

Slovenská sporiteľňa, a.s

**Green** Bond Allocation and Impact Reporting 2021

June 2022

## Issuer

### Overview

This document defines the reporting approach and depiction for Green bond instruments issued in 2021 by Slovenská sporiteľňa, a.s. (SLSP) as member of Erste Group Bank AG. In alignment with the Erste Group Sustainable Finance Framework (**Sustainable Finance Framework**) published in April 2021 a report on the allocation of the Use of Proceeds (**Allocation Report**) as well as report on the environmental impacts (**Impact Report**) to the loan portfolio of the projects funded with the Green bond instruments proceeds will be provided by SLSP and will be made available on the SLSP's website. The frequency is set up to be on an annual basis with the first-time report being provided one year after issuance of the Green bond instrument and from there on yearly basis. SLSP ensures that all Green loans comply with official national and international environmental law and regulation and any standards on a best effort basis.

The first issuance of green bond has been on the 16th of June 2021, marking June 2022 to be the first Green bond Impact and Allocation reporting due for SLSP. An external Audit is provided and documented by Ernst & Young Slovakia, spol. s.r.o. (EY) through the limited assurance report to the Use of Proceeds from Green Bonds in Allocation report in line with International Standards on Assurance Engagements – ISAE 3000.

### Basic information

Issuer name: Slovenská sporiteľňa, a.s.

Related Green Bond ISIN: SK4000019337

Approved External Verification provider's name for the allocation report: EY

Reporting period: December 31, 2021

Publication date of reporting: June 2022

Frequency of reporting: Annually including external verification

Reference to the Sustainable Finance Framework and the Second Party Opinion applied:

[www.slsp.sk/en/investors/bonds](http://www.slsp.sk/en/investors/bonds)

**The SLSP's green bond is in alignment with the Green Bond Principle.**

### Scope and approach of reporting

The Green Bond Allocation and Impact Reporting 2021 includes the following reports:

- Allocation Report;
- Impact Report.

The allocation report includes a breakdown of allocated amounts to Green projects on sector level. Full/Final allocation report will be prepared within 24 months after the issuance. The Gradual as well as Full/Final allocation report are published on SLSP's web site. The allocation report provides, on aggregated level, indicators such as the size of the loan portfolio, total amount of allocated proceeds, the balance of unallocated proceeds, the outstanding amount of green bond and others.

Approach for Impact reporting represents portfolio-based reporting. The impact report is prepared on an annual basis as part of this report. The methodology for impact reporting was developed by the external consultant Drees & Sommer and it is the subject of annual review. Potential impact indicators are mainly annual final/primary energy savings, annual CO<sub>2</sub> emissions avoidance etc. A list of potential impact indicators is also stated in the Sustainable Finance Framework.

## Allocation Report | Gradual Allocation

ISIN	Total Green Bond proceeds as of 31.12.2021	Unit	Total Proceeds allocated as of 31.12.2021	Proceeds allocated to Green Residential Real Estates	Proceeds allocated to Green Commercial Real Estates	Proceeds allocated to Existing projects	Proceeds allocated to New projects
SK4000019337	EUR 130.2 million	[million EUR] [%]	116.8 89.7	78.4 67.1	38.4 32.9	89.8 76.9	27.0 23.1

### Additional information

Green bond(s) proceeds are allocated to green residential and green commercial real estates through existing and new financing. Green residential buildings include single-family and multi-family houses with Energy performance certificates (EPC) AO/A1 or belonging to the top 15% energy efficient buildings in Slovakia. Green commercial buildings consist of offices and retail properties (shopping centers) with AO/A1 certificates or/and international certificates (BREEAM, LEED). Both the residential and commercial loans are booked in SLSP. Concerning the geographical distribution, the location of all eligible residential and commercial green projects is in Slovakia. Approximately 80% of the green bond's proceeds have been allocated to existing projects.

The SLSP's green projects contribute directly to the achievement of the Environmental Objective in terms of climate change mitigation. Projects are already low carbon building contributing to a transition. The green buildings are in line with UN SDGs for SDG 7: Affordable and clean energy, SDG9: Industry, innovation and Infrastructure and SDG 11: Sustainable cities and Communities.

### Methodology

Based on the Sustainable Finance Framework the bank is in line with the following key pillars:

- Use of proceeds;
- Process for project evaluation and selection;
- Management of proceeds;
- Reporting;
- External Review.

As defined in the Sustainable Finance Framework, SLSP will strive, within 24 months after issue, to reach a level of allocation of the loan portfolio that at least matches the net proceeds from its outstanding green bond instruments.

