



GREEN BOND ALLOCATION AND IMPACT REPORT 2024

July 2024



Business name	Československá obchodní banka, a. s.
Registered office	Radlická 333/150. Praha 5, Postal Code 150 57, Czech Republic
Legal status	Joint-stock company
Registration	Registered in the Commercial Registry of the Municipal Court in Prague, Section B XXXVI, Entry 46
Date of registration	21 December 1964
Business activities	Bank pursuant to the Act No. 21/1992 Coll., on banks
ID No.	00001350
Tax registr. No.	CZ699000761 (for VAT) CZ00001350 (for other taxes)
Bank code	0300
SWIFT	CEKOCZPP
Data box	8qvdk3s
Telephone	+420 224 111 111
Internet address	https://www.csob.cz
E-mail	info@csob.cz
Supervisory body	Czech National Bank (CNB) Na Příkopě 28, Praha 1. Postal Code 115 03, Czech Republic

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INTRODUCTION

Dear reader,

In recent years, we have witnessed the growing importance of sustainability globally, especially in the context of ongoing climate change, threats to biodiversity, dwindling water supplies, increasing waste and pollution of air and water resources, etc. Halting the current adverse trends requires an accelerated economic transformation, in which banks undoubtedly play a crucial role.

The Czech Republic is currently implementing new strategic, legislative and market frameworks aimed at adjusting the market environment in the context of climate change and its consequences. ČSOB takes these into account in its long-term strategy and in its daily business. Already in 2020, the Bank launched detailed analyses of the impact of climate change on key sectors and in the following years implemented a series of stringent measures and policies in line with global challenges (UN Global Compact, SDGs, Equator principles, CCCA, etc.) aimed at avoiding behaviour that violates human rights, threatens peaceful coexistence or devastates the environment.

The United Nations Sustainable Development Goals (SDGs) have played a key role in shaping our group sustainability strategy and our own ESG targets. In interviews with partners from the corporate world, retail clients, suppliers, employees, representatives from the government and non-profit sectors, as well as people from academia, we asked for their views and recommendations on where and in which areas CSOB should focus its efforts. As a result, we identified five key areas where we can achieve the greatest results:

- SDG 3 Good Health and Wellbeing: We support the work-life balance of our employees. We also focus on affordable healthcare, quality of life and road safety in our banking and insurance product portfolio.
- SDG 7 Affordable and clean energy: We contribute to increasing the share of renewable energy generation and its efficient use through loans and insurance.
- SDG 8 Decent Work and Economic Growth: We support entrepreneurs and accelerate innovative start-ups. Through our start-up accelerators, we stimulate entrepreneurship among women and young talented entrepreneurs. For young entrepreneurs, especially students, we have developed a special Start it @UNI program, where we teach them to avoid the biggest risks and increase their chances of successful sustainable entrepreneurship.
- SDG 12 Responsible consumption and production: we support innovation and the transformation to low-carbon or zero-emission operations for businesses and households. We also promote responsible investment (RI).
- SDG 13 Climate action: We have strict rules on lending, investment, and insurance offerings with respect to environmental protection. In line with our commitment to the Paris Agreement, we strive to reduce the impact of our business and meet ambitious climate targets. Considering the local context, we have projected expected decarbonisation developments for individual portfolios and sectors and set group targets that are binding not only for CSOB but for the entire KBC Group.

We further critically examined the results of the stakeholder dialogue in terms of the materiality of the impact on our operations and added to the five SDG17 targets other topics that form the backbone of our responsible behaviour and on which we focus in our daily work:

- Fair, understandable, and transparent information for clients
- Long-term resilience of our business model
- Ethical business conduct and responsible behaviour
- Sustainable and responsible service and product offering
- Sustainable and responsible asset management and investment
- Data protection and cyber security
- Promoting financial literacy

