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## Second Party Opinion

# BKS Bank AG Sustainable Bond Framework

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### Primary contact

**Rafael Heim, CFA**  
Frankfurt  
+49 175 581 2558  
rafael.heim  
@spglobal.com

**Location:** Austria

**Sector:** Banks

## Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2025
- ✓ Green Bond Principles, ICMA, 2025

See [Alignment Assessment](#) for more detail.

## Strengths

**BKS Bank is one of the few Austrian banks with near-term climate targets validated by the Science-Based Targets initiative (SBTi).** It has committed to a 42% absolute reduction in greenhouse gas emissions by 2030 relative to a 2022 base year, in line with a 1.5 C pathway.

**The fossil fuel exclusion policy is concrete, time bound, and applies across the entire lending portfolio.** It covers activities linked to coal, petroleum, and natural gas, including power generation.

## Weaknesses

No weaknesses to report.

## Areas to watch

**The bank is refining its approach to reporting scope 3 financed emissions.** Its disclosures follows guidance from the Partnership for Carbon Accounting Financials (PCAF), but the reliability of these figures remains constrained by a reliance on industry-average approximations, with low data quality scores for certain asset classes. Until the bank transitions to borrower-level primary data, progress against portfolio targets will be difficult to independently verify.

**The broad scope and numerous project categories, which is typical for bank frameworks, create uncertainty over the specific projects that will be financed.** Categories such as infrastructure have more broadly defined criteria, and the framework does not always specify quantitative thresholds.

## Shades of Green Projects Assessment Summary

Based on the figures of the issuer's current sustainable loan pool, BKS Bank expects to allocate the majority of proceeds to green projects, with energy-efficient buildings representing the largest share at approximately 52%, followed by health care at 16%, and renewable energy at 10%. The remaining projects are distributed across the clean mobility, infrastructure, affordable housing, education, and climate adaptation categories.

The issuer expects the substantial majority of proceeds to be allocated to refinancing existing projects, with financing new projects representing a smaller share.

### Energy-efficient buildings

 Light green

Construction and acquisition of buildings

Renovation of buildings

### Renewable energy

 Dark green

Electricity generation from renewable energy

Infrastructure related to renewable energy

Heat/cold generation from bioenergy

Infrastructure related to the generation of heat/cold from bioenergy

Energy storage

### Clean mobility

 Dark green

Motor vehicles, rail vehicles, and charging infrastructure

### Infrastructure

 Light green


Infrastructure for public local transport

Communication networks

Energy-saving street lighting

Water management

### Circular economy

 Medium to Light green

Waste collection systems

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Systems for recovery and reuse

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Investments explicitly aimed at improving the recyclability or reusability of the product

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**Climate change adaptation**

  **Dark to Medium green**

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Construction of protective measures against flooding, heavy rainfall, mudflows, etc.

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Measures that contribute to heat reduction, such as greening

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**Biodiversity**

  **Medium to Light green**

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Ecological restoration

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Water conservation

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Creation and preservation of protected areas

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See [Analysis Of Eligible Projects](#) for more detail.

## Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Issuer Description

BKS Bank AG is a regional Austrian bank headquartered in Klagenfurt, Austria, with international operations across Central and Eastern Europe. Founded in 1922, the bank offers a broad range of financial products and services to corporate, business, retail, and institutional customers. For corporate and business clients, BKS Bank provides working capital loans, equipment and real estate financing, construction loans, and project finance, alongside deposit and liquidity management solutions. Retail customers can access savings, current, and fixed-term deposit accounts, mortgage and consumer loans, vehicle financing, and investment and insurance products spanning stocks, bonds, life, property, and liability coverage. The bank also serves non-profit housing associations, municipalities, public institutions, and liberal professions with tailored lending and deposit solutions.

## Material Sustainability Factors

### Climate transition risk

Banks are highly exposed to climate transition risks through their financing of economic activities that affect the environment. Their direct environmental impact is small compared with their financed emissions, which stem mainly from power consumption. Generally, policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks. However, financing the climate transition also offers a growth avenue for banks through lending and other capital market activities. In Europe, climate and environmental regulations are relatively ambitious, and there is a strong push to integrate sustainability considerations into the regulation of banks and financial markets.

