to finance Micro, Small and Medium Enterprises (MSMEs) in OECD DAC countries and Austria. As MSMEs are a fundamental element of the economy, especially in developing countries, they are regarded as important contributors to sustainable development in terms of economic growth, creation of decent jobs, provision of public goods and services, as well as poverty alleviation and inequality reduction.<sup>36</sup>

Short term liquidity barriers and access to finance are two of the most significant barriers to prolonging the lifecycle of MSMEs. Almost 70% of MSMEs in developing countries lack access to credit.<sup>37</sup> Furthermore, the MSME finance gap in developing countries is estimated at USD 5.2 trillion which is 1.3 times the current level of MSME lending and 19% of total GDP of the covered countries.<sup>38</sup> With regards to inadequate access to finance from local banks and unfavorable lending conditions, International Financial Institutions (IFI) play a crucial role in facilitating MSME financing and enhancing employment generation while supporting economic growth in emerging economies.<sup>39</sup>

In Austria, SMEs are a main source of employment, accounting for more than half of jobs and 99.7% of all enterprises in Austria.<sup>40</sup> According to research, Austria performs in line with the EU average on entrepreneurship, responsive administration,<sup>41</sup> state aid & public procurement and access to finance for SMEs.<sup>42</sup> On the other hand, research indicates that access to public financial support decreased from 18.6% to 9.70% and rejected loan applications increased from 2.8% to 4.9% in 2017 compared to 2016.<sup>43</sup>

<sup>29</sup> OECD Green Growth Studies, Energy available at: <https://www.oecd.org/greengrowth/greening-energy/49157219.pdf>

<sup>30</sup> IPCC Global Warming of 1.5 °C, 2018: <https://www.ipcc.ch/sr15/>

<sup>31</sup> Global Energy & CO2 Status Report 2017 available at: <https://www.iea.org/publications/freepublications/publication/GECO2017.pdf>

<sup>32</sup> IEA, Meeting Climate Change Goals Through Energy Efficiency available at:

<https://www.iea.org/publications/freepublications/publication/MeetingClimateChangeGoalsEnergyEfficiencyInsightsBrief.pdf>

<sup>33</sup> Paris Agreement's target available at: [https://ec.europa.eu/clima/policies/international/negotiations/paris\\_en](https://ec.europa.eu/clima/policies/international/negotiations/paris_en)

<sup>34</sup> IRENA Renewable Energy Now Accounts for a Third of Global Power Capacity, April 2019:

<https://www.irena.org/newsroom/pressreleases/2019/Apr/Renewable-Energy-Now-Accounts-for-a-Third-of-Global-Power-Capacity>

<sup>35</sup> UN Climate Change Renewable Energy Accounts for Third of Global Power Capacity – IRENA, April 2019: <https://unfccc.int/news/renewable-energyaccounts-for-third-of-global-power-capacity-irena>

<sup>36</sup> The Role of MSMEs in achieving SDGs: [https://sustainabledevelopment.un.org/content/documents/18349policy\\_brief\\_27\\_04\\_final.pdf](https://sustainabledevelopment.un.org/content/documents/18349policy_brief_27_04_final.pdf)

<sup>37</sup> The Role of MSMEs in achieving SDGs: [https://sustainabledevelopment.un.org/content/documents/18349policy\\_brief\\_27\\_04\\_final.pdf](https://sustainabledevelopment.un.org/content/documents/18349policy_brief_27_04_final.pdf)

<sup>38</sup> MSME Finance Gap: <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>

<sup>39</sup> Report on Support to SMEs in Developing Countries Through Financial Intermediaries: [https://www.eib.org/attachments/dalberg\\_sme-briefing-paper.pdf](https://www.eib.org/attachments/dalberg_sme-briefing-paper.pdf)

<sup>40</sup> SME Data provided by KMU Austrian Institute for SME Research: <https://www.kmuforschung.ac.at/facts-and-figures/kmu-daten/?lang=en>

<sup>41</sup> Responsive administration' refers to public administration being responsive to the needs of SMEs

<sup>42</sup> 2018 SBA Fact Sheet Austria: <https://ec.europa.eu/docsroom/documents/32581/attachments/2/translations/en/renditions/native>

<sup>43</sup> 2018 SBA Fact Sheet Austria: <https://ec.europa.eu/docsroom/documents/32581/attachments/2/translations/en/renditions/native>

Sustainalytics considers MSME financing for economic development and employment generation in underdeveloped regions to be important and encourages OKB to provide detailed reporting on the impact achieved through SME financing.

