

Slovenská sporiteľňa, a.s.

## **Green** Bond Allocation and Impact Reporting 2022

June 2023

## Issuer

### Overview

This document defines the reporting approach and description for Green bond instruments, except for green Covered bond(s), issued in 2021 and 2022 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 of the reporting is set up to be on an annual basis. SLSP ensures that all eligible green loans comply with official national and international environmental law and regulation and any standards on a best effort basis.

An external assurance 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 ISINs: SK4000019337, SK4000021242, SK4000021994

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

Reporting period: December 31, 2022

Publication date of reporting: June 2023

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 bonds are aligned with the ICMA Green bond principles 2018.**

The Green Bond Allocation and Impact Reporting 2022 includes the following reports:

- Allocation Report;
- Impact Report.

The allocation report describes the allocation of the use of proceeds from the green bonds to the green loan portfolio at least at the category level (e.g. green buildings) on an aggregated (portfolio) basis for all green bonds issued. SLSP will strive, within 24 months of issue, to reach a level of allocation of the eligible loan portfolio that at least matches the net proceeds from its outstanding green bonds. The loan selection and evaluation process is based on the eligibility criteria stated in Sustainable Finance Framework. The report provides indicators such as asset type, the amount of green bonds issued, the size of the allocated loan portfolio, number of loans, total amount/percentage of allocated proceeds, amount/percentage of new financing.

The impact reporting quantifies the contribution made to the UN's Sustainable Development Goals (SDGs) in line with ICMA standards through assessing the impact of our green bonds. Methodology for impact reporting related to green buildings was developed in cooperation with the external consultant Drees & Sommer and it is the subject of annual review. Potential impact indicators are mainly estimated ex-ante annual energy consumption in kWh, estimated annual avoided carbon emissions (in tCO<sub>2</sub>, eq), overview of sustainable labels and certificates of eligible buildings and others.

## Green Bonds Issued

ISIN	Currency	Notional in local Currency	Amount in EUR	Issuance Date	Maturity Date
SK4000019337	EUR	154 000 000	154 000 000	16.6.2021	16.6.2028
SK4000021242	USD	57 000 000	53 440 840	13.7.2022	13.12.2029
SK4000021994	EUR	25 000 000	25 000 000	20.10.2022	20.10.2025

The sustainability is for SLSP at the core of the long-term objectives. Therefore, green senior preferred bonds have been issued in last two years amounting to EUR 232 mil. (at 31 Dec, 2022 F/X rate for USD). In June 2021, SLSP issued its first Green bond in the amount of EUR 130.2 mil. which was increased by two taps to EUR 154 mil. In addition, two new issues (one denominated in USD, in amount of 57 mil) have been made during the year 2022 in total nominal value of EUR 78.4 mil. In line with our strategy, SLSP wants to be an active issuer of green bonds also for the future.

## Allocation Report

### Green Buildings – Eligible loan portfolio

Amount of Green Funding (in EUR)	Amount of Green loans (in EUR)	Number of Green loans (in EUR)	Unallocated Proceeds (in EUR)	Percentage of Unallocated Proceeds	Amount of new financing (in EUR)	Percentage of new financing
232 440 840	221 936 967	1 423	10 503 873	4.5%	99 571 902	44.9%

### Additional information

Green bonds proceeds are allocated to green residential (EUR 150.3 mil., number of loans 1 418) and green commercial (EUR 71.6 mil., number of loans 5) real estates through existing as well as new financing. Green residential buildings include single-family and multi-family houses with Energy performance certificates (EPC) A0/A1 or belonging to the top 15% energy efficient buildings in Slovakia. Green commercial buildings consist of offices and retail properties (shopping centers) with A0/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 55% 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.

The allocation process itself is based on selecting projects which are in line with the eligibility criteria defined in Sustainable Finance Framework. For the allocation purpose we used the loans with a purpose of new construction, major renovation/upgrade and acquisition/ownership of buildings that are amongst the top 15% low-carbon buildings. 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%.