### Physical climate risk

Banks finance a wide array of business sectors that are exposed to physical climate risks. Climate change is a global issue, but weather-related events are typically localized, so the magnitude of banks' exposure is linked to the geographic location of the activities and assets they finance. Similarly, banks' physical footprint--such as branches--may be exposed to physical risks that might disrupt their ability to service clients in the event of a natural catastrophe. Banks could help mitigate the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies. Key physical climate risks in Austria relate to an increase in heat waves, droughts, and more frequent extreme precipitation events leading to flooding and landslides.

### Biodiversity and resource use

Banks contribute to significant resource use and biodiversity impacts through the activities they fund or invest in. For example, the real estate sector--which is a major recipient of bank financing--is a large consumer of raw materials for new construction, such as steel and cement.

### Impact on communities

Banks can address community issues by providing economically vulnerable groups with access to financing, which can help alleviate income inequality and foster upward social mobility. Realizing these objectives hinges on banks' responsible lending practices, such as transparent contractual terms, financial education programs, and support for borrowers encountering

unexpected financial hardships. By contrast, obscure loan terms or predatory lending practices can exacerbate existing socioeconomic disadvantages in the customer base. By actively addressing these risks, banks can access new markets, achieve better financial performance, attract top talent, and mitigate reputational and regulatory risk.

## Issuer And Context Analysis

**BKS Bank's €7.59 billion lending portfolio is primarily concentrated in corporate and business banking, with key exposures in real estate, construction, manufacturing, and retail lending.**

These segments play an important role in BKS Bank's sustainability trajectory, and the sustainable bond framework covers a broad range of the bank's most material sustainability factors.

**The bank's carbon footprint is driven by financed emissions, which accounted for approximately 98% of total location-based emissions in 2024.** The group's total emissions (scopes 1, 2, and 3) rose by 257% in 2024 from 2023. Financed emissions alone reached about 6.37 million tons of carbon dioxide equivalent (t CO<sub>2</sub>e) out of a total carbon footprint of about 6.51 million t CO<sub>2</sub>e, primarily reflecting improved data coverage and the inclusion of additional financed emissions rather than a deterioration in underlying performance. The bank follows PCAF standards to calculate financed emissions and reports both location-based and market-based figures in accordance with the Greenhouse Gas Protocol, which we consider good practice. BKS Bank's portfolio is composed predominantly of small and midsize enterprises with limited CO<sub>2</sub> data availability, so it relies on third-party software to derive approximations based on industry averages and Eurostat data. Improving data quality and transitioning from approximations to primary data is one of its strategic priorities, which we view favorably.

**BKS Bank is one of three Austrian banks with near-term targets, including a 42% absolute emissions reduction by 2030 from 2022, that are validated by the SBTi.** The bank also aims to align the emissions intensity of its energy and real estate portfolios with the 1.5 C trajectory by 2040, with climate-neutral operations and products targeted by 2050. To reach its portfolio-level targets it aims to expand the sustainable finance pool by granting €200 million in new sustainable loans annually. The bank applies increasingly stringent lending criteria to greenhouse gas emissions-intensive sectors, with planned exits from financing companies that derive more than 5% of revenue from coal and oil activities by 2030 and from gas by 2035.

**The issuer integrates physical climate risk across its risk management, lending, and operational frameworks.** Risk identification is supported by third-party software, location-based analyses of the bank's own premises and Austrian real estate collateral, and climate scenario data from Climate Change Impact Maps for Austrian regions (Clima-Map), an Austrian Environment Agency project that provides location-specific projections of physical climate hazards across Austria to 2100--modelled under the RCP4.5 medium-emissions scenario.

**Biodiversity is identified as a material environmental topic for BKS Bank, primarily due to the potential impacts associated with real estate financing in its downstream value chain.** The bank acknowledges risks such as soil sealing and habitat fragmentation linked to financed construction activities. However, biodiversity considerations are not yet systematically integrated into its lending criteria, and no quantitative targets have been established.

