Second-Party Opinion

NLB Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the NLB Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – i) Renewable Energy, ii) Green Buildings, iii) Energy Efficiency, iv) Clean Transportation, v) Sustainable Water and Wastewater Management, and vi) Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11 and 12.

PROJECT EVALUATION AND SELECTION NLB's Green Bond Working Group will be responsible for evaluating and selecting projects that are in line with the Framework's eligibility criteria. NLB's processes for mitigating environmental and social risks commonly associated with eligible projects and assets apply to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

MANAGEMENT OF PROCEEDS NLB's Financial Markets Department is responsible for the management of proceeds and will track the allocation of proceeds using an internal tracking system and a portfolio approach. NLB intends to allocate all proceeds within three years of issuance. Pending allocation of the net proceeds of Green Bonds to the eligible green loan portfolio, the unallocated amount will be managed according to NLB's regular cash management operations. This is in line with market practice.

REPORTING NLB commits to publicly report on the allocation and impact of proceeds on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated from the issuance of green bonds to the eligible loan portfolio, the number of eligible loans, the balance of unallocated proceeds and the geographical distribution of assets. In addition, NLB commits to report on relevant impact metrics. Sustainalytics views NLB's allocation and impact reporting as aligned with market practice.

Second-Party Opinion
Reviewed by:
MORNINGSTAR | SUSTAINALYTICS

Evaluation Date	May 5, 2023
Issuer Location	Ljubljana, Slovenia

Report Sections

For inquiries, contact the Sustainable Finance Solutions project team:

Lea Muething (London)
Project Manager
lea.muething@morningstar.com
(+44) 20 3107 0137

Jasmine Hussain (Singapore)
Project Support
jasmine.hussain@morningstar.com

Siina Matihaldi (Amsterdam)
Project Support
siina.matihaldi@morningstar.com

Diego Gomez (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

EU Taxonomy

Sustainalytics has assessed the NLB Green Bond Framework for alignment with the Technical Screening Criteria (TSC) for substantial contribution (SC) to the environmental objective of Climate Change Mitigation of the EU Taxonomy. The criteria defined in the Framework's use of proceeds categories map to 30 activities in the EU Taxonomy. Sustainalytics is of the opinion that 30 activities align with the applicable SC criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards. The Framework was not assessed for alignment with the Do No Significant Harm (DNSH) criteria of the EU Taxonomy in this report.

© Sustainalytics 2023

Introduction

NLB Group (the "Group") is a banking and financial group headquartered in Ljubljana, Slovenia that provides retail, corporate, and investment banking services. The Group is comprised of Nova Ljubljanska banka d.d., Ljubljana ("NLB" or "the Bank"); seven subsidiary banks operating in the following markets of south-eastern Europe: the Republic of Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo and Montenegro; and several companies providing ancillary services such as asset management, real estate management and leasing. NLB Group employed 8,228 people across 440 branches and offices at the end of December 2022.

NLB has developed the NLB Green Bond Framework dated May 2023 (the "Framework"), under which NLB intends to issue green bonds, including covered bonds, and use the proceeds to finance or refinance, in whole or in part, existing or future project-specific loans that promote the transition to a low-carbon economy in Slovenia and south-eastern Europe. Sustainalytics notes that loans originated by all subsidiaries[1] of NLB Group may be part of the eligible asset pool. The Framework defines eligibility criteria in six green categories:

1. Renewable Energy
2. Green Buildings
3. Energy Efficiency
4. Clean Transportation
5. Sustainable Water and Wastewater Management
6. Pollution Prevention and Control

NLB engaged Sustainalytics to review the NLB Green Bond Framework 2023 and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).[2] The Framework has been published in a separate document.[3]

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

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[4] opinion on the alignment of the reviewed Framework with 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 Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The use of proceeds criteria alignment with the technical screening criteria for substantial contribution to the environmental objectives of the EU Taxonomy and the Minimum Safeguards of the EU Taxonomy;
- 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 1.13, 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 NLB's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. NLB representatives have confirmed that: (1) they understand it is the sole responsibility of NLB to ensure that the information provided is complete, accurate and 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.

[1] NLB Group consists of Nova Ljubljanska Group d.d., Ljubljana (NLB), seven subsidiary banks in south-eastern Europe and several companies providing ancillary services, such as asset management, real estate management and leasing.
[2] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf
[3] The NLB Green Bond Framework is available on NLB's website at: https://www.nlb.si/vlagatelji
[4] 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 NLB.

Sustainalytics' Second-Party Opinion reflects on the alignment of the Framework with market standards but provides 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 but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework are the responsibility of the Framework owner. Upon 24 (twenty-four) months following the evaluation date set stated herein, NLB is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the 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 in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NLB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NLB Green Bond Framework

Sustainalytics is of the opinion that the NLB Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the NLB Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – i) Renewable Energy; ii) Green Buildings; iii) Energy Efficiency; iv) Clean Transportation; v) Sustainable Water and Wastewater Management; and vi) Pollution Prevention and Control – are aligned with those recognized by the GBP.
  - NLB has communicated to Sustainalytics that the bond proceeds will be used to finance and refinance project-related loans to corporates, and retail mortgages and vehicle loans or leases for retail customers. Refinancing is focused on loans for projects falling under the Clean Transportation, Energy Efficiency and Green Building categories in Slovenia, and Renewable Energy in Serbia and Kosovo. New financing is expected to focus on loans falling under the Green Buildings[5], Energy Efficiency and Renewable Energy[6] categories.
  - Sustainalytics notes that the Bank has not defined a look-back period for its refinancing activities and has confirmed to Sustainalytics that loans disbursed will exclusively be utilized by borrowers for capital expenditures.
  - The Framework excludes loans that are associated with the following activities defined as prohibited under the Bank's lending policy:[7] i) fossil fuel power generation and nuclear energy; ii) forced or child labour; iii) forced evictions; and iv) activities prohibited by host country legislation or international conventions related to the protection of biodiversity resources or cultural heritage.
  - Under the Renewable Energy category, NLB intends to finance and refinance the construction, installation, maintenance and repair of the following:
    - Electricity generation from solar photovoltaic (solar PV) and concentrated solar power (CSP). The Bank has confirmed that CSP facilities' fossil fuel back-up is limited to 15%.
    - Electricity generation from onshore and offshore wind power.

[5] The majority of loans envisaged by NLB are retail mortgages in Slovenia.
[6] The majority of loans envisaged by NLB are projects across NLB Group's operations in Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia and Slovenia.
[7] The full list of exclusions under the Bank's lending policy is available via the NLB Group Sustainability Framework.
NLB Group, "NLB Group Sustainability Framework", at: https://www.nlb.si/nlb-sustainability-framework.pdf

- Electricity generation from geothermal energy facilities where the life cycle GHG emissions are lower than 100 gCO_2e/kWh.
- Electricity generation from bioenergy that is limited to facilities where the life cycle GHG emissions intensity is lower than 100 gCO_2e/kWh and meets the requirements outlined in the EU Taxonomy Delegated Act. Feedstock will meet the following criteria: i) production will not take place on land with high biodiversity; ii) feedstock that will not compete with food sources; and iii) feedstock that will not deplete carbon pools. Sustainalytics encourages the issuer to report on the sources of feedstock used in electricity generation facilities and liaise with borrowers to obtain third-party certifications to validate their sustainability credentials.
- Cogeneration of heat and cooling from solar thermal power.
- Electricity generation from run-of-river hydropower plants without an artificial reservoir or plants with a low storage capacity. NLB has confirmed to Sustainalytics that all new hydropower plants will undergo an environmental and social impact assessment by a credible body. NLB has further confirmed that only those projects with no significant risk or expected negative impact identified and no significant controversy will be financed.
- Smart meters for the purpose of achieving efficiency gains in electricity usage.
- Electricity transmission and distribution infrastructure that is directly connected to systems that operate at an emissions threshold at or below $100gCO_2e/kWh$ and that comply with the criteria of the EU Taxonomy.[8] Sustainalytics considers the expansion and maintenance of resilient electricity grids broadly to be supportive of positive environmental outcomes and recognizes NLB's intent to largely align with the EU Taxonomy. Nevertheless, it has become common practice in the market to finance transmission and distribution of assets employed predominantly to transmit or enable the use of renewable energy.
- Sustainalytics considers financing under this category to be in line with market practice.

– Under the Green Buildings category, the Bank may finance or refinance new and existing commercial and residential buildings[9] meeting one of the following criteria:
  - Buildings built before 31 December 2020 that have obtained a minimum energy performance certificate (EPC) class A or that belong to the national top 15% of energy-efficient buildings based on primary energy demand (PED). Sustainalytics notes that buildings' EPC requirements differ among countries and that the achievement of EPC class A is in line with the criteria of Annex I of the EU Taxonomy Delegated Act.
  - Buildings built after 31 December 2020 with PED at least 10% lower than the nearly zero-energy building (NZEB) requirements.[10] NLB has informed Sustainalytics that in absence of PED data, the Bank will use one of the green building certifications below as an eligibility criterion.
  - Refurbishment costs for buildings where renovation results in at least 30% energy savings compared to pre-renovation levels or for renovations meeting the criteria for major renovations under applicable building regulations. Sustainalytics notes that the EU Taxonomy[11] requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which varies among EU Member States. Sustainalytics therefore encourages NLB to report on the actual improvement on PED performance or energy savings achieved in comparison with the existing building stock in the area or region.

