



# Erste Group Sustainable Finance Framework

**ERSTE**   
Group

# Table of contents

1	About Erste Group .....	2
2	Erste Group Sustainable Finance Framework.....	3
3	Use of Proceeds.....	4
3.1	Eligible Green Projects .....	4
3.2	Eligible Social Projects .....	5
4	Process for Loan Evaluation and Selection .....	6
5	Management of Proceeds .....	7
6	Reporting.....	8
7	External review .....	9

# 1 About Erste Group

Erste Group Bank AG and all entities directly or indirectly controlled by Erste Group Bank AG (the **"Erste Group"**) currently employ around 46,200 staff, who work with 16.6 million clients in seven countries of Central and Eastern Europe (Austria, Croatia, Czech Republic, Hungary, Serbia, Romania, Slovakia). Erste Group provides its clients with safe, trusted, and top-quality services. Apart from retail operations, Erste Group provides corporate financing and consulting services related to investment, access to international capital markets, public sector financing and interbank market operations.

Erste Group is built on traditional roots of banking with a corporate history dating back to 1819. The first Erste oesterreichische SparCasse opened its doors in the midst of a post-war economic crisis, but had a clear and revolutionary mission codified in its founding letter: "[Its] purpose is to provide [...] factory workers, peasants, or other industrious and economical minors or persons of full legal age with the means of gradually building up a small amount of capital out of their hard-won earnings, so they can spend it later in life for retirement, dowries, assistance in sickness, old age, or to achieve any praiseworthy objective". The inclusion driven strategy, the believe that everyone can prosper is a critical and valid mission statement of Erste Group also today.

## Sustainability at Erste Group

Prosperity, equal opportunities and a just social wellbeing is in the heart of Erste Group's core values and business objectives. It is also very clear, that the accelerating level of environmental degradation and the urgency of climate change are threatening especially the most vulnerable part of our societies.

As a reflection of the leading role in social wellbeing of the CEE region, Erste Group is committed to contribute to the United Nations Sustainable Development Goals ("**SDGs**") as well as committed to achieve the targets set by the Paris COP21 of limiting the global warming to a well below 2, preferably to 1.5 degree Celsius, compared to pre-industrial levels. In line with these global targets, Erste Group in 2020 approved an overarching set of internal Environmental-Social-Governance ("**ESG**") business objectives, laid down a strategic roadmap of priorities covering sustainable

finance, comprehensive ESG risk management, raising employee awareness and aiming enhanced transparency of ESG disclosure standards.

Erste Group is working to establish sustainable finance in the CEE region, to mobilize funds for a transition towards low carbon economy, to enhance risk management and financing standards and increase the credibility of the sustainable investments of the region. Erste Group in all its countries takes responsibility to finance socially and economically important infrastructure, public administration, or common good projects in demand. Erste Group applies across its regions a social banking concept to support the most vulnerable part of society (individuals, NGOs but also start-ups) and fosters financial literacy. Erste Group refrains from financing projects that have harmful consequences on the ethical, social and environmental wellbeing.

To be successful Erste Group will focus on communication to inform employees, clients, shareholders and other stakeholders about targets and guiding principles of its environmental strategy.

Erste Group is included in the following ratings/indexes:

Erste Group has been part of the Euronext Vigeo Index Eurozone 120 since June 2018.

- Included in the Vienna Stock Exchange's sustainability index since its launch in 2008.
- Erste Group has been part of the FTSE4Good Index Series since 2016.
- In October 2018, Erste Group was awarded prime status in the ISS ESG ratings.
- At the beginning of 2019 imug Investment Research raised the rating for Erste Group from neutral to positive, and public sector covered bonds (Öffentliche Pfandbriefe) are now rated as very positive.
- In 2019, Erste Group received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

## 2 Erste Group Sustainable Finance Framework



Erste Group's Sustainable Finance Framework is designed as an umbrella framework that will allow Erste Group to issue sustainable finance instruments to finance new and/or refinance existing loans to its clients and projects with environmental and/or social benefits.

**"Sustainable Finance Instruments"** will include bearer and registered bonds, promissory notes and other debt or financing instruments, which might be issued publicly or as private placements and fund eligible green and/or social projects that conform to the sustainable finance principles.

- **"Green Bonds"** means Sustainable Finance Instruments that finance and/or refinance Eligible Green Loans (as defined in the 3.1 Use of Proceeds section);
- **"Social Bonds"** means Sustainable Finance Instruments that finance and/or refinance Eligible Social Loans (as defined in the 3.2 Use of Proceeds section);
- **"Sustainability Bonds"** means Sustainable Finance Instruments that finance and/or refinance a mix of Eligible Green Loans (as defined in the 3.1 Use of Proceeds section) and Eligible Social Loans (as defined in the 3.2 Use of Proceeds section).

