

SUSTAINABLE FUNDING FRAMEWORK

February 2023

KOMMUNAL
KREDIT

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Section A

Introduction to Kommunalkredit

1 Kommunalkredit at a Glance

As a specialist bank for infrastructure and energy financing, Kommunalkredit Austria AG (“Kommunalkredit”) provides tangible benefits to the community. Kommunalkredit helps create a better world by enabling the development of sustainable infrastructure that improves the quality of people’s lives. Investments in infrastructure are a tool for addressing social needs

and increasing the general wellbeing of society. Efficient infrastructure bolsters economic momentum, promotes urban development, creates jobs, is an indispensable part of the fight against climate change and strengthens social cohesion. It meets the needs of today’s generation and creates opportunities for the generations to follow.

Business Model

Kommunalkredit is a partner for both corporate and financial sponsors active in the construction, acquisition and operation of infrastructure projects. Kommunalkredit also assists the public sector in providing advice and financing for social infrastructure. The key focus sectors where Kommunalkredit is active are:

- Energy & Environment
- Communication & Digitalisation
- Transport
- Social Infrastructure
- Natural Resources

The bank is instrumental in enabling the implementation and operation of infrastructure projects, by matching the financing needs of project sponsors and developers with investors seeking sustainable investment opportunities. Extensive team expertise coupled with strong relationships with clients, investors and authorities facilitate cooperation and ensure swift transaction execution. A cornerstone of Kommunalkredit’s strategy is the originate-and-collaborate concept. The bank underwrites new business which it (partly) syndicates to further investors. This frees up balance sheet capacity for new origination, enabling in-house expertise to be applied to a wider range of projects.

Kommunalkredit offers customised finance solutions across the capital structure – from debt and subordinated capital, through mezzanine, bridge financing, to equity. The product spectrum extends from financial advisory, corporate finance, acquisition and leverage finance, to export financing and project financing. Thanks to the **Fidelio KA Infrastructure Debt Fund** established in 2018, the bank is also capable of offering its business partners access to infrastructure and energy financing by means of an asset management solution. With the launch of **Florestan KA GmbH** in May 2021, the bank is in a position to support innovative concepts with equity funding in a more focused way. As an example, Kommunalkredit is investing in the construction of Austria’s largest electrolysis plant. It is expected to be operational in the second half of 2023 and will produce up to 1,500 tonnes of green hydrogen a year. This venture underscores Kommunalkredit’s focus and commitment in enabling the green transition.

PeakSun is a joint venture with the Upper Austrian energy provider eww for the development, construction and operation of rooftop photovoltaic systems in Austria. Within the framework of a contracting agreement, the company constructs, finances and leases the PV system on the roof surfaces provided by the customers. The electricity generated can either be used by the customer themselves or fed into the public grid.

Kommunalkredit Public Consulting (“KPC”), a subsidiary of Kommunalkredit, specialises in developing, implementing, and managing funding programs, especially in the areas of environmental and climate protection. Thanks to its know-how, KPC is a trusted partner both for those providing funds and those seeking funding. KPC also manages Climate Austria, a platform for voluntary CO₂ emission offsetting, which enables businesses to achieve their goal of carbon neutrality. Received payments are primarily invested in national, but also selected international, climate protection projects. On the consulting side, KPC successfully supports renowned national and international organizations and financial institutions in technical consulting, compiling market studies, implementing evaluation projects and developing investment plans, capacity development and policy advice.

Kommunalkredit has a clear focus: sustainability in accordance with Environment, Social, Governance (“ESG”) criteria and in support of the UN Sustainable Development Goals (“SDGs”). Sustainability is part of Kommunalkredit’s DNA. Sustainable management – operating responsibly in economic, social and ecological terms – forms the basis of the company’s business model. The infrastructure and energy projects the bank has implemented contribute to decarbonisation, national and international climate targets and the European Union’s (EU) Green Deal. Examples of projects financed historically by Kommunalkredit can be found in the respective Annual Reports as well as in the Sustainability Report on the [website](#).

2 Sustainability Strategy and 2025 Commitments

In 2022, Kommunalkredit updated its sustainability strategy outlining the bank's two-fold focus:



Accelerate the green transition

We enable and strive to accelerate decarbonisation, with the core of our financing activities focusing directly on renewable energy, hydrogen and other technologies that are essential for the green transition.



Help improve people's lives

A significant part of our activities across Infrastructure and Energy and Public Finance fund social infrastructure and connectivity.

To retain focus on these two core focus areas, Kommunalkredit commits to:



