

# Oesterreichische Kontrollbank Aktiengesellschaft

**Type of Engagement:** Annual Review

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## Introduction

In July 2022, Oesterreichische Kontrollbank Aktiengesellschaft (“OKB” or the “Issuer”) issued a sustainability bond (the “Bond”) under the OKB Sustainable Financing Framework (the “Framework”). In March 2022, Sustainalytics provided a Second-Party Opinion on the Framework.<sup>1</sup> The Bond intended to finance or refinance green and social projects, including renewable energy, energy efficiency, pollution prevention and control, green buildings, employment creation and access to essential services. In September 2022, OKB engaged Sustainalytics to review the projects funded and provide an assessment on whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the OKB Sustainable Financing Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the Bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 lists the associated KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Construction or refurbishment of renewable energy sources generation facilities and infrastructure</li> <li>• Generation, development, or distribution of energy from renewable sources such as solar, wind and hydropower<sup>2,3</sup></li> <li>• Generation, development, or distribution of energy from geothermal, biomass<sup>4</sup> /biofuel<sup>5</sup> and waste-to-energy which are limited to 100 gCO<sub>2</sub>/kWh</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Development and implementation of products or technology that significantly reduce the energy consumption of the underlying asset, technology, product or system(s) by at least 20% and also lead to an increase of energy efficiency of at least 20%<sup>6</sup></li> </ul>
<b>Pollution Prevention and Control<sup>7</sup></b>	<ul style="list-style-type: none"> <li>• Reduction of air emissions<sup>8</sup></li> <li>• Greenhouse gas control</li> <li>• Soil remediation</li> </ul>

<sup>1</sup> OKB Sustainable Financing Framework and Sustainalytics’ Second-Party Opinion are available at: <https://www.oekb.at/en/investor-relations/first-okb-sustainability-bond.html>

<sup>2</sup> Hydropower projects larger than 25 MW in size will comply with the IFC Performance Standards.

<sup>3</sup> In line with the EU Taxonomy, hydropower projects are assumed to emit less than the 100 gCO<sub>2</sub>/kWh if the electricity generation facility is a run-of-river plant and does not have an artificial reservoir, or power density of the facility is above 5 W/m<sup>2</sup>. Hydropower projects that do not fulfil either of these criteria are only eligible if the 100 gCO<sub>2</sub>/kWh criteria is met.

<sup>4</sup> Biomass and biofuel projects will take into consideration the sustainability of the feedstock used and the carbon intensity of the project. OKB will not include any projects where the feedstock competes with food sources or forestry materials.

<sup>5</sup> All biofuel projects achieve life-cycle emissions at least a 65% lower than fossil fuel baselines according to EU RED II.

<sup>6</sup> Improvements which result in increased use of fossil fuels or projects that provide a fossil fuel lock-in in highly carbon intensive industries are excluded.

<sup>7</sup> Projects in the field of pollution prevention and control that are directly related to fossil fuel assets and high carbon intensive industries are excluded.

<sup>8</sup> Air purification projects in highly carbon intensive industries are excluded.

	<ul style="list-style-type: none"> <li>Waste collection and segregation</li> <li>Waste recycling</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>Environmentally sustainable agriculture (FSC, MSC, Rainforest Alliance, ASC or UTZ certified)</li> <li>Environmentally sustainable fishery and aquaculture (ASC and MSC certified)</li> <li>Environmentally sustainable forestry, including afforestation or reforestation, and the preservation or restoration of natural landscapes.</li> </ul>
<b>Sustainable Water Management</b>	<ul style="list-style-type: none"> <li>Wastewater treatment</li> <li>Water efficiency projects, such as sustainable irrigation management systems like drip irrigation</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>Vehicles for public transport, such as buses, trains, underground trains or trams, cable cars, including retrofits and modernization limited to vehicles or modes producing up to 50 gCO<sub>2</sub>/pkm<sup>9</sup></li> <li>Electric freight and passenger vehicles such as fully electric cars or fully electric trucks as well as directly associated investments, such as charging stations, except where they are used primarily for the transport of fossil fuels</li> <li>Construction of new metro and train lines and line extensions for public transport with zero direct tailpipe CO<sub>2</sub> emissions</li> </ul>
<b>Climate Change Adaptation</b>	<p>Projects that reduce the vulnerability of social or environmental systems to the effects of risks related to climate change by maintaining or increasing adaptive capacity, reducing sensitivity to climate change or increasing climate resilience including:</p> <ul style="list-style-type: none"> <li>Flood protection (flood defences, waterway management, pumping stations and drainage improvement)</li> <li>Protection of ecosystem services e.g. reforestation and watershed management</li> </ul>
<b>Circular Economy Adapted Products, Production, Technologies and Processes</b>	<ul style="list-style-type: none"> <li>Expenditures (incl. R&amp;D and procurement of materials) related to achieving substantial environmental improvements in clients products and activities, in areas such as packaging, material reduction, usage of recycled materials as well as chemical reduction in products.</li> <li>The improved products outperform reference products (predecessor product in the particular product family) in one or more of the above mentioned areas</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>Construction of buildings that are within the top 15% of the national or regional building stock expressed as operational primary energy demand (PED) and demonstrated by adequate evidence</li> <li>Major renovations including improvements to the electrical equipment (e.g. energy efficient light sources), insulation, heating systems or similar leading to at least a 30% reduction in primary energy demand (PED)</li> </ul>
<b>Promoting Employment Creation through MSME Financing</b>	<ul style="list-style-type: none"> <li>Funding to micro, small and medium-sized enterprises.<sup>10,11</sup></li> </ul>
<b>Access to Essential Services</b>	<p>Loans dedicated to the purpose of enhancing affordable and accessible education, healthcare and emergency services to the public including:</p> <ul style="list-style-type: none"> <li>Expanding access to education through the provision of loans for educational equipment,<sup>12</sup> construction and upgrading of educational facilities, provision of vocational training amongst others</li> </ul>

