

# SUSTAINABILITY POLICY

January 2025

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# SUSTAINABILITY POLICY

This comprehensive policy outlines the sustainability guiding principles that form the cornerstone of Kommunalkredit Group's operations. It delineates our approach to Governance, Strategy, Risk Management, and the frameworks and metrics we employ to drive sustainable practices.

## Scope and Commitment

This policy encompasses Kommunalkredit Group and all its fully consolidated subsidiaries. It applies to our entire workforce, including employees, contractors, agents, and third-party representatives. Kommunalkredit Group is committed to upholding our sustainability standards throughout our supply chain and loan portfolio.

## Integrated Approach

At Kommunalkredit Group, we view sustainability not merely as a corporate initiative but as a collective responsibility. We integrate Environmental, Social, and Governance (ESG) factors into all facets of our decision-making processes and operational activities.

## Continuous Improvement and Compliance

Our support for sustainable finance legislation, coupled with our dedication to continuous improvement, compels us to regularly reassess and refine our practices. This policy is complemented by supplementary internal guidelines, detailed work instructions, and comprehensive checklists, ensuring a robust framework for sustainability implementation.

The Sustainability Team is tasked with drafting our comprehensive sustainability policy. The Sustainability Board oversees the approval process, implementation, and continuous improvement of this policy, ensuring its alignment with our corporate objectives and evolving sustainability legislation and standards.

## Transparency and Stakeholder Engagement

Transparency stands as a core value in our sustainability journey. We are committed to open and honest communication about our sustainability initiatives, challenges faced, and progress achieved. Through active engagement with our stakeholders, we foster collaboration and catalyse sustainable practices across our entire value chain.

We view stakeholder dialogue as an opportunity to exchange knowledge, evolve, and share our experiences. Our success depends on the commitment and expertise of our highly qualified employees and their alignment with Kommunalkredit's values. Regular updates on our sustainability and ESG performance are shared with the general public to ensure accountability and promote informed dialogue.

**“By encouraging innovative solutions that address sustainability challenges, we aim to create lasting positive impacts and contribute to a more sustainable future for all.”**

**KA Sustainability Board**

# 01

## SUSTAINABILITY GOVERNANCE

Kommunalkredit commits to good corporate governance practices and has established a clear, documented corporate governance structure with defined responsibilities, procedures, and appropriate internal control mechanisms. The Sustainability Strategy is approved by the Executive Board, ensuring alignment with organizational goals and values.

Our governance arrangements enable both top-down and bottom-up discussions, involving all relevant functions. This approach ensures business-line input and support for strategic decisions and their subsequent implementation.

### **Sustainability Board**

Kommunalkredit recognizes the critical importance of "tone at the top." The CEO bears ultimate responsibility for integrating the institution's environmental policy into daily operations and processes, demonstrating leadership's commitment to sustainability. The Executive Board maintains overarching responsibility for sustainability initiatives while delegating focused oversight to the Sustainability Board.

The Sustainability Board meets monthly and comprises the Executive Board, first-level management, and the Sustainability Team. Together, they ensure that Kommunalkredit's sustainability policy is implemented and adhered to across all areas of the organization.

### **Sustainability Platform**

The Sustainability Platform is an inclusive governance approach involving a group of committed employees from various departments within the Group. This platform addresses all issues and concerns relating to sustainability at Kommunalkredit.

### **Sustainability Team**

The Sustainability Team, positioned within the Strategy Department, is responsible for steering the sustainability agenda both internally and externally. It drives the implementation of sustainability initiatives across the organization and promotes alignment with external sustainability standards.

### **Sustainable Funding Committee**

Kommunalkredit has established a Sustainable Funding Committee to ensure compliance with the Sustainable Funding Framework (SFF).

The Committee meets at least every six months; its main responsibilities are the allocation of assets to the Eligible Assets Portfolio, monitoring its overall composition and compliance with the eligibility criteria, and overseeing potential changes to the SFF. It is also responsible for the preparation and publication of the impact reporting. It is chaired by the Head of Markets and includes representatives from the main affected divisions.

### **Steering and Ad Hoc Committees**

Kommunalkredit may establish additional steering or ad hoc project committees as needed to address specific sustainability-related initiatives or challenges. These committees complement the existing governance structure, ensuring flexibility and responsiveness in advancing Kommunalkredit's sustainability agenda.

# 02

## SUSTAINABILITY STRATEGY

Kommunalkredit integrates climate-related and environmental risks into its overall business strategy, objectives, and risk management framework, ensuring these considerations are central to our decision-making processes and long-term planning. This holistic approach reinforces our dedication to sustainability and resilience in the face of global challenges.