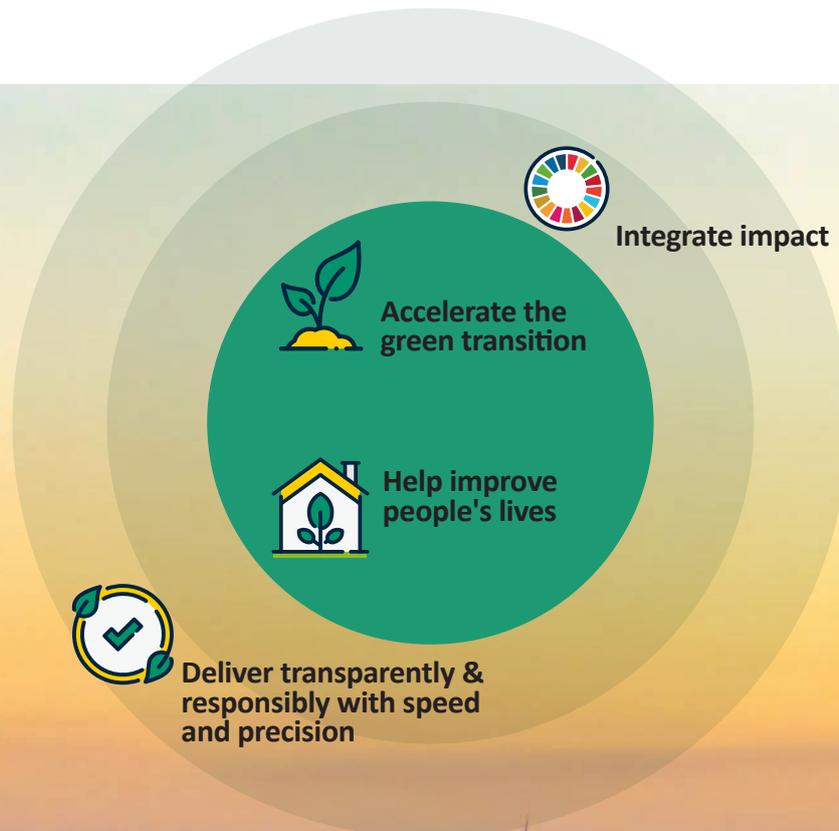
Integrate impact

We consider sustainability factors across all types of infrastructure. As an organisation, we are dedicated to the SDGs, the UN Global Compact, the UN Principles for Responsible Banking, the Paris Agreement and the European Green Deal.



Deliver transparently & responsibly with speed and precision

We continuously improve our ESG disclosures and ensure that we carry out our business responsibly and with high integrity.



SDG Priority 1

Very important for Kommunalkredit **and** its stakeholder



SDG Priority 2

Very important for Kommunalkredit **or** its stakeholder



Kommunalkredit's sustainability strategy naturally aligns with its core business and has a green and a social focal point: accelerating the green transition and improving people's lives. Kommunalkredit has defined the following strategic targets to be achieved by 2025:

- 1 Direct **at least 40% and up to 50%** of new infrastructure financing activities towards the green transition, such as renewable energy, green mobility, and water management, each year.
- 2 Help accelerate the commercialisation and scaling-up of **new green solutions** by channelling up to 10% of annual new infrastructure financing volumes towards early-stage and/or innovative projects, leveraging the bank's agility, expertise, and risk appetite to be a first mover in opportunities such as hydrogen, battery storage, and new forms of renewable energy.
- 3 Dedicate **at least 30%** of yearly new infrastructure financing projects to a combination of **social infrastructure and/or digitalisation and communication**.

The key enablers supporting Kommunalkredit's goals are:

- Training at least 95% of the bank's employees on sustainable development and why it is important to Kommunalkredit, in addition to ongoing ESG trainings.
- By Q2 2023 design an SDG impact curriculum to train banking employees on how to maximise positive impact in infrastructure projects. By 2025, at least 95% of banking employees will be trained on impact maximisation.
- By Q3 2023 define a Kommunalkredit Environmental Sustainability Ratio to inform on strategy execution and enhance transparency.
- Assess the greenhouse gas emissions from our financing activities by 2024 according to PCAF and set Net Zero and reduction targets by 2025.
- By 2025 at least 30% of managers to be female.
- By 2025 to have eliminated any gender pay gap within the same job bands.

3

Sustainability Governance

Sustainability is an important overarching theme for Kommunal-kredit's strategy. A sustainability management system encompassing Kommunalkredit Austria AG and Kommunalkredit Public Consulting GmbH ("KPC") was put in place in 2012, with the Sustainability Officer reporting directly to the Executive Board.

In 2022 a Sustainability Board was established. It meets monthly and comprises the Executive Board, the first level management team and the Sustainability Officer. Together with the Sustainability Board, the Sustainability Officer is responsible for ensuring that Kommunalkredit's sustainability policy is implemented and complied with in all areas of the Kommunalkredit Group's business. The Sustainability Officer is also responsible for coordinating the development and implementation of the specific programme of measures, internal audits, management reviews and document archiving.

Comprised of a group of committed employees from various departments throughout the company, the sustainability team acts as a platform for all issues and concerns relating to sustainability at Kommunalkredit. The main remit of the sustainability team includes the implementation of the measures required for sustainability management and reporting as well as the incorporation of sustainability aspects into corporate decision-making processes. The team reports to the Sustainability Board.

4

Sustainability Integration

With the establishment of its environmental management system back in 1996-1997, Kommunalkredit was a pioneer and the first European financial services provider to be awarded EMAS¹ certification in 1997. The continuous development of the environmental management system has involved expanding the ecological focus to include social and economic aspects, as well as putting a sustainability management system in place. Kommunalkredit has been publishing an annual environmental statement since 1997 and, in line with the shift from environmental to sustainability management, an annual sustainability report since 2004.

In 2020 Kommunalkredit was the first Austrian financial service provider to be a member of the "European Clean Hydrogen Alliance", which aims for an ambitious deployment of hydrogen technologies in industry and mobility.