<sup>9</sup> In line with the current guidance by the EU Taxonomy, this threshold will be reduced to 0 gCO<sub>2</sub>/pkm at the beginning of the year 2026.

<sup>10</sup> OKB uses the definition of SMEs provided by the European Union: [https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)  
OKB's main subsidiary Oesterreichische Entwicklungsbank AG (OeEB) uses IFC's definition for MSME: [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)

<sup>11</sup> In so-called developed countries, like Austria, OKB considers only SMEs located in a region with an unemployment rate that is higher than the annual average national unemployment rate.

<sup>12</sup> Loan provision is only considered for students from marginalized or disadvantaged backgrounds and must have interest payments below market rates.

	<ul style="list-style-type: none"> <li>Expanding access to affordable and accessible health services through the construction or modernisation of medical infrastructure</li> <li>Expanding access to emergency services (e.g. purchase of ambulances, fire services) in areas that are underserved</li> </ul>
<b>Affordable Basic Infrastructure</b>	<p>New construction, expansion or modernization of infrastructure, including:</p> <ul style="list-style-type: none"> <li>Drinking water infrastructure to increase access to drinking water for households, increase water quality and decrease leakages</li> <li>Sewage and sanitation services</li> <li>Transport (e.g., roads, bridges) to increase the connectivity of communities restricted in their development</li> <li>Energy (including energy distribution)<sup>13</sup></li> <li>Telecommunications, such as radio masts that are set up in regions lacking this kind of infrastructure.</li> </ul>

Table 2: Key Performance Indicators

Use of Proceeds	Key Performance Indicators
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Renewable energy capacity added or rehabilitated (MW)</li> <li>Renewable energy produced (GWh)</li> <li>Annual GHG emissions reduced or avoided (in tonnes CO<sub>2</sub>)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Annual energy savings (MWh)</li> <li>Annual GHG emissions reduced or avoided (in tonnes CO<sub>2</sub>)</li> <li>Annual production input (resource or material) savings (in tonnes or kWh/t)</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>Waste prevented, minimized, reused or recycled</li> <li>Annual reduction in waste to landfill</li> <li>Annual energy generation from non-recyclable waste in energy or emission-efficient waste to energy facilities in MWh/GWh (for electricity) and GJ or TJ (for other energy)</li> <li>Energy recovered from waste (minus any support fuel) in MWh, GWh or KJ of net energy generated p.a.</li> <li>Absolute or rate of reduction in local pollutants</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>Land under sustainable forestry certification (in hectares)</li> <li>Number of trees planted (in hectare equivalent)</li> <li>Estimated land area with biodiversity management (in hectares)</li> <li>Total leased and owned land area with conserved native vegetation (hectares)</li> <li>Estimated annual reduction in water consumption (m<sup>3</sup>)</li> <li>Estimated annual GHG emissions reduced, avoided or captured (tCO<sub>2</sub>e)</li> </ul>
<b>Sustainable Water Management</b>	<ul style="list-style-type: none"> <li>Annual reduction in water consumption</li> <li>Measurable improvement in water quality</li> <li>Project-specific targets and results</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>GHG emissions reduced through low-emission transportation taking account of fuel production and electricity generation</li> <li>Number of clean vehicles deployed (e.g. electric cars)</li> <li>Estimated reduction in car or truck use in number of kilometres driven or as a share of total transport ridership</li> </ul>
<b>Climate Change Adaptation</b>	<ul style="list-style-type: none"> <li>Project-specific targets and results</li> </ul>
<b>Circular Economy Adapted Products, Production,</b>	<ul style="list-style-type: none"> <li>The rate of increase in materials, components and products that are reusable, recyclable or certified compostable as a result of the project, or in absolute amount in tonnes p.a.</li> <li>The expected extension of lifetime in years (compared to the equivalent linear product's expected lifetime)</li> </ul>