### Importance of promoting access to essential healthcare services

OKB intends to use part of the bonds' proceeds to finance projects that increase access to affordable and publicly available healthcare and emergency services that align with the soft loan framework<sup>44</sup> in accordance with the Official Development Assistance (ODA).<sup>45</sup> According to the United Nations International Labour Organization (ILO), almost half of the global population lacks access to healthcare services, with the lack being the highest in developing countries, particularly in South Asia, Latin America and Africa.<sup>46</sup> As measured by the World Bank, 800 million people spend at least 10% of their household budget on health expenses and for almost 100 million people out-of-pocket expenses force them into extreme poverty.<sup>47</sup>

OKB confirmed to Sustainalytics that related loans will be dedicated to the purpose of financing healthcare that benefits the general public.

Based on the above, Sustainalytics positively views OKB's investments into public healthcare and emergency services and believes that these investments can play a role in improving healthcare services especially in developing countries.

### Importance of enhancing basic infrastructures in developing countries

OKB intends to use part of the bonds' proceeds for the construction, expansion and modernization of basic infrastructure such as (i) transport infrastructure including roads and bridges, (ii) energy infrastructure including photovoltaic street lighting, and (iii) telecommunication infrastructure including radio masts in regions which currently lack this infrastructure.<sup>48</sup> Basic infrastructure is considered one of the key contributors to poverty reduction, economic growth and social development<sup>49</sup> through increasing productivity and providing basic services while enhancing the quality of life.<sup>50</sup> Conversely, a lack of sufficient basic infrastructure can have significant negative impacts on the affected communities, including (i) increased costs for basic services, (ii) inability to use high quality inputs due to poor market access, (iii) limited access to global markets to sell products, (iv) limited access to health and education services due to poor road access, (v) health risks due to inadequate water and sanitation services, and (vi) low quality of life for the elderly and people with disabilities.<sup>51</sup> Furthermore, studies show that one of the key reasons for emerging economies' poor competitiveness are the high costs of trade due to insufficient infrastructures to transport goods across borders, demonstrating basic infrastructures' importance in facilitating stable economic growth and in reducing poverty in developing countries.<sup>52</sup>

Based on the above, Sustainalytics is of the opinion that OKB's investments in basic infrastructure will increase accessibility to essential services and contribute to facilitating decent economic growth while fighting against poverty in developing countries

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

<sup>44</sup> OKB's Soft Loan Framework available at <https://www.oekb.at/en/export-services/covering-and-financing-exports/concessional-financing-soft-loan.html>

<sup>45</sup> Official Development Assistance (ODA) standards available at: <https://www.oecd.org/dac/stats/What-is-ODA.pdf>

<sup>46</sup> ILO's press release available at: [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_362525/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_362525/lang-en/index.htm)

<sup>47</sup> World Bank Press release available at: <https://www.worldbank.org/en/news/press-release/2017/12/13/world-bank-who-half-world-lacks-access-to-essential-health-services-100-million-still-pushed-into-extreme-poverty-because-of-health-expenses>

<sup>48</sup> OECD Development Assistance Committee list of Official Development Assistance Recipients (current list can be downloaded here: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm>), country needs to be defined as developing country by the effective list at time of commitment.

<sup>49</sup> Information on the Importance of Infrastructure to Development and Poverty Reduction available at: <https://www.un.org/press/en/2001/dev2328.doc.htm>

<sup>50</sup> Lack of Infrastructure: The Impact on Economic Development available at: <https://pdfs.semanticscholar.org/e131/686d7d1a73953c640ab47232fb5d5065c11a.pdf>

<sup>51</sup> Lack of Infrastructure: The Impact on Economic Development available at: <https://pdfs.semanticscholar.org/e131/686d7d1a73953c640ab47232fb5d5065c11a.pdf>

<sup>52</sup> Information on why to focus on infrastructure available at: [http://turinschool.eu/files/turinschool/ISS14\\_Kessides.pdf](http://turinschool.eu/files/turinschool/ISS14_Kessides.pdf)

Use of Proceeds Category	SDG	SDG target
Renewable Energy Energy Efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix  7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally sustainable management of living natural resources and land use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
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  6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
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
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries  13.B Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities
Promoting Employment Creation	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.  8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.  8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
Access to Essential Services	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to

		economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Basic Infrastructure in developing countries as defined by the OECD	9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

## Conclusion

OKB has developed the OKB Sustainable Financing Framework (the "Framework") under which it intends to issue green, social and sustainability bonds and use the proceeds to finance projects that support the reduction of poverty and improve climate protection in the categories (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, (v) Sustainable Water Management, (vi) Clean Transportation, (vii) Climate Change Adaptation, (viii) Promoting Employment Creation, (ix) Access to Essential Services, (x) Basic Infrastructure in Developing Countries, and (xi) Affordable Housing.