Kommunalkredit joined the UN Global Compact sustainability initiative in 2021 and supports the ten principles in the fields of human rights, employment standards, environmental protection and anti-corruption measures. In addition, we are guided by national and European regulatory guidelines, the EU Taxonomy, the United Nations' 2030 Agenda, the UN Principles for Responsible Banking, the targets of the Paris Climate Agreement and to the Austrian government's National Energy and Climate Plan ("NEKP").

Kommunalkredit's Code of Conduct and **Corporate Governance Handbook** as well as specific policies such as our anti-money laundering policy and data protection policy, are also an integral component of Kommunalkredit's sustainability framework.

At origination a sustainability check is performed for each new exposure by the respective deal team. The check includes an SDG screening, alignment with the exclusion criteria and an ESG review. Since 2022 an assessment in relation to the EU-Taxonomy is also part of the initial assessment, which is outsourced to Kommunalkredit's daughter company KPC. The outcome of both the sustainability check and the taxonomy assessment are included as appendices in the formal credit application. The Credit Risk department uses the information provided in the appendices as input for its five-grade scale classification of ESG risk factors. Kommunalkredit's credit risk strategy details the overall assessment process.

¹ Eco-Management and Audit Scheme



1992

First Austrian issuer of an environmental bond

1997

Introduction of annual environmental declaration | ISO14001 certification | first Austrian financial services provider with EMAS certification

2004

First sustainability report



2008

Introduction of Climate Austria for voluntary compensation of CO₂ emissions

2006–2008

Combined annual and sustainability report

2012

Integration of ESG analysis into the credit process

2017

First Austrian issuer of a social covered bond



2021

Membership of UN Global Compact sustainability initiative

2020

First Austrian bank in the European Clean Hydrogen Alliance

2023

Signatory of UN Principles for Responsible Banking

2022

Sustainability focus strengthened through refreshed sustainability strategy with strong commitments

Sustainability Check

SDG Screening

A basic requirement in Kommunalkredit's origination strategy is that every investment needs to contribute to at least one of the 17 SDGs. Furthermore, Kommunalkredit has defined nine SDGs it prioritises in its general selection of projects to support:

Highest priority SDGs:

- SDG 7 Affordable and clean energy
- SDG 9 Industry, innovation and infrastructure
- SDG 11 Sustainable cities and communities
- SDG 13 Climate action

Secondary priority SDGs:

- SDG 3 Good health and wellbeing
- SDG 4 Quality education
- SDG 6 Clean water and sanitation
- SDG 8 Decent work and economic growth
- SDG 10 Reduced inequalities

Exclusion Criteria

As part of its credit risk strategy, Kommunalkredit has developed a list of exclusionary criteria, which integrates ESG considerations that apply to all projects financed by the bank. Kommunalkredit will not knowingly provide financing for any activities that include an involvement in the following areas:

- Coal, gas, oil extraction – No financing for coal, gas, oil extraction
- Construction of new coal power plants – No construction of new coal power plants
- Alcohol – Spirituous beverages trading over 5% of sales
- Tobacco – Production of all kinds of tobacco products, trading over 5% share of sales
- Gambling – Game of luck trading over 5% of sales
- Weapons, armament – Production/Trade of/with weapons, trading over 5% of sales, or financing for countries at war when condemned by the UN
- Pornography – Production of slanderous, demeaning content, trading over 5% of sales
- Breach of law or sanctions – Material breach of national or international laws or sanctions
- Human Rights – Massive violation of the UN Human Rights Declaration
- Labour Rights – Violation of at least one of the four ILO core principles (e.g. child labour)
- Corruption – Accepting or soliciting bribes
- Money Laundering – Potential involvement in money laundering (according to Kommunalkredit's AML check)



Sustainability Review

Kommunalkredit introduced a mandatory sustainability review for all projects in its infrastructure and energy portfolio back in 2012. This review must be carried out prior to the financing request and includes exclusion criteria as well as the contribution towards defined ESG criteria. It is a component of the guideline for credit risk assessment and has been approved by the Executive Board.

Investments are not made in projects fulfilling the above-mentioned exclusion criteria. Each project in the portfolio is also evaluated with regard to its influence on specific ESG criteria. The result of this evaluation is categorised as “positive”, “neutral”, or “negative”. The individual criteria in the analysis are as follows:

Governance dimension

- Implementation of environmental standards (ISO, EMAS)
- No corruption (Transparency International index)
- No violations of corporate governance
- No restrictions on competition
- Group structure and financial transparency

Ecological dimension

- Impact on the emissions of particulate matter (PM) and other air pollutants
- Impact on CO₂ emissions
- Impact on biodiversity, soil and water
- Impact on the reduction of energy consumption/increasing energy efficiency
- Exposure to water risks: impacts of climate change and extreme weather events on assets under construction or in operation
- Exposure to other environmental influences: effects of climate change and extreme weather events on assets under construction or in operation

Social dimension

- How is the project to be assessed in terms of creating social added value per se
- Diversity and gender: significant impact on participation/equal opportunities and gender equality
- Customer care: fair messaging, data protection and data security, product quality and safety, customer welfare, sales practices and product labelling
- Significant impact on preservation of cultural property and/or heritage
- Significant impact on structurally weak regions and the employment rate
- Significant impact on level of education/training situation
- Significant impact on infrastructure as a productivity factor
- Significant impact on health care/nurture

If all criteria are classed as either “positive” or “neutral”, the asset is deemed ESG compliant. If one criterion is classed as “negative”, corrective action must be initiated upon consultation with the client, if necessary.

