

Second-Party Opinion

Raiffeisen Bank Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Raiffeisen Bank Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 3, 7, 8, 10, 11 and 15.



PROJECT EVALUATION / SELECTION Raiffeisen's Sustainability Bond Committee ("SBC") is responsible for the internal process in evaluating and selecting eligible loans. The SBC is comprised of representatives from the Risk, Business and Treasury departments. The Bank has in place an environmental and social risk management process applicable to all allocation decisions in the Framework. Sustainalytics considers the risk management system and loan selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Raiffeisen's Sustainable Portfolio Manager will manage the net proceeds using an internal sustainability bond register. Raiffeisen intends to fully allocate bond proceeds within 36 months of the issuance. Unallocated proceeds will be held in cash or cash equivalents. This is in line with market practice.



REPORTING Raiffeisen intends to provide allocation reporting on its website on an annual basis until full allocation. In addition, Raiffeisen is committed to reporting on relevant quantitative impact metrics, where feasible, and has provided indicative metrics within the Framework. Sustainalytics views Raiffeisen's allocation and impact reporting as aligned with market practice.

Evaluation date	May 12, 2022
Issuer Location	Budapest, Hungary

Report Sections

Introduction	2
Sustainalytics' Opinion	2
Appendices	11

For inquiries, contact the Sustainable Finance Solutions project team:

Cristhian Veintimilla (Amsterdam)
Project Manager
cristhian.veintimilla@sustainalytics.com
(+31) 20 205 02 09

Mahesh Krishnamoorthy (Mumbai)
Project Support

Kay Tao (Amsterdam)
Project Support

Ayaka Okumura (Amsterdam)
Project Support

Andrew Johnson (Paris)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

¹ Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Forestry and Agriculture, Access to Essential Services, and MSME Financing.

Introduction

Raiffeisen Bank Zrt. (“Raiffeisen”, or the “Bank”) was established in 1986 and is headquartered in Budapest, Hungary. It is a subsidiary of Raiffeisen Bank International AG and is a universal bank offering banking products and services in all customer segments – corporate and investment banking, SME and retail banking.

The Bank has developed the Raiffeisen Bank Sustainability Bond Framework (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future loans² to private individuals, legal entities, municipalities, public sectors as well as “Schuldschein” structures in Hungary. This will support Hungary’s transition to an environmentally and socially sustainable future. The Framework defines eligibility criteria in seven areas:

Green categories:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Sustainable Forestry and Agriculture

Social categories:

6. Access to Essential Services
7. MSME Financing

Raiffeisen Bank engaged Sustainalytics to review the Sustainability Bond Framework, dated April 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP).³ This Framework will be published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Raiffeisen’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Raiffeisen representatives have confirmed (1) they understand it is the sole responsibility of Raiffeisen to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

² Eligible Loans can be loans originated by Raiffeisen or loans/leases originated by its majority owned subsidiary (>50% share ownership) Raiffeisen Corporate Leasing Ltd.

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles 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/>

⁴ The Sustainability Bond Framework will be available on Raiffeisen Bank Zrt’s website at: <https://www.raiffeisen.hu/>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Raiffeisen.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Raiffeisen has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Raiffeisen Bank Sustainability Bond Framework

Sustainalytics is of the opinion that the Raiffeisen Bank Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Raiffeisen's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Forestry and Agriculture, Access to Essential Services, and MSME Financing – are aligned with those recognized by the GBP and SBP.
 - Raiffeisen has defined a look-back period of three years and confirmed that financing loans that would lead to fossil fuel production and distribution, or loans that provide a fossil fuel lock-in highly carbon-intensive industries, are excluded from the Framework. Sustainalytics views these commitments to be in line with market practice.
 - Under green categories, the Bank may finance or refinance projects based on general-purpose loans to pure-play companies. Pure-play companies are defined as enterprises that derive over 90% of revenue from assets in eligible green categories⁶ highlighted in the Framework. Sustainalytics considers this aligned with market practice.
 - For the Green Buildings category, the Bank may finance or refinance the following expenditures:
 - Construction and acquisition of residential and commercial buildings in Hungary that (i) have achieved or are expected to receive the following minimum certification levels LEED "Gold", BREEAM "Excellent", DGNB "Gold", ÖGNI "Gold", and EDGE "Advanced";⁷ or (ii) are among the top 15% energy efficient buildings of the national stock based on primary energy demand. Whenever primary energy demand assessment is unfeasible, Raiffeisen may finance buildings that have achieved a minimum EPC label BB. Sustainalytics considers the standards to be robust, and credible and the levels selected to be in accordance with market expectations.
 - Refurbishment of buildings that achieve (i) a reduction of Primary Energy Demand (PED) or carbon emissions of at least 30% compared to the building's PED before the renovation, or (ii) a two-class improvement in the EPC label and a 30% PED

⁶ Eligible green categories as defined in the framework which includes Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, and Sustainable Forestry and Agriculture.

