

Raiffeisen Green Bonds Programme

I. Strategic context and rationale of the programme

Sustainability as strategic target for Raiffeisen

One of the six strategic approaches in the Group Strategy 2025 sets out how Raiffeisen is differentiated as a sustainable cooperative. At the end of 2020, Raiffeisen Switzerland adopted a strategic sustainability framework to define this approach in more detail. The framework identifies the mitigation of climate change and continuous enhancement of the range of verified sustainable products and services as two of the sustainability issues that are key to Raiffeisen.

Strategic climate targets

With regard to climate change, Raiffeisen is pursuing the goal of «net zero» by 2050 and «net zero» in banking operations by 2030. Raiffeisen supports the Swiss government's energy turnaround, a climate-neutral Switzerland and the targets of the Paris Climate Agreement.

Green Bonds with the objective «mitigation of climate change»

In 2021, Raiffeisen started issuing Green Bonds, whose issuance proceeds are used for financing ecologically sustainable and climate-friendly new and existing buildings in Switzerland, thus mitigating climate change. This specific theme was chosen for the following three reasons:

- First, around 45% of energy demand and about 25% of greenhouse gas emissions in Switzerland are caused by the building stock. Heating systems account for the highest proportion. They mostly use heating oil and natural gas, especially in existing buildings. With a market share of around 17%, the mortgage business therefore provides Raiffeisen with an opportunity to play an active role in reducing Swiss GHG emissions.

- Second, Switzerland's country report on the implementation of the 2030 Agenda for Sustainable Development of June 2018¹ expressly mentions the reduction of greenhouse gas emissions (SDG 13) and energy consumption (SDG 7) as challenges that Switzerland needs to address.
- Third, climate change mitigation and sustainable products are strategic sustainability goals of Raiffeisen.

The Green Bond programme was designed on the basis of the following recognised standards: (1) International Capital Markets Association (ICMA) Green Bond Principles, (2) Climate Bond Initiative Standards for Buildings, (3) EU Green Bonds Standard including EU Taxonomy Directive.

Sustainability and climate reporting

Raiffeisen has been disclosing its sustainability performance «comprehensively» in line with the standards of the Global Reporting Initiative (GRI) since 2018. As part of sustainability reporting, CO₂ emissions from operations are disclosed and, starting from 2021, this has included financing-related emissions. These data are collected according to the standard set by the Partnership for Carbon Accounting Financials (PCAF). Climate risks are also disclosed in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures and the implementation status of the UNEP-FI Principles on Responsible Banking. In 2020, Raiffeisen participated in a climate compatibility test initiated by the Federal Office for the Environment (FOEN) and the State Secretariat for International Financial Matters (SIF). The results were published as part of a short analysis at the end of 2020: www.raiffeisen.ch/analyse-klimavertraeglichkeit.

¹ Switzerland's implementation of the 2030 Agenda for Sustainable Development: Switzerland's Country Report 2018.

II. Criteria for identifying climate-friendly buildings

Buildings financed through Green Bond issues must meet the criteria listed below.

Contribution to climate change mitigation

The financed buildings must be verified as climate-compatible and thus make a substantial contribution to achieving the Paris climate targets and generally to mitigating climate change. This is largely achieved by complying with energy

standards and using climate-friendly energy sources.

Energy standards and energy sources

Buildings financed through the issuance proceeds must comply with the following standards and use the following energy sources for heating and hot water:

Energy sources used	Building category	Standard adhered to
Heat pump (possibly in combination with up to 10% direct electricity for hot water), wood, pellets, solar energy	Single-family homes	Minergie from 2002, GEAK A (Building energy certificate of the cantons) or built according to MuKEn (Model regulations of the cantons in the energy sector) 2014
	Other building types	Minergie from 1998, GEAK A or B or built according to MuKEn 2000, 2008 or 2014
District heating based on non-fossil-fuel energy	All building types*	Minergie from 2009, GEAK A or built according to MuKEn 2014

* Excluded are (1) single-family homes that obtain district heating from heating centres with electric heat pumps, (2) multi-family homes that obtain district heating from heating centres with electric air/water heat pumps (not relevant in practice). In these cases, Minergie will be required from 2017.

Buildings in Switzerland that meet these criteria must still be in the top 15% of their building category with regard to CO₂ emissions in 2030. The low emissions of these buildings help to mitigate climate change. A study was carried out to derive the criteria. It takes into account first, the work of the EU Technical Expert Group on Sustainable Finance for the EU Taxonomy, and second, the Climate Bond Initiative's standard for buildings. The study is in the public domain (www.raiffeisen.ch/studie-klimavertraeglichkeit-gebaeude).