EU Taxonomy

In preparation for the upcoming regulatory disclosure of environmentally sustainable activities, Kommunalkredit has adapted its credit process to include an assessment of the financed activities in relation to EU Taxonomy. As a result, beginning in December 2022, the activities financed by each asset are evaluated for EU Taxonomy eligibility and potential alignment at origination. The analysis is carried out on case-by-case basis by specialists at KPC, who are also part of the Sustainability team. The corresponding classifications are reflected in the core banking system and will be incorporated in the bank’s regular reporting.

ESG Risk Assessment

As part of Kommunalkredit’s credit risk assessment process, all projects are evaluated in relation to their potential environmental, social and governance risks, i.e. ESG issues. These ESG issues may but need not impact the credit risk assessment of a borrower. Kommunalkredit defines ESG risk factors as those that i) can potentially have an impact on the creditworthiness of an assessed project/company and ii) have sufficient visibility and probability to include them in the credit analysis.

Kommunalkredit classifies ESG risk factors using a five-level scale (dark green (1) to red (5)), where 1 represents no material impact on the risk profile and 5 represents a very negative impact.

The values for E, S and G are each determined and assessed separately, and the classification is based on the following definitions. The term “net basis” indicates that the exposure to ESG risk factors is considered taking into account the planned mitigating measures.

- 1 ESG risk factors are not material to the risk profile on a net basis
- 2 ESG risk factors are neutral to risk profile on a net basis
- 3 ESG risk factors have a low adverse impact on the risk profile on a net basis
- 4 ESG risk factors are negative for the risk profile on a net basis
- 5 ESG risk factors are very negative for the risk profile on a net basis

Kommunalkredit includes the assessment of ESG risk factors in its credit rating system in i) the corresponding categories of the rating scorecard and ii) the development of the financial models. As a result, the final lending decision fully takes into account all relevant ESG factors and ensures that each investment of Kommunalkredit complies with the ESG requirements defined in the credit risk strategy.

Section B

Kommunalkredit Sustainable Funding Framework

1 Framework Rationale

Kommunalkredit's Sustainable Funding Framework (the "Framework") aims to become the reference document for all future green, social and sustainability debt instruments ("sustainable debt instruments") issued by Kommunalkredit Austria AG. The Framework is designed to accommodate the overall strategy of the bank, reflecting the variety of assets it originates in the green and social categories, in line with its sustainability commitments.

Under the Framework, Kommunalkredit may finance or refinance new or existing eligible assets – green, social or a mix thereof, as defined within the Use of Proceeds section – through the issuance of either green, social or sustainability debt instruments. Sustain-

able debt instruments issued under this Framework may be issued in different formats, including senior bonds, subordinated bonds and covered bonds.

The debt instruments issued under this Framework will seek to facilitate the funding of assets with positive environmental or social benefits that directly contribute to the UN SDGs, the targets of the Paris Climate Agreement at an international level, and of the Austrian government's National Energy and Climate Plan (NEKP), which comprise an integral part of Kommunalkredit's sustainability strategy.

External Alignment

The Framework is aligned with the June 2022 editions of the Green Bond Principles ("GBP")², Social Bond Principles ("SBP")³ and Sustainability Bond Guidelines ("SBG")⁴ published by the International Capital Market Association ("ICMA"). As such, the Framework consists of the following five core components:

- Use of Proceeds
- Asset evaluation and selection
- Management of proceeds
- Allocation and impact reporting
- External review

The Framework aims to directly contribute to the selected SDGs and the environmental objectives established by the EU Taxonomy of environmentally sustainable economic activities ("EU Taxonomy")^{5,6}. Eligible green assets (as defined in the Use of Proceeds section below) may be aligned with the EU Taxonomy requirements, including the substantial contribution criteria, Do No Significant Harm ("DNSH") criteria and Minimum Social Safeguards ("MSS") criteria, where feasible.

Future Updates

To the extent that ICMA's GBP, SBP or SBG documents, and/or the EU Taxonomy will be updated in the future, Kommunalkredit may update this Framework in order to remain aligned with best market practices and sustainable finance policies and legislation, including obtaining a new Second Party Opinion ("SPO").

More generally, this Framework may be subsequently updated as Kommunalkredit's sustainable financing needs change, new products for customers are launched, and/or the sustainable finance market evolves.