Sustainalytics considers OKB's processes for projects selection and evaluation, management of proceeds and reporting to be in line with market practice. Sustainalytics also considers OKB and OeEB to have an environmental and social risk assessment process that aligns with market best practice credible third-party certification systems .

Despite some of the limitations outlined above, related to energy efficiency, waste treatment and sustainable food production, Sustainalytics is of the opinion that the projects financed by OKB and OeEB can provide a positive social and environmental impact and encourages OKB to provide detailed reporting on the impact achieved.

In this context, Sustainalytics positively highlights OKB's commitment to perform an independent review of its annual reporting, which will be published on its website.

Based on the above Sustainalytics considers OKB to be well-positioned to issue green, social and sustainability bonds and believes that the OKB Sustainable Financing Framework is impactful, transparent and in alignment with the four components of the Green Bond Principles 2018 , the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018.

## Appendices






### Appendix 1: Overview and Assessment of Fishery, Aquaculture, and Agriculture Certifications in OKB's Sustainable Financing Framework

	Marine Stewardship Council <sup>53</sup>	Aquaculture Stewardship Council <sup>54</sup>	UTZ	Rainforest Alliance	RSPO
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The Roundtable on Sustainable Palm Oil is a non-profit organization that has developed a set of environmental and social criteria which companies must comply in order to produce Certified Palm Oil (CSPO).
Clear positive impact	Promoting sustainable fishing practices.	Promoting sustainable aquaculture practices.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable palm oil production practices.

<sup>53</sup> <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>54</sup> <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<p>Minimum standards</p>	<p>A minimum score must be met across each of the performance indicators.</p> <p>As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.</p>	<p>Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.</p> <p>Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.</p>	<p>UTZ establishes a minimum threshold for impact through mandatory points and additional points and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.</p>	<p>Rainforest alliance establishes a minimum threshold for impact through critical criteria and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.</p>	<p>RSPO establishes minimum certification standards for sustainable production and the supply chain of palm oil products based on specific indicators dedicated to 7 principles. Where RSPO standards differ from local laws, the higher/stricter of the two shall prevail and national interpretations are required to develop a list of applicable laws.</p>
<p>Scope of certification or programme</p>	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified sourcing, product identification, separation, traceability and records, and good management.</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</p>	<p>UTZ addresses key risks such as human rights, child labour, pesticide use, and biodiversity use through its criteria.</p>	<p>Rainforest alliance addresses key risks such as human rights, child labour, pesticide use, and biodiversity use through its criteria.</p>	<p>RSPO addresses key environmental and social risks based on 7 principles that refer to transparency, legal compliance, efficiency, community and human rights, smallholders, workers' rights, and ecosystem.</p> <p>RSPO applies to all production level companies, who do not fall under the definition of independent mill; and to all growers, not defined as Independent Smallholder (as defined by the RSPO Smallholder Standard)</p>

<p>Verification of standards and risk mitigation</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>	<p>Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.</p>	<p>Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.</p>	<p>Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.</p> <p>Following the initial assessment, the main assessment will be repeated once every 5 years, and if certified, growers are annually assessed for continued compliance.</p>
<p>Third party expertise and multi-stakeholder process</p>	<p>Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation’s Food and Agriculture Organization) UN FAO) and International Labour Organisation (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p> <p>The process of revision of the standards follow the Standard Operation Procedures for Standards Setting (2014).</p>
<p>Performance display</p>					

<p>Qualitative considerations</p>	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Widely recognized and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>60 UTZ approved certification bodies split by country and by relevant commodity (coffee, cocoa, tea, hazelnut, herbals, Rooibos)</p>	<ul style="list-style-type: none"> <li>• Africert</li> <li>• Conservacion y Desarrollo Certified S.A.</li> <li>• Imaflores</li> <li>• IMO India</li> <li>• CERES</li> <li>• IBD</li> <li>• Indocert</li> <li>• NaturaCert</li> <li>• Productos y Procesos Sostenibles, A.C.</li> <li>• NEPCo</li> </ul>	<p>The RSPO is the most widely recognized sustainable palm oil production label with 4000 members worldwide.</p> <p>Although it is generally considered to have positive impacts, the standard does not fully mitigate all the social and environmental risks associated with palm oil production and has received the following criticisms:</p> <ul style="list-style-type: none"> <li>- Does not require No Deforestation, No Peat and No Exploitation (NDPE) commitments</li> <li>- Unaligned with the High Carbon Stock Approach (HCSA) methodology to determine appropriate areas for expansion</li> <li>- Hiring a permanent non-contract workforce, ensuring a zero-tolerance policy for retention of worker passports, and banning paraquat and other harmful pesticides.</li> </ul>
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## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Oesterreichische Kontrollbank Aktiengesellschaft
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	OKB Sustainable Financing Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August, 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### 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 GBPs and SBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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 the 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 use of proceeds categories of the OKB Sustainable Financing Framework align with those recognized as impactful by the Sustainability Bond Guidelines 2018. Sustainalytics believes the OKB's use of proceeds will contribute to fostering activities and technologies that reduce GHG emissions, sustainable resource management and provide social benefits in developing countries and Austria.