## Impact Report

Building Type	Total Costs	Project Financing Amount	Share of total Project Financing	Outstanding Amount	Share eligible for Green Bonds (in	Amount eligible for Green Bonds (in EUR)	Green Building Component
Single Family Buildings	84 500 492	69 834 962	82.6%	65 850 518	100%	65 850 518	100%
Multi Family Buildings	105 515 668	87 299 980	82.7%	84 491 850	100%	84 491 850	100%
Office Buildings	109 689 360	65 637 000	59.8%	64 091 865	100%	64 091 865	100%
Sales Buildings	17 044 000	10 168 000	59.7%	7 502 735	100%	7 502 735	100%
<b>Total</b>	<b>316 749 520</b>	<b>232 939 942</b>	<b>73.5%</b>	<b>221 936 967</b>	<b>100%</b>	<b>221 936 967</b>	<b>100%</b>

Building Type	Allocated Amount	Portfolio Lifetime	Gross Building Area	Primary Energy Use in kwh/m2 of GBA p.a.	Primary Energy Use in % of energy avoided	Carbon Reductions in kg Co2/m2 of GBA p.a.	Carbon Reductions in tonnes of Co2 equivalent reduced/ avoided p.a.	Carbon Reductions in % of carbon emissions reduced/ avoided
Single Family Buildings	65 850 518	26.5	63 909	448	43.9%	32	722	43.9%
Multi Family Buildings	84 491 850	27.6	59 228	171	62.5%	38	934	62.5%
Office Buildings	64 091 865	1.4	54 306	240	16.1%	94	1 485	19.2%
Sales Buildings	7 502 735	1.0	10 824	368	18.6%	113	288	21.7%
<b>Total</b>	<b>221 936 967</b>	<b>18.8</b>	<b>188 267</b>	<b>1 227</b>	<b>42.1%</b>	<b>277</b>	<b>3 429</b>	<b>43.1%</b>

## Additional information

SLSP invested proceeds from green bonds into low carbon buildings in form of single-family houses (29.7%), multi-family houses (38.1%), offices (28.9%) and Retail sales buildings – shopping mall (3.4%). As of year-end 2022 the total amount of green projects financed through the green bond represents app. EUR 222 mil. with gross building area of 188 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 in tonnes of CO<sub>2</sub> has been achieved by office buildings (1 485 tCO<sub>2</sub>/year; 43% share) followed by multi-family houses (934 tCO<sub>2</sub>/year; 27% share).

## Methodology

Reporting content is set up in compliance with ICMA reporting. To assist 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. To assure better transparency on specific impacts, the segments are split between the different building types for which different benchmarks apply. Environmental impact data is assessed based on case-by-case inclusion of energy performance certificates or property assessment of construction and commissioning years. Investment amounts in SLSP reporting are provided in Euros after converting at current exchange rates. 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. Eligibility criteria have been determined in accordance with the Sustainable Finance Framework. 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.

**General terminology**

Term	Explanation
Portfolio	This field names the type of green asset.
Total Costs (also "Signed Amount")	The total costs reflect the full costs applicable for the relevant portfolio. This includes host as well as non-host amounts in case of syndicated loans but also the amounts of equity provided by the customer.
Project Financing Amount	This field shows the amount granted by the host bank of the Sustainable Finance Instrument.
Share of Total Project Financing	The Project Financing Amount is put into relation to the Total Costs and provided as a full % value: $\text{Share of total Project Financing} = \frac{\text{Project Financing Amount}}{\text{Total Costs}}$
Outstanding Amount	The balance amount at cut-off date of reporting
Share eligible for Sustainable Bonds	The share eligible for sustainable bonds is supposed to set the sustainable bond outstanding amount into relation of what part can be attributed to a green or sustainable investment.
Amount eligible for Sustainable Bonds	$\text{Amount eligible for Sustainable Bonds} = \text{Share eligible for sustainable bond} \times \text{Outstanding Amount}$
Allocated Amount	The allocated amount provides the final step of assessing the investment contribution. It is derived by a multiplication of the Asset Type Component with the Amount eligible for sustainable bonds $\text{Allocated Amount} = \text{Amount eligible for Sustainable Bond} \times \text{Asset Type Component}$
Project Lifetime	Time to Maturity of the loans in the allocated portfolio in years as a weighted average.
Asset Type Component	For each asset type (e.g. green building component) a component is to be attributed. Here a typical 100% are expected unless loans are used for several sustainable purposes that are to be depicted in other sections.
Impact Factor	$\text{Impact factor} = \frac{\sum \text{Allocated Amounts of one Green Project}}{\text{Lending value}}$ This factor represents the maximum contribution of one Green Project (e.g. one building) to the impact