⁷ Sustainalytics considers the certification schemes to be robust and credible.

- improvement compared to the building's performance before the renovation. Sustainalytics notes that a 30% improvement in PED is aligned with market practice.
- Under the Renewable Energy category, the Bank may finance or refinance loans for equipment, development, manufacturing⁸, construction, installation, operation, distribution and maintenance of renewable energy projects from wind, solar, hydropower, geothermal, and bioenergy sources.
 - Eligible hydropower projects include: (i) run-of-river facilities without an artificial reservoir or with low storage capacity, or (ii) assets with power density above 10 W/m² or with direct emissions below 50 gCO₂e/kWh. For facilities that started operation before 2020, the Framework considers those with power density above 5 W/m² or direct GHG emissions below 100 gCO₂e/kWh as eligible. Raiffeisen has confirmed that all new hydropower facilities will be subject to an Environmental Impact Assessment carried out by a credible body, and only those with no significant risk or expected negative impact identified will be selected for financing. The Bank has further confirmed to Sustainalytics that any projects involving refurbishment of existing hydropower will not increase the size of the dam or reservoir and will meet the above criteria. Sustainalytics considers this to be aligned with market practice.
 - For geothermal facilities, the Framework specifies a direct emission intensity below 100 gCO₂/kWh. Sustainalytics views this to be aligned with market practice.
 - Eligible bioenergy projects include electricity and biofuel production using waste and non-waste biomass. Electricity production projects with lifecycle carbon emissions below 100 gCO₂e/kWh are eligible. The production of biofuels that can achieve a reduction of life-cycle emissions in comparison to fossil fuel baselines, in accordance with EU RED II,⁹ are eligible. Sustainalytics considers the inclusion of this threshold to be in line with market practice.
 - The Framework defines the following sources of biomass as eligible: agricultural residues, forestry residues, sewage sludge and wastewater sludge, and non-waste biomass feedstock that meet the following requirements:
 - It is certified following the Hungarian Government Decree 821/2021. (XII. 28.). Raiffeisen has confirmed to Sustainalytics that the decree is the local implementation of the EU RED II Directive.
 - The production of feedstock does not take place on land with high biodiversity that has been converted for the production of feedstock in the last 10 years.
 - It is subject to a food security impact assessment to demonstrate no competition with food or feed.
 Sustainalytics views this to be aligned with market practice.
 - Under the Energy Efficiency category, the Bank intends to finance or refinance loans for the development and implementation of products or technologies that reduce energy consumption, including manufacturing equipment, tooling and infrastructure that improves energy performance by at least 30%, or electric powered machinery replacing any that was fossil fuel powered. Sustainalytics views positively the inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment and technologies. Additionally, the Bank may finance individual renovation measures such as LED lighting, and instruments and devices for measuring, regulating and controlling the energy performance of buildings, zoned thermostats, building automation and control systems, and smart meters. Sustainalytics considers these to be aligned with market practice.
 - Regarding the Clean Transportation category, the Bank intends to finance or refinance loans for the manufacturing, acquisition and modernization of zero direct emission vehicles, low-carbon transportation infrastructure as well as the development, manufacturing or purchase of key components for clean transportation.
 - Eligible clean transport infrastructure includes electric charging points, electric highways,¹⁰ electricity grid connection upgrades required for the proper functioning of electric highways and charging stations, hydrogen fuelling stations, rail networks, highspeed railway lines, electric railway lines, pedestrian pavements, bike lanes and pedestrian zones. Sustainalytics considers this to be aligned with market practice.

⁸ Raiffeisen has confirmed that facilities are solely dedicated to manufacturing components of renewables.

⁹ The RED II defines a series of sustainability and GHG emissions criteria that biofuels used in transport must comply with to be counted towards the overall 14% target and to be eligible for financial support by public authorities. For more information: https://joint-research-centre.ec.europa.eu/welcome-jec-website/reference-regulatory-framework/renewable-energy-recast-2030-red-ii_en.

¹⁰ The Bank has communicated those expenditures are limited to infrastructure for charging electric vehicles.