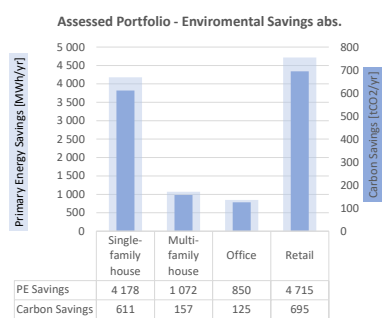
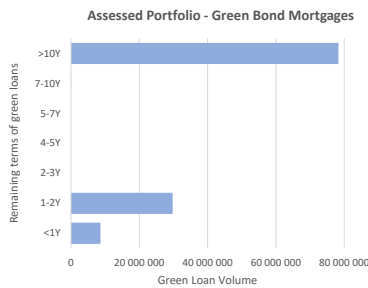
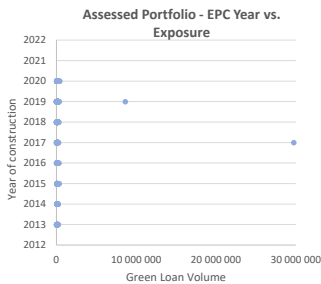
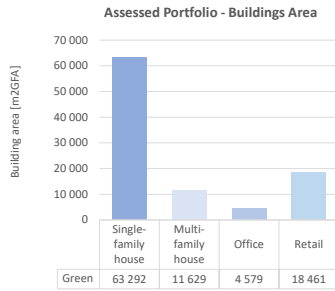
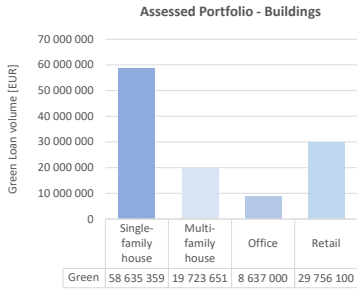
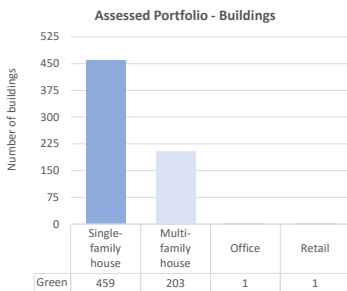
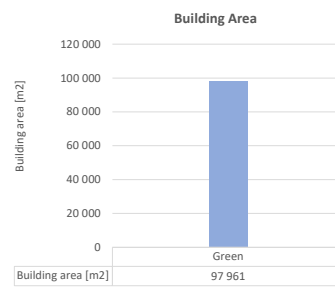
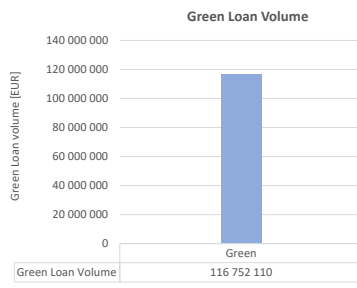
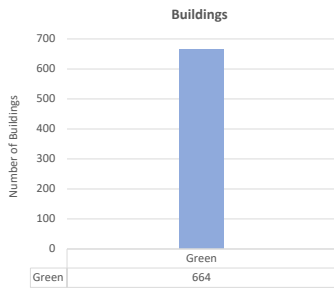
The allocation process itself is based on selecting projects which are in line with the Sustainable Finance Framework. For the allocation purpose we used the loans with a purpose of construction, major renovation/upgrade and acquisition/ownership of buildings that are amongst the top 15% low-carbon developments. EPCs and the construction regulations applicable to the building processes of the financed projects have been viewed and taken into consideration to assess the eligibility of the loans' contribution towards acquisition, construction, and renovation of buildings in Slovakia's top 15 percent. The green building projects that are financed within the green bond portfolio are located only in Slovakia.

# Impact Report | Gradual Allocation

Low Carbon Buildings	Year of Issuance	Type	Signed Amount <sup>(1)</sup>	Share of Total Portfolio Financing <sup>(2)</sup>	Eligibility of Green Bonds <sup>(3)</sup>	Average portfolio lifetime <sup>(4)</sup>	Annual final energy savings <sup>(5)</sup>	Annual primary energy savings <sup>(6)</sup>	Annual CO <sub>2</sub> emission avoidance <sup>(7)</sup>
Unit	[YYYY]	[-]	[EUR]	[%]	[%]	[years]	[MWh/year]	[MWh/year]	[tCO <sub>2</sub> /year]
<b>SLSP   Erste Group</b>	<b>2021</b>	<b>Low Carbon Buildings</b>	<b>116,752,110</b>	<b>100.0</b>	<b>100.0</b>	<b>26.8</b>	<b>8,059</b>	<b>10,815</b>	<b>1,588</b>
Single-family house	2021	Low Carbon Buildings	58,635,359	50.2	100.0	26.7	3,750	4,178	611
Multi-family house	2021	Low Carbon Buildings	19,723,651	16.9	100.0	27.2	962	1,072	157
Office	2021	Low Carbon Buildings	8,637,000	7.4	100.0	1.0	511	850	125
Retail	2021	Low Carbon Buildings	29,756,100	25.5	100.0	2.0	2,835	4,715	695

