

OKB Sustainability Bond Report

2020

Austria's Export Credit Agency



Contents

3 Preface by the Executive Board

The Importance of Taking Action

5 OKB ESG Ratings and Certifications

6 OKB's Sustainable Financing Framework

7 Treasurer's Review

OKB Issues Its Inaugural Sustainability Bond

8 OKB's Sustainability Bond 2019

10 Case Study

Water Supply System in Mongolia

11 Case Study

"Nubian Suns" Solar Power Plants in Egypt

12 Case Study

European Standard Ambulances for Sri Lanka

13 External Annual Review

14 Disclaimer and Imprint

15 Contact

Preface by the Executive Board

The Importance of Taking Action

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The current challenge in the COVID-19 crisis is to provide appropriate support and assistance for the economy and businesses as quickly as possible. At the same time, of course, we are all called upon – from politicians and banks to investors – not to suspend the EU Commission's Green Deal but to use it as the basis for a sustainable reconstruction programme for the economy.

What role does sustainability play at OKB?

SOMMER-HEMETSBERGER: As a private company entrusted with mandates from the Republic of Austria, OKB sees itself charged with a special responsibility. We have clearly stated in our mission statements that **our products and services are geared towards global developments**. Only in this way can we **ensure that our business activities have a positive impact on the economy, the environment and society**. This requires a constant readiness to refine and adapt our business models, services and processes.

BERNKOPF: We regard sustainability as integral to our core business and we understand it **holistically**. Therefore, our sustainability strategy includes the segments of business and economy, innovation, employees, the environment and society. The objective is to achieve a balance between economic success, social justice and environmental sustainability.



Members of the Executive Board of OKB,
Angelika Sommer-Hemetsberger and Helmut Bernkopf

Preface by the Executive Board

The Importance of Taking Action

How does the practical implementation at OKB reflect this understanding?

SOMMER-HEMETSBERGER: We can look back on many activities in the realm of sustainability management. For example, OKB was part of the process of establishing a level playing field within the OECD from the outset as a consultant to the Austrian Federal Ministry of Finance when it was working on the Common Approaches of the OECD and their implementation into its export guarantees and financing scheme. We have implemented an environmental management scheme according to EMAS since 2001 and have been publishing a sustainability report on an annual basis since 2003. In 2008, we founded Oesterreichische Entwicklungsbank (OeEB), the official development bank of Austria, as a 100 per cent subsidiary.

BERNKOPF: We firmly believe that a transition towards sustainability cannot be achieved alone, but that we need to find solutions together. This is why we actively engage in different networks, such as the UN Global Compact

or the Green Finance Agenda of the Austrian Climate and Energy Strategy. This commitment and the integration of sustainability into our core business is also the reason why we can point to very good ESG ratings.

Why did you decide to issue a sustainability bond?

BERNKOPF: Our export study in early summer of 2019 showed that **export-oriented companies attached particular importance to the issues of climate and environmental protection and to attractive financing options in order to engage in climate-friendly investments**. Therefore, we developed the **new product Exportinvest Green** in collaboration with the Austrian Federal Ministry of Finance. Austrian export companies that make targeted investments in the protection of the environment and contribute sustainably to the improvement of the environment benefit from attractive financing options.

SOMMER-HEMETSBERGER: It was a logical and consistent next step to expand our product

range on the financing side as well. In 2019, **we adopted a Sustainable Financing Framework with mandatory guidelines, which now allows us to issue green bonds, social bonds and sustainability bonds**. This also reflects our true conviction that the **financial sector can make a relevant contribution to the global challenges** of our time, which have lately been further intensified by the consequences of the current COVID-19 crisis. We at OKB want to make our contribution to this necessary transformation.

KEY FACTS

1946

founding of OKB

Aa1/AA+

credit rating

EUR 500 mn

volume of the first sustainability bond

OKB ESG Ratings and Certifications

ESG RATINGS



Prime C+
7 out of 28

16 April 2018

To control risks from lending, OKB applies the OECD Common Approaches for export credit agencies.

To mitigate risks in the area of resource efficiency and pollution prevention, OKB applies the World Bank's EHS Guidelines.



ESG Risk Rating Leader
1st out of 12,448

13 September 2019

The company is at negligible risk of experiencing material financial impacts from ESG factors, due to its low exposure and strong management of material ESG issues.

Notably, its overall risk is lower since it is materially exposed to less ESG issues than most companies in our universe.



CCC | B | BB | BBB | A | AA | AAA

MSCI¹
AAA

December 2019

CERTIFICATIONS



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OKB's Sustainable Financing Framework

1

Use of Proceeds

We ensure projects' eligibility against a set of criteria within the following defined green and social project categories:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Sustainable water management
- Clean transportation
- Climate change adaptation
- Promoting employment creation
- Access to essential services
- Basic infrastructure in developing countries
- Affordable housing

Read more:
OKB Sustainable Financing Framework



2

Project Evaluation and Selection

All projects funded by OKB via commercial banks are assessed by OKB while OeEB applies their own assessment procedure. Both OKB and OeEB have a standard sustainability assessment process which ensures that all eligible loans meet the corresponding environmental and social safeguards.

