

# PRINCIPLES FOR RESPONSIBLE FINANCING Energy Sector

March 2014, Vienna

## Preamble

### A. Objectives

We are committed to providing financial services to the energy sector as we are convinced that energy supply is the key element to economic and social development.

We recognise the environmental challenge especially the problem of climate change as one of the main collective hazards ever experienced worldwide and acknowledge the strategic importance of renewable energy and energy efficiency projects.

Erste Group is committed to support the energy sector in its key role in developing the economies in CEE but sees on the other hand the necessity to manage sensibly the environmental and social impacts of energy sector projects.

Thus, Erste Group implements Energy Sector Principles in order to govern its business activities in this sector in a way that supports the development of the economies in Erste Group home markets leading to more prosperity and social independence, but also manages the environmental risks.

Erste Group does not exclude a priori to provide financing, advisory or any other financial services to any part of the energy sector insofar as the Energy Sector Principles may be met.

Erste Group Energy Sector Principles provide guidance to our business units in the fields of corporate and investment banking on the application of sustainability principles which will govern the Group's involvement in this sector. The Energy Sector Principles are based on those accepted by the industry and by various other stakeholders as representing best practice, and are consistent with our long-standing commitment to sustainable development.

Erste Group is aware of the challenges ahead in relation to limit the further impact of emissions of greenhouse gases (GHG) on the climate. That's why we provide financial services to support energy sector projects, such as fossil fuels, renewable energy sources and energy efficiency as well as the implementation of low-carbon technologies.

### B. Scope

The principles contained in these Energy Sector Principles are valid for all members of Erste Group including its subsidiaries and affiliates ("Erste Group") encompassing all transactions in the fields of corporate and investment banking including but not limited to commercial lending, acquisition and project finance, debt and equity capital markets, financial advisory, or any other form of financial or banking assistance.

The scope includes

- (i) the exploration, production, transportation, storage, distribution, waste management, trading and refining of oil & gas, or the processing of other hydrocarbons, and of solid fossil fuels
- (ii) production, transportation, storage, distribution of biofuels and other renewable sources
- (iii) the generation of power and/or heat (cold) by means of thermal (such as oil, gas and coal fired power plants), nuclear and renewable energies as well as the transmission and distribution of such power or heat or cold generated, and
- (iv) services related to the aforementioned activities under (i), (ii) and (iii).

Renewable energies include the generation of power or heat through hydro, wind, thermal solar and photovoltaic solar, geothermal, biogas and biomass energy.

For the avoidance of doubt general corporate purpose financings -i.e. transactions not linked to specific projects or services - for a client are not within the scope. But such transactions are subject to an overall risk assessment of a potential business relationship conducted by Group Compliance.

### **C. Guidelines**

Erste Group shall provide financing, advisory or other banking services to the energy sector only if such projects or transactions **in general**

- are in compliance with international i.a. European environmental laws or the International Union for conservation of Nature (IUCN) and human rights standards
- comply with a thorough environmental impact assessment
- are not located in or related to war zones,
- are in line with state of the art technology for emission and security performance
- are using equipment that complies with the Best Available Technology (BAT) standard.

and **in particular** concerning

#### **Oil & Gas**

- have no adverse effects on critical natural habitats, critical freshwater resources or marine reserves
- are not located in areas of high risk
- provide an environmental action plan addressing all the issues raised in the environmental impact assessment, and, in particular, including but not limited to, an oil spill response plan and the exclusion of continuous venting of associated gas to the atmosphere;

#### **Biofuels**

- have no adverse effects on the sustainable usage of soils, critical natural habitats such as rain forests or critical freshwater resources,
- do not substantially increase water usage compared to the previous usage of the area from which biomass originates,
- clearly identify the source of the biomass they use, and have in compliance with EU Directive 2009/28/EC Art 17 3ff no negative impact on food supply security and bio diversity

#### **Coal to liquids, coal gasification, gas to liquids**

- the carbon emission associated with the production of the resulting gas or liquids is less than that of any competing gas or liquid of similar characteristics;

#### **Thermal power**

- lead to a substantial improvement of its environmental standards (emission performance in particular) in case of upgrading of a thermal power plant;

#### **Nuclear power**

Erste Group has a very restrictive approach concerning projects in the nuclear energy industry. Accordingly any project or transaction in the scope of the herein mentioned principles, is in addition to its compliance with the above mentioned general conditions subject to the below mentioned stringent specific conditions:

- are aimed to increase the safety standards of existing nuclear power plants that are of indispensable importance to the electricity supply of our region,
- are supported by a master plan that outlines the project sponsor's vision for the future of electricity generation that includes an credible alternative energy sources strategy,
- are supported by a master plan that outlines the disposal of nuclear waste
- are supported by an overall cost-benefits analysis which includes a realistic estimate of the total investment costs
- in the case of the construction of a new nuclear power plant, lead to the closure/replacement of old outdated power plant(s) such as nuclear, thermal etc., and are necessary, as confirmed by independent specialist electricity industry consultants or NGOs, to meet the energy demand in our region,
- are located in an area with no significant risk of major hazards (for instance highly seismic area or flood area),
- are executed by one or more companies which have satisfactory experience in terms of building or upgrading nuclear power plants.

Furthermore, the principles mentioned above shall also apply to projects with **key technology and component suppliers needed for the operation of the power plant** (such as control systems, electrical systems, turbines, steam systems, auxiliary units, nuclear island, fuel cassettes etc.) to the nuclear industry. **And Erste Group shall not** provide financing, advisory or banking services for new projects concerning the surface extraction of uranium and plutonium, as well as the transformation, processing and storage of nuclear fuel and waste.

#### **Hydro Power and other Renewables**

- comply with the World Commission on Dams (WCD) Framework and international conventions such as the European Union Water Framework Directive,
- have no adverse effects on critical natural habitats or critical freshwater resources,