[8] As per the EU Taxonomy Delegated Act, grids must either: (i) have an emissions intensity of more than 67% of newly enabled generation capacity not exceeding 100 gCO_2e/kWh, or (ii) have an average system grid emission factor that does not exceed 100 gCO_2e/kWh, or (iii) be part of the interconnected European system.
[9] NLB will finance green buildings in Slovenia, Bosnia and Herzegovina, Serbia, Kosovo and North Macedonia.
[10] European Commission, "Nearly zero-energy buildings", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficientbuildings/nearly-zero-energy-buildings_en.
[11] EU Taxonomy: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

    - Buildings that have achieved one of the following minimum certification levels: BREEAM Excellent,[12] LEED Gold,[13] DGNB Gold,[14] HQE Excellent[15] or EDGE.[16]
    - Sustainalytics considers financing under this category to be in line with market practice.
- Under the Energy Efficiency category, NLB may finance or refinance:
    - Manufacture of rechargeable batteries; battery packs; and accumulators for transport, stationary and off-grid energy storage.
    - Construction of electricity storage facilities that are connected to renewables or to the grid. Sustainalytics notes that all additional capacity for electricity storage has the potential to support the integration of intermittent renewable energy systems into the grid. However, deploying such assets to carbon-intensive grids or associated systems may result in increased emissions. Sustainalytics encourages NLB to prioritize financing of storage assets connected to renewables or grids on a credible pathway to decarbonization. Additionally, NLB has confirmed to Sustainalytics that new pumped hydropower energy storage facilities will undergo an environmental and social impact assessment and that no new projects will be financed if the assessment has identified significant risks or an expected negative impact.
    - Installation of electric heat pumps. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems, and the Bank has confirmed that refrigerants used for heat pumps will have a global warming potential (GWP) below 675, which is in line with the EU Taxonomy. Sustainalytics encourages NLB to promote robust refrigerant leak control, detection and monitoring while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
    - Installation, maintenance and repair of energy-efficient equipment, including LED streetlamps, high-efficiency windows and doors, green roofs and energy-efficient HVAC systems. The Bank has confirmed to Sustainalytics the exclusion of energy-efficient equipment that is reliant on fossil fuels. NLB has also committed to report on the annual energy savings achieved.
    - Sustainalytics considers such financing to be in line with market practice.
- Under the Clean Transportation category, the Bank may finance or refinance:
    - Fully electric vehicles with zero direct emissions, including passenger cars and buses.
    - Rolling stock for passenger and freight transport with zero direct emissions. NLB has confirmed that for freight, the transportation of fossil fuels is excluded.
    - Transportation infrastructure dedicated to enabling zero direct emissions vehicles for personal mobility and cycle logistics. Examples include pavements, bike lanes and pedestrian zones.
    - Rail infrastructure that supports: i) electrified rail lines and associated subsystems; or ii) rail lines and associated subsystems that have plans to electrify in the next 10 years. The Bank has confirmed that any infrastructure dedicated to fossil fuel storage and transportation, will be excluded. Sustainalytics considers these criteria to be consistent with the EU Taxonomy Delegated Act.
    - Infrastructure dedicated to enabling zero direct emissions road and public transportation such electric charging points, hydrogen fueling stations and electric road systems.
    - NLB has confirmed to Sustainalytics that low-carbon transportation infrastructure will exclude financing of new construction and existing road infrastructure retrofits, and parking facilities.
    - Sustainalytics considers financing under this category to be in line with market practice.
- Under the Sustainable Water and Wastewater Management category, the Bank may finance or refinance the construction, extension, and renewal of water and waste water collection and treatment as well as water supply systems. NLB has confirmed to Sustainalytics that financing

[12] BREEAM: https://bregroup.com/products/breeam/
[13] LEED: https://www.usgbc.org/leed
[14] DGNB: https://www.dgnb-system.de/en/index.php
[15] HQE: https://www.greenbuilding.saint-gobain.com/hqe-international
[16] EDGE: https://edgebuildings.com/

will exclude: i) the treatment of wastewater from fossil fuel operations; ii) systems and measures that enable water efficiency gains for hard-to-abate industries; iii) new recreational projects in water-stressed areas. Sustainalytics further notes that such financing is aimed at enhancing the efficiency of such facilities by reducing the leakage level or energy consumption.[17] Sustainalytics considers such financing to be in line with market practice.

  - Under the Pollution Prevention and Control category, NLB Group may finance or refinance:
    - Waste-to-energy facilities with an emissions threshold below 100 gCO_2/kWh using municipal solid waste as a feedstock where majority of recyclables are segregated before energy conversion. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy (waste prevention and recycling). Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Nevertheless, Sustainalytics recommends NLB to monitor the thermal efficiency of the financed facilities.
    - Facilities that produce heating or cooling using waste heat that is not sourced from fossil fuel production and operations nor carbon-intensive processes.
    - Recycling facilities where the purpose is to re-use and minimize the amount of waste going to landfill. This is limited to non-hazardous waste which has been segregated at source and the following activities: i) collection and transportation where collection vehicles meet the emissions thresholds laid out under the Clean Transportation category; ii) treatment and processing of separately collected non-hazardous waste, which convert at least 50% of the waste (in weight) into secondary raw materials. Regarding electronic waste, the Bank will ensure the presence of robust waste management processes to mitigate associated risks with electronic waste recycling. Additionally, plastic recycling projects will be limited to mechanical recycling.
    - Sustainalytics considers financing under this category to be in line with market practice.

- Project Evaluation and Selection:
  - NLB has established a Green Bond Working Group, which is responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria.
  - The Green Bond Working Group is led by the Financial Markets Department and is further comprised of representatives from the following departments: Credit Risk, Evaluation and Control, Sustainability, Corporate and Investment Banking Management, Customer, Product Management and Digital Services, Distribution Networks of NLB and IT Delivery.
  - NLB Group has processes in place to mitigate environmental and social risks related to the assets and projects financed through the bond proceeds, which applies to all allocation decisions made under the Framework. These processes include: i) a credit process that ensures compliance with applicable national regulation; ii) a know-your-customer procedure; iii) environmental and social screening of proposed financing against NLB Group's exclusion list and relevant environmental and social laws; and iv) environmental and social due diligence. For additional details on risk management systems, please refer to Section 2.
  - Based on the cross-functional oversight for project evaluation and selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - NLB's Financial Markets Department will be responsible for managing and tracking the proceeds using an internal tracking system and a portfolio approach.
  - The Bank intends to fully allocate net proceeds within three years of issuance. Pending allocation, an amount equivalent to the unallocated proceeds will be managed in accordance with NLB's cash management procedure. NLB has confirmed that financing and securities will not be associated with carbon-intensive or controversial activities and that the Framework's exclusion criteria apply to the temporary use of proceeds.

[17] Sustainalytics notes that the financing of water and wastewater systems is limited to facilities that adhere to the TSC of the EU Taxonomy Annex 1 for Activities 5.1, 5.2, 5.3 and 5.4.

  - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - NLB intends to report on the allocation of proceeds and corresponding impact on an annual basis until full allocation. The report will be made publicly available.
  - Allocation reporting will include, on a best-effort basis: i) the size of the identified eligible loan portfolio per category; ii) the amount of proceeds allocated from the issuance of green bonds to the eligible loan portfolio; iii) the number of eligible loans and the balance of unallocated proceeds; iv) the amount or share of financing versus refinancing; and v) the geographical distribution of assets.
  - Impact reporting may include the environmental impact of projects where feasible, including total installed renewable energy capacity (in MW), annual energy savings achieved from green buildings (in MWh or GWh), annual reduced or avoided emissions (in tCO_2e), number of fossil-free vehicles deployed and annual reduction in water use (in percentage). For the full list of impact indicators, please refer to Appendix 4. Furthermore, NLB strives to align its impact reporting with the portfolio approach suggested by the Harmonized Framework for Impact Reporting.[18]
  - Based on the Bank's commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the NLB Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 3: Green Bond or Green Bond Programme External Review Form.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criterion against the relevant Technical Screening Criteria in the EU Taxonomy to determine their alignment with two of the EU Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Substantial Contribution to an Environmental Objective of the EU Taxonomy
   - The criteria defined in the six categories of the Framework were mapped to 30 activities of the EU Taxonomy and 30 were assessed as aligned with the applicable SC criteria of the EU Taxonomy.
2. Minimum Safeguards
   - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
   - For Sustainalytics' assessment of alignment with the EU Taxonomy's Minimum Safeguards, see Section 2 below.

Table 1 provides an overview of the alignment of the criteria in the Framework with the applicable technical screening criteria for the environmental objectives in the EU Taxonomy

[18] ICMA, "Harmonized Framework for Impact Reporting", (2022), at: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf

Table 1: Summary of alignment of Framework criteria with the EU Taxonomy

EU Taxonomy Activities corresponding to Framework criteria	Alignment with SC criteria of EU Taxonomy
	Mitigation
3.4. Manufacture of batteries	■
4.1. Electricity generation using solar photovoltaic technology	■
4.2. Electricity generation using concentrated solar power (CSP) technology	■
4.3. Electricity generation from wind power	■
4.5. Electricity generation from hydropower	■
4.6. Electricity generation from geothermal energy	■
4.8. Electricity generation from bioenergy	■
4.9. Transmission and distribution of electricity	■
4.10. Storage of electricity	■
4.16. Installation and operation of electric heat pumps	■
4.17. Cogeneration of heat/cool and power from solar energy	■
4.25. Production of heat/cool using waste heat	■
5.1. Construction, extension and operation of water collection, treatment and supply systems	■
5.2. Renewal of water collection, treatment and supply systems	■
5.3. Construction, extension and operation of wastewater collection and treatment	■
5.4 Renewal of waste water collection and treatment	■
5.5. Collection and transport of non-hazardous waste in source segregated fractions	■
5.9. Material recovery from non-hazardous waste	■

6.1 Passenger interurban rail transport	■
6.2 Freight rail transport	■
6.3 Urban and suburban transport, road passenger transport	■
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	■
6.13. Infrastructure for personal mobility, cycle logistics	■
6.14. Infrastructure for rail transport	■
6.15. Infrastructure enabling low-carbon road transport and public transport	■
7.1. Construction of new buildings	■
7.2. Renovation of existing buildings	■
7.3. Installation, maintenance and repair of energy efficiency equipment	■
7.6. Installation, maintenance and repair of renewable energy technologies	■
7.7. Acquisition and ownership of buildings	■

Legend	
Aligned	■
Partially aligned	◘
Not aligned	☒
Grey shading indicates the primary EU Environmental Objective	

Section 2: Sustainability Strategy of NLB Group[19]

Contribution to NLB Group's sustainability strategy

Sustainalytics is of the opinion that NLB demonstrates a commitment to embedding sustainability into its business through the implementation of its parent company NLB Group's policies and targets. The Group focuses its sustainability efforts on three pillars: i) sustainable finance; ii) sustainable operations; and iii) contribution to society.[20] Sustainalytics highlights the following commitments and initiatives under the sustainable finance pillar for being particularly relevant to the Framework.