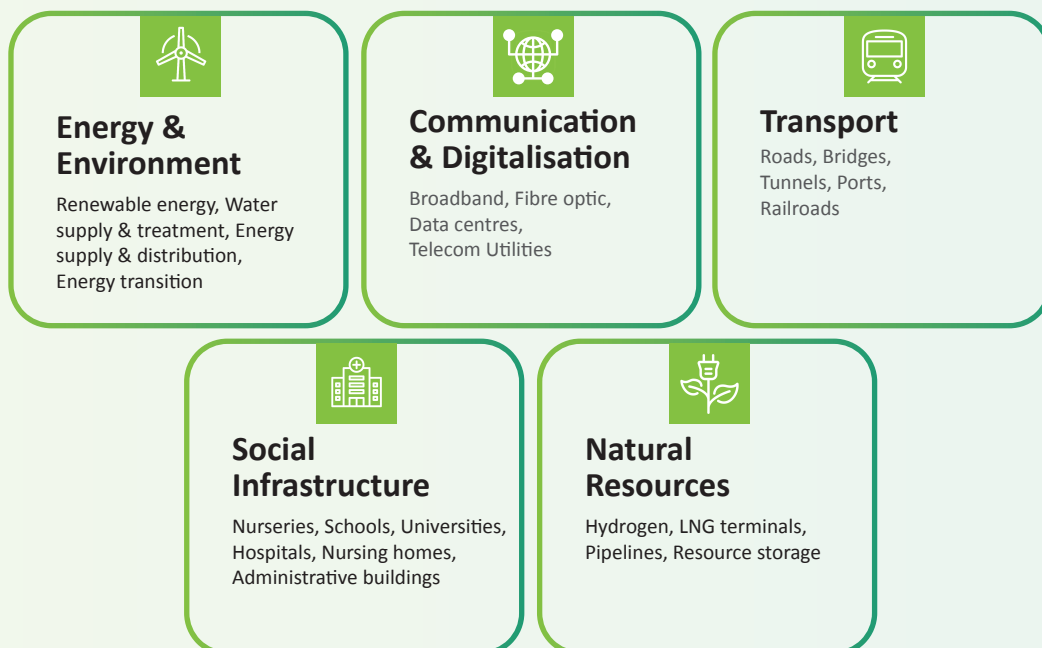
### Kommunalkredit Infrastructure solutions

Kommunalkredit is a fast-growing provider of infrastructure financing solutions with a unique full-service product spectrum as described below. Investment in infrastructure serves as a powerful tool to address social needs and enhance societal well-being. Efficient infrastructure drives economic dynamism, supports urban development, creates jobs, and plays a vital role in combating climate change. It strengthens social cohesion by addressing the needs of today's generation while creating opportunities for future generations.

Kommunalkredit recognizes its significant impact on the environment and society through its operations and loan portfolio. As a leader in infrastruc-

ture and energy financing, we aspire to become Europe's most dynamic and innovative infrastructure bank, driving positive change and fostering a sustainable future. Our mission is to blend sustainable and responsible investments with attractive returns, delivering tangible benefits to communities.

Our approach demonstrates that financial success and societal impact are not mutually exclusive. Through our infrastructure and energy projects, we contribute to decarbonization, support national and international climate targets, and the European Union's (EU) Green Deal. By prioritizing these goals, we ensure that our initiatives create long-lasting value for stakeholders while addressing the most pressing global challenges.





### Kommunalkredit Public Consulting

Kommunalkredit Public Consulting ("KPC"), a subsidiary of Kommunalkredit, specialises in the implementation and management of funding programmes, particularly in the areas of environmental and climate protection. Thanks to its know-how, KPC is a trusted partner for both funders and fund seekers. KPC also manages Climate Austria, a platform for voluntary CO2 offsetting, which supports companies to mitigate their incompressible GHG emissions. Payments received are primarily invested in national, but also in selected international climate protection projects.

On the consulting side, KPC successfully supports renowned national and international organisations and financial institutions with technical advice, market studies, implementation of evaluation projects and investment plans, capacity building and policy advice. KPC supports the Federal Ministry for Climate Protection by managing and monitoring bilateral climate protection projects in developing countries. KPC's comprehensive management of support schemes, programs, and consulting services for climate and environmental projects plays a vital role in advancing Kommunalkredit's sustainability objectives.