**Terminology applicable to Green Buildings**

The impact always applies to one building no matter how many loans are attributed to financing one building. The impact therefore can only be 100% of the building’s impact if the funding for the building has fully been provided by the issuing entity (no equity or syndication). In case of any potential over-allocation of assets, the impacts related to the terms “Primary Energy Use - % of energy use avoided”, “Carbon Avoidance – in kg CO<sub>2</sub>/m<sup>2</sup> of GBA p.a.”, “Carbon Avoidance – tonnes of CO<sub>2</sub> equivalent reduced / avoided p.a.”, and “Carbon Avoidance - % of carbon emissions reduced / avoided” are adapted to show only the impact being attributable to the bond proceeds by multiplying the respective impact with the minimum of (allocated assets/bond proceeds) and 100%.

Term	Explanation
Type of Building	Provides the option to separate the portfolio in types of building <ul style="list-style-type: none"> <li>- Single Family Buildings</li> <li>- Multi Family Buildings</li> <li>- Office Buildings</li> <li>- Sales Buildings</li> </ul> In case of mixed building use, the main building use shall be defined based on main purpose and floor area.
Green Building Certificates	List of certificates (if any exist)
Gross Building Area	Gross building area of the Green Building (including walls) and external areas is to be provided.
Primary Energy Use – kwh/m <sup>2</sup> of GBA p.a.	The primary energy use is to be derived from the Energy Performance Certificate (EPC) unless attribution to sustainability is done via Top15 approach where a calculation based on local averages is applied (sample based on construction year).
Primary Energy Use - % of energy use avoided	Impact on the primary energy use provided by the allocation. The primary energy use is compared to the local benchmark and the result is multiplied with the impact factor. It is calculated as follows $\frac{\text{Primary Energy Use} - \text{percentage of energy use avoided}}{\left( \frac{\text{Benchmark Primary Energy Demand} - \text{Calculated Primary Energy Demand}}{\text{Benchmark Primary Energy Demand}} \times \text{impact factor} \right)} \times 100$
Carbon Avoidance – in kg CO <sub>2</sub> /m <sup>2</sup> of GBA p.a.	Carbon emission avoidance of the building as a full value of kg emitted per m <sup>2</sup> on an annual basis subtracted from the CO <sub>2</sub> benchmark for the building type.
Carbon Avoidance – tonnes of CO <sub>2</sub> equivalent reduced / avoided p.a.	$\frac{\text{Carbon Avoidance in Tonnes} \left( (\text{Carbon Emissions Benchmark} - \text{Calculated Carbon Emissions}) \times \text{impact factor} \right)}{1000} \times \text{Gross Building Area}$
Carbon Avoidance - % of carbon emissions reduced / avoided	$\text{Carbon Avoidance in \%} = \text{Impact Factor} \times \left( \frac{\text{Carbon Emissions Benchmark} - \text{Calculated Carbon Emissions}}{\text{Carbon Emissions Benchmark}} \times 100 \right)$

## Disclaimer

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## 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 2022 (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 2022 Report, and accordingly, we do not express a conclusion on this information.

### Criteria applied by the Bank

In preparing the Subject Matter, Bank applied the 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 that 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.

### EY's 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 local equivalent standard, 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.

EY also applies *International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly maintains 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 Use of Proceeds from Green Bonds in Allocation Report section included on

page 3 of SLSP's Green Bond Allocation and Impact Reporting 2022, 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., and is not intended to be and should not be used by anyone other than those specified parties.

14 June 2023  
Bratislava, Slovakia

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Ing. Marek Mikolaj  
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