Notes:

- (1) Legally committed signed amount by the Issuer for the portfolio or portfolio components eligible for Green Bonds financing;
- (2) Portion of the total portfolio cost that is financed by the Issuer;
- (3) Portion of the total portfolio cost that is eligible for Green Bonds;
- (4) Average remaining term of Green Bond loan within the total portfolio;
- (5) Final energy savings calculated using the difference between the top 15% and the national building stock benchmarks;
- (6) Impact factor through % LTV for financing part taken into consideration when calculating energy savings and consequently CO<sub>2</sub> emissions avoidance;
- (7) Greenhouse gas emissions avoidance determined by multiplying the final energy savings with the carbon emissions intensity.



## Additional information

SLSP invested proceeds from green bond(s) into low carbon buildings in form of single-family houses (50.2%), multi-family houses (16.9%), Retail – shopping mall (25.5%) and offices (7.4%). As of year-end 2021 the total amount of green projects financed through the green bond represents EUR 117 mil. with building area nearly of 98 thousand of squared meters. The longest project lifetime of allocated green loans is expected for single-family and multi-family housing of approximately 27 years. In SLSP's impact assessment each reduction in primary energy (PE), final energy (FE) and CO<sub>2</sub> can be clearly attributed to SLSP's investment. In addition, the impact assessment only depicts the part of the building that has been financed by SLSP through LTV/impact factor. The highest carbon footprint reduction has been achieved by retail shopping mall (695 tCO<sub>2</sub>/year; 44% share) followed by single-family houses (611 tCO<sub>2</sub>/year; 38% share).

## Methodology

To assure an external validation, the setup of approaches, proxies and demanded output in the final impact report has been aligned and validated with the external consultant Drees & Sommer. The main approach towards assessing an impact demands a match of actual emissions and energy data against local benchmarks. Environmental impact data is assessed based on EPCs and evaluated individually for each case. Benchmarks used for local Slovakian inputs are mainly derived from the following sources: EU buildings stock observatory, Slovakian cost-optimal report 2018, Building energy codes ZZ 2005, ZZ 2012, ZZ 2016 and NZEB codes.

The primary energy demand provided represents the estimated annual energy consumption based on the building's energy performance certificate weighted by the balances of each building type. To assure transparency on the impact specific to different types of buildings with varying benchmarks, the data is split into segments accordingly.

SLSP strictly adheres to non-double counting of impact. To ensure this, a factor of allocated amount to total amount is calculated which is then applied to the final impact.

## Independent accountant's assurance report

To the management of Slovenská sporiteľňa, a.s.

### Scope

We have been engaged by Slovenská sporiteľňa, a.s. (hereinafter "the Bank" or "SLSP") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the Use of Proceeds from Green Bonds in Allocation Report section included on page 3 of SLSP's Green Bond Allocation and Impact Reporting 2021 (the "Subject Matter").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in SLSP's Green Bond Allocation and Impact Reporting 2021, and accordingly, we do not express a conclusion on this information.

### Criteria applied by the Bank

In preparing the Subject Matter, the Bank applied SLSP's reported criteria detailed in Erste Group Sustainable Finance Framework as published on SLSP website ("Criteria").

### The Bank's responsibilities

SLSP's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

### Our responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'), and the terms of reference for this engagement as agreed with the Bank on 11 April 2022. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

We also apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Reading SLSP's reported criteria detailed in Erste Group Sustainable Finance Framework as published on SLSP website and transposition of group Sustainable Finance Framework for local purposes and the Criteria included therein for project selection, evaluation and the allocation of the net proceeds.
- ▶ Interviews with selected Banks's personnel to understand relevant policies and procedures.
- ▶ Analytical review of underlying population of loans to which green bond proceeds were allocated ("Population") based on the Criteria.
- ▶ Test of details on Population sample.
- ▶ Obtaining the Bank's management representation on key assertions.

We also performed such other procedures as we considered necessary in the circumstances.

## Conclusion

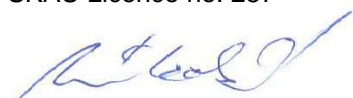
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Use of Proceeds from Green Bonds in Allocation Report section included on page 3 of SLSP's Green Bond Allocation and Impact Reporting 2021, in order for it to be in accordance with the Criteria.

## Restricted use

This report is intended solely for the information and use of management board of Slovenská sporiteľňa, a.s., we will not accept or assume liability to any party other than Slovenská sporiteľňa, a.s., for our work, for the limited assurance report or for the conclusions that we have reached.

16 June 2022  
Bratislava, Slovakia

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Ing. Marek Mikolaj  
UDVA Licence no.1038

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