In other words, we are actively adapting our business model as appropriate, aiming to reduce the rate of global warming within the framework of the targets set by the Paris Agreement and want to contribute to the transition to a greener and more sustainable economy by expanding our range of sustainable products and services in the areas of credit, investments, insurance, leasing, etc. With the aim to gradually decarbonise the local economy, ČSOB provided the amount of CZK 29.6 billion loans supporting transition to low emission economy, of which CZK 2.1 billion is in full compliance with the EU Taxonomy. Retail clients invested CZK 19.8 billion to responsible investment funds, ESG linked green bonds and investment certificates. Here, we are proud to state, that ČSOB was the first financial institution on the domestic market to issue its own Green Bonds in the amount of one billion crowns with a three-year maturity last year. The proceeds of the issue were intended for the refinancing of real estate projects of companies that themselves consistently apply ESG principles and that have adopted a strategy to reduce their carbon footprint. These Green Bonds as well as the new emission that is described further in the document are an expression of culture, values and preferences of the bank towards ESG principles.

By this report we tried to briefly summarize the most important aspects from ČSOB's approach to ESG issues, however, if you are interested in more detail, we heartily recommend you reading our [ČSOB Group Social Responsibility and Sustainability report](#).

OVERVIEW OF THE ISSUANCE

Name	ISIN	Amount Issued (in CZK)	Maturity
ČSOB ZELENÝ LIKVIDNÍ DLUHOPIS 6M 05/2026	CZ0003708307	1,000,000,000	24/05/2026
ČSOB ZELENÝ LIKVIDNÍ DLUHOPIS 6M 09/2026	CZ0003708430	700,000,000	04/09/2026
ČSOB ZELENÝ LIKVIDNÍ DLUHOPIS 6M 11/2026	CZ0003708505	300,000,000	09/11/2026



ALLOCATION REPORT

Introduction

On 24 May 2023, CSOB for the first time issued Green bond for Private banking clients. The inaugural green bond amounted CZK 1,000,000,000. According to our Green Bond Framework the net proceeds of the bond are to be used to finance or refinance eligible projects as defined there, too. As of 31/12/2023 the Total net proceeds raised through 3 green bonds amounted CZK 2,000,000,000. The period covered for financing investments by the proceeds of the 2023 Green Bond is a look-back period of 36 months and a look-forward period of 36 months. For the allocation and impact figures in this first Allocation & Impact Report, the starting point was 1 January 2020 and the cut-off date was set at 30 April 2024. Up until the cut-off date of 30 April 2024, all net proceeds (100%) were fully allocated in the form of refinancing to existing projects, i.e. projects financed before the bond issuance. 100% of the allocated amount has gone into Green Buildings that met the use of proceeds and green technical criteria as defined in the ČSOB Green Bond Framework (2022).

- Fifty percent (50%) of total net proceeds were allocated to buildings that obtained EU Taxonomy approved Green Loan.
- Eighty five percent (85%) of total net proceeds were allocated to buildings having LEED Platinum Certificate and 15% to buildings having BREEAM Excellent certificate.
- All of the financed projects received an evaluation of the Energy consumption (EPC/PENB) on level B.
- Hundred percent (100%) of net proceeds were allocated to Prague area.

Eligible project category	ČSOB Green Buildings
Number of loans	3
Eligible Portfolio (€ mln)	94.43
Issued Amount (€ mln)	78.43
Allocated Amount (%)	100
Building Type	Green Commercial Buildings
Location	Prague
Total Floor Area (m2)	75,605.60

The label "Green Buildings" is associated with meeting the green criteria as defined in ČSOB, "Green Bond Framework", (2022), at: <https://www.csob.cz/documents/10710/25791461/green-bond-framework.pdf>