² https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

³ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

2 Use of Proceeds

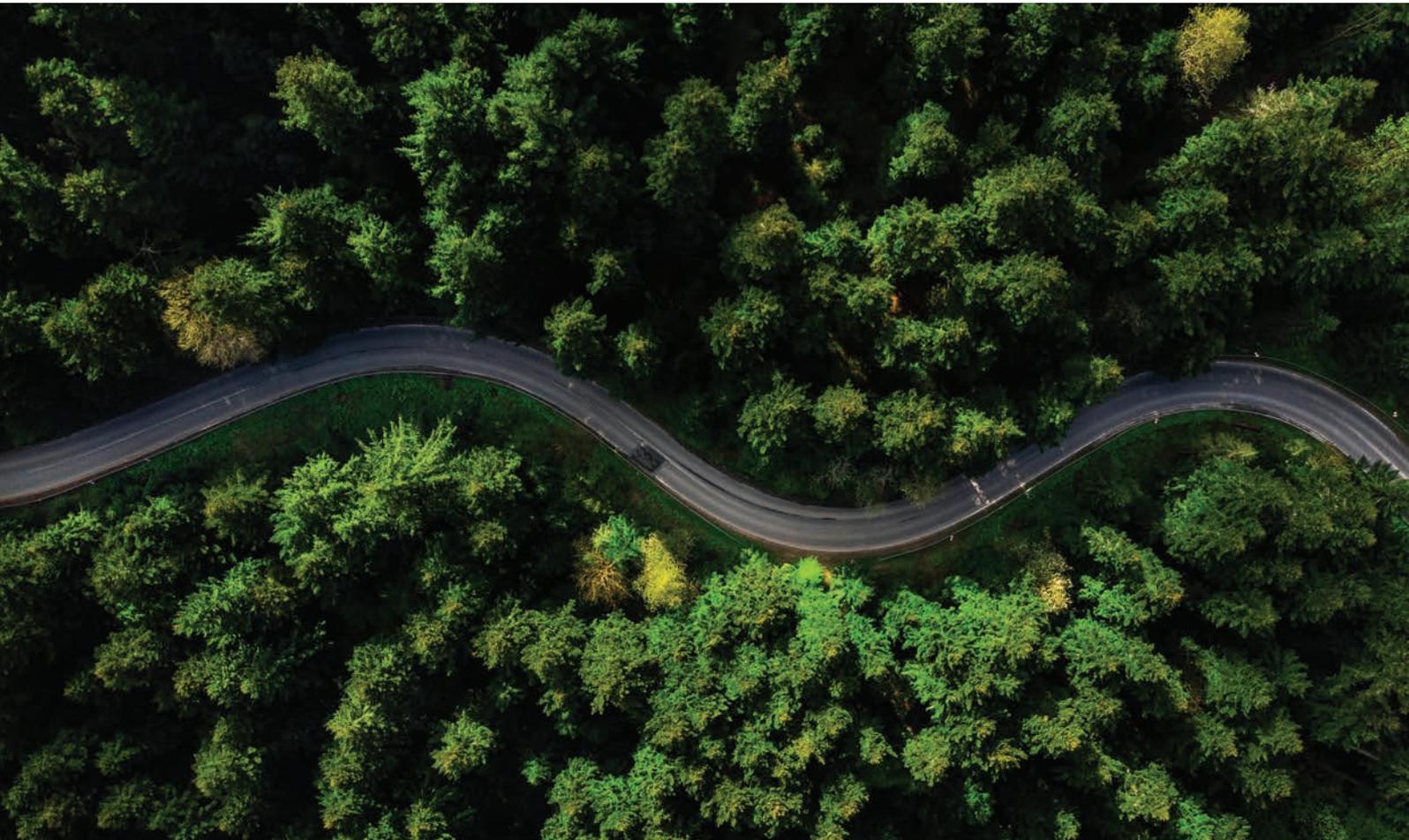
Eligible green assets and eligible social assets constitute the eligible assets and correspond to an eligible asset portfolio. The net proceeds of the sustainable funding debt instruments will be used to finance or refinance, in whole or in part eligible green assets, eligible social assets, or a mix thereof. In line with the overall investment strategy of Kommunalkredit, the eligible assets will be located in the EU or in other OECD countries or will otherwise benefit from a guarantee by a European Export Credit Agency. Projects supported by European Export Credit Agencies undergo extensive due diligence processes, including an environmental and social impact assessment, prior to approval of the financing.

Only drawn amounts will be considered allocated. In addition, non-performing loans will not be eligible for allocation of the proceeds of green, social and sustainability debt instruments issued under this Framework.

Kommunalkredit intends to disclose the expected allocation to each eligible green and/or social asset project category prior to the issuance of sustainable funding instruments.

Exclusions specific to the Framework

The net proceeds raised under this Framework will not knowingly be allocated to any kind of investment related to the activities listed in the 'Exclusion Criteria' of the introduction to this Framework (e.g. alcohol, tobacco, gambling, weapons, armament, adult entertainment, etc.). Furthermore, Kommunalkredit will also apply additional exclusions specific to this Framework, including any kind of investment related to fossil fuels, dedicated fossil-fuel related infrastructure, and nuclear energy.