<sup>13</sup> Projects financed under this category exclude energy distribution infrastructure expansion or upgrades that are designed to or are likely to result in the connection of new fossil-fuel-based power generation to the grid.

<b>Technologies and Processes</b>	<ul style="list-style-type: none"> <li>• Increase in number of clients for tools or services enabling circular economy strategies</li> <li>• The increase in number of products and the share of production awarded an internationally recognized eco-label, or energy, eco-efficiency or other relevant environmental certification</li> <li>• Reduction in carbon intensity of service in tCO<sub>2</sub>e/unit of service</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• kWh/m<sup>2</sup> of GBA<sup>14</sup> p.a.; and rate of energy use reduced or avoided vs local baseline or building code</li> <li>• Annual GHG emissions reduced or avoided in tCO<sub>2</sub>e vs local baseline or baseline certification level</li> <li>• m<sup>3</sup> water/m<sup>2</sup> of GBA p.a. and annual absolute (gross) water use before and after the project in m<sup>3</sup>/a (for retrofitted buildings)</li> </ul>
<b>Promoting Employment Creation through MSME Financing</b>	<ul style="list-style-type: none"> <li>• Number of micro enterprises and/or SMEs funded</li> <li>• Amount of financing provided to micro enterprises and/or SMEs</li> <li>• Number of SMEs funded that are located in a region with an unemployment rate that is higher than the annual national average (annual unemployment rate)</li> </ul>
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Number or quantity of equipment provided</li> <li>• Project specific results</li> </ul>
<b>Affordable Basic Infrastructure</b>	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Number or quantity of equipment provided</li> <li>• Number or quantity of equipment provided</li> <li>• Project specific results</li> </ul>

## Issuing Entity's Responsibility

OKB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of OKB's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from OKB employees and review of documentation to assess conformance with the OKB Sustainable Financing Framework.

Sustainalytics has relied on the information and the facts presented by OKB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by OKB.

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 over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>15</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through the proceeds of OKB's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in

<sup>14</sup> GBA: gross building area, also named gross floor area corresponds to the total floor area contained in a building measured to the external walls. The physical environmental impact comes from the entire building, and therefore gross building area is more relevant than gross letting area, which is the amount of floor space available to be rented.

<sup>15</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

the OKB Sustainable Financing Framework. OKB has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of July 13, 2022.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainability bond in 2022 to determine if projects aligned with the Use of Proceeds Criteria outlined in the OKB Sustainable Financing Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability bond in 2022 to determine if impact of projects was reported in line with the KPIs outlined in the OKB Sustainable Financing Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

## Appendix

### Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (EUR million)
<b>Renewable Energy</b>	Renewable energy generation attributed to OKB (in MW): <ul style="list-style-type: none"> <li>• 227.5 MW</li> </ul> Amount of lending to pure play companies: <ul style="list-style-type: none"> <li>• EUR 7 million</li> </ul>	29.83
<b>Energy Efficiency</b>	Energy savings (in MWh per annum): <ul style="list-style-type: none"> <li>• 203 MWh</li> </ul>	85.00
<b>Pollution Prevention and Control</b>	Amount of CO <sub>2</sub> emissions reduced (in tonnes per annum): <ul style="list-style-type: none"> <li>• 435,000 t</li> </ul>	194.63
<b>Green Buildings</b>	Amount of CO <sub>2</sub> emissions avoided (in tonnes per annum): <ul style="list-style-type: none"> <li>• 186 t</li> </ul>	16.45
<b>Promoting Employment Creation through MSME Financing</b>	Number of micro enterprises reached: <ul style="list-style-type: none"> <li>• 19,850</li> </ul>	34.89
<b>Access to Essential Services</b>	Number of hospital beds modernized: <ul style="list-style-type: none"> <li>• 1,137</li> </ul> Number of new hospital beds provided: <ul style="list-style-type: none"> <li>• 106</li> </ul> Number of benefited patients: <ul style="list-style-type: none"> <li>• 422,900</li> </ul> Number of benefited students: <ul style="list-style-type: none"> <li>• 3,660</li> </ul>	172.20
<b>Total</b>		533.00

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