- For the Sustainable Forestry and Agriculture category¹¹, the Bank may finance or refinance loans for the following environmentally sustainable forestry and agricultural practices:
 - Afforestation, reforestation, preservation or restoration of natural landscape activities certified by the Forest Stewardship Council or Programme for the Endorsement of Forest Certification. The Bank further confirmed that plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions. Sustainalytics views the activity as aligned with market practice and the certifications as credible and robust.
 - Agricultural practices certified to the EU Organic certification.¹² Sustainalytics views this as credible certification that is aligned with market practice.
- Under the Access to Essential Services category, the Bank intends to finance or refinance loans for the following eligible activities:
 - Construction, acquisition, renovation, expansion, or maintenance of healthcare facilities¹³ for the provision of free or subsidized healthcare services; and the production and distribution medical equipment and supplies for the prevention and treatment of diseases that are infectious, rare or particularly common among a vulnerable group, such as children, women and the elderly. The Bank confirmed that the financed assets would be made available irrespective of the recipients' ability to pay. Sustainalytics considers this to be aligned with market practice.
 - Affordable basic infrastructure projects include those that promote the development of basic infrastructure in underserved and underdeveloped regions in Hungary. The target areas are those classified as less developed regions by Eurostat, which meet both of the following criteria: (i) the GDP per capita in the region is less than 75% of the EU 27 average), (ii) the GDP of those less developed regions is lower than the average GDP of all the regions in Hungary.¹⁴ Sustainalytics considers the criteria to be aligned with market practice. Eligible projects may include:
 - Public transport and related infrastructure, such as roads and bridges to increase connectivity in underdeveloped areas, or where road connectivity does not exist or is clearly inadequate and hinders a community's development. The financing will exclude the upkeep and upgrade of major roads and highways,
 - Sanitation infrastructure;
 - High speed internet and telecommunications in areas with either no access or access is substantially inadequate;
 - Electricity-related infrastructure in areas with either no access or access is substantially inadequate. For electricity-related infrastructure, expenditures related to transmission grids connected to a dedicated fossil fuel power plant (coal, oil or natural gas) are excluded;
 - Access to clean drinking water that is potable for residential or public-access purposes.
- Under the MSME Financing category, the Bank may finance or refinance loans to micro-, small- and medium-sized enterprises (MSMEs) that are located in areas classified by Eurostat as less developed regions and that are not involved in business activities excluded in the Framework.¹⁵ Sustainalytics considers this to be aligned with market practice.
- Project Evaluation and Selection:
 - Raiffeisen's Sustainability Bond Committee ("SBC") is responsible for ensuring the alignment of the potential eligible loans with the Framework and makes the final decision of selecting loans for the eligible loan portfolio. The SBC is comprised of representatives from the Risk, Business and Treasury departments and meets on a quarterly basis.

¹¹ Environmentally sustainable forestry activities will exclude the transformation of rain fed agricultural land into irrigated land, commercial concessions over logging on tropical natural forest, the purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions, activities that lead to clear cutting and/or degradation of tropical natural forests or high nature value forest, palm oil or tobacco plantations, destruction of critical habitat, the establishment of permanent irrigation systems, the purchase of agricultural or forest land, and conversion of natural forest to a plantation. Environmentally sustainable agriculture practices will exclude the transformation of rain fed agricultural land into irrigated land and the purchase of agricultural or forest land.

¹² For details of the EU Organic certification, please refer to the website at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/trade_en.

¹³ Hospitals, pharmacies, diagnostic and other laboratory services, rehabilitation centres, assisted living, and homes for the elderly.

¹⁴ Less developed region classification by Eurostat at <https://ec.europa.eu/eurostat/web/regions/background>

¹⁵ MSME is defined as an enterprise that (i) has fewer than 10 employees and less than EUR 2 million (USD 2.15 million) in revenue or as a balance sheet total; or (ii) has fewer than 50 employees and less than EUR 10 million (USD 10.8 million) in revenue or as a balance sheet total or; (iii) has fewer than 250 employees and less than EUR 50 million (USD 53.9 million) in revenue or less than EUR 43 million (USD 46.3 million) as a balance sheet total

- The final decision on the selection of eligible loans is based on a multi-step process that assesses loans for their social and environmental impact.
- Raiffeisen has in place a process that evaluates the environmental and social risks associated with eligible loans in accordance with the Bank's Environmental and Social Risk Management Policy.
- Sustainalytics considers the above process to be in line with market practice.
- Management of Proceeds:
 - Raiffeisen's Sustainable Portfolio Manager will be in charge of managing the net proceeds, which will be tracked by an internal sustainability bond register. Net bond proceeds will be allocated to an eligible loan portfolio. Raiffeisen intends to achieve the full allocation within 36 months of the bond's issuance.
 - The Bank will invest unallocated proceeds in money market instruments such as cash or cash equivalents.
 - Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Raiffeisen intends to report on the allocation and the impact of proceeds on its website on an annual basis until it reaches full allocation. If there are any material changes to the loan portfolio before the bond reaches maturity, Raiffeisen will also reflect such changes in the allocation and impact reporting.
 - Allocation reporting will include the number of sustainability bonds issued, the number of eligible loans, the total amount allocated to eligible loans and a breakdown of eligible categories.
 - Impact reporting may include performance indicators such as estimated annual energy savings (MWh), estimated annual reduced or avoided GHG emissions (tCO₂e) and installed renewable energy capacity (MW).
 - Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Raiffeisen

Contribution of Framework to Raiffeisen's sustainability efforts

The Raiffeisen Bank Sustainability Bond Framework aims to help drive the transition towards a sustainable society through financing loans with positive environmental and social impacts. Raiffeisen has communicated to Sustainalytics that the Bank does not currently have a sustainability strategy or quantitative and time-bound targets set to support its sustainability efforts.

Sustainalytics acknowledges Raiffeisen's efforts in issuing a sustainable bond under the Raiffeisen Bank Sustainability Bond Framework; however, ICMA's Green Bond Principles 2021 and Social Bond Principle 2021 recommend that issuers communicate overarching objectives, strategies and policies relating to environmental and social sustainability. Sustainalytics encourages Raiffeisen to develop and disclose a publicly available sustainability strategy with quantitative, time-bound targets and objectives to ensure transparency.

Approach to managing environmental and social risks associated with the loans

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible loans that are expected to have positive environmental and social impacts, Sustainalytics is aware that such eligible loans could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible loans could include: occupational health and safety; land use and biodiversity issues associated with large-scale infrastructure development; emissions, effluents and waste generated in construction; and community relations/stakeholder participation. While Raiffeisen plays a limited role in the development of the individual projects and assets it finances, it is exposed to the risks associated with the companies or projects it may finance by offering lending and financial services.

Sustainalytics is of the opinion that Raiffeisen will be able to manage and/or mitigate potential risks by implementing the following:

- Regarding occupational health and safety (OHS), Hungary established the Act No. 93 of 1993 on Occupational Safety and Health, which is based on the EU Council Directive on Safety and Health at

Work.^{16,17} The law requires employers to be responsible for minimum OHS risk management of their employees, proper material handling, and conducting regular on-site inspections. The Bank has an internal OHS Management system in place that ensures compliance with all the applicable international and the national regulation.

- Hungary's Act LXIII of 1995 on the General Rules of Environmental Protection aims at protecting the ecosystem and the environment by providing guidelines to address potential land use, biodiversity, pollution and waste risks.¹⁸ In addition, the EU's Biodiversity Strategy for 2030 sets biodiversity protection and restoration as a key element of the European Green Deal, with overarching goals for each sector to strengthen implementation, monitoring and review processes.¹⁹ Furthermore, the EU Directive 2014/52/EU requires an Environmental Impact Assessment ("EIA") for projects that are likely to have a significant impact on the environment to ensure that associated risks are adequately assessed before the project's approval. The Directive also stipulates that measures must be taken to "avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats". Concerning land use, the Directive notes that the "EIA shall identify, describe and assess land use related impacts".²⁰
- Regarding community relations and stakeholder participation, the EIA Directive requires effective consultation and public participation as a part of the EIA process.²¹
- Hungary is classified as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation, and institutional capacity for protecting the environment and communities.²²

Based on these systems, standards and assessments, Sustainalytics is of the opinion that Raiffeisen has implemented adequate measures and is well positioned to manage and mitigate the environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on three below whose impact is specifically relevant.

Impact of greening Hungary's building stock

The building sector is the largest consumer of final energy in Hungary, accounting for more than 40% of primary energy consumption,²³ and the buildings sector plays a crucial part in Hungary's decarbonization, since it accounts for 23% of the country's CO₂ emissions from fuel combustion. This is because the majority of Hungary's building stock was constructed before 1980 when energy standards were low and it is estimated that 70-90% of the building stock requires renovation.²⁴ A study estimated that retrofitting all existing residential and public buildings in Hungary to meet energy efficiency standards would reduce the country's final energy consumption by 16%.²⁵

Hungary was the first EU member state to ratify the Paris Agreement in 2016 to achieve carbon neutrality by 2050 and it later pledged to achieve a 40% reduction in GHG emissions by 2030 compared to 1990 levels.²⁶ As part of its effort to achieve that climate target, Hungary established the National Energy Efficiency Action

¹⁶ International Labour Organization, "Act No. 93 of 1993 concerning Occupational Safety and Health" (1993) at: <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/38155/64930/E93HUN01.htm>

¹⁷ Official Journal of the European Communities, "Council Directive of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work" (1989) at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=EN>

¹⁸ Wolters Kluwer collection of legal acts "1995. LIII. Law on the general rules for the protection of the environment" (1995) at: <https://net.jogtar.hu/jogszabaly?docid=99500053.TV>

¹⁹ European Commission, "EU's Biodiversity Strategy for 2030" at: https://ec.europa.eu/environment/nature/biodiversity/strategy/index_en.htm

²⁰ EU, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment" (2014) at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

²¹ European Commission, "Focus on Environmental Impact Assessment" at: https://www.era-comm.eu/EU_Legislation_on_Environmental_Assessments/part_2/part_2_12.html

²² The Equator Principles, "Designated Countries" at: <https://equator-principles.com/designated-countries/>

²³ EBRD, "Energy efficiency in Hungary begins at home" at: <https://www.ebrd.com/news/2020/energy-efficiency-in-hungary-begins-at-home.html>

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ministry of Innovation and Technology, "National Energy and Climate Plan" (2020) at: https://ec.europa.eu/energy/sites/default/files/documents/hu_final_necp_main_en.pdf

Plan, which aims to achieve 0.8% annual energy savings and a 70% reduction in GHG emissions between 2021 and 2030 compared to 2005 levels.²⁷ In line with the Paris Agreement, the EU's Energy Performance of Buildings Directive is an important initiative for achieving the climate and energy efficiency goals of the EU Green Deal. One of the main priorities in the directive is to reduce building energy consumption, mainly through energy efficiency improvements.²⁸

Sustainalytics expects that financing green building assets will contribute to reducing building energy consumption by improving energy efficiency, and that it will support Hungary in achieving its climate goals.

Importance of supporting renewable energy production in Hungary

In Hungary, the energy sector accounted for 72% of the country's GHG emissions in 2017.²⁹ In line with the net zero target, the country has set a goal for 90% of energy generated in Hungary to be zero-emission by 2030.³⁰ To achieve this goal, Hungary's government is focusing on expanding the generating capacity of renewable energy. For example, solar power accounted for 5% of Hungary's energy mix in 2019. However, the Hungarian government had set a goal in 2020 to increase solar power generation capacity sixfold by 2030, and it announced that it will provide financial incentives for a wide range of projects.³¹ For heating and cooling, the country's main sources of renewable energy are biomass and geothermal energy. Currently, Hungary is using only 10-15% of its geothermal potential; therefore, expanding these capacities is a key priority in order to decarbonize the energy sector.³²

Sustainalytics is of the opinion that Raiffeisen's financing of renewable energy projects will support further growth in renewable energy production and will contribute to Hungary achieving its GHG targets.

Importance of improving access to healthcare in Hungary

Hungary has a universal healthcare system that is based on social insurance. Although the availability of health care in both the public and private sectors is considered adequate, there are geographic inequalities in access to healthcare, as infrastructure and capacities are concentrated in cities.

According to a report by the European Commission, people living in underserved areas and smaller settlements have the least access. The study shows that there are considerable regional differences in the participation rates and waiting times for medical screening. Shortages of healthcare workers continue to limit access to healthcare, especially in the public health sector and in rural areas. About one-third of patients who received diagnostic services chose privately financed medical providers at an additional cost, mostly to reduce the waiting time for a diagnosis and specialist dispatch, or to obtain higher quality services.³³ Reflecting this situation, the proportion of out-of-pocket costs in Hungary was the third highest among countries in the EU in 2021.³⁴ Additionally, direct payments, charges for services outside the benefit package, and informal payments accounted for about 28% of total healthcare expenditures in 2019.³⁵ According to several studies, inequalities in healthcare access have increased in recent years, requiring greater support to the socially vulnerable and those living in disadvantaged areas.

²⁷ Ministry of Innovation and Technology, "National Energy and Climate Plan" (2020) at: https://ec.europa.eu/energy/sites/ener/files/documents/hu_final_necp_main_en.pdf

²⁸ Official Journal of the European Union, "Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency" at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0844&from=EN>

²⁹ Government of Hungary, "Hungary's Fourth Biennial Report" at: https://unfccc.int/sites/default/files/resource/20191219_UNFCCC_BR4_fin.pdf

³⁰ Ministry of Innovation and Technology, "2020 Climate and Environment Protection Action Plan" at: https://2015-2019.kormany.hu/download/5/07/c1000/Climate%20and%20environmental%20protection%20action%20plan_EN.pdf

³¹ Ministry of Innovation and Technology, "2020 Climate and Environment Protection Action Plan" at: https://2015-2019.kormany.hu/download/5/07/c1000/Climate%20and%20environmental%20protection%20action%20plan_EN.pdf

³² Ministry of Innovation and Technology, "National Energy and Climate Plan" (2020) at: https://ec.europa.eu/energy/sites/default/files/documents/hu_final_necp_main_en.pdf

³³ European Commission, ESPN Thematic Report on Inequalities in access to healthcare Hungary (2018) at: <https://ec.europa.eu/social/BlobServlet?docId=20362&langId=en>

³⁴ OECD, "Health at a glance" (2021) at: <https://www.oecd-ilibrary.org/docserver/ae3016b9-en.pdf?expires=1648567421&id=id&accname=guest&checksum=D2053AC2E75A80240EBD567872D69573>

³⁵ The World Bank, "Out-of-pocket expenditure – Hungary" at: <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=HU>

Based on the above, Sustainalytics considers that the Bank's financing of healthcare projects targeting vulnerable populations will contribute to improving the access to and quality of healthcare services in Hungary.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by 2030. The bond(s) issued under the Raiffeisen Bank Sustainability Bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
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
Sustainable Forestry and Agriculture	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.
Access to Essential Services	3. Good Health and Well-being 10. Reduced Inequalities	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
MSME Financing	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

Conclusion

Raiffeisen has developed the Raiffeisen Bank Sustainability Bond Framework under which it intends to issue sustainability bonds and use the proceeds to finance or refinance eligible projects related to green buildings, renewable energy, energy efficiency, clean transportation, sustainable forestry and agriculture, access to

essential services, and MSME financing. Sustainalytics expects the projects funded under the Framework to provide positive environmental and social impacts in Hungary.

The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Raiffeisen to report on the allocation and impact of the use of proceeds. Sustainalytics encourages Raiffeisen to develop and disclose a publicly available sustainability strategy with quantitative, time-bound targets and objectives. Sustainalytics believes that the use of proceeds categories will contribute to the advancement of the UN SDGs 3, 7, 8, 10,11 and 15. Additionally, Sustainalytics is of the opinion that Raiffeisen has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Raiffeisen is well positioned to issue sustainability bonds and that the Framework is robust, transparent and in alignment with the four core components of the GBP 2021, and SBP 2021.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Raiffeisen Bank Zrt.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Raiffeisen Bank Sustainability Bond
Review provider's name:	Sustainalytics
Completion date of this form:	May 12, 2022
Publication date of review publication:	

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 GBP and SBP:

- | | |
|--|--|
| <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 nd 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 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 eligible categories for the use of proceeds³⁶ are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 7, 8, 10, 11 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input 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 type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" 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 (please specify): |

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 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 SBP | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

³⁶ Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Forestry and Agriculture, Access to Essential Services, and MSME Financing.

Raiffeisen's Sustainability Bond Committee ("SBC") is responsible for the internal process in evaluating and selecting eligible loans. The SBC is comprised of representatives from Risk, Business and Treasury departments. The Bank has in place an environmental and social risk management process applicable to all allocation decisions in the Framework. Sustainalytics considers the risk management system and loan selection process in line with market 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 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 (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" 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)*:

Raiffeisen's Sustainable Portfolio Manager will manage the net proceeds using an internal sustainability bond register. Raiffeisen intends to fully allocate bond proceeds within 36 months of the issuance. Unallocated proceeds will be held in cash or cash equivalents. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> 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 type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Raiffeisen intends to provide allocation reporting on its website on an annual basis until full allocation. In addition, Raiffeisen is committed to reporting on relevant quantitative impact metrics where feasible and has provided indicative metrics within the Framework. Sustainalytics views Raiffeisen's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Type of scheme and certification level, Expected renewable energy generation (MWh), Total land area certified, Number of medical facilities built/upgraded, Number of financed enterprises and jobs created split per region, Number and |

average amount of the MSME loans

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third-party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third-Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