All applications for export guarantees issued by the Republic of Austria are screened by OKB in order to decide whether the environmental and social assessment follows the OECD Common Approaches or the "Watchful Eye" Principle.

OeEB's assessments adhere to the EDFI Principles for Responsible Financing and the Harmonized EDFI Exclusion List for all of its activities.

OKB's Sustainability Team reviews all proposed eligible projects to determine their compliance with the Sustainable Financing Framework in order to approve the allocation of proceeds.

3

Management of Proceeds

All proceeds are deposited in the general funding accounts and earmarked for allocation in the Sustainable Financing Register. Until allocated to eligible projects, proceeds will be invested in working capital financing for SMEs. The Sustainable Financing Register is reviewed regularly for any asset divestment or other material changes.

5

Second-Party Opinion and Annual Review

The second-party opinion conducted by Sustainalytics is publicly available on OKB's website.



Read more:
Sustainalytics Second-Party Opinion

4

Reporting

On an annual basis, OKB provides information on the allocation and impact of the net proceeds of all green, social or sustainability bond(s) issued, which is publicly available on OKB's website. Such information will be provided until all the net proceeds have been allocated.



Read more:
Sustainalytics Annual Review
dated May 15, 2020

Treasurer's Review

OKB Issues Its Inaugural Sustainability Bond

"

Our inaugural sustainability bond reflects OKB's long-standing commitment to sustainable development and has allowed us to expand our investor base, with 46 per cent of the bond being placed with SRI-focused investors. The deal was tightly priced versus our outstanding curve and underlined our commitment to the euro market. Given the successful launch of our sustainability footprint in the market, we will further explore possibilities in this rapidly evolving market.

On 4 September 2019, we unveiled OKB's Sustainable Financing Framework and the second-party opinion from Sustainalytics. **The Framework reflects OKB's long-standing commitment to sustainable development and puts OKB at the forefront of sustainable finance in Austria as its first-ever sustainability bond issuer.** With seven categories for environmental projects and four categories relating to social projects, the framework underscores OKB's broad mandate to support Austrian exporters.

On 2 October 2019, we successfully issued our inaugural sustainability bond with a volume of EUR 500 million. An extensive roadshow had been conducted prior to the issue covering Vienna, Paris, London, Amsterdam, Frankfurt, Copenhagen, Oslo and Helsinki. The seven-year bond was priced at a spread of around 10 bp over the Austrian government curve. The strong participation of institutional investors from over 20 different countries allowed the order book to quickly grow above EUR 1.6 billion. Forty-six per cent of the bond was placed with investors focusing on socially responsible investments.

The issue carries an explicit guarantee by the Republic of Austria and is rated Aa1/AA+ by Moody's and Standard Poor's, respectively. The lead managers are BNP Paribas, Danske Bank, HSBC Bank and UniCredit Bank.

Our inaugural sustainability bond was allocated to central banks and official institutions (34 per cent) as well as bank treasuries (34 per cent), fund managers (27 per cent) and pension and insurance companies (5 per cent).

The composition of our inaugural sustainable bond is weighted more towards social assets (70 per cent), with the remainder being green (30 per cent). In terms of categories, the debut transaction finances a range of assets, including access to essential services, renewable energy, basic infrastructure and the promotion of employment creation, with assets distributed around the world.



Anish Gupta,
Head of OKB's Treasury

OKB's Sustainability Bond 2019

MAIN IMPACTS

A substantial 38 per cent of the capital is earmarked for improvements in the health care and education systems in developing countries. For example, this will allow the creation of 622 new hospital beds for basic medical care and the modernisation of 5,110 hospital beds for 1.8 million people. Educational opportunities will also be improved for more than 16,000 students. Thirty per cent of the issue proceeds are earmarked for renewable energy in the form of the construction of climate-friendly electricity generation systems with a capacity of 142 MW. Twenty per cent of the proceeds, or EUR 100 million, will go to SME financing in Austria to create new jobs. The remaining 12 per cent will be used to modernise the drinking water supply and refurbish and expand 74 km of water pipes for around 54,000 people.

OKB is following the ongoing work of the EU Technical Expert Group. The relevant assets are aligned with the technical screening criteria.