Green Buildings by Energy Certification Type

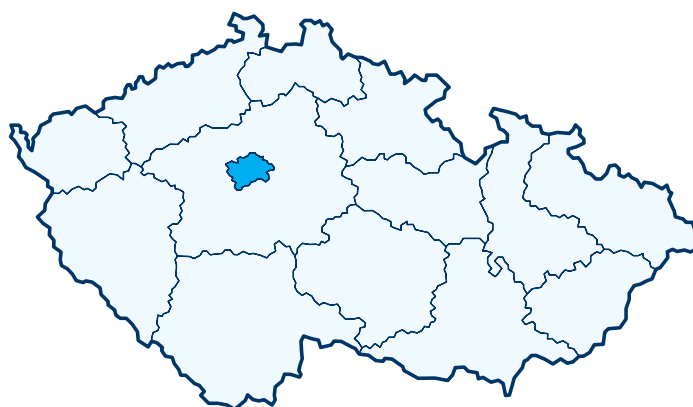
	Total allocated amount in EUR mio	Proportion from Green Buildings
BREEAM Excellent	11.8	15
BREEAM Outstanding	-	-
LEED Gold	-	-
LEED Platinum	66.7	85
TOTAL	78.43	100

	Total allocated amount in EUR mio	Proportion from Green Buildings
EPC label according to national Energy certification - PENB A	-	-
EPC label according to national Energy certification - PENB B	78.43	100
TOTAL	78.43	100

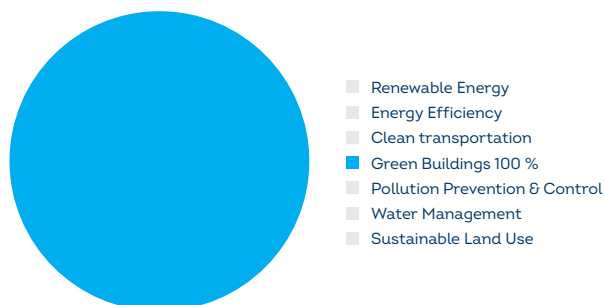
Green Buildings by year of construction

Year of Construction	Total allocated amount in EUR mio	Proportion from Green Buildings
2018	11.8	15
2019	27.5	35
2023	39.2	50
TOTAL	78.43	100

Green Asset pool allocation by region



Green Asset pool allocation split by category





CONFIRMATION OF EXTERNAL REVIEWER

The Green Bond Allocation and Impact report has been approved by CSOB Green Bond Committee for publication.

For the 2023 Green Bond, a pre-issuance Second Party Opinion was delivered by Sustainalytics. In this report, Sustainalytics verified the company's overall CSR and sustainability strategy, performance, and sustainability risk management in relation to use of proceeds, the Green Bond Framework alignment with the four components of the Green Bond Principles 2021 (GBP) developed by the International Capital Markets Association (ICMA) and the credibility and anticipated positive impacts of the use of proceeds.

CSOB Green Bond Framework does require an External verification of the instrument issued under this framework, CSOB thus provides assurance to its investors in the form of Annual Review provided by Sustainalytics as presented in the document.

Československá obchodní banka

Type of Engagement: Allocation Review

Date: 17 June 2024

Engagement Team:

Simon Vacklen, Simon.Vacklen@morningstar.com

Louisa Mandt, Louisa.Mandt@morningstar.com

Introduction

During 2023, Československá obchodní banka (“ČSOB” or “the Bank”) issued three Green Bonds (the “2023 Green Bonds”) under the 2022 Green Bond framework,¹ aimed at financing or refinancing a portfolio of energy-efficient office buildings.

In May 2024, ČSOB engaged Sustainalytics to review the projects funded with proceeds from the Green Bond to provide an assessment as to whether the projects met the use of proceeds criteria outlined in the Green Bond framework.

Sustainalytics has calculated the estimated impact achieved by the Green Bonds in a separate report.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the Green Bonds based on whether the projects and programmes met the use of proceeds and eligibility criteria of the Frameworks.

Table 1: Green Bond Framework - Relevant Use of Proceeds & Eligibility Criteria lists the relevant Use of Proceeds and Eligibility criteria from the Framework.