OKB intends to use the proceeds of the bonds to finance projects, corporate project-specific loans and intermediary lending such as bank loans to specific end-users and/or participation in funds dedicated to eligible categories. OKB's existing projects are limited to those not older than three years.

OKB includes the financing of large hydro power plants above 25MW with less than 100g CO2/kWh in its financing.

OKB's intended finance activities related to palm oil are limited to biodiversity measures at RSPO-certified palm oil plantations through funds financed and SME lending through intermediaries to SMEs with RSPO certified palm oil activities.

Furthermore, OKB intends to use the proceeds to finance energy efficiency projects that reduce the energy consumption of the underlying asset, technology, product or system(s) by at least 20% respectively and lead to an increase of energy efficiency of at least 20%. Sustainalytics encourages OKB to exclude any energy efficiency investment that contributes to a fossil fuel lock-in across all sectors.

OKB limits its investment into waste to energy, biomass and geothermal for electricity production to projects emitting below 100g CO2/kWh, and clean vehicles to those below 50g CO2/km/passenger. In addition, OKB confirmed that waste to energy projects follow the waste hierarchy.

OKB uses credible third-party standards for its investments in environmentally sustainable food production, such as the Forest Stewardship Council (FSC), Marine Stewardship Council (MSC), Rainforest Alliance, Aquaculture Stewardship Council (ASC), and UTZ.

OKB's social eligible investments include the following specifications on target population: (i) Construction, expansion and modernization of basic infrastructure, including roads and bridges is limited to those that increase the connectivity of communities restricted in their development (ii) SME financing in OECD DAC countries and in Austrian regions is limited to those with an unemployment rate that is higher than the annual average national unemployment rate, (iii) Investments in education and health institutions are limited to those that are affordable and accessible to the public in OECD DAC countries, (iv) Projects that improve medical waste management, and (v) Construction or modernization of affordable housing, provision of mortgages for low income customers. The low income customers are defined on a case by case basis using national definitions of the countries where the houses are placed or the IFC definition of low income population.

#### 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 checked="" type="checkbox"/> Climate change adaptation   |

## OKB Sustainable Financing Framework

- |  |  |
|--|--|
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input 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 type="checkbox"/> Other <i>(please specify)</i> : |

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

### Use of proceeds categories as per SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input checked="" 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                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other <i>(please specify)</i> :   |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

OKB established a dedicated sustainable bond team, named Sustainability team, which consists of cross-departmental representatives from International Relations & Analyses, Client Advisory Export Services, Product Export Services, OeEB (Oesterreichische Entwicklungsbank), Treasury and the Sustainability Manager. The team is responsible for reviewing potential projects on the alignment with the Sustainable Financing Framework. All projects are subject to an environmental and social risk assessment conducted by OKB or OeEB. Sustainalytics views OKB's internal process for project evaluation and selection to be in line with market best 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 <i>(please specify)</i> :  |

### Information on Responsibilities and Accountability

- |   |  |
|---|--|
| <input 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)*:

OKB will establish a Sustainable Finance Register to monitor and account for the allocation of the proceeds from the framework. The proceeds will be deposited in the general funding accounts and earmarked for allocation in the Sustainable Financing Register. Pending full allocation, proceeds will be invested in working capital financing for SMEs, excluding businesses fall into OKB's identified SME exclusion list within the framework. Sustainalytics considers OKB's management of proceeds as in line with current 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:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> :                                |

### 4. REPORTING

Overall comment on section (if applicable):

OKB intends to report to investors annually on the allocation of proceeds on its website. The (i) allocation reporting includes information on the eligible project categories financed including amounts allocated and region, the remaining balance of unallocated proceeds, and the allocated proceeds by type of lending (corporate loans/projects, lending via commercial banks and funds). Regarding the (ii) impact report, where available, OKB commits to disclose data on relevant metrics based on each eligibility criterion on an annual basis. OKB also committed to an independent annual review of its reporting which is in line with best 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*): The meaning 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*):

**Frequency:**

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

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Number of beneficiaries
- Target populations  Other ESG indicators (*please specify*): waste prevented, minimized, reused or recycled, estimated annual reduction in water consumption (m<sup>3</sup>), number of clean vehicles deployed, number of micro enterprises and/or SMEs funded

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report
- Information published in ad hoc documents  Other (*please specify*): corporate website
- 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.)

<https://www.oekb.at/investor-relations.html>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> 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 REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified by an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks/programmes.

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