Erste Group's Sustainable Finance Framework is in line with:

- International Capital Market Association (ICMA) Green Bond Principles ("**GBP**") 2018<sup>1</sup>;
- International Capital Market Association (ICMA) Social Bond Principles ("**SBP**") 2020<sup>2</sup>;
- International Capital Market Association (ICMA) Sustainability Bond Guidelines ("**SBG**") 2018<sup>3</sup>.

The GBP, SBP and SBG are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green and social instruments' market.

In alignment with these, Erste Group's Sustainable Finance Framework is based on the following key pillars:

- a. Use of Proceeds;
- b. Process for Project Evaluation and Selection;
- c. Management of Proceeds;
- d. Reporting;
- e. External Review.

For each Sustainable Finance Instrument issued, (i) Use of Proceeds (ii) Project Evaluation and Selection (iii) Management of Proceeds, (iv) Reporting, and (v) External Review will be adopted subject to and in accordance with this Sustainable Finance Framework as amended from time to time.

1 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

2 <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

3 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

# 3 Use of Proceeds









An amount equivalent to the net proceeds of the Sustainable Finance Instrument issuances (the **"Net Proceeds"**) will be exclusively used to finance and/or refinance the following loan instruments of Erste Group with environmental and/or social benefits:

Eligible Green Loans (**"Green Loans"**): loans and investments dedicated to the financing of Eligible Green Projects as defined in Section 3.1 with a positive environmental impact.

Eligible Social Loans (**"Social Loans"**): loans and investments dedicated to the financing of Eligible Social Projects as defined in Section 3.2 with a positive social impact.

Eligible Loan Portfolio (**"Loan Portfolio"**): is comprised of all Green Loans and Social Loans.




## 3.1 Eligible Green Projects

Green Category	Definition	Eligibility Criteria	UN SDG	EU Environmental Objective
<b>Green Buildings (Residential)</b>	Loans and/or investments to finance new or existing residential buildings	<ul style="list-style-type: none"> <li>Buildings that are within the top 15% low-carbon performing in the respective country</li> <li>Buildings that have undergone refurbishments resulting in an increase in energy efficiency of at least 30% against a baseline performance of the building before renovation (When using EPC labels, at least two label steps increase in energy performance certificate compared to original built quality)</li> <li>New Buildings that comply with Nearly Zero Energy Buildings requirements defined in relevant country building legislation<sup>4</sup></li> </ul>	  	Environmental Objective (1): Climate Change Mitigation
<b>Green Buildings (Commercial)</b>	Loans and/or investments to finance new or existing commercial buildings	<ul style="list-style-type: none"> <li>Buildings that are within the top 15% low-carbon performing in the respective country</li> <li>Buildings that have undergone refurbishments resulting in an increase in energy efficiency of at least 30% against a baseline performance of the building before the renovation</li> <li>Where applicable, minimum certification of BREEAM "Very Good", LEED "Gold" or any other equivalent certification</li> </ul>	  	Environmental Objective (1): Climate Change Mitigation
<b>Renewable Energy</b>	Loans and/or investments to finance or refinance generation and transmission of energy from renewable sources and manufacturing of the related equipment <sup>5</sup>	<ul style="list-style-type: none"> <li>Onshore and offshore wind energy</li> <li>Solar (Photovoltaic)</li> <li>Small scale hydro power (&lt;20 MW) and refurbishment (or refinancing) of existing large-scale hydro (&gt;20 MW)</li> <li>Geothermal energy with life cycle assessment emissions ≤ 100g CO<sub>2</sub>e/kWh</li> </ul>	 	Environmental Objective (1): Climate Change Mitigation

<sup>4</sup> Within its Sustainable Finance Reporting, Erste Group intends to report on the % of New Buildings complying with the EU Taxonomy NZEB – 20% criteria, where applicable (for assets located in geographies where NZEB has been defined in terms correspondent Building Regulation).

<sup>5</sup> All renewable energy products should have lifecycle carbon emissions less than 100g CO<sub>2</sub>/kWh.