## Sustainability commitment

Kommunalkredit's sustainability strategy is closely correlated to its core business and has a green and a social focus.

To retain focus on these two core focus areas, Kommunalkredit in 2022 committed to:



### Accelerate the green transition

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



### Help improve people's lives

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

- Devote at least 40% of annual new infrastructure financing to the green transition, such as renewable energy, clean mobility and water management.
- Contribute to accelerating the commercialisation and scaling up of new green solutions by allocating up to 10% of annual new infrastructure financing to early stage and/or innovative projects, using the Bank's agility, expertise and risk appetite to be a first mover in opportunities such as hydrogen, battery storage and new forms of renewable energy.
- Dedicate at least 30% of annual new infrastructure lending to a combination of social infrastructure and/or digitalisation and communications.



### Integrate impact

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



### Deliver transparently & responsibly with speed and precision

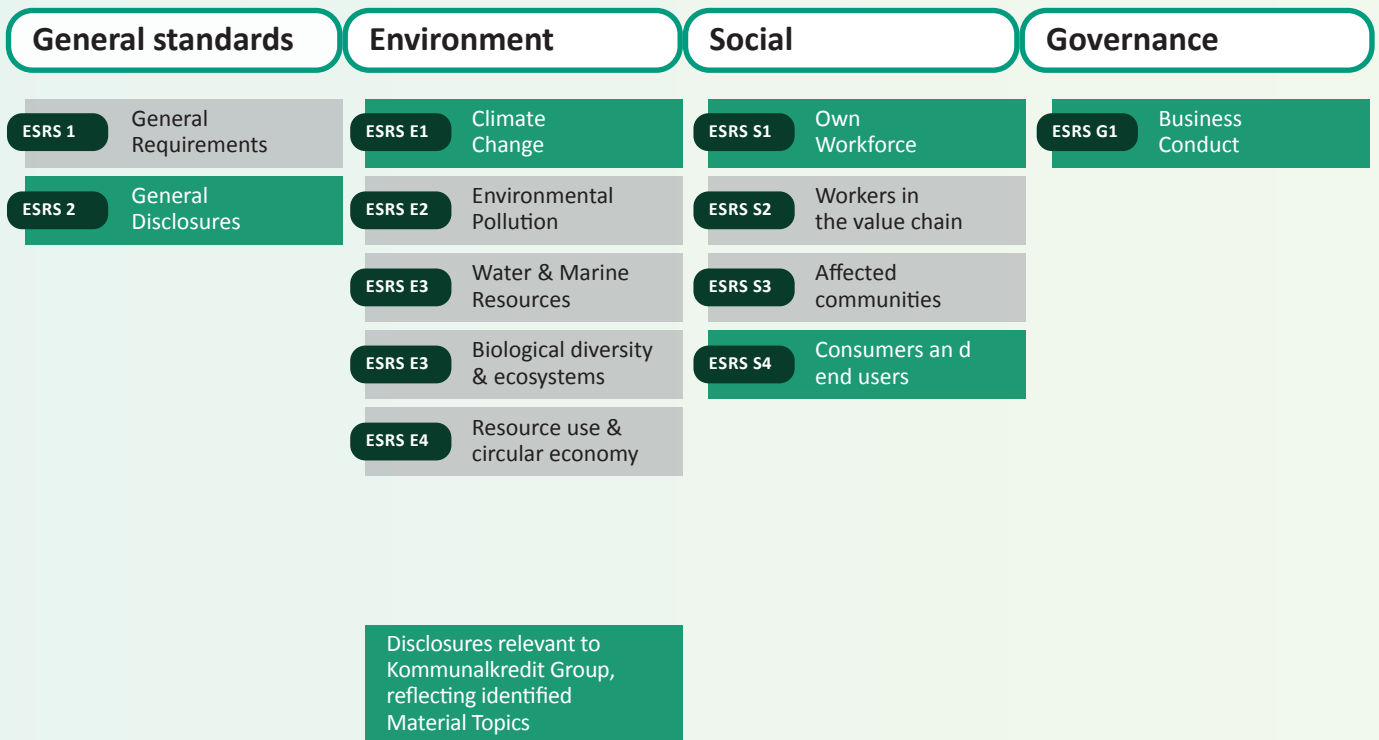
We continuously improve our ESG disclosures and ensure that we carry out our business responsibly and with high integrity.