Table 1: Green Bond Framework - Relevant Use of Proceeds & Eligibility Criteria

Use of Proceeds Category	Sub-category	Eligibility Criteria
Green Buildings	Commercial real estate	Financing of new or recently built commercial real estate, belonging to the top 15% of the commercial real estate building stock in terms of energy performance in the country of location, or which have obtained any of the following green building certificates: <ul style="list-style-type: none"> • LEED Gold or higher • BREEAM Excellent or higher • HQE Excellent or higher

Issuer’s Responsibility

The bank is responsible for providing accurate information and documentation relating to the projects funded, including description of projects and amounts allocated.

Independence and Quality Control

A leading provider of ESG research and ratings to investors, Sustainalytics conducted the verification of the use of proceeds from the ČSOB’s Green Bond Framework. The work undertaken as part of this engagement included collection of documentation from the bank and review of said documentation to assess conformance with the Frameworks.

¹ ČSOB, “Green Bond Framework”, (2022), at: <https://www.csob.cz/documents/10710/25791461/green-bond-framework.pdf>

Sustainalytics relied on the information and the facts presented by ČSOB. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by ČSOB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,² the reviewed projects meet the use of proceeds criteria outlined in the Frameworks. Nothing has come to Sustainalytics' attention that causes us to believe otherwise.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the Green Bond to determine if the projects meet the use of proceeds criteria outlined in the Frameworks.	All projects reviewed complied with the use of proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Green Bond Allocation

Use of Proceeds Category	Sub-category	Net Bond Proceeds Allocation (CZK)
Buildings	Commercial Real Estate	2,000,000,000
Total mount		2,000,000,000

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Sustainalytics has also been engaged to deliver a CBI Post-Issuance report, which has been prepared by a distinct, separate team.

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

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. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com





IMPACT REPORT

The issuance of Green Bonds with proceeds to finance the Eligible green buildings loan portfolio represents a significant step towards sustainable development. In compliance with ČSOB Green Bond Framework 2022, these Eligible assets are designed to meet stringent environmental standards, ensuring they contribute to a reduction in carbon dioxide (CO₂) emissions. In this section, we will detail the positive environmental impact achieved through these investments. By lowering CO₂ emissions, the portfolio of Eligible green buildings not only support global climate goals but also enhance the quality of life for the communities they serve. The following analysis highlights the specific reduction in CO₂ emissions attributable to those green buildings and underscores our commitment to environmental stewardship and sustainable growth.

Our Green Bond Allocation and Impact Report 2024 reflects the impact reporting requirements per CSOB's Green Bond Framework 2022 which has been externally assessed by Sustainalytics.

For Green Buildings, these impact metrics amongst others are reported:

- Estimated annual energy consumption or energy reduction in MWh/year;
- Estimated annual reduced and/or avoided emissions in tons of CO₂ equivalent.

The impact calculations have been prepared by an external consultant – Sustainalytics, a Morningstar Company and are presented in the Appendix hereinafter.

Impact Report for Bonds and Loans

ČSOB Sustainable Finance Framework

Impact Summary

Evaluation Date June 17, 2024

Issuer Location Prague, Czech Republic

Sustainalytics has calculated the estimated impact achieved by the green bonds issued by Československá obchodní banka's in May, September and November 2023. Since issuance, CZK 2 billion have been allocated in the category of Green Buildings. The projects are located in the Czech Republic. For a representative year of the bond's term to maturity, Sustainalytics has calculated 1,473 tonnes of avoided GHG emissions in CO₂e.



2B
Allocated amount, CZK

1.5K
Annual emissions avoided (tCO₂e)

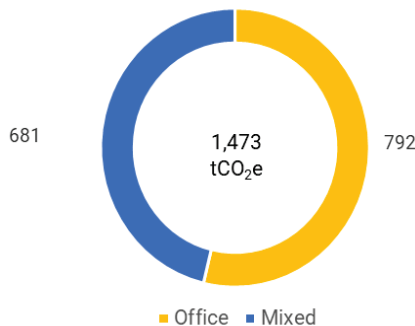
3
Projects

320
Cars driven for one year

1
Country

97K
Trees, yearly sequestration

Avoided GHG emissions by Use of Proceeds and Location of Projects by Country



For inquiries, contact the Sustainalytics Sustainable Fixed Income project team:

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Introduction

Československá obchodní banka (“ČSOB” or the “Bank”) is a commercial bank headquartered in Prague, the Czech Republic. The Bank is a member of ČSOB Group, one of the largest financial services groups in the Czech Republic and provides daily banking, home financing, building savings, company and affluent client banking, investments, financial markets operations, brokerage, leasing and other services. ČSOB is a subsidiary of KBC Group NV, (“KBC” or the “Group”), a Belgian banking and insurance group founded in 1998. The Bank has 8,035 employees and 4.3 million clients as of December 2023.¹

ČSOB engaged Sustainalytics in May 2024 to quantify the environmental benefits of the projects financed with the proceeds from ČSOB’s green bonds, which finances Green Building² projects. This report covers the allocation of CZK 2 billion raised during the 2023 issuances. Using established methodologies, Sustainalytics has estimated avoided emissions from ČSOB’s projects. This report presents the details of our findings, including a description of the methodology used to calculate the impacts.

Scope of Work and Limitations

ČSOB has engaged Sustainalytics to calculate the environmental impacts of the projects financed with proceeds from the 2023 Green Bonds. For this work, Sustainalytics relied on the data provided by ČSOB on the allocated amount and the technical data on the projects financed.

Sustainalytics’ impact reporting is aligned with ICMA’s June 2023 Harmonised Framework for Impact Reporting.³ The methodology and assumptions made for the impact calculation are outlined in the methodology chapter.

As part of this engagement, Sustainalytics exchanged information with ČSOB’s representatives to understand the sustainability impact of its projects. Through these exchanges, ČSOB’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of ČSOB to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information.

¹ ČSOB, Annual Report 2023, (2024), at: <https://www.csob.cz/documents/10710/550083/ar-ČSOB-2023.pdf/b2539568-de5b-d6aa-0c32-43e229a30f51?version=1.0&t=1714126426893>

² The label “Green Buildings” is associated with meeting the green criteria as defined in ČSOB, “Green Bond Framework”, (2022), at: <https://www.csob.cz/documents/10710/25791461/green-bond-framework.pdf>

³ ICMA, “Handbook - Harmonised Framework for Impact Reporting”, (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

Impact Findings

For reporting, Sustainalytics follows the ICMA Harmonised Framework for Impact Reporting,⁴ which synthesizes market expectations and outlines recommendations for impact reporting to create a standardized reporting structure and to enhance the understanding of the impact to all stakeholders, including investors.

Table 1 below provides a summary of the impact at the portfolio level, which Sustainalytics calculated from the allocation of proceeds from ČSOB's 2023 Green Bonds. Table 2 provides building type level details and Appendix 1 provides impact data at the project level. These metrics correspond to a representative year during the bond's term to maturity and are based on the share of project financing.

Table 1: Summary of Impact – Portfolio Level

Allocated Amount	Bond Tenor	Financed Emissions Avoided	Financed Emissions Avoided/M CZK
CZK	Years	tCO ₂ e/year	tCO ₂ e/year/M CZK
2,000,000,000	3	1,473	0.74

Table 2: Impact of Green Building by Building Type

Building Type	Allocated Amount	Gross Building Area	Energy Reduction	Financed Emissions Avoided	Financed Emissions Avoided/M CZK
	CZK	m ²	MWh/year	tCO ₂ e/year	tCO ₂ e/year/M CZK
Mixed	1,000,000,000	32,195	4,712	681	0.68
Office	1,000,000,000	43,410	2,326	792	0.79

⁴ ICMA, "Handbook - Harmonised Framework for Impact Reporting", (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

Methodology

Sustainalytics developed its own methodologies for quantifying GHG avoidance and other metrics, including leveraging publicly available best-in-class methodologies, protocols and frameworks that are currently industry best practice. Our estimation practices and general principles rely on the GHG Protocol.⁵ Our methodologies are based on guidance provided by the International Financial Institutions⁶ on calculation methodology and global emissions. In addition, we rely on the Partnership for Carbon Accounting Financials' Global Accounting Standard⁷ for guidance on estimation where data is not readily available and assumptions must be made. Finally, the UN's Clean Development Mechanism⁸ provides guidance and information, serving as the foundation for these and other methodologies, including those implemented in this report.