Eligible Green Assets				
ICMA GBP Category	Eligible Green Assets	Environmental Objectives	EU Taxonomy Economic Activity and TSC Reference	UN SDGs
Renewable Energy	<p>Financing provided towards the acquisition, construction, production, manufacturing, operation, development and storage of electricity generation from renewable energy sources, including:</p> <ul style="list-style-type: none"> Wind energy (onshore and offshore) Solar (solar photovoltaic or concentrated solar power) Geothermal energy, where the lifecycle GHG emissions are lower than 100g CO₂e/kWh Bioenergy, including biomass, biogas or bioliquids, where the lifecycle GHG emissions are lower than 100g CO₂e/kWh⁷ Small-scale (<10MW) and medium-scale (<1,000MW) hydropower projects that comply with one of the following criteria: (i) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir, (ii) the power density of the electricity generation facility is above 5W/m², (iii) the lifecycle GHG emissions from the generation of electricity from hydropower are lower than 100g CO₂e/kWh Green hydrogen from renewable energy sources⁸ Electric heat pumps⁹ <p>Financing provided towards transmission and distribution infrastructure for an electricity system that complies with at least one of the following criteria:</p> <ul style="list-style-type: none"> The system is the interconnected European system¹⁰ More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g CO₂e/kWh measured on a life cycle basis over a rolling five-year period The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100g CO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period The main objective is an increase of the transmission of renewable electricity generation 	Climate Change Mitigation	<p>4.1. Electricity generation using solar photovoltaic technology</p> <p>4.2. Electricity generation using concentrated solar power (CSP) technology</p> <p>4.3. Electricity generation from wind power</p> <p>4.5. Electricity generation from hydropower</p> <p>4.6. Electricity generation from geothermal energy</p> <p>4.8. Electricity generation from bioenergy</p> <p>4.9. Transmission and distribution of electricity</p> <p>3.10. Manufacture of hydrogen</p> <p>4.16. Installation and operation of electric heat pumps</p> <p>4.20. Cogeneration of heat/cool and power from bioenergy</p> <p>4.22. Production of heat/cool from geothermal energy</p> <p>4.24. Production of heat/cool from bioenergy</p>	 
Energy Efficiency	<p>Financing provided towards:</p> <ul style="list-style-type: none"> District heating/cooling¹¹ Construction and operation of low emissions data centres¹² Installation and operation of fibre and high-speed mobile networks intended to replace copper-based communication networks Smart metering infrastructure 	Climate Change Mitigation	<p>4.9. Transmission and distribution of electricity</p> <p>4.15. District heating/cooling distribution</p>	  
Clean Transport	<p>Financing provided towards the acquisition, construction, modernisation, maintenance and operation of infrastructure of low carbon transportation infrastructure projects including:</p> <ul style="list-style-type: none"> Zero tailpipe emissions freight and passenger rail and road transport (i.e. metro, tram, bus, train) Zero tailpipe emissions passenger cars and commercial vehicles (i.e. hydrogen, fuel cell, electric) Electric vehicle charging stations, hydrogen fuelling stations or electric road systems 	Climate Change Mitigation	<p>6.1. Passenger interurban rail transport</p> <p>6.2. Freight rail transport</p> <p>6.3. Urban and suburban transport, road passenger transport</p> <p>6.14. Infrastructure for rail transport</p> <p>6.15. Infrastructure enabling road transport and public transport</p>	  
Pollution Prevention and Control	<p>Financing provided towards the acquisition, development, construction, operation and maintenance of waste management projects including:</p> <ul style="list-style-type: none"> Waste sorting, processing and/or recycling facilities¹³ Anaerobic digestion of bio-waste Composting facilities for bio-waste 	Climate Change Mitigation Pollution Prevention and Control	<p>5.5. Collection and transport of non-hazardous waste in source segregated fractions</p> <p>5.7. Anaerobic digestion of bio-waste</p> <p>5.8. Composting of bio-waste</p> <p>5.9. Material recovery from non-hazardous waste</p>	 
Sustainable Water and Wastewater Management	<p>Financing provided towards the acquisition, development, construction, operation and maintenance of water and wastewater management projects including:</p> <ul style="list-style-type: none"> Water collection, treatment and supply systems and facilities for domestic and/or industrial use Wastewater network and treatment infrastructure Water metering 	The sustainable Use and Protection of Water and Marine Resources		

⁷ Only biomass/biofuels using certified sustainable feedstocks are eligible.

Excludes use of virgin food/feed crops, and palm oil/palm oil waste

⁸ According to the eligibility criteria for the renewable energy category

⁹ Electric heat pumps must i) have a refrigerant threshold (GWP) not exceeding 1,500, as defined in the Austrian support scheme for electric heat pumps and ii) meet energy-efficiency requirements in the EU Eco-design Framework Directive

¹⁰ I.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems

¹¹ Systems using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat in line with Directive 2012/27/EU

¹² In compliance with the EU Taxonomy Substantial Contribution Criteria, '8.1. Data processing, hosting and related activities'

¹³ Separately collected and transported non-hazardous waste that is segregated at source and intended for preparation for reuse or recycling operations

Eligible Social Assets				
ICMA GBP Category	Eligible Social Assets	Target Population(s)	Social Objectives	UN SDGs
Access to essential services: Education	Financing provided towards: <ul style="list-style-type: none"> Public schools: construction, operation or renovation of public schools, including kindergarten, primary and secondary education schools Public universities: construction, operation or renovation of public universities 	Students, youth within the public education system, including, but not limited to disadvantaged target groups	Improve the quality and access to education services for all, regardless of the ability to pay	  
Access to essential services: Healthcare ¹⁴	Financing provided towards: <ul style="list-style-type: none"> Public hospitals: construction, operation or renovation of public hospitals Nursing homes: construction, operation or renovation of nursing homes for elderly persons Rehabilitation centres: construction, operation, or renovation of rehabilitations centres for people that are physically or mentally dependent Homecare for the handicapped: construction, operation or renovation of homes for the care of handicapped persons 	All citizens supported by public healthcare systems, including vulnerable population groups such as the elderly, and physically or mentally dependent persons	Improve access to healthcare services for all, regardless of the ability to pay	 
Affordable basic infrastructure: Fibre optic networks and broadband service	Financing provided towards: <ul style="list-style-type: none"> Digital inclusion: projects or activities that allow for the deployment of fibre optic network and broadband for populations located in unconnected (no existing service) or underserved (at least mobile service by one operator) areas 	Population in under-served and unconnected areas, such as rural areas	Improve access to digital services for underserved and unconnected areas	
Affordable housing: Social housing	Financing provided towards: <ul style="list-style-type: none"> Social housing: construction, operation or renovation of registered social housing projects¹⁵ 	Social housing beneficiaries, including vulnerable populations such as the elderly, persons with disabilities, or low income households	Enables access to housing thereby reducing social vulnerabilities and enabling financial empowerment	  
Affordable basic infrastructure: Public transport and transportation infrastructure	Financing provided towards affordable basic infrastructure projects in developing countries ¹⁶ : <ul style="list-style-type: none"> Public transportation and related infrastructure: passenger rail transport 	Population in under-served and unconnected areas, such as rural areas – particularly in emerging market countries	Improves social mobility and increase trade/commerce for underserved and unconnected areas	  