KEY FACTS

Credit rating

Aa1/AA+

Volume

EUR 500 mn

Green/social

30% green
70% social

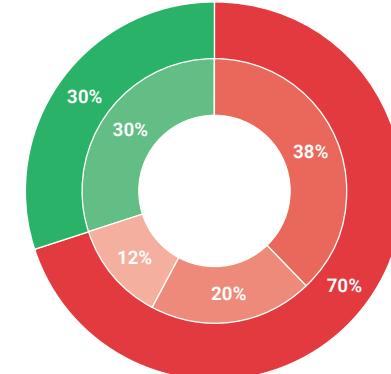
Pricing

1 October 2019

Maturity

10 October 2026

CATEGORIES (IN EUR MN)



Green

151

Social

355

Renewable energy

151

Promoting employment creation

100

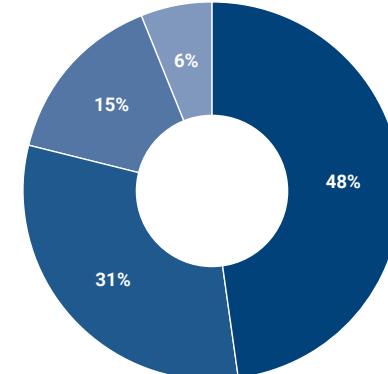
Access to essential services

193

Basic infrastructure in developing countries

62

REGIONS (IN EUR MN)



Europe

241

Asia

158

Africa

77

Americas

30

OKB's Sustainability Bond 2019

OKB'S ALLOCATION AND IMPACT REPORTING (FIGURES AS OF 30 JUNE 2020/MATURITY DATE 8 OCTOBER 2026)

	SDG ¹	Type of lending	Current allocation (in EUR mn)	Not yet allocated (in EUR mn)	Per cent allocated	Volume at maturity (in EUR mn)	Regional distribution			Key impact measures
							Current	At maturity		
Access to essential services		OKB loans via commercial banks	284	28	91%	193	Asia	36%	54%	1.8 mn beneficiaries (health care) 622 new hospital beds 5,110 hospital beds modernised 100 ambulances 1,565 beneficiaries (education) 14,500 indirect beneficiaries (education)
							Africa	34%	31%	
							America	29%	15%	
Basic infrastructure in developing countries		OKB loans via commercial banks	52	37	58%	62	Asia	93%	89%	54,000 beneficiaries (water system modernisation) 74 km pipes 1,200 photovoltaic street lamps
							Africa	7%	11%	
Renewable energy		OKB loans via commercial banks	235	0	100%	129	Europe	100%	100%	124 MW capacity installed
		OeEB corporate loans and project financing ²	36	2	96%	20	Africa	29%	30%	18 MW capacity installed
Promoting employment creation		OKB loans via commercial banks	100	0	100%	100	Europe	100%	100%	EUR 100 mn SME financing
Total			707	67		504				

¹ The alignment of the project categories and SDGs refers to the mapping in the Second-Party Opinion.

² As part of the Sustainability Bond Impact Reporting, we report the impact according to the relative share of our financing. All other OeEB impact reports are based on the overall impact of the project, as is customary within the framework of the European Development Financial Institutions (EDFIs)/as agreed upon in the European Development Financial Institutions (EDFIs).

Case Study

Water Supply System in Mongolia



The construction of a water supply system in the city of Altai in Mongolia is one of the projects that falls under the category "basic infrastructure in developing countries". The project is supporting the Millennium development programme in Mongolia and will contribute to improving the water supply in Altai. The drinking water was previously taken from the groundwater, which receded as a consequence of climate change and which was also contaminated with a range of chemicals. The Austrian cast pipe manufacturer Tiroler Rohre GmbH is completing this project as general contractor together with the Viennese planning specialist ÖSTAP Engineering. The project covers water extraction from Gegeen lake close to the city of Taishir, a water purification system, roughly 55 km of transport pipes including pump stations and a water reservoir with a capacity of 2,000 m³. In addition to the mechanical, electrical and control equipment and the construction and engineering services, the local technicians are being trained in the installation of the pipes and the proper operation of the system. The climatic conditions in Mongolia and very low

winter temperatures that can reach minus 40°C are a particular challenge in this project. The pipes had to be laid four metres below the surface to be beneath the frost line. Ductile iron pipes with the proven VRS-T connection system were used to cope with the high water pressures and the difficult installation conditions. Around 18,000 inhabitants in the city of Altai will have access to high-quality water. So far, 26,980 m of pipes have been laid. The water reservoir is almost completed. Only the inside decoration work and the equipment installation work have to be completed. The same applies for the booster pumping station and the water treatment plant building. The structural work for all buildings was finished by the end of the construction season in November. To collect the water from Gegeen lake, two DN300 pipelines, each with a length of 150 m, were laid on the lake floor.

CATEGORY



**Basic infrastructure
in developing countries**

SDG



KPI SUMMARY ¹

55 km
pipes

18,000
beneficiaries

¹ Impact according to the relative share of our financing.

Case Study

“Nubian Suns” Solar Power Plants in Egypt



In October and December 2017, OeEB contributed a total of USD 20 million to the Nubian Suns Egypt Solar Financing Programme, a debt package arranged by the IFC for the construction and operation of 13 solar power plants in Egypt, with a total capacity of up to 752 MW. They

can supply over 350,000 households with clean energy in order to sustainably improve Egypt's energy supply and to reduce the country's dependence on fossil fuels. Three of these 13 solar projects are co-financed by OeEB: The 50 MW solar power plants TAQA Arabia for Solar

Energy, Horus Solar Energy und Aten Solar Energy are part of the Benban Solar Park in southern Egypt, which is the largest solar installation in the world. All three projects in which OeEB acts as a parallel lender to the IFC are already in the operating phase. The first of three projects – Taqa – completed its construction in February 2019. Following a short delay in construction, the other two projects (Horus and Aten) went into operation in May and June 2019, respectively. All projects were in line with or exceeded the projected energy production (bank case) until the end of 2019. Luckily, the current situation related to COVID-19 did not affect the projects. Usually, projects of this kind require only a few workers on site. However, OeEB has been in touch with the borrowers to evaluate potential COVID-related impacts on the projects. We were informed that the sponsors have taken necessary measures to prevent their employees from any contagion and also requested the same measures from their business partners. Apart from a slight payment delay from the offtaker, the projects have not been affected and are still operating at full capacity.

CATEGORY



Renewable energy

SDG



KPI SUMMARY ¹

4.5 MW

capacity installed

¹ Impact according to the relative share of our financing.

Case Study

European Standard Ambulances for Sri Lanka

Whereas the emphasis on the construction and modernisation of hospitals over the last 15 years has successfully increased the quantity and quality of medical infrastructure across Sri Lanka, the country's Emergency Medical Service (EMS) is in urgent need of modernisation, as 600 defective ambulances need to be replaced within the next year. That is why the Ministry of Health of Sri Lanka has worked out a National Health Strategy Master Plan timed for 2016–2025, in which the creation of a national EMS modelled on European standards is being pursued. The project by Dlouhy GmbH makes a crucial contribution to its implementa-

tion by providing 100 ambulances. The scope of services includes the delivery of these 100 ambulances (Type: Mercedes Sprinter, compliant with EN 1789 Type B "Emergency Ambulance") and their medical technical inventory (defibrillators, monitoring, ventilation, suction, pulse oximetry 1, patient transport equipment), accompanied by supportive consulting on how to efficiently implement EMS, and training for users and maintenance. In addition, the ambulances are modified to meet the needs of Sri Lanka's traffic infrastructure. A total of 78 hospitals benefit from the provided vehicle fleet, which is distributed on a nationwide

basis, improving the accessibility and timely treatment of emergency patients and casualties for a total potential of 19,000 beds. A budget of 2.5 per cent of the project volume of EUR 9.9 million is designated inter alia for the training of emergency doctors and paramedics. The training courses are planned to be hosted in Austria and Singapore, due to the availability of training facilities for medical technology, and follow a train the trainer approach. Almost one year after the delivery of the complete fleet of 100 ambulances, the supply of high-standard ambulances has significantly improved the quality of patient care throughout the island. This has facilitated the transfer of patients, including accident patients admitted to peripheral hospitals. These peripheral hospitals are only equipped with basic facilities and equipment. Due to the lack of adequate facilities, patients requiring tertiary level treatment have to be transferred to the nearest referral hospital or to the National Hospital in Colombo to undergo special treatment procedures. The Benz ambulances supplied are the most suitable for this purpose throughout the country.



CATEGORY



Access
to essential services

SDG



KPI SUMMARY¹

100

ambulances

19,000

beneficiaries

¹ Impact according to the relative share of our financing.

External Annual Review

“

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria outlined in the OKB Sustainable Financing Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each use of proceeds criteria outlined in the OKB Sustainable Financing Framework.

”

Conclusion

Based on the limited assurance procedures conducted,¹ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of OKB's Sustainability Bond, are not in conformance with the use of proceeds and reporting criteria outlined in the OKB Sustainable Financing Framework.

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Detailed Findings

Eligibility criteria	Procedure performed	Factual findings	Error or exceptions identified
Use of proceeds criteria	Verification of 32 projects funded by the sustainability bond in 2019 to determine if projects aligned with the use of proceeds criteria outlined in the OKB Sustainable Financing Framework [...]	All 32 projects reviewed complied with the use of proceeds criteria	None
Reporting criteria	Verification of 32 projects funded by the sustainability bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the OKB Sustainable Financing Framework [...]	All 32 projects reviewed reported on at least one KPI per use of proceeds criteria	None



Read more:
Sustainalytics Annual Review
dated May 15, 2020

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

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