**Social considerations are integrated into the bank's sustainability approach, with a focus on financial inclusion, accessibility, and community engagement.** BKS Bank promotes non-discriminatory access to financial services through products such as the basic account--available to all consumers including those without a permanent residence, and the Du & Wir account, which was introduced in 2024 and channels part of its management fees to social projects. Additional offerings such as the Bildungs- & Zukunft loan support education and professional development.

# Alignment Assessment

This section provides an analysis of the framework's alignment to the Social and Green Bond Principles.

## Alignment Summary

Aligned = ✓    Conceptually aligned = ○    Not aligned = ✗

✓ Social Bond Principles, ICMA, 2025

✓ Green Bond Principles, ICMA, 2025

### ✓ Use of proceeds

We assess all the framework's green project categories as having a green shade and consider all social project categories to be aligned with the principles. BKS Bank will allocate an amount equal to the net proceeds to finance or refinance a portfolio of loans that promote the transition towards a clean, energy-efficient economy or have a social impact. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the environmental and social benefits of the expected use of proceeds. The bank will disclose the proportion of financing versus refinancing in its allocation report and has a look-back period of 24 months for refinancing eligible loans, which we view as in line with market practice.

### ✓ Process for project evaluation and selection

The framework outlines a structured process for selecting and approving eligible projects and assets. BKS Bank uses a detailed credit process to identify and verify green and social loan applications, with eligible loans assessed for viability by teams including an environmental, social, and governance (ESG) function. Qualifying financing is labeled as green or social and added to the sustainable finance pool, with monthly monitoring of allocation to ensure accurate categorization against internal guidelines. Environmental and social risks are managed through an integrated framework combining environmental and social considerations across both the credit approval process and the bank-wide risk management system. ESG-related factors are embedded in the internal customer rating system, ensuring that sustainability risks are assessed at the individual borrower level and are monitored on an ongoing basis in line with internal guidelines. The framework also includes a clear exclusion list. Net proceeds will not be used to finance investments linked to the fossil fuel upstream value chain, nuclear energy, weapons and arms manufacturing, genetic engineering, tobacco, unsustainable logging, large dams, or companies that do not adhere to the 10 core principles of the U.N. Global Compact.

### ✓ Management of proceeds

BKS Bank tracks net proceeds through its core banking system, with each loan financing an eligible project tagged to a single use of proceeds and marked as part of the sustainable finance pool, ensuring no double allocation. The bank commits to maintaining the volume of the sustainable finance pool in excess of outstanding sustainable financing instruments at all times, providing an overcollateralization buffer. Unallocated amounts will be temporarily invested in cash and cash equivalents, including green, social, or sustainability bonds, in accordance with the bank's investment criteria. BKS Bank aims to achieve full allocation within 24 months of issuance.

### ✓ Reporting

The bank commits to annual reporting on allocation and impact until full allocation, with reports published on the bank's website. The allocation report will cover the amount of instruments outstanding, a brief description of the included projects, a breakdown of net proceeds by eligible category, the balance of unallocated proceeds, and the proportion used for financing versus refinancing. Impact reporting will detail the environmental and social benefits generated by the sustainable finance pool.

# Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)," as well as our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

## Green project categories

### Energy-efficient buildings

#### Assessment

 Light green

#### Description

New construction of residential and office buildings:

- Construction and acquisition of buildings with:
  - ÖGNI/DGNB certification to at least the Gold standard;
  - BREEAM certification to at least Excellent;
  - LEED certification to at least Gold; or
  - Primary energy demand 10% below the relevant national plan.