- Training of at least 95% of the bank's employees on sustainable development and why it is important to Kommunalkredit.
- By Q2 2023, develop an SDG impact curriculum to train bank employees on how to maximise positive impact in infrastructure projects. By 2025, at least 95% of bank staff will be trained in impact maximisation.
- By Q3 2023, define a Kommunalkredit environmental sustainability indicator to inform strategy implementation and increase transparency.
- Assess greenhouse gas emissions from our financing activities according to PCAF by 2024 and set net zero and reduction targets by 2025.
- By 2025, at least 30% of managers should be female. Eliminate any gender pay gap within the same job category by 2025.

**Commitment to Diversity, Equality, and Inclusion**  
 Kommunalkredit values diversity as a fundamental asset, reflecting our modern, dynamic business. We commit to a zero-tolerance policy against discrimination and harassment, adhering to the International Labour Organisation's principles and our Code of Conduct, with particular emphasis on workplace safety and non-discrimination. These commitments underscore our dedication to fostering an inclusive environment that leverages diverse perspectives for organizational success.

**Materiality Assessment**  
 In 2023, we conducted a comprehensive double materiality assessment, aligning with GRI and ESRS-EFRAG methodologies. This process identifies priority issues by considering both financial impacts and socio-environmental effects. Our systematic approach included stakeholder consultation and rigorous evaluation of our impacts, ensuring integration of material issues into our sustainability reporting. We commit to periodic reviews to reflect evolving business landscapes and stakeholder expectations, maintaining traceability and auditability throughout.

### Kommunalkredit Material Topics



Kommunalkredit prioritizes the implementation of climate metrics and targets as an urgent and non-negotiable commitment. Our focus on climate and energy topics is central to both our operational and financing activities, reflecting their material importance to our business.

We have already integrated climate risk assessments into our financing decisions for companies and municipalities. High-carbon intensity sectors are excluded from our portfolio, demonstrating our commitment to climate-conscious financing.

Building on our climate initiatives, we will assess to broaden our mitigation efforts to address other sustainability issues in the coming years. Biodiversity has been identified as a possible area for future focus, aligning with our commitment to comprehensive environmental stewardship.

#### **Kommunalkredit Sustainability Trainings**

Kommunalkredit's sustainability training program offers a comprehensive three-module approach that provides a holistic understanding of sustainability.

- Principles of Sustainability module establishes a basic knowledge base that is mandatory for all employees, covering essential concepts and the impact of climate change.
- Policy Frameworks for Sustainability explores global and regional initiatives, including the Sustainable Development Goals and the EU Green Deal.
- The final module, Corporate Sustainability, bridges theory and practice, focusing on practical business applications and strategies.

This well-rounded program equips participants with the knowledge and skills to effectively integrate sustainability principles into their organisational practices.

#### **Code of Conduct**

The Kommunalkredit [Code of Conduct](#) serves as the foundation of our commitment to integrity, professionalism, and corporate responsibility. It outlines the ethical principles guiding our business activities, ensuring compliance with applicable laws and internal regulations. By prioritizing transparency, fairness, and respect, we strive to build long-term relationships with customers, business partners, and employees. The Code emphasizes the importance of integrating Environmental, Social, and Governance (ESG) factors into decision-making processes, reflecting our dedication to sustainable practices.

#### **Kommunalkredit Compliance**

Compliance with regulatory requirements is central to Kommunalkredit Group's commitment to responsible corporate governance and integrity. This includes transparent business practices, robust whistleblowing systems, fair treatment of partners, timely supplier remuneration, and effective IT security governance. Kommunalkredit enforces strict anti-corruption, anti-bribery, and anti-competitive behavior policies, supported by processes to manage and resolve incidents.

Fully compliant with local and international laws, including anti-corruption, fair competition, and taxation, Kommunalkredit actively monitors regulatory developments to ensure adherence to emerging standards. Annual compliance training for all employees reinforces these principles, safeguarding trust and accountability across operations.

# 03

## SUSTAINABILITY RISK MANAGEMENT

At Kommunalkredit, we are committed to integrating sustainability into every aspect of our project financing lifecycle. By identifying and assessing climate-related risks at all stages, we ensure that our financing activities align with environmental, social, and governance (ESG) principles while contributing to a sustainable future. This approach is grounded in rigorous exclusion criteria, sustainability checks, and a robust ESG risk management framework.

### Exclusion criteria

To minimize environmental and social harm, we adhere to strict exclusion criteria that involve:

- No financing for activities with permanent / significant environmental risks such as coal, gas, peat, oil extraction; new coal/peat power plants; unbonded asbestos; excessive driftnet fishing; unsustainable logging.
- No funding for activities with serious negative social impacts or health risks, such as countries at war (condemned by the UN); weapons; gambling; spirits; tobacco; pornography.
- No funding in cases of violation of national/international laws and sanctions, UN Human Rights Declaration, ILO Core Labour Principles, ethical principles or problematic governance (e.g. corruption).