No risk of significant ecological harm

The financed buildings must be located in Switzerland and accordingly comply with Swiss law. Switzerland is required as the location because the legal framework in force in Switzerland guarantees that buildings do not pose a risk of significant ecological harm («Do No Significant Harm»). Zoning regulations and SIA requirements in particular guarantee resistance to climate change. The Federal Act on Protection of the Environment and the Ordinance on the Prevention and Disposal of Waste facilitate the limitation, recycling and disposal of waste produced during construction. The Environmental Protection Act also includes provisions on soil protection, while the publicly accessible cadastre shows contaminated sites. The use of asbestos and other environmen-

tally harmful materials is prohibited, and SIA requirements must also be observed in relation to water consumption. Lastly, facilities that are potentially significantly harmful to the environment are subject to a Swiss environmental impact assessment. Buildings are generally prohibited in nature conservation areas, or only permitted if there is an overriding public interest.

Compliance with minimum guarantees: As the buildings must be located in Switzerland, other minimum guarantees are also met, including those in the social sphere. Switzerland has world-leading working and social conditions, and has ratified UN Covenants I and II as well as all ILO conventions on core labour standards. The working and social standards applicable in Switzerland are higher than the ILO's (minimum) standards set out in the conventions. Provisions for the protection of the working population can be found in particular in the Labour Act, in the Ordinance to the Labour Act, in the Federal Law on Accident Insurance, in the Construction Workers Ordinance, in the Accident Prevention Ordinance (APO) and the FCOS Guideline on Work Equipment. Lastly, Raiffeisen is also guided by the OECD guiding principles for multinational companies.

III. Buildings financed by issuance proceeds

The proceeds of the issue can be used to finance or refinance the construction of a new building (NACE codes F41, 43), the purchase of an existing building or the ownership of an existing building (NACE code L68). The buildings may be

single-family homes, apartment buildings, office buildings or other non-residential buildings.

IV. Management of the issuance proceeds

Passing on the issuance proceeds to Raiffeisen banks and branches of Raiffeisen Switzerland

The proceeds of a Green Bond issue are initially passed on by Raiffeisen Switzerland, Corporate Clients, Treasury & Markets Department, in the form of loans to Raiffeisen banks in Switzerland. The term of these loans corresponds to the term of the Green Bond. The Raiffeisen banks use these loans from Raiffeisen Switzerland solely to refinance bank loans for buildings that meet the criteria mentioned under II. above. In the case of Raiffeisen Switzerland branches whose bank loans are booked directly on Raiffeisen Switzerland's balance sheet, the proceeds of the issue are used directly to finance or refinance these bank loans.

Posting bank loans in the core banking system

The bank loans to be financed are selected using the bank's own core banking system ACS. The bank loans of the Raiffeisen banks and branches financed through Green Bonds are posted in the system and included in a separate register. Raiffeisen banks and Raiffeisen Switzerland, including their branches, add to this register those bank loans for buildings that meet the criteria listed under II. above. The climate

compatibility of the buildings is part of the registration. In particular, information on the construction standard and energy source is recorded.

Fall-back option

If a mortgage loan is repaid early, the corresponding amount is held in cash by Raiffeisen Switzerland for the time being. Should it not be possible in the foreseeable future to allocate the amount to a financing arrangement in accordance with the criteria defined in this framework, the amount would be invested in a green bond from another issuer.²

Internal incentive system

Lastly, it should be mentioned that participating Raiffeisen banks and branches can obtain additional refinancing, beyond what would otherwise be possible, from Raiffeisen Switzerland through Green-Bond-refinanced bank loans. In this sense, the Green Bond Programme can also be seen as an internal «incentive system» for financing sustainable, climate-friendly buildings.

V. Reporting

Report name and place of publication

A «Green Bonds Performance» report is published on Raiffeisen Switzerland's website for each bond issued under the framework.

Frequency of reporting until full allocation

Reports are published annually until the proceeds of the issue are fully allocated. Upon full allocation, the report is only updated in the following cases: Significant change in the allocation or impact of the bond, material dispute concerning the bond. 100% of the issuance proceeds are normally allocated immediately after the issue.

«Mitigation of climate change» metrics

The following metrics are used in reporting to present climate change mitigation:

- Number of financed buildings that comply with the criteria defined above under II. and are accordingly climate friendly.
- Distribution of the energy standards complied with.
- Distribution of the energy sources used.
- Expected minimum CO₂ savings per m² compared to an average building in 2030.

«Risk of significant environmental harm» metrics

The following metrics are used in reporting at portfolio level to exclude any risk of significant environmental harm resulting from the financed buildings:

- Confirmation that the financed buildings are located in Switzerland and thus compliant with the criteria defined under II.
- Confirmation that the buildings are not located in a nature conservation area.
- Confirmation that the buildings are not used for the extraction, storage, production or transport of fossil fuels.

«Allocation» metric

The allocation of the issuance proceeds are reported as follows:

- Allocation of the issuance proceeds (in %) of the issue volume.

Reporting at portfolio level

The contribution to climate change mitigation is reported separately on a portfolio basis for each bond issued. It is not possible to provide specific information on individual building financing arrangements due to bank-client confidentiality rules that apply in Switzerland.

² The following criteria would have to be met: (1) Bond in CHF, EUR, USD, senior, unsecured or secured; (2) Issuer with investment grade; (3) Independent audit or Green Bond rating from a recognised auditor.