¹⁴ Only projects which are supported through public spending or social security and where access is provided to all regardless of ability to pay will be considered as eligible social assets.

¹⁵ In Austria, allocation of social housing is made according to the state subsidy law, which considers two selection criteria when selecting recipients of subsidized housing: i) persons must have an urgent housing need and use the flat as principal residence, and ii) monthly income is subject to an income ceiling depending on the number of residents in the flat

¹⁶ Defined as countries with a Human Development Index (HDI) value of 'Low' or 'Medium' as defined by the United Nations Development Programme (UNDP)

3 Process for Asset Evaluation and Selection

All potential eligible assets must undergo Kommunalkredit's regular credit processes, including the sustainability check, which includes SDG screening, exclusion criteria and the sustainability review, as outlined in section A. Any asset that is subject to the exclusion criteria will not be financed by Kommunalkredit. Any asset that is deemed ESG-compliant as part of the sustainability review will be eligible for pre-selection for inclusion in the eligible asset portfolio; if one criterion in the sustainability review is classed as "negative," the asset will not be selected by Kommunalkredit for the eligible asset portfolio.

Kommunalkredit has established a Sustainable Funding Committee (the "Committee") to ensure compliance with the Framework, robustness and transparency. The Committee will meet on at least a semi-annual basis and will report to the Sustainability Board. The Committee is chaired by the Treasurer of Kommunalkredit and comprised of representatives from the following departments:

- Markets (responsible for treasury and funding)
- Banking (responsible for loan origination, portfolio management and syndications)
- Credit Risk Management
- Risk Controlling
- Corporate Services (responsible for strategy, communication and investor relations)
- KPC (responsible for EU Taxonomy asset evaluation and pre-selection of eligible assets)

Furthermore, as part of the establishment of this Framework, new origination is additionally categorised into ICMA's green (in line with the GBP) and social (in line with the SBP) categories (as defined in the Use of Proceeds section) and earmarked in the core banking system, forming a pre-selection of Eligible Assets. As of December 2022, all new origination is additionally evaluated for EU Taxonomy eligibility and alignment. The EU Taxonomy assessment and the ICMA GBP/SBP categorisation are carried out by Kommunalkredit's specialist daughter company, KPC.

The Committee's responsibilities include:

- Evaluating and confirming the pre-selected eligible assets for inclusion in the eligible asset portfolio in line with the use of proceeds defined above
- Taking measures to ensure eligible assets are available for substitution in the event of potential shortfalls
- Monitoring the eligible asset portfolio to ensure continued compliance with the eligibility criteria and removing any assets subject to a material ESG controversy
- Preparation, verification and publication of the annual allocation and impact reporting
- Overseeing any future updates of the Framework including the addition of new eligible categories, the alignment of the eligibility criteria with best market practices and/or obtaining an updated second party opinion

Alignment of eligibility criteria for green assets with the EU Taxonomy Regulation¹⁷ and the technical screening criteria for economic activities significantly contributing to Climate Change Environmental Objective, as outlined in Climate Delegated Act¹⁸, will be performed on a best-efforts basis. The alignment will consider the availability of information enabling the assessment, including in the geographies where Kommunalkredit's assets are located. Kommunalkredit intends to provide details on the alignment of the eligible projects with the EU Taxonomy in its annual allocation and impact reporting.

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

4 Management of Proceeds

The net proceeds of Kommunalkredit's sustainable funding instruments will be tracked and managed by Kommunalkredit's Markets team using a portfolio approach. In line with the Standard for European Green Bonds (July 2021) and given that potential eligible assets may differ in terms of expected lifetime, this Framework does not apply a specific look-back period for eligible assets. The Committee will assess, on a case-by-case basis, each potential eligible green or social asset and confirm whether any refinancing loans are appropriate before including them in the eligible asset portfolio. Full allocation of proceeds for each debt instrument is expected within maximum 18 months post issuance.

Kommunalkredit's originate-and-collaborate concept translates into regular syndications and has the effect that the asset side of the balance sheet is dynamic. To accommodate this, Kommunalkredit intends to pool together all eligible Assets in an eligible asset portfolio, allowing the portfolio to also evolve over time.

The portfolio of eligible assets will be clearly identified within Kommunalkredit's core banking system and will equate or exceed the net proceeds from the total outstanding debt issuance. Any amortising, redeeming and/or syndicated assets will be replaced by new origination.

Only eligible green assets can be allocated to Kommunalkredit's green debt instruments and only eligible social assets can be allocated to Kommunalkredit's social debt instruments. If Kommunalkredit was to issue sustainability debt instruments, the net proceeds would be allocated to both eligible green assets and to eligible social assets. Pending the full allocation of the proceeds or in the case of insufficient eligible assets, Kommunalkredit commits to hold the additional funds in the Group's Treasury, in accordance with its liquidity policy and, to the extent possible, invest in green, social and sustainability debt instruments.