### Sustainability checks

At the origination stage, deal teams perform sustainability checks on each new commitment, which include:

- Screening against Kommunalkredit exclusion criteria: none of the projects should fall under the above criteria.
- SDG alignment assessment: A systematic assessment process that measures how well a project's objectives, activities and outcomes align with the United Nations Sustainable Development Goals (SDGs).
- ESG due diligence: A comprehensive investigation and analysis of a project's environmental, social and governance (ESG) factors, risks and opportunities, conducted to assess its sustainability performance, regulatory compliance and potential impacts on stakeholders and the environment.

### ESG risk management

During deal screening, Kommunalkredit assesses environmental and social credit risks based on exclusion criteria, sector-specific factors and geographical considerations:

- Physical risks: These are risks associated with the direct impacts of climate change, such as extreme weather events, rising sea levels and changing rainfall patterns, which can damage assets, disrupt operations and affect supply chains.
- Transition risks: These are risks arising from the transition to a low-carbon economy, including policy changes, technological advances, market shifts and reputational concerns that can affect an organisation's financial performance and strategy.
- Operational risks: in the context of climate change operational risks refer to the potential disruption to an organisation's day-to-day operations due to both physical and transition risks, such as supply chain disruptions, workforce impacts and changes in resource availability.
- Social risks: These are risks associated with factors such as labor practices, community impact, human rights, health and safety standards, and diversity, equity, and inclusion efforts.
- Governance risks: referring to issues related to how a company is managed, including transparency, ethical leadership, regulatory compliance, and the effectiveness of decision-making processes.

This multi-faceted approach enables Kommunalkredit to comprehensively identify, assess, and manage climate-related risks across its project finance activities. By embedding sustainability at the core of our decision-making, we not only mitigate risks but also contribute to positive environmental and social outcomes.



# 04

## SUSTAINABILITY FRAMEWORKS, METRICS AND TARGETS

The following frameworks are core to this sustainability policy and guide how Kommunkredit defines and integrates sustainability topics (SDGs) in its metrics, and target and operations.



**UN Principles for Responsible Banking (PRB)**  
Kommunkredit adheres to these principles to align its strategy with the UN Sustainable Development Goals (SDGs) and the Paris Agreement. This ensures its business operations create positive societal impacts while managing environmental and social risks.



**Workforce-Oriented Frameworks (UN Global Compact and ILO)**

Kommunkredit adheres to principles of the UN Global Compact and the ILO Declaration on Fundamental Rights to promote freedom of association, non-discrimination, and responsible employment practices, creating a fair and inclusive workplace.



**International Finance Corporation (IFC)**  
Kommunkredit incorporates IFC standards to promote environmental and social sustainability in financing decisions, especially for high-impact infrastructure and energy projects.



**GHG Calculation Frameworks (GHG Protocol and PCAF)**

Kommunkredit uses the GHG Protocol to calculate greenhouse gas emissions from its operations and the PCAF (Partnership for Carbon Accounting Financials) methodology to assess emissions linked to its loan portfolio, ensuring consistent and transparent carbon accounting. Starting in 2022, Kommunkredit has been assessing greenhouse gas emissions from its portfolio according to the PCAF methodology, prerequisite for establishing a baseline for GHG mitigation efforts.



**EU Sustainable Finance Regulation**  
Kommunkredit uses the regulation as a framework to integrate physical, transition, and financial impacts from climate change into its risk management system, ensuring compliance with EU taxonomy and other sustainable finance guidelines.



**UN Sustainable Development Goals (SDGs)**  
The SDGs provide Kommunkredit with a universal framework to align its sustainability objectives with global priorities, addressing climate action, decent work, and sustainable communities.



**ISO 14001 EMAS**

Since 1997, when Kommunkredit adopted the EMAS framework, the bank has operated an ISO 14001-certified environmental management system. This system fosters sustainable practices throughout its operations and actively encourages stakeholders across its value chain to adopt similar systems, further enhancing overall environmental performance.



**Sustainability Reporting (GRI and ESRS)**  
Kommunkredit follows GRI (Global Reporting Initiative) and ESRS (European Sustainability Reporting Standards) for transparent sustainability reporting. These frameworks ensure traceable, comparable, and comprehensive disclosures aligned with stakeholder expectations.