In 2022, NLB Group became a signatory to the Net-Zero Banking Alliance (NZBA), a coalition of banks committed to aligning their lending portfolios with the common goal of achieving zero emissions by 2050.[21]

[19] Section 2 is applicable to all loan originating entities under the Framework, namely the whole NLB Group, which consists of Nova Ljubljanska Group d.d., Ljubljana (NLB), seven subsidiary banks in south-eastern Europe and several companies providing ancillary services, such as asset management, real estate management and leasing.
[20] NLB Group, "NLB Group Sustainability report 2022", at: https://www.nlb.si/sustainability_report_2022.pdf
[21] Ibid.

In line with the requirements of the NZBA, the Group will set their 2030 climate targets within 18 months of joining, with intermediary targets to be established every five years from 2030 onwards.[22] To support this, NLB Group is in the process of developing a groupwide net zero business strategy with the aim of full implementation in 2023. The Group also intends to publish quantitative targets to reduce its financed emissions in carbon-intensive industries as part of NLB Group's net zero business strategy by the end of 2023.[23]

In 2022, the Group approved more than EUR 166.9 million[24] in long-term loans tagged as green loans to large corporates and EUR 53 million to private individuals in a range of EU Taxonomy economic activities, including energy infrastructure, water supply networks and energy efficiency.[25] At the Bank level, NLB introduced three new green loan offerings for micro, small and medium-sized enterprises to finance projects in solar power generation, energy-efficiency improvements of business buildings and carbon footprint reduction through activities that promote a circular economy.[26] At the end of 2021, NLB Group established a target to increase this volume of new sustainable financing to at least EUR 785 million by 2030.[27] The focus of such financing includes projects related to renewable energy, energy efficiency and those that support a circular economy. To support the achievement of its sustainable financing target by 2030, the Group is undertaking a mapping exercise to integrate EU Taxonomy alignment into NLB Group's business strategy, target setting, product design and stakeholder engagement processes.[28]

To formalize the Group's commitments to the UN SDGs, NLB Group has defined business actions that will be undertaken to contribute to a variety of SDGs[29] where it has the biggest impact in terms of risk and opportunities.[30] Examples of these business actions include: i) developing a programme to finance sustainable energy solutions; ii) developing sustainable banking products and services that meet a range of social and environmental challenges; and iii) developing business solutions that support its clients in reducing their environmental footprint.

Sustainalytics is of the opinion that the NLB Green Bond Framework is aligned with NLB Group's overall sustainability strategy and initiatives and will further NLB Group's and the Bank's actions on their key environmental priorities. Sustainalytics encourages the Group to established quantitative, time-bound targets and objectives and transparently report on its progress against the targets.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the financing issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that the Bank plays a limited role in the construction and implementation of specific projects but notes that it is exposed to risks associated with the companies or projects to which it provides lending. Sustainalytics considers business ethics and risks related to corruption and money laundering as material issues for financial institutions and highlights the need for strong policies and procedures to ensure that these risks are sufficiently mitigated. Further key environmental and social risks possibly associated with the eligible projects include issues related to occupational health and safety; and land use, biodiversity, emissions and waste associated with large-scale infrastructure development.

Sustainalytics is of the opinion that NLB is able to manage and mitigate potential risks through the implementation of the following policies, standards and approaches of its parent company, in NLB Group:

- NLB Group has a framework in place that assesses and manages environmental and social risks and impact associated with the transactions, which applies to all transactions except those related to retail clients. It is aligned with the guidelines set by the European Bank for Reconstruction and Development[31] and the Multilateral Investment Guarantee Agency (MIGA).[32] This due diligence process has multiple steps, including: i) screening against NLB Group's Environmental and Social

[22] Ibid.
[23] NLB has shared this information with Sustainalytics as part of this engagement.
[24] The Bank has communicated to Sustainalytics that its green lending classification is based on the internal methodology of NLB Group, which is developed with reference to frameworks of the European Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and the EU Taxonomy Climate Delegated Act. If a loan meets the requirements of either of these frameworks, the Bank classifies the loan as green.
[25] NLB Group, "NLB Group Sustainability report 2022", at: https://www.nlb.si/sustainability_report_2022.pdf
[26] Ibid.
[27] Ibid.
[28] Ibid.
[29] SDGs 3, 7, 8, 12 and 13
[30] NLB Group, "NLB Group Sustainability report 2022", at: https://www.nlb.si/sustainability_report_2022.pdf
[31] European Bank for Reconstruction and Development, "What We Do", at: https://www.ebrd.com/what-we-do.html
[32] NLB Group, "NLB Group Sustainability Framework", at: https://www.nlb.si/nlb-sustainability-framework.pdf

Exclusion List;[33] ii) categorizing the environmental and social risks of proposed transactions into three categories; iii) ensuring that transactions are structured to meet national regulatory requirements related to environmental and social matters; iv) keeping and updating environmental and social records on clients; and v) monitoring compliance with national laws on the environment, health and safety and labour on an ongoing basis. Upon categorization, all medium- and high-risk projects are subject to an extended ESG risk assessment through which the Group engages with the client to review its risk management of potential negative environmental and social impact, requests further information through a questionnaire and may also conduct site visits.[34] As part of the credit risk assessment, NLB Group's Environmental and Social Incident reporting manual establishes an early warning system where the Group assesses the client's exposure to potential negative environmental and social impact.[35]

- The NLB Group's Code of Ethics guides the Group's employees, managers, board members and its business partners and stakeholders on business ethics, including requirements on integrity, conflicts of interest, standards of behaviour and personal conduct. It also sets standards for compliance with laws, ethical handling of assets and data protection, as well as practices to prevent financial crime, such as bribery and corruption, money laundering.[36] NLB Group has set up an anonymous whistleblower channel for reporting.[37] Additionally, the Group's lending policies establish sector-specific guidelines to assess the financial risks and clients' compliance with the applicable regulations.[38]
- Regarding human rights, the Group complies with International Labour Organization's (ILO) fundamental conventions on human rights and is a signatory of the Principles of Responsible Banking. The principles require signatories to perform an impact analysis to evaluate the social, environmental and economic impact and risks associated with their activities, identify and report on how to maximize positive impact and reduce major negative impact.[39]
- Slovenia is recognized as a Designated Country under the Equator Principles. Designated Countries are deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect people and the natural environment. Sustainalytics considers that financing activities in countries with a designated status will be subject to presumably strong regulations aimed at mitigating environmental and social risks. In addition, large infrastructure projects located in the EU must comply with the Environmental Impact Assessment Directive 2011/92/EU.[40] The legislation provides a framework to ensure that land-intensive projects are adequately assessed before approval to take appropriate measures to prevent, reduce and offset significant adverse effects on the environment, particularly on soil, species and habitats.[41] Projects financed in the EU are also subject to the OSH Framework Directive, which sets out general principles for member states regarding the safety and health of workers and highlights that employers must run risk assessments periodically.[42]

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

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights and combatting bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the ILO's declaration on Fundamental Rights and Principles at Work.

[33] Ibid.
[34] NLB has shared detailed information on this subject with Sustainalytics confidentially.
[35] NLB has shared this document with Sustainalytics confidentially.
[36] NLB Group, "NLB Group Code of Conduct", at: https://www.nlbkb.rs/kodeks/code-of-conduct.html
[37] NLB Group, "Compliance and Integrity", at: https://www.nlb.si/compliance-and-integrity-at-nlb#:~:text=Our%20employees%20and%20managers%20are,any%20other%20form%20of%20corruption.
[38] NLB has shared the relevant documents with Sustainalytics confidentially.
[39] NLB Group, "NLB Group Sustainability report 2022", at: https://www.nlb.si/sustainability_report_2022.pdf
[40] European Union, "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
[41] Ibid.
[42] European Agency for Safety and Health at Work, "The OSH Framework Directive", (1989), at: https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/the-osh-framework-directive-introduction

Human and Labour Rights

NLB has implemented the following policies and procedures regarding human and labour rights:

- NLB Group adopted its Human Rights Policy in January 2023, which substantiates the Group's commitment to respect human rights following international standards, including but not limited to: i) the Universal Declaration of Human Rights; ii) the International Covenant on Civil and Political Rights; iii) the International Covenant on Economic, Social and Cultural Rights; iv) the ILO Declaration on Fundamental Principles and Rights at Work; v) the UN Guidelines; vi) Performance Standards 2, 4 and 9 as per the EBRD Environmental and Social Policy; and vii) the OECD Guidelines. The Group ensures adherence to these guidelines in all countries where it operates, as well as clients' compliance with the same. The policy is administered by NLB Group's Human Rights Custodian, who oversees and monitors human rights compliance within NLB Group and beyond the Group's borders, namely in employee relations, customer relations, banking products and services, suppliers and relationships with other stakeholders. The policy lays out a mechanism to address human rights violations such as conducting due diligence and facilitating reporting of potential abusive practices.[43] Through its Code of Conduct, NLB Group reinforces its commitment to respect human rights in its lending business via the Group's due diligence process, which sets out direct and indirect criteria regarding the adherence of human rights in the countries in which NLB Group operates.[44]
- NLB Group has in place a Lending Policy for Non-Financial Companies, which lays out the Group's expectation for clients to be in compliance with international and local laws and have policies or systems in place to manage risks related to labour standards and human rights.[45] In addition, NLB Group's Environmental and Social Transaction Policy Framework requires clients to meet minimum safeguards, for example the OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.[46] Production or activities involving harmful or exploitative forms of forced labour or child labour are excluded by default under NLB Group's Environmental and Social Exclusion List, which serves as a screening tool in the Group's due diligence process to assess lending opportunities.[47]
- NLB Group has confirmed to Sustainalytics that the Group is progressively upgrading its processes regarding human and labour rights. This includes but is not limited to policies and procedures and internal control mechanisms to prevent human rights violations; regular training of employees; due diligence; and taking appropriate measures to manage associated risks.