Green Buildings

It is assumed that green buildings consume less energy than a mix of existing buildings and new construction. The avoidance of greenhouse gas emissions is then calculated using:

- a) The emissions of the green building projects. To the extent available, the reporting is based on metered energy consumption. If such information is not available, estimates for the relevant projects are based on the building certificates, standards or country-level averages.
- b) The baseline emissions, or emissions occurring in the absence of the projects. This figure is based on the estimated energy intensity of comparable buildings, or in the case of refurbishments, the prior emissions.
- c) Financed project avoided emissions are calculated by using the share of project financing of the total project emissions avoided from the above calculations.

Data Sources and Assumptions

- For the projects included in this report, building data including gross building area, location and relevant green building certificates were provided by ČSOB and used as inputs for the calculations. Where relevant and available, Sustainalytics performed calculations based on the most recently available green building certificates or energy performance certificates for each property.
- Based on location and building characteristics such as type and size, the energy intensity of a baseline building is estimated using a combination of country averages and publicly available statistical models.^{9,10}
- The emissions factors for the project and baseline properties are based on the average energy mix for buildings in the relevant country.
- The grid emissions factors for the countries in which the projects are located were sourced from IFI.¹¹ To account for emissions from upstream activities, Sustainalytics applies an additional, indirect emissions factor.¹²

⁵ Greenhouse Gas Protocol, "About Us", (2023), at: <https://ghgprotocol.org/>

⁶ International Financial Institutions (IFI), "Members of the International Financial Institutions on Greenhouse Gas Accounting", at: [https://unfccc.int/sites/default/files/resource/IFIs membership for UNFCCC %27white pages%27_0.pdf](https://unfccc.int/sites/default/files/resource/IFIs%20membership%20for%20UNFCCC%20white%20pages%27_0.pdf)

⁷ Partnership for Carbon Accounting Financials (PCAF), "About", (2023) at: <https://carbonaccountingfinancials.com/>

⁸ UNFCCC, "CDM Methodologies Booklet – Fourteenth edition", (2022), at: <https://cdm.unfccc.int/methodologies/documentation/index.html>

⁹ IFC's EDGE model is used for statistical modelling of buildings, available at: <http://www.edgebuildings.com>

¹⁰ Carbon Risk Real Estate Model, "CRREM Pathways", at: <https://www.crrem.eu/>

¹¹ UNFCCC, "IFI TWG – List of methodologies", at: <https://unfccc.int/climate-action/sectoral-engagement/ifis-harmonization-of-standards-for-ghg-accounting/ifi-twg-list-of-methodologies>

¹² UK Government, Department for Business, Energy & Industrial Strategy, "Government conversion factors for company reporting of greenhouse gas emissions", at: <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

Appendix 1: Impact of Green Buildings Projects

Project Name	Building Type	Country	Gross Building Area	Allocated Amount	Average Share of Total Project Financing	Average Energy Intensity	Energy Reduction	Financed Direct Emissions	Financed Indirect Emissions	Financed Emissions Avoided	Financed Emissions Avoided/ M CZK
			m ²	CZK	%	kWh/m ²	MWh/year	tCO ₂ e/year	tCO ₂ e/year	tCO ₂ e/year	tCO ₂ e/year/ M CZK
Project 1	Mixed	Czech Republic	32,195	1,000,000,000	40	34	4,712	133	27	681	0.68
Project 2	Office	Czech Republic	19,146	700,000,000	100	82	2,061	469	94	744	1.06
Project 3	Office	Czech Republic	24,264	300,000,000	50	183	265	669	135	48	0.16

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