5 Allocation and Impact Reporting

Kommunalkredit will publish allocation and impact reports on its website, detailing both the allocation of the net proceeds of the green, social and sustainability debt instruments issued as well as impact information concerning the eligible asset portfolio. The reporting will be performed within one year from the first borrowing date of each issuance and annually thereafter. Reporting will be made on an aggregated portfolio basis rather than on an individual basis. This reporting obligation will no longer apply once all green, social and sustainability debt instruments have matured.

Allocation Reporting

Kommunalkredit will include the following information in its allocation reporting on a best effort basis:

- Total amount and a breakdown of the outstanding green, social and sustainability funding instruments
- Total amount and a breakdown of the green and social assets assigned to the eligible asset portfolio

- The amounts allocated to each Use of Proceeds category
- The proportion of the eligible green asset portfolio that is EU Taxonomy eligible and EU Taxonomy aligned
- Total and a breakdown number of green and social loans in the eligible asset portfolio
- A breakdown of the vintage of loans in the eligible asset portfolio
- The geographical distribution of the assets
- The balance of unallocated proceeds, if any

Impact Reporting

Kommunalkredit intends to report on the environmental and social impacts of the eligible assets financed and/or refinanced, respectively. Potential impact indicators will cover both qualitative and quantitative metrics, where possible, including:

Environmental Impact Indicators	
Eligible Project Category	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> Total installed capacity (MW) Annual renewable energy generation (MWh or GWh) Estimated annual avoided emissions (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> Expected energy savings (MWh) Estimated annual avoided emissions (tCO₂e) Number of smart meters installed
Clean Transport	<ul style="list-style-type: none"> Number of zero-emission vehicles Number of EV charging stations installed, indicating total capacity Estimated number of passengers benefiting from clean transport solutions Annual passenger-kilometers Estimated annual avoided emissions (tCO₂e) Total kilometres of new or improved train lines/dedicated bus, Bus Rapid Transit (BRT), Light Rail Transit (LRT) corridors
Pollution Prevention and Control	<ul style="list-style-type: none"> Quantity of recycled material (tonnes per year) or Tons of waste reduced
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Annual absolute amount of wastewater treated, reused or avoided before and after the project (m³ or %) Number of people supplied with clean drinking water Annual absolute water use before and after the project (m³ or %) Number of water meters installed

Social Impact Indicators	
Eligible Project Category	Impact Reporting Metrics
Access to Essential Services: Education	<ul style="list-style-type: none"> Number of public education facilities (including kindergarten, primary and/or secondary schools and universities) supported Number of individuals benefiting from these facilities
Access to Essential Services: Healthcare	<ul style="list-style-type: none"> Number of hospitals, beds, and/or population of regions where hospital projects are located Number of nursing homes, beds, and/or elderly persons benefiting from the nursing homes Number of rehabilitation centres, beds, and/or individuals benefiting from the rehabilitation centres Number of homes for the handicapped, beds, and/or individuals benefiting from the homes
Affordable Basic Infrastructure: Fibre Optic Networks and Broadband Service	<ul style="list-style-type: none"> Increase of households with internet access (absolute or %)
Affordable Housing: Social Housing	<ul style="list-style-type: none"> Number of vulnerable individuals or families benefiting from subsidized housing or number of dwellings Number of elderly persons benefiting from projects supporting homecare for elderly persons or number of dwellings
Public Transport and Transportation Infrastructure	<ul style="list-style-type: none"> Estimated number of passengers benefiting from transport solutions Annual passenger-kilometres Total kilometres of new or improved train lines and/or LRT corridors

Kommunalkredit, subject to the availability of information, will seek to align its reporting with the approach detailed in ICMA's "Handbook – Harmonised Framework for Impact Reporting" (June 2022)¹⁹ and "Harmonised Framework for Impact Reporting for Social Bonds" (June 2022)²⁰.

¹⁹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf

²⁰ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf

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External Review

Second Party Opinion (pre-issuance)

Kommunalkredit has obtained an independent SPO from ISS Corporate Solutions (ICS) to confirm the validity of this Framework and its alignment to ICMA's GBP, SBP and SBG. ICS's SPO also contains an assessment regarding the alignment of the selection criteria with the EU Taxonomy Climate Delegated Acts. The SPO is available on Kommunalkredit's [website](#).

Third Party Opinion (post-issuance)

Kommunalkredit also intends to request external verification from an independent third party on the allocation of the net proceeds from any green, social or sustainability debt instruments issued under this Framework on an annual basis until full allocation, or in the event of significant changes in the allocation of proceeds. The post-issuance external verification report will be made publicly available on Kommunalkredit's [website](#).

Imprint

Owner and Publisher:

Self-published by
Kommunalkredit Austria AG
Tuerkenstrasse 9, 1090 Vienna, Austria
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Photos:

Adobe Stock (Cover, 4, 8, 11, Backcover), Adobe Stock (Icons © vukrytas, rawku5, peacefully7, Panuwat, davvoda, Mariia Lov, Happy Art, antto, TheNounProject, Teneo, UN)

Design:

Dechant Grafische Arbeiten,
Ahornergasse 7, 1070 Vienna, Austria

February 2023

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