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics has evaluated the performance of the NLB Group in the area of human and labour rights and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

NLB Group has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- NLB Group has in place a Programme for anti-money laundering and countering the financing of terrorism,[48] which applies in all countries where the Group operates, and which is in compliance with: i) the recommendations of the Financial Action Task Force on Money Laundering; ii) Slovenian and EU legislation regarding money-laundering prevention; and iii) the guidelines of the Bank of Slovenia. This programme lays out procedures aimed at facilitating the detection of abuse, which includes processes for reviewing clients and their operations and systems. It further sets out specific guidelines regarding bribery and corruption for all employees and foresees regular training. It also includes rules regarding entering business relationships in high-risk countries and specific restrictions regarding business with non-

[43] NLB has shared this document with Sustainalytics confidentially.
[44] NLB Group, "NLB Group Conduct", at: https://www.nlb.si/code-of-conduct
[45] NLB has shared this document with Sustainalytics confidentially.
[46] NLB has shared this document with Sustainalytics confidentially.
[47] Environmental and Social Exclusion List in NLB d.d. and NLB Group:
[48] NLB Group, "Programme for anti-money laundering and countering the financing of terrorism", at : https://www.nlb.si/anti-money-laundering#:~:text=To%20support%20the%20fight%20against,opens%20an%20account%20with%20NLB

residents. In addition, the Group has set up a committee dedicated to investigating suspicious cases, which decides on the termination of business cooperations.[49]

- NLB Group developed a programme on compliance and integrity[50] that must be followed in all countries where the Group operates and by a variety of stakeholder groups, including clients, business partners and employees. The programme spans a variety of functions in the organization with the overall objective of ensuring compliance and integrity with different legislative and regulatory requirements and good practices regarding compliance and integrity. Some of the tools that NLB Group uses for this purpose are monitoring operations, transactions and business processes; maintenance of internal controls; and provision of regular training and education.
- NLB Group has in place a Code of Conduct, which serves as guideline for ethical business conduct and business relationships for NLB Group and all its subsidiaries and defines expectations for: i) all employees; ii) the leadership; and iii) business partners.[51] In addition, NLB Group has a compliance framework and anti-corruption policy under which employees and managers are strictly prohibited from accepting, offering, paying or approving bribes, or any other form of corruption.[52]
- NLB Group's whistleblowing system provides a channel for all stakeholders to report incidences that could have adverse consequences, such as regulatory sanctions or criminal liability, or negatively impact NLB Group's reputation. There are multiple different reporting channels that also allow for raising matters anonymously.[53]

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics has evaluated the performance of NLB Group in the area of anti-bribery and anti-corruption and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NLB Group's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of renewable energy in achieving emissions reductions in Serbia, Kosovo and Slovenia

In 2022, Serbia submitted its updated Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change. Under the updated NDC, the country committed to achieving a 13.2% reduction in GHG emissions by 2030 from a 2010 baseline.[54] The energy sector is one of the largest of Serbia's economy,[55] and in recognizing the potential for the energy sector to contribute to its climate goal, the country aimed to increase the share of renewable energy in gross final energy consumption to 27% by 2020.[56] Sectoral targets under this 2020 renewable energy goal included 30% of heating and cooling demand, 36.6% of electricity demand and 10% of transport sector energy met by renewable sources.[57] In 2020, renewable energy accounted for 16% of Serbia's total energy supply, with biofuels and waste contributing the largest share (65%), followed by hydropower (31%) and wind and solar (4%).[58] Given that fossil fuels still account for

[49] Ibid.
[50] NLB Group, "Compliance and Integrity", at: https://www.nlb.si/compliance-and-integrity-at-nlb
[51] NLB Group, "NLB Group Conduct", at: https://www.nlb.si/code-of-conduct
[52] NLB Group, "Compliance and Integrity", at: https://www.nlb.si/compliance-and-integrity-at-nlb
[53] NLB Group, "The whistleblowing system", at: https://www.nlb.si/whistlerblowing-system
[54] UNFCCC, "Nationally Determined Contribution (NDC) of the Republic of Serbia for the 2021–2030 period", (2022), at: https://unfccc.int/sites/default/files/NDC/2022-08/NDC%20Final_Serbia%20english.pdf
[55] Ibid.
[56] IEA, "National Renewable Energy Action Plan (NREAP)", (2013), at: https://www.iea.org/policies/5519-national-renewable-energy-action-plan-nreap?country=Serbia
[57] Ibid.
[58] IEA, "Serbia", at: https://www.iea.org/countries/serbia

a large share (84%) of Serbia's energy supply,[59] investments in renewables are critical to support the country's decarbonization.

Fossil fuels dominate Kosovo's energy supply, with two thermal power plants producing the majority of energy.[60] In 2020, renewable energy represented 15% of the country's total energy supply, with biofuels and waste accounting for 92% of this share.[61] To encourage the decarbonization of its energy supply, Kosovo set a target in 2012 to have 25% of gross energy consumption be from renewable sources by 2020.[62] The International Trade Administration reported that the country met this target mostly through biomass burning. To further encourage the deployment of renewable energy sources, the Government of Kosovo aims to establish a national energy strategy, which aims to have 35% of electricity consumption be from renewable sources by 2031.[63] Achieving this target will require continued investments in renewable energy.

Fossil fuels contributed the largest share (59%) to Slovenia's energy mix in 2021, followed by nuclear power and renewables at 23% and 18%, respectively.[64] Of the share of renewables, biofuels and waste were responsible for 61% of the country's renewable energy mix and hydropower represented 34%.[65] In recognizing the importance of reducing the country's dependence on fossil fuels and meeting the EU's net zero by 2050 goal, the Government of Slovenia established an Integrated National Energy and Climate Plan (NEPN), which details the objectives, policies and measures for Slovenia to achieve a 36% reduction in total GHG emissions by 2030.[66] Under the NEPN, the Government of Slovenia committed to increasing the share of renewable energy sources to at least 27% within the same timeframe. While this falls slightly short of the EU's 32% by 2030 renewables target, the updated NEPN in 2023-24 is expected to include a revised target that is closer to the EU's renewable energy target. Considering the above, continued investments in renewable energy are critical to support Slovenia in meeting its national renewable energy targets and that of the EU.

Overall, Sustainalytics recognizes the importance of investments in renewable energy in enabling the reduction of GHG emissions in Serbia, Kosovo and Slovenia and is of the opinion that the renewable energy projects financed under the Framework are expected to contribute positively to the countries' transition to a low-carbon economy.

Importance of energy-efficient buildings in low-carbon development in the EU and Slovenia

In the EU, the building sector consumed the majority of energy in 2020, accounting for approximately 40% of energy use and 36% of all GHG emissions.[67] Approximately 85% of buildings were constructed prior to 2001, and as of 2022, 75% of the building stock was energy inefficient.[68] The EU has committed to reducing GHG emissions by at least 55% by 2030 compared to 1990 levels and achieving climate neutrality by 2050 under the 2030 Climate Target Plan.[69] To achieve its goals, the EU needs to reduce GHG emissions from buildings by 60%, final energy consumption by 14% and energy consumption from heating and cooling by 18% by 2030 compared to 2015 levels.[70,71] The renovation and retrofit of existing buildings have the potential to reduce the EU's total energy consumption by 5-6% and reduce total CO_2 emissions by approximately the same percentage.[72] In March 2023, the European Parliament adopted a revised Energy Performance of Buildings Directive, which aims to strengthen the targets on buildings' energy performance.[73] In this context, existing non-residential and public buildings should obtain EPC class E by 2027 and class D by 2030, and residential buildings should achieve EPC class E by 2030 and class D by 2033. In addition, new buildings from 2028