Renovations:

- The renovation leads to a reduction in primary energy demand of at least 30% or corresponds to the relevant national plan

#### Analytical considerations

- The International Energy Agency (IEA) emphasizes that reaching net-zero emissions in buildings requires major energy-efficiency efforts and fossil fuel abandonment. All properties must achieve high energy performance and new properties should reduce emissions from building materials and construction. Addressing physical climate risks is also central to strengthening climate resilience across all buildings.
- The issuer intends to allocate the majority of proceeds under this category to finance the acquisition or construction of new buildings, while only a small share of the proceeds will target renovation. Based on the expected allocation profile, we assigned a Light green shade to this category, given the significant climate impacts of new construction projects, particularly from embodied emissions. We understand that the issuer does not currently integrate these considerations into the lending process.
- BKS Bank will finance new residential and office buildings for which the primary energy demand needs to be at least 10% below the relevant national plan, in line with the EU Taxonomy threshold for new construction in each applicable market. The majority of planned activities are in Austria, but the framework also foresees the use of equivalent national benchmarks in other markets such as Slovenia, Slovakia, and Croatia, with a distinction made between residential and non-residential assets.
- The low-carbon transition involves renovating and improving existing properties. We view positively the framework's criteria for renovations and energy efficiency measures; although these activities represent only a small share of the allocation, they are important for the transition to a low-carbon society. Renovations for which the primary energy demand needs to be at least 30% below the relevant national plan demonstrate a solid level of ambition and, in our view, constitute a Medium green element within the category.
- Across the relevant jurisdictions, energy performance requirements for nearly zero-energy buildings are primarily defined through national transpositions of the EU Energy Performance of Buildings Directive, typically implemented via technical guidelines and incorporated into building codes or equivalent regulatory frameworks. The issuer confirms that, in principle, buildings equipped with fossil fuel-based heating systems could be financed under the framework. However, because

heating and cooling sources adversely affect the building’s energy performance metrics, such assets are, according to the issuer, unlikely to meet the defined eligibility thresholds and are therefore not expected to be financed in practice.

- The green building certifications included in the framework demonstrate a commitment to environmental responsibility and can be a key tool in decarbonization strategies, but they vary in scope and levels of ambition. The selected thresholds are broadly aligned with market practice but do not represent the most stringent levels available within each system, which typically indicate stronger alignment with low-carbon and lifecycle-based outcomes. As a result, there is a possibility that buildings financed under this framework may not fully address what we consider to be the key drivers of sustainability, such as embodied carbon performance. However, we understand from the issuer that it primarily intends to rely on energy performance certificate labels to define eligible assets, and that new construction projects would always be assessed against new construction-specific criteria, rather than in-use certifications.
- New construction projects may take place on greenfield and brownfield land, if the land is designated as building site. BKS Bank adheres to legal requirements for environmental impact assessments (EIA), and the regulatory context in Austria mitigates biodiversity risks to an extent.
- For both new and existing buildings, we consider exposure to physical climate risks to be relevant to their climate resilience. The issuer has informed us that it conducts assessments of both physical and transition climate risks as part of its lending process. We understand that the bank assesses the risks at the project level for each loan.

## Renewable energy

### Assessment

 Dark green

### Description

Electricity generation from renewable energy:

- Construction, acquisition, and modernization of power generation plants using:
  - Photovoltaic (PV) technology
  - Concentrated solar power (CSP)
  - Wind turbines
  - Hydropower plants
  - Biomass
  - Financing for renewable energy communities in accordance with the Renewable Expansion Act
  - Energy and future loan from BKS Bank

Infrastructure related to renewable energy:

- Expansion of electricity networks (including medium-voltage lines, substations, switchgear and transformers, low-voltage lines, capacity increase, and smart meters)

Heat/cold generation from bioenergy:

- Biomass, solar thermal energy, geothermal energy, renewable fuels, bioenergy, and waste heat

Infrastructure related to heat/cold generation from bioenergy:

- Construction, modernization, and operation of pipelines and associated infrastructure for heat and cold distribution

Electrical energy storage:

- Battery storage, thermal storage, and hydrogen storage

**Analytical considerations**

- Renewable energy projects such as electricity generation from solar PV technology, wind turbines, CSP, and hydropower plants are key to limiting global warming to well below 2 C, provided that their negative effects on local environments and physical risks are sufficiently mitigated. About 75% of Austria's electricity supply comes from renewables, according to the IEA, and it aims for a 100% renewable electricity supply by 2030.
- The project category supports what we assess to be Dark green renewable energy projects, including solar PV technology, wind turbines, CSP, small-scale hydropower plants, solar, geothermal, and energy storage. According to the issuer, most proceeds allocated under this category are expected to finance renewable energy projects and, in particular, solar PV. Based on the anticipated allocation profile, we have assigned a Dark green shade to this category.
- The transition to a low-carbon future depends heavily on whether renewable energy can be extensively integrated into the electricity system. Without adequate infrastructure, the large-scale deployment of clean energy would be technically and operationally challenging, especially considering that Austria's renewable build-out is expected to accelerate significantly to meet national 2030 climate and energy targets. However, the overall climate benefits of electrification ultimately depend on the emissions intensity of the electricity supply. Austria's domestic generation mix is already largely decarbonized, but its location-based grid emission factor continues to be influenced by electricity imports from neighboring countries, with the most recent harmonized emission factor standing at 209 grams of CO<sub>2</sub>e per kilowatt hour--introducing a Medium green element to this category.
- This project category also allows for some projects with comparatively higher climate risks, such as waste heat and potential biomass projects, which introduce a lighter shade to this category. For bioenergy, feedstocks are required to be waste or residue based and compliant with the sustainability criteria of the EU Renewable Energy Directive (RED III), with compliance verified under the Sustainable Resources Verification Scheme--a standardized, third-party verification pathway that offers a baseline level of assurance on feedstock origin, life cycle emissions, and land use criteria. While such verification is meaningful, the framework does not go beyond these minimum requirements. Eligible feedstocks may include wood residues, straw, pellets, sunflower-derived products, and gaseous inputs. We note that the framework also permits gaseous bioenergy derived from agricultural inputs such as corn, cereal crops, and grass silage. Such feedstocks may be RED III compliant, but crop-based inputs may entail higher life cycle emissions and land-use risks compared to true waste streams. We understand, however, that these feedstocks do not appear to be relevant based on the assets within the current loan portfolio.
- Electrical energy storage plays a key role in net-zero energy systems by providing flexibility and adaptability through balancing the intermittency of most renewable energy sources. That said, battery storage systems may be exposed to environmental risks in their supply chains, including disruptions to biodiversity, pollution, and high consumption of water and energy.
- In Austria, legal requirements under the Environmental Impact Assessment Act (UVP-G 2000) mandate that specific projects, including large-scale energy infrastructure developments, undergo an EIA. This process evaluates potential environmental impacts, such as biodiversity effects, and includes both preventive and corrective measures to be implemented during construction and operation. Across other relevant jurisdictions where BKS Bank operates, EIA requirements mandate that certain projects undergo environmental assessments. BKS Bank informed us that, in 2025, it conducted a dependency analysis as part of its risk assessment, which identified biodiversity and ecosystems (ERSR E4) as a material topic for the bank. The bank is in the early stages of developing its approach to biodiversity, however it has indicated plans to further strengthen its policies and processes in this area.

**Clean mobility**

**Assessment**

 **Dark green**

**Description**

Motor vehicles, rail vehicles, and charging infrastructure:

- Electric and hydrogen-powered cars, buses, and commercial vehicles
- Electricity-powered rail vehicles

- Development and expansion of electric and hydrogen charging infrastructure

**Analytical considerations**

- Mitigating greenhouse gas emissions from transportation is necessary to meet global decarbonization goals. Fossil fuel-powered vehicles and equipment also create air pollution, such as nitrogen oxides and sulfur oxides. Electrification is a key decarbonization lever where possible, but the environmental benefits of electric vehicles and charging infrastructure hinge on the energy mix of the grid supplying their power.
- We assign a Dark green shade to the financing of this category because it is aligned with a low-carbon, climate resilient future and supports the long-term objective of net-zero emissions in the transport sector. Electrified transport, especially when powered by renewable electricity, enables a structural shift away from fossil fuel-based mobility and contributes to reductions in greenhouse gas emissions.
- Battery packs in electric vehicles, along with charging stations and low-carbon technologies, face risks from the mining of essential minerals like nickel, iron, aluminum, lithium, and cobalt. The extraction processes for these materials can lead to environmental harm, water pollution, labor exploitation, and community conflicts, particularly in regions where environmental oversight and regulatory enforcement may be limited or uneven, and where labor protections are not consistently applied. Beyond legal requirements, the issuer does not expect to select vehicles for financing based on life cycle or upstream value chain considerations such as sustainable battery sourcing, which we view as good practice.
- Eligible infrastructure projects under this category, such as those relating to railway investments, must have an environmental impact assessment (Umweltverträglichkeitsprüfung - UVP), which is designed to ensure that major projects are evaluated before approval for their environmental consequences.