### 3.2 Eligible Social Projects

Social Category	Definition	Eligibility Criteria	UN SDG
<b>Access to Subsidized Housing (“Gemeinnütziger Wohnbau”)   Affordable Housing</b>	Loans and/or investments to finance or refinance existing or new projects of subsidized housing meeting the relevant statutory definitions <sup>6</sup> ;	<ul style="list-style-type: none"> <li>– Financing of “gemeinnützige Bauvereinigungen” (GBV) and following the statutory definitions of the Wohnungsgemeinnützigkeitsgesetz (WGG), (e.g. cap on rental expenses for tenants, income caps, cost coverage principle with limitation on profits)</li> <li>– Affordable housing: Creating and operation of affordable and/or improved housing; Cooperative apartments; Rental Microcredits (Zweite Sparkasse)</li> </ul>	
<b>Financial and Social Inclusion</b>	Loans and/or investments to finance or refinance start-ups, microfinance businesses or subjects of social economy	<ul style="list-style-type: none"> <li>– Financing must be part of the following activities / programs: <ul style="list-style-type: none"> <li>– Financing of social organizations</li> <li>– Microcredit program: financing unemployed who start businesses – cooperation with Ministry of Social Affairs;</li> <li>– Agriculture start-up loans in rural areas</li> <li>– Financing of social infrastructure projects like kindergartens, cultural centers, house for orphans or disabled people or sports facilities</li> </ul> </li> </ul>	
<b>Access to Essential Services</b>	Loans to finance or refinance projects related to essential services <sup>7</sup>	<ul style="list-style-type: none"> <li>– Providers of public healthcare and facilities: <ul style="list-style-type: none"> <li>– Public hospitals</li> <li>– Elderly care facilities</li> <li>– Other Healthcare facilities</li> </ul> </li> <li>– Primary and secondary schools (public) and vocational training: <ul style="list-style-type: none"> <li>– Related infrastructure</li> <li>– Dedicated programmes, learning materials, furniture and other equipment</li> </ul> </li> </ul>	

Erste Group may, at any time, extend the list of Green and/or Social Loans to other type of assets which provide verifiable sustainability benefits. In this case, Erste Group commits to update the current Sustainable Finance Framework and to extend the set of criteria to appropriately reflect the new asset class.

For clarification purposes, the Use of Proceeds of the Sustainable Finance Instruments must be in alignment with the limitations and restrictions outlined and defined in Erste Group’s Responsible Financing Policy<sup>8</sup>.

<sup>6</sup> As defined by the Austrian federal law of 8 March 1979 on non-profit housing (Wohnungsgemeinnützigkeitsgesetz – WGG), as amended, updated.

<sup>7</sup> Excluding range of businesses such as, but not limited to alcohol, tobacco, coal mining, weapons, pornography, gambling, activities involving forced or child labour, business with a record of engaging in illegal practices.

<sup>8</sup> <https://www.erstegroup.com/en/about-us/sustainability>

## 4 Process for Loan Evaluation and Selection



A dedicated Sustainable Finance Committee (the “SFC”) has been established to create and manage this Sustainable Finance Framework. Erste Group’s SFC is comprised by the Sustainability Officer, who will serve as its chairman, and members of the Senior Management Team. The SFC will manage any future updates to the Sustainability Finance Framework, including amendments to the list of Eligible Categories, oversee its implementation and meet at least once a year. The Sustainable Finance Framework will be evaluated according to the Principles and Guidelines mentioned under 2. Erste Group Sustainable Finance Framework.

In identifying Green and Social Loans and their non-financial impacts Erste Group may rely on external consultants and their data sources.

The loans selection is based on the Eligibility Criteria defined in the section above (see the section entitled 3. Use of Proceeds). Erste Group ensures that all Green and Social Loans comply with official national and international environmental and social laws and regulations and any standards on a best effort basis. It is part of Erste Group’s transaction approval process to ensure that all its activities comply with internal environmental and social directives. Erste Group has defined minimum environmental and social requirements for all lending businesses, including those financed with the proceeds of the Sustainable Finance Instruments. These Eligibility Criteria, minimum requirements and ESG related matters are continuously developed and renewed in Erste Group’s external and internal policy frameworks. Erste Group’s environmental and social policies can be found on: <https://www.erstegroup.com/en/about-us/sustainability>.

ESG risk factors are always part of financing standards of Erste Group. The standards are industry sector differentiated, related to the size, complexity and impact, and applied at client onboarding or at the financing transactions. Reflecting on the increasing importance of ESG risks, Erste Group is further enhancing its approach with the implementation of a conceptually much broader, balanced ESG scorecard-based screening and a consecutive deep dive ESG risk assessment on the relevant large customer segments. Erste Group refrains from ethically, social and environmentally harmful transactions. Our risk perspective and exclusion rules are outlined in the publicly available “Responsible Finance Policy”. Erste Group is committed to regularly recalibrate these financing rules, reflecting on the rising urgency of climate action, the evolving new standards of the European Commission and the on-going public behavioural change.

The Erste Group definition of the ESG risks is available in the publicly disclosed “Erste Group ESG Risk Definition Policy”

# 5 Management of Proceeds

The Net Proceeds of the Sustainable Finance Instruments issued under this Sustainability Finance Framework will be managed by Erste Group in a portfolio approach. Erste Group intends to allocate the proceeds from the Sustainable Finance Instruments to a portfolio of loans that meet the Use of Proceeds Eligibility Criteria and in accordance with the evaluation and selection process presented above.

Erste Group entities will strive, within 24 months after issuance, to reach a level of allocation of the Loan Portfolio that at least matches the Net Proceeds from its outstanding Sustainable Finance Instruments.

Additional Green and/or Social Loans will be added to the Loan Portfolio to the extent required.

Pending the allocation of the Net Proceeds of any Sustainable Finance Instrument to the Loan Portfolio, all or a portion of the Net Proceeds may be used for the payment of outstanding indebtedness or other capital management activities.





# 6 Reporting

Erste Group will make and keep readily available reporting on the allocation of Net Proceeds to the Loan Portfolio on a nominal equivalence basis one year from the issuance of the respective Sustainable Finance Instruments, to be renewed annually until full allocation.

Erste Group intends to issue reports on the allocation of the Use of Proceeds to the Loan Portfolio at least at the category level and on an aggregated (portfolio) basis for all Sustainable Finance Instruments issued by Erste Group.

Erste Group intends to align, on a best effort basis, the impact reporting with the portfolio approach described in "Handbook - Harmonized Framework for Impact Reporting (December 2020)" and "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (June 2019)"

In any case, Erste Group will not double count the financing of any Green or Social Loans.

## Allocation Reporting

The allocation report will provide, on an aggregated basis, indicators such as:

- the size of the Loan Portfolio;
- the total amount of proceeds allocated to the Loan Portfolio (consisting of Green and Social Loans);
- the balance (if any) of unallocated proceeds;
- the amount or the percentage of new financing and refinancing;
- the geographical distribution of the assets (at country level);
- the total volume of Sustainable Finance Instruments outstanding.

## Impact Reporting

Where feasible, Erste Group intends to report on the environmental and social impacts of the projects funded with the Sustainable Finance Instruments' proceeds or refer to existing sustainability reporting of Erste Group. A list of potential indicators is presented below.

GBP/SBP Category	Potential impact indicators
<b>Green Buildings (Commercial)</b>	<ul style="list-style-type: none"> <li>- Estimated ex-ante annual energy consumption in KWh</li> <li>- Estimated annual avoided carbon emissions (in tCO<sub>2</sub> eq)</li> <li>- Overview of sustainable labels and certificates of eligible buildings</li> </ul>
<b>Green Buildings (Residential)</b>	<ul style="list-style-type: none"> <li>- Estimated ex-ante annual energy consumption in KWh</li> <li>- Estimated annual avoided carbon emissions (in tCO<sub>2</sub> eq)</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>- Installed renewable energy capacity (GW or MW)</li> <li>- Estimated annual avoided carbon emissions (in tCO<sub>2</sub> eq)</li> </ul>
<b>Access to Subsidized Housing ("Gemeinnütziger Wohnbau")</b>	<ul style="list-style-type: none"> <li>- Number of units built</li> <li>- Number of beneficiaries (if possible)</li> </ul>
<b>Financial and Social Inclusion</b>	<ul style="list-style-type: none"> <li>- Number of projects/facilities financed</li> <li>- Volume allocated to projects</li> <li>- Number of beneficiaries</li> </ul>
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>- Number of projects/facilities financed</li> <li>- Volume allocated to projects</li> <li>- Number of beneficiaries</li> </ul>

Both the allocation report and the impact report will be made available on the Erste Group's websites.

# 7 External review

## Second party opinion

Erste Group's Sustainable Finance Framework has been reviewed by ISS ESG who has issued a Second Party Opinion. ISS ESG evaluated Erste Group's Sustainable Finance Framework and its alignment with relevant industry standards and has provided views on the robustness and credibility of the Sustainable Finance Framework.

The Second Party Opinion as well as the Sustainable Finance Framework are available to investors and other stakeholders on [Erste Group's website](#).

## Verification

Erste Group may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the Sustainable Finance Instruments proceeds to the Loan Portfolio, provided by its external auditor or reputable verifier.



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