[59] Ibid.
[60] International Trade Administration, "Kosovo – Country Commercial Guide", https://www.trade.gov/country-commercial-guides/kosovo-energy
[61] IEA, "Kosovo", at: https://www.iea.org/countries/kosovo
[62] International Trade Administration, "Kosovo – Country Commercial Guide", https://www.trade.gov/country-commercial-guides/kosovo-energy
[63] Ibid.
[64] IEA, "Slovenia", at: https://www.iea.org/countries/slovenia
[65] Ibid.
[66] Government of Slovenia, "The Government adopts the Integrated National Energy and Climate Plan of the Republic of Slovenia", (2020), at: https://www.gov.si/en/news/2020-02-27-the-government-adopts-the-integrated-national-energy-and-climate-plan-of-the-republic-of-slovenia/
[67] European Council for an Energy Efficient Economy, "EU to start measuring 'embodied' carbon emissions from buildings", (2021), at: https://www.eceee.org/all-news/news/eu-to-start-measuring-embodied-carbon-emissions-from-buildings/
[68] European Climate Pact, "Every building can be green – here is how", (2022), at: https://climate-pact.europa.eu/news/every-building-can-be-green-heres-how-2022-03-11_en
[69] European Commission, "2030 Climate Target Plan", at: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en
[70] European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", at: https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-energy
[71] European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: https://eurlex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF
[72] European Commissions, "In focus: Energy efficiency in buildings", at: https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en
[73] Dao, B. (2023), "EU Parliament votes for warmer homes and climate protection", European Environmental Bureau, at: https://eeb.org/eu-parliament-votes-for-warmer-homes-and-climate-protection/

should be zero-emission.[74] The directive seeks to save close to 50 billion m^3 of gas annually, or 35 million households' worth of gas use.[75]

In Slovenia, the building sector was responsible for 6% of the country's CO_2 emissions and 31% of the national final energy consumption in 2019.[76] Of the country's total building stock floor area, 76% is in buildings that were built before 1990, and more than 40% of one-apartment buildings are in EPC class F and class G.[77] Slovenia has set a target to reduce emissions in the building sector by at least 70% by 2030 compared to 2005 levels and decarbonize the building sector by 2050.[78,79] To achieve these goals, the country plans to renovate 74% of single-dwelling and 91% of multi-dwelling buildings by 2050.[80] In addition, Slovenia aims to stop the sale and installation of new fuel oil boilers by 2023, legally oblige the co-owners of multi-apartment buildings to assess and report energy-efficiency data by 2024 and introduce a data management system for monitoring building-related energy performance and emissions by 2024.[81] By achieving these targets, the final energy consumption of Slovenia's building stock is expected to decrease by 45% and CO_2 emissions by nearly 75% compared to 2005 levels.[82]

In this context, Sustainalytics is of the opinion that NLB's financing of green buildings is expected to improve energy efficiency in the EU's and particularly in Slovenia's housing stocks and contribute to their transitions towards low-carbon economies.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the NLB Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 Increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
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 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 Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater

[74] European Parliament, "Energy performance of buildings: climate neutrality by 2050", (2023), at: https://www.europarl.europa.eu/news/en/press-room/20230206IPR72112/energy-performance-of-buildings-climate-neutrality-by-2050
[75] Taylor, K. (2023), "EU Parliament agrees position on buildings law despite pushback", Euractiv, at: https://www.euractiv.com/section/energyenvironment/news/european-parliament-agrees-position-on-buildings-law-despite-pushback/
[76] Climate Watch, "Data Explorer", at: https://www.climatewatchdata.org/data-explorer/historical-emissions?historical-emissions-data-sources=climate-watch&historical-emissions-end_year=2019&historical-emissions-gases=all-ghg&historical-emissions-regions=SVN%2CEUU&historical-emissions-sectors=%2Cbuilding&historical-emissions-start_year=2009&page=1
[77] Government of Slovenia, "Long-term energy renovation strategy for 2050", (2021), at: https://energy.ec.europa.eu/system/files/2021-08/sl_ltrs_2020_en_0.pdf
[78] European Parliament, "Climate Action in Slovenia", (2021), at: https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698061/EPRS_BRI(2021)698061_EN.pdf
[79] Government of Slovenia, "Long-term energy renovation strategy for 2050", (2021), at: https://energy.ec.europa.eu/system/files/2021-08/sl_ltrs_2020_en_0.pdf
[80] Ibid.
[81] Ibid.
[82] Ibid.

		and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

NLB has developed the NLB Green Bond Framework under which it may issue green bonds, including covered bonds, and use the proceeds to finance or refinance project-specific loans related to renewable energy, green buildings, energy efficiency, clean transportation, sustainable water and wastewater management, and pollution prevention and control. Sustainalytics considers that the loans financed by the green bond proceeds are expected to provide positive environmental impact and promote the transition to a low-carbon economy in Slovenia and south-eastern Europe.

The NLB Green Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the NLB Green Bond Framework is aligned with the overall sustainability strategy of NLB and that the green use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 6, 7, 9, 11 and 12.

Sustainalytics has assessed the NLB Green Bond Framework for alignment with the Technical Screening Criteria for substantial contribution to the environmental objective of Climate Change Mitigation of the EU Taxonomy. The Framework's six use of proceeds criteria map to 31 EU activities, of which 30 align with the applicable SC criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that NLB is well positioned to issue green bonds and that the NLB Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy's Technical Screening Criteria

Sustainalytics has assessed the criteria in the Framework against the technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy that apply to each corresponding activity in the EU Taxonomy.[83] This appendix describes Sustainalytics' process and presents the outcome of its assessment on the alignment of the criteria in the Framework with the EU Taxonomy's applicable technical screening criteria. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy because some economic activities are not yet covered by the EU Taxonomy. In other cases, categories of activities which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria in this report.

Table 2 below displays Sustainalytics' mapping process for this report.

2. Determining Alignment with the EU Taxonomy Technical Screening Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion in the Framework with the relevant technical screening criteria for substantial contribution to an environmental objective for the corresponding activity in the EU Taxonomy. Alignment with the SC criteria is usually based on the specific criteria defined in the Framework, and may in many cases also be based on management systems, processes or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards, Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2 above.)

The EU Taxonomy only provides SC criteria for activities intended to contribute to the environmental objectives of climate mitigation and climate adaptation.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	EU Environmental Objective	Refer to Table
Renewable Energy	Solar energy	4.1. Electricity generation using solar photovoltaic technology	D35.11 and F42.22	Mitigation	Table 3
		4.2. Electricity generation using concentrated solar power (CSP) technology	D35.11 and F42.22		Table 4
		4.17. Cogeneration of heat/cool and power from solar energy	D35.11 and D35.30		Table 5
	Wind energy	4.3. Electricity generation from wind power	D35.11 and F42.22		Table 6

[83] The EU Taxonomy establishes a list of "environmentally sustainable economic activities" which, where possible, follows the classification of economic activities laid down in the NACE system of economic activities (established by Regulation EC 1893/2006).

© Sustainalytics 2023

	Geothermal energy	4.6. Electricity generation from geothermal energy	D35.11 and F42.22		Table 7
	Bioenergy	4.8. Electricity generation from bioenergy	D35.11		Table 8
	Hydropower	4.5. Electricity generation from hydropower	D35.11 and F42.22		Table 9
	Electricity transmission and distribution infrastructure	4.9. Transmission and distribution of electricity	D35.12 and D35.13		Table 10
	Renewable energy technologies	7.6 Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		Table 11
Green Buildings	Buildings with energy performance of at least 10% better than the threshold for Nearly Zero-Energy Buildings	7.1. Construction of new buildings	F41.1, F41.2 and F43	Mitigation	Table 12
	Buildings with EPC label ≥ 'A'	7.7. Acquisition and ownership of buildings	L68		Table 13
	Buildings belonging to the top 15% of the national building stock				
	Building refurbishments resulting in a reduction of PED of at least 30%	7.2. Renovation of existing buildings	F41 and F43		Table 14
	Building refurbishments meeting the criteria for major renovations				
Energy Efficiency	Manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage	3.4. Manufacture of batteries	C27.2 and E38.32	Mitigation	Table 15
	Electricity storage facilities	4.10. Storage of electricity	No dedicated NACE code		Table 16
	Electric heat pumps	4.16. Installation and operation of electric heat pumps	D35.30 and F43.22		Table 17
	Energy efficiency equipment	7.3. Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12		Table 18

Clean Transportation	Fully electric zero emissions vehicles	6.3 Urban and suburban transport, road passenger transport	H49.31, H49.3.9, N77.39 and N77.11	Mitigation	Table 19
		6.5. Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39 and N77.11		Table 20
	Passenger and freight rail transportation	6.1 Passenger interurban rail transport	H49.10 and N77.39		Table 21
		6.2 Freight rail transport	H49.10 and N77.39		Table 22
	Infrastructure for personal mobility and cycle logistics	6.13. Infrastructure for personal mobility, cycle logistics	F42.11, F42.12, F43.21, F71.1 and F71.20		Table 23
	Infrastructure for rail transport	6.14. Infrastructure for rail transport	F42.12, F42.13, M71.12, M71.20, F43.21, and H52.21		Table 24
	Infrastructure enabling low-carbon road transport and public transportation	6.15. Infrastructure enabling low-carbon road transport and public transport	F42.11, F42.13, F71.1 and F71.20		Table 25
Sustainable Water and Wastewater Management	Water collection, treatment and supply systems	5.1. Construction, extension and operation of water collection, treatment and supply systems	E36.00 and F42.99	Mitigation	Table 26
		5.2. Renewal of water collection, treatment and supply systems	E36.00 and F42.99		Table 27
	Wastewater collection and treatment systems	5.3. Construction, extension and operation of wastewater collection and treatment	E37.00 and F42.99		Table 28
		5.4 Renewal of waste water collection and treatment	E37.00		Table 29
Pollution Prevention and Control	Production of heat/cool using waste heat	4.25. Production of heat/cool using waste heat	D35.30	Mitigation	Table 30
	Recycling facilities, including the collection, treatment and processing of all types of waste	5.5. Collection and transport of non-hazardous waste in source segregated fractions	E38.11		Table 31
		5.9. Material recovery from non-hazardous waste	E38.32 and F42.99		Table 32

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution (SC) to an environmental objective for each relevant EU Taxonomy activity.

Table 3

Framework Activity assessed	Solar energy		
EU Taxonomy Activity	4.1. Electricity generation using solar photovoltaic technology		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity generates electricity using solar PV technology.	The Framework includes financing of solar power using solar PV technology, which is eligible by default.	Aligned

Table 4

Framework Activity assessed	Solar energy		
EU Taxonomy Activity	4.2. Electricity generation using concentrated solar power (CSP) technology		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity generates electricity using CSP technology.	The Framework includes financing of solar power using CSP technology, which is eligible by default.	Aligned

Table 5

Framework Activity assessed	Solar energy		
EU Taxonomy Activity	4.17. Cogeneration of heat/cool and power from solar energy		
Corresponding NACE Code	D35.11 and D35.30		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity consists in the cogeneration[84] of electricity and heat/cool from solar energy.	The Framework includes financing of cogeneration of heat/cool and electricity from solar energy, which is eligible by default.	Aligned

[84] Cogeneration is defined in Article 2 point 30 of Directive 2012/27/EU.

Table 6

Framework Activity assessed	Wind energy		
EU Taxonomy Activity	4.3. Electricity generation from wind power		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity generates electricity from wind power.	The Framework includes financing of onshore and offshore wind energy generation facilities, which is eligible by default.	Aligned

Table 7

Framework Activity assessed	Geothermal energy		
EU Taxonomy Activity	4.6. Electricity generation from geothermal energy		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	Life-cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100 gCO_2e/kWh. Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.	The Framework includes financing of geothermal energy projects with life cycle emissions threshold of below 100 gCO_2e/kWh. NLB confirmed compliance with either of the recommended methodologies for calculating life-cycle GHG emissions and that quantified life-cycle GHG emissions will be verified by an independent third party.	Aligned

Table 8

Framework Activity assessed	Bioenergy		
EU Taxonomy Activity	4.8. Electricity generation from bioenergy		
Corresponding NACE Code	D35.11		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.	NLB confirmed compliance with all criteria mentioned under this activity and that it envisages all capacity brackets listed under the criteria.	Aligned

	2. The greenhouse gas emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001. 3. Where the installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of the Annex I of the Climate Delegated Act, as applicable. 4. Points 1 and 2 do not apply to electricity generation installations with a total rated thermal input below 2 MW and using gaseous biomass fuels. 5. For electricity generation installations with a total rated thermal input from 50 to 100 MW, the activity applies high-efficiency cogeneration technology, or, for electricity-only installations, the activity meets an energy efficiency level associated with the best available techniques (BAT-AEL) ranges set out in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants.[85] 6. For electricity generation installations with a total rated thermal input above 100 MW, the activity complies with one or more of the following criteria: a) attains electrical efficiency of at least 36%; b) applies highly efficient CHP (combined heat and power) technology as referred to in Directive 2012/27/EU of the European Parliament and of the Council;[86] c) uses carbon capture and storage technology. Where the CO_2 that would otherwise be emitted from the electricity generation process is captured for the purpose of underground storage, the CO_2 is transported and stored underground in accordance with the technical screening criteria set out in Sections 5.11 and 5.12, respectively, of the Annex I of the Climate Delegated Act.		

[85] Implementing Decision (EU) 2017/1442
[86] Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

Table 9

Framework Activity assessed	Hydropower		
EU Taxonomy Activity	4.5. Electricity generation from hydropower		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity complies with either of the following criteria: a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; b) the power density of the electricity generation facility is above 5 W/m^2; c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100 gCO_2e/kWh. The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018[87], ISO 14064-1:2018[88] or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.	The Framework includes financing of small-scale hydropower projects that meet either of the following criteria: i) the electricity generation facility is a run-of-river plant that does not have an artificial reservoir; or ii) the power density of the electricity generation facility is above 5 W/m^2; or iii) the lifecycle GHG emissions are below 100 gCO_2e/kWh. NLB confirmed compliance with the methodology for calculating lifecycle GHG emissions and to have the results verified by an independent third party.	Aligned

Table 10

Framework Activity assessed	Electricity transmission and infrastructure		
EU Taxonomy Activity	4.9. Transmission and distribution of electricity		
Corresponding NACE Code	D35.12 and D35.13		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity complies with one of the following criteria: 1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: a) the system is the interconnected European system, i.e., the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;	NLB confirmed compliance with any one of the mentioned criteria under this activity and intends to finance projects aligned with criteria under point 1. and 2.	Aligned

[87] ISO standard 14067:2018, Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification (version of [adoption date]: https://www.iso.org/standard/71206.html).
[88] ISO standard 14064-1:2018, Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (version of [adoption date]: https://www.iso.org/standard/66453.html).

	b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; c) 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 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh measured on a life cycle basis is not compliant. Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant. 2. The activity is one of the following: a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO_2e/kWh measured on a life cycle basis to a substation or network; b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to compliance with the technical screening criteria under the transport Section of the Annex I of the Climate Delegated Act; c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014[89] and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1[90] d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation;		

[89] Commission Regulation (EU) No 548/2014 of 21 May 2014 on implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to small, medium and large power transformers (OJ L 152, 22.5.2014, p. 1).
[90] CEI EN 50588-1 Medium power transformers 50 Hz, with highest voltage for equipment not exceeding 36 kV.

	e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including: i) sensors and measurement tools (including meteorological sensors for forecasting renewable production); ii) communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed). f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council[91], which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs; g) construction/installation of equipment to allow for exchange of specifically renewable electricity between users; h) construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant. For the purposes of this Section, the following specifications apply: a) the rolling five-year period used in determining compliance with the thresholds is based on five consecutive historical years, including the year for which the most recent data are available; b) a 'system' means the power control area of the transmission or distribution network where the infrastructure or equipment is installed; c) transmission systems may include generation capacity connected to subordinated distribution systems; d) distribution systems subordinated to a transmission system that is deemed to be on a trajectory to full decarbonisation may also be deemed to be on a trajectory to full decarbonisation; e) to determine compliance, it is possible to consider a system covering multiple control areas which are interconnected and		

[91] Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on rules for the internal market for electricity and amending Directive 2012/27/EU (OJ L 158/125, 14.6.2019),

	with significant energy exchanges between them, in which case the weighted average emissions factor across all included control areas is used, and individual subordinated transmission or distribution systems within that system is not required to demonstrate compliance separately; f) it is possible for a system to become non-compliant after having previously been compliant. In systems that become non-compliant, no new transmission and distribution activities are compliant from that moment onward, until the system complies again with the threshold (except for those activities that are always compliant, see above). Activities in subordinated systems may still be compliant, where those subordinated systems meet the criteria of this Section; g) a direct connection or expansion of an existing direct connection to production plants includes infrastructure that is indispensable to carry the associated electricity from the power generating facility to a substation or to the network.		

Table 11

Framework Activity assessed	Renewable energy technologies		
EU Taxonomy Activity	7.6 Installation, maintenance and repair of renewable energy technologies		
Corresponding NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity consists in one of the following individual measures, if installed on-site as technical building systems: a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment; d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment; f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment;	NLB stated that it intends to finance projects aligned with a) through d) and confirmed that projects financed will comply with the criteria under this category.	Aligned

	g) installation, maintenance and repair of high efficiency micro-CHP (combined heat and power) plant; h) installation, maintenance and repair of heat exchanger/recovery systems.		

Table 12

Framework Activity assessed	Buildings with energy performance of at least 10% better than the threshold for Nearly Zero-Energy Buildings		
EU Taxonomy Activity	7.1. Construction of new buildings		
Corresponding NACE Code	F41.1, F41.2 and F43		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	Constructions of new buildings for which: 1. The Primary Energy Demand (PED),[92] defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.[93] The energy performance is certified using an as built Energy Performance Certificate (EPC). 2. For buildings larger than 5000 m^2,[94] upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity,[95] and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. 3. For buildings larger than 5000 m^2,[96] the life-cycle Global Warming Potential (GWP)[97] of the building resulting from the construction has	The Framework includes financing of buildings built after 31 December 2020 with an energy performance of at least 10% lower than the threshold for the NZEB based on PED in the local market. This is aligned with criteria 1. For criteria 2 and 3, NLB has communicated to Sustainalytics that it may finance or refinance loans in the form of retail mortgages for buildings larger than 5000m^2. The Bank has confirmed that criteria 2 and 3 will be met for buildings of this size.	Aligned

[92] The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m2 per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC)
[93] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13)
[94] For residential buildings, the testing is made for a representative set of dwelling/apartment types
[95] The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurisation method) or equivalent standards accepted by the respective building control body where the building is located.
[96] For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.
[97] The GWP is communicated as a numeric indicator for each life cycle stage expressed as $kgCO_2e/m^2$ (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method). The scope of building elements and technical equipment is as defined in the Level(s) common EU framework for indicator 1.2. Where a national calculation tool exists, or is required for making disclosures or for obtaining building permits, the respective tool may be used to provide the required disclosure. Other calculation tools may be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework (version of [adoption date]: https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents), see indicator 1.2 user manual.

	been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.		

Table 13

Framework Activity assessed	Buildings with EPC label ≥ 'A' + Buildings belonging to the top 15% of the national building stock		
EU Taxonomy Activity	7.7. Acquisition and ownership of buildings		
Corresponding NACE Code	L68		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. 2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of the Annex I of the Climate Delegated Act that are relevant at the time of the acquisition. 3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW), demonstrate that it is efficiently operated through energy performance monitoring and assessment.[98]	1. The Bank has confirmed that for the acquisition of buildings built before 31 December 2020, the buildings will have an EPC label A or which belong to the top 15% of the national building stock based on PED. 2. NLB has confirmed that for the acquisition of buildings built after 31 December 2020, the buildings will have an energy performance of at least 10% lower than the threshold for the NZEB based on PED in the local market. For buildings larger than 5000m^2, the Bank has confirmed that buildings will meet the conditions of these criteria. 3. NLB has confirmed that it will ensure the fulfillment of this criterion for the financing of large non-residential buildings.	Aligned

[98] This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

Table 14

Framework Activity assessed	Building refurbishments resulting in a reduction of PED of at least 30% + Building refurbishments meeting the criteria for major renovations		
EU Taxonomy Activity	7.2. Renovation of existing buildings		
Corresponding NACE Code	F41 and F43		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The building renovation complies with the applicable requirements for major renovations.[99] Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %.[100]	The Framework includes financing of the refurbishment of buildings that result in a reduction of PED of at least 30% and where such refurbishment meet the criteria for major renovations under the applicable buildings regulations.	Aligned

Table 15

Framework Activity assessed	Manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage		
EU Taxonomy Activity	3.4. Manufacture of batteries		
Corresponding NACE Code	C27.2 and E38.32		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The economic activity manufactures rechargeable batteries, battery packs and accumulators (and their respective components), including from secondary raw materials, that result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications. The economic activity recycles end-of-life batteries.	The Framework includes financing of the manufacture of rechargeable batteries, such as lithium-ion batteries, battery packs and accumulators for transport, stationary and off-grid energy storage. NLB has confirmed that end-of-life batteries will be recycled.	Aligned

[99] As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.
[100] The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.

Table 16

Framework Activity assessed	Electricity storage facilities		
EU Taxonomy Activity	4.10. Storage of electricity		
Corresponding NACE Code	No dedicated NACE code		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity is the construction and operation of electricity storage including pumped hydropower storage. Where the activity includes chemical energy storage, the medium of storage (such as hydrogen or ammonia) complies with the criteria for manufacturing of the corresponding product specified in Sections 3.7 to 3.17 of the Annex I. In case of using hydrogen as electricity storage, where hydrogen meets the technical screening criteria specified in Section 3.10 of the Annex I of the Climate Delegated Act, re-electrification of hydrogen is also considered part of the activity.	NLB may finance the construction of facilities that store electricity and return it later in the form of electricity under the Framework. The Bank has confirmed that chemical energy storage using hydrogen and ammonia as a medium is not considered for financing under the Framework.	Aligned

Table 17

Framework Activity assessed	Electric heat pumps		
EU Taxonomy Activity	4.16. Installation and operation of electric heat pumps		
Corresponding NACE Code	D35.30 and F43.22		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The installation and operation of electric heat pumps complies with both of the following criteria: (a) refrigerant threshold: Global Warming Potential does not exceed 675; (b) energy efficiency requirements laid down in the implementing regulations188 under Directive 2009/125/EC are met.	NLB has confirmed that electric heat pumps financed under the Framework will meet the refrigerant threshold and energy efficiency requirements specified in the SC Criteria for this activity.	Aligned

Table 18

Framework Activity assessed	Energy efficiency equipment		
EU Taxonomy Activity	7.3. Installation, maintenance and repair of energy efficiency equipment		
Corresponding NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation: a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive); b) replacement of existing windows with new energy efficient windows; c) replacement of existing external doors with new energy efficient doors; d) installation and replacement of energy efficient light sources; e) installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to the Annex I of the Climate Delegated Act and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market.	NLB may finance the installation, maintenance and repair of the following energy efficient equipment: LED streetlamps, high efficiency windows and doors, green roofs, energy-efficient HVAC systems and equipment related to district heating services. The Bank has confirmed that all projects financed will comply with the criteria mentioned under this activity.	Aligned

Table 19

Framework Activity assessed	Fully electric zero emissions vehicles		
EU Taxonomy Activity	6.3 Urban and suburban transport, road passenger transport		
Corresponding NACE Code	H49.31, H49.3.9, N77.39 and N77.11		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity complies with the one of following criteria: a) the activity provides urban or suburban passenger transport and its direct (tailpipe) CO_2 emissions are zero; [101] b) until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as categories M2 and M3[102] that have a type of bodywork classified as 'CA' (single-deck vehicle),[103] 'CB' (double-deck vehicle), 'CC' (singledeck articulated vehicle) or 'CD' (double-deck articulated vehicle), and comply with the latest EURO VI standard, i.e. both with the requirements of Regulation (EC) No 595/2009 and, from the time of the entry into force of amendments to that Regulation, in those amending acts, even before they become applicable, and with the latest step of the Euro VI standard set out in Table 1 of Appendix 9 to Annex I to Regulation (EU) No 582/2011 where the provisions governing that step have entered into force but have not yet become applicable for this type of vehicle.[104] Where such standard is not available, the direct CO_2 emissions of the vehicles are zero.	The Framework includes financing for zero tailpipe emissions vehicles which aligns with criteria under a) of this Activity.	Aligned

[101] This includes Motor buses with type of bodywork classified as 'CE' (low-floor single-deck vehicle), 'CF' (low-floor double-deck vehicle), 'CG' (Articulated low-floor single-deck vehicle), 'CH' (Articulated low-floor double-deck vehicle), 'CI' (open top single deck vehicle) or 'CJ' (open top double deck vehicle), as set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.
[102] As referred to in Article 4(1), point (a), of Regulation (EU) 2018/858.
[103] As set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.
[104] Until 31/12/2021, the EURO VI, step E as set out in Regulation (EC) No 595/2009.

Table 20

Framework Activity assessed	Fully electric zero emissions vehicles		
EU Taxonomy Activity	6.5. Transport by motorbikes, passenger cars and light commercial vehicles		
Corresponding NACE Code	H49.32, H49.39 and N77.11		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity complies with the following criteria: a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: i) until 31 December 2025, specific emissions of CO_2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO_2/km (low-and zero-emission light-duty vehicles); ii) from 1 January 2026, specific emissions of CO_2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. b) for vehicles of category L, the tailpipe CO_2 emissions equal to 0g CO_2e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.	The Framework includes financing for zero tailpipe emissions vehicles, such as cars and buses. NLB confirmed compliance with all criteria mentioned under this activity.	Aligned

Table 21

Framework Activity assessed	Passenger and freight rail transportation		
EU Taxonomy Activity	6.1 Passenger interurban rail transport		
Corresponding NACE Code	H49.10 and N77.39		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity complies with one of the following criteria: a) the trains and passenger coaches have zero direct (tailpipe) CO_2 emissions; b) the trains and passenger coaches have zero direct (tailpipe) CO_2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).	NLB confirmed that only trains and passenger coaches that have zero direct (tailpipe) CO_2 emissions will be considered for financing.	Aligned

Table 22

Framework Activity assessed	Passenger and freight rail transportation		
EU Taxonomy Activity	6.2 Freight rail transport		
Corresponding NACE Code	H49.10 and N77.39		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. The activity complies with one or both of the following criteria: a) the trains and wagons have zero direct tailpipe CO_2 emission; b) the trains and wagons have zero direct tailpipe CO_2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode). The trains and wagons are not dedicated to the transport of fossil fuels.	The Bank confirmed that only trains and wagons that have zero direct tailpipe CO_2 emission will be considered for financing and that these will not be dedicated to the transport of fossil fuels.	Aligned

Table 23

Framework Activity assessed	Infrastructure for personal mobility and cycle logistics		
EU Taxonomy Activity	6.13. Infrastructure for personal mobility, cycle logistics		
Corresponding NACE Code	F42.11, F42.12, F43.21, F71.1 and F71.20		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The infrastructure that is constructed and operated is dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refuelling installations for personal mobility devices.	The Bank has confirmed projects financed under this Activity will comply with the criteria.	Aligned

Table 24

Framework Activity assessed	Infrastructure for rail transport		
EU Taxonomy Activity	6.14. Infrastructure for rail transport		
Corresponding NACE Code	F42.12, F42.13, M71.12, M71.20, F43.21, and H52.21		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. The activity complies with one of the following criteria:	NLB has confirmed that projects complying with criteria 1(a)(i) and 1(a)(ii) are considered for financing.	Aligned

	(a) the infrastructure (as defined in Annex II.2 to Directive (EU) 2016/797 of the European Parliament and of the Council[105]) is either: (i) electrified trackside infrastructure and associated subsystems: infrastructure, energy, on-board control-command and signalling, and trackside control command and signalling subsystems as defined in Annex II.2 to Directive (EU)2016/797; (ii) new and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or where the infrastructure will be fit for use by zero tailpipe CO_2 emission trains within 10 years from the beginning of the activity: infrastructure, energy, on-board control-command and signalling, and trackside control-command and signalling subsystems as defined in Annex II.2 to Directive (EU)2016/797; (iii) until 2030, existing trackside infrastructure and associated subsystems that are not part of the TEN-T network[106] and its indicative extensions to third countries, nor any nationally, supranationally or internationally defined network of major rail lines: infrastructure, energy, on-board control-command and signalling, and trackside control-command and signalling subsystems as defined in Annex II.2 to Directive (EU) 2016/797; (b) the infrastructure and installations are dedicated to transhipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transhipment of goods; (c) infrastructure and installations are dedicated to the transfer of passengers from rail to rail or from other modes to rail. 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.	The Bank has confirmed that infrastructure financed will not be dedicated to the transport or storage of fossil fuels.	

[105] Directive (EU) 2016/797 of the European Parliament and of the Council of 11 May 2016 on the interoperability of the rail system within the European Union (OJ L 138, 26.5.2016, p. 44).
[106] In accordance with Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU (OJ L 348, 20.12.2013, p. 1).

Table 25

Framework Activity assessed	Infrastructure enabling low-carbon road transport and public transportation		
EU Taxonomy Activity	6.15. Infrastructure enabling low-carbon road transport and public transport		
Corresponding NACE Code	F42.11, F42.13, F71.1 and F71.20		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO_2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems (ERS); (b) the infrastructure and installations are dedicated to transhipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transhipment of goods; (c) the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signalling systems for metro, tram and rail systems. 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.	The Bank confirmed that projects complying with the following criterion are eligible: (a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO_2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or ERS NLB confirmed that the infrastructure financed will not be dedicated to the transport or storage of fossil fuels.	Aligned

Table 26

Framework Activity assessed	Water collection, treatment and supply systems		
EU Taxonomy Activity	5.1. Construction, extension and operation of water collection, treatment and supply systems		
Corresponding NACE Code	E36.00 and F42.99		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The water supply system complies with one of the following criteria: a) the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy);	The Framework includes financing of the construction and extension of water collection, treatment and supply systems. The Bank has confirmed that the water-related projects financed will meet the efficiency thresholds for energy consumption and leakage levels defined under this activity.	Aligned

	b) the leakage level is either calculated using the Infrastructure Leakage Index (ILI)[107] rating method and the threshold value equals to or is lower than 1.5 or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council.[108] That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e., at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs).		

Table 27

Framework Activity assessed	Water collection, treatment and supply systems		
EU Taxonomy Activity	5.2. Renewal of water collection, treatment and supply systems		
Corresponding NACE Code	E36.00 and F42.99		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The renewal of the water supply system leads to improved energy efficiency in one of the following ways: a) by decreasing the net average energy consumption of the system by at least 20% compared to own baseline performance averaged for three years, including abstraction and treatment, measured in kWh per cubic meter produced water supply; b) by closing the gap by at least 20% either between the current leakage level averaged EN 117 EN over three years, calculated using the Infrastructure Leakage Index (ILI) rating method and an ILI of 1.5[109] or between the current leakage level averaged over three years, calculated using another appropriate method, and the threshold value established in accordance with Article 4 of Directive (EU) 2020/2184. The current leakage level averaged over three years is calculated across the extent of water supply (distribution) network where the works are carried out, i.e., for the renewed water supply (distribution) network at	The Framework includes financing of the renewal of water collection, treatment and supply systems. The Bank has confirmed that the projects financed will meet the efficiency thresholds for energy consumption and leakage levels defined under this activity.	Aligned

[107] The Infrastructure Leakage Index (ILI) is calculated as current annual real losses (CARL)/unavoidable annual real losses (UARL): The current annual real losses (CARL) represent the amount of water that is actually lost from the distribution network (i.e. not delivered to final users). The unavoidable annual real losses (UARL) take into consideration that there will always be some leakage in a water distribution network. The UARL is calculated based on factors such as the length of the network, the number of service connections and the pressure at which the network is operating.
[108] Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption (recast) (OJ L 435, 23.12.2020, p. 1).
[109] The Infrastructure Leakage Index (ILI) is calculated as current annual real losses (CARL)/unavoidable annual real losses (UARL): The current annual real losses (CARL) represent the amount of water that is actually lost from the distribution network (i.e. not delivered to final users). The unavoidable annual real losses (UARL) take into consideration that there will always be some leakage in a water distribution network. The UARL is calculated based on factors such as the length of the network, the number of service connections and the pressure at which the network is operating.

	district metered area(s) (DMAs) or pressure managed area(s) (PMAs).		

Table 28

Framework Activity assessed	Wastewater collection and treatment systems		
EU Taxonomy Activity	5.3. Construction, extension and operation of wastewater collection and treatment		
Corresponding NACE Code	E37.00 and F42.99		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. The net energy consumption of the wastewater treatment plant equals to or is lower than: a) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10000 p.e.; b) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10000 and 100000 p.e.; c) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100000 p.e. Net energy consumption of the operation of the wastewater treatment plant may take into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs), and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy). 2. For the construction and extension of a wastewater treatment plant or a waste water treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons), an assessment of the direct GHG emissions is performed.[110] The results are disclosed to investors and clients on demand	The Framework includes financing of the construction of wastewater collection and treatment facilities. NLB has confirmed that the facilities financed will include those of various plant capacities as specified in criteria 1a, b and c that will meet the relevant net energy consumption thresholds. For facilities that meet criteria (2), the Bank has confirmed that an assessment of the direct GHG emissions will be performed and disclosed to investors and clients when requested.	Aligned

[110] For example, following IPCC guidelines for national GHG inventories for waste water treatment (version of [adoption date]: https://www.ipccnggip.iges.or.jp/public/2019rf/pdf/5_Volume5/19R_V5_6_Ch06_Wastewater.pdf)

Table 29

Framework Activity assessed	Wastewater collection and treatment systems		
EU Taxonomy Activity	5.4 Renewal of waste water collection and treatment		
Corresponding NACE Code	E37.00		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	1. The renewal of a collection system improves energy efficiency by decreasing the average energy consumption by 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis. That decrease of energy consumption can be accounted for at the level of the project (i.e. the collection system renewal) or, across the downstream waste water agglomeration (i.e. including the downstream collection system, treatment plant or discharge of waste water). 2. The renewal of a waste water treatment plant improves energy efficiency by decreasing the average energy consumption of the system by at least 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis. 3. For the purposes of points 1 and 2, the net energy consumption of the system is calculated in kWh per population equivalent per annum of the waste water collected or effluent treated, taking into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs) and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy). 4. For the purpose of point 1 and 2, the operator demonstrates that there are no material changes relating to external conditions, including modifications to discharge authorisation(s) or changes in load to the agglomeration that would lead to a reduction of energy consumption, independent of efficiency measures taken.	The Framework includes financing of the renewal of wastewater collection and treatment facilities. NLB has confirmed that intends to finance projects that comply with the criteria under this category.	Aligned

Table 30

Framework Activity assessed	Production of heat/cool using waste heat		
EU Taxonomy Activity	4.25. Production of heat/cool using waste heat		
Corresponding NACE Code	D35.30		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity produces heat/cool from waste heat.	The Framework includes the production of heating or cooling using waste heat, which is eligible by default.	Aligned

Table 31

Framework Activity assessed	Recycling facilities, including the collection, treatment and processing of all types of waste		
EU Taxonomy Activity	5.5. Collection and transport of non-hazardous waste in source segregated fractions		
Corresponding NACE Code	E38.11		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	All separately collected and transported non-hazardous waste that is segregated at source is intended for preparation for reuse or recycling operations.	The Bank confirmed compliance with the criteria of this activity.	Aligned

Table 32

Framework Activity assessed	Recycling facilities, including the collection, treatment and processing of all types of waste		
EU Taxonomy Activity	5.9. Material recovery from non-hazardous waste		
Corresponding NACE Code	E38.32 and F42.99		
SC Criteria of the EU Taxonomy		***Alignment***	
Climate Change Mitigation	The activity converts at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes.	NLB confirmed compliance with the criteria of this activity.	Aligned

Appendix 3: Green Bond or Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	NLB d.d.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	NLB Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 5, 2023

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:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating

☐ Other *(please specify)*:

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 proceeds – i) Renewable Energy, ii) Green Buildings, iii) Energy Efficiency, iv) Clean Transportation, v) Sustainable Water and Wastewater Management, and vi) Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11 and 12.

© Sustainalytics 2023

Use of proceeds categories as per GBP:

☒ Renewable energy	☒ Energy efficiency
☒ Pollution prevention and control	☐ Environmentally sustainable management of living natural resources and land use
☐ Terrestrial and aquatic biodiversity conservation	☒ Clean transportation
☒ Sustainable water and wastewater management	☐ Climate change adaptation
☐ Eco-efficient and/or circular economy adapted products, production technologies and processes	☒ Green buildings
☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	☐ Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NLB's Green Bond Working Group will be responsible for evaluating and selecting projects that are in line with the Framework's eligibility criteria. NLB's processes for mitigating environmental and social risks commonly associated with eligible projects and assets apply to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

☒ Credentials on the issuer's environmental sustainability objectives	☒ Documented process to determine that projects fit within defined categories
☒ Defined and transparent criteria for projects eligible for Green Bond proceeds	☒ Documented process to identify and manage potential ESG risks associated with the project
☐ Summary criteria for project evaluation and selection publicly available	☐ Other *(please specify):*

Information on Responsibilities and Accountability

☐ Evaluation / Selection criteria subject to external advice or verification	☐ In-house assessment
☐ Other (please specify):	

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

NLB's Financial Markets Department is responsible for the management of proceeds and will track the allocation of proceeds using an internal tracking system and a portfolio approach. NLB intends to allocate all proceeds within three years of issuance. Pending allocation of the net proceeds of Green Bonds to the eligible green loan portfolio, the unallocated amount will be managed according to NLB's regular cash management operations. This is in line with market practice.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

NLB commits to publicly report on the allocation and impact of proceeds on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated from the issuance of green bonds to the eligible loan portfolio, the number of eligible loans, the balance of unallocated proceeds and geographical distribution of assets. In addition, NLB is committed to reporting on relevant impact metrics. Sustainalytics views NLB's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other *(please specify):* size of identified eligible green loan portfolio per category, number of eligible loans, balance of

unallocated proceeds, share of financing versus refinancing and geographical distribution of assets

Frequency:

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project ☒ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings ☒ Energy Savings

☒ Decrease in water use ☒ Other ESG indicators (please specify): total installed renewable energy capacity (MW), renewable capacity connected to the grid (GW), estimated ex-ante annual energy consumption (kWh/m^2), number of fossil-free vehicles deployed, number of electric vehicles charging points installed, length of rail track (km), estimated passenger-kilometers or passengers, or tonne-kilometers or tonnes transported, estimated annual energy generation from non-recyclable waste in energy- or emission-efficient waste to energy facilities (MWh/GWh for electricity and GJ/TJ for other energy)

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): Allocation and impact reports that will be made publicly available

☐ 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 INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating: An issuer can have its Green Bond, associated Green 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 performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

Copyright ©2023 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. 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