**Infrastructure**

**Assessment**

 Light green

**Description**

Infrastructure for public local transport:

- Construction and maintenance of infrastructure for public local transport (excluding road construction)
- Bicycle and pedestrian paths

Communication networks:

- Expansion of fiber-optic networks
- Modern communication networks within the framework of digitalization

Energy-saving street lighting:

- LED or PV-powered lighting systems

Water management:

- Construction and maintenance of sewer systems, wastewater and treatment plants, water treatment facilities, drinking water supply, and water recycling (e.g., sustainable rainwater management)

**Analytical considerations**

- Mitigating greenhouse gas emissions from infrastructure will be crucial to support the transition to a low-carbon, climate resilient urban environment. Investments in local transport will enable a shift away from more emissions-intensive private vehicle use, while the deployment of energy-saving street lighting can reduce electricity consumption relative to conventional

lighting systems. Investments in communication networks may further support system efficiency and digital optimization, while water management assets can contribute to lower environmental pressures through more efficient water distribution, reduced losses, and improved treatment and control systems. In our view, these categories have the potential to deliver positive environmental outcomes primarily through avoided emissions.

- Wastewater collection, treatment, and recycling help avoid untreated water being released into the environment. However, these systems are energy intensive and often rely on chemicals for treatment processes. This can generate waste and disrupt aquatic ecosystems. Enhancing water efficiency through drainage and pipeline management can reduce resource waste, result in more efficient treatment and conveyance, and strengthen resilience against climate risks such as flooding. We view the exclusion of plants powered by fossil fuels in this subcategory positively. The projects will comply with local environmental regulations but impacts may not be fully mitigated. Additionally, the absence of clearly defined performance thresholds limits our ability to assess the extent to which these investments will deliver substantial environmental benefits or fully mitigate associated risks. We therefore assess this project category Light green.
- Well-designed public transport infrastructure can deliver significant long-term emissions reductions and lower urban air pollution, particularly when it substitutes private car use and is integrated into compact urban mobility planning. However, for hydrogen-based systems, the associated climate benefits depend on the production pathway, with lower-carbon options supporting decarbonization objectives, while more emissions-intensive sources are generally not aligned with long-term net-zero trajectories. We view it as positive that projects involving the use of grey hydrogen will be excluded.
- Activities related to the expansion of fiber-optic networks and modern communication networks within the framework of digitalization can support the transition to a low-carbon economy by improving digital infrastructure and enabling efficiency gains across multiple sectors. In our view, fiber-optic technology is generally more energy efficient than legacy copper-based networks and can contribute to lower energy consumption. However, the positive environmental impact is partly dependent on the extent to which these investments replace less efficient legacy infrastructure. Moreover, in cases of increased traffic, the expansion could lead to increased emissions and energy use.
- BKS Bank integrates physical climate risk into its risk assessment process, where they are considered material, in line with the requirements applicable to all relevant assets under the framework.

## Circular economy

### Assessment

 **Medium to Light green**

### Description

Waste collection systems

Systems for recovery and reuse

Investments explicitly aimed at improving the recyclability or reusability of the product

### Analytical considerations

- Waste management is an important pollution prevention measure that can avoid harm to human health and local ecosystems. Recovery and reuse systems, along with investments that improve product recyclability and reusability, help to conserve natural resources. Such systems contribute to waste reduction, lower energy use and greenhouse-gas emissions, and keep materials in circulation, thereby reducing the need for virgin raw materials.
- We assign a Medium to Light green shade to the overall project category to reflect the different climate and environmental impacts of eligible projects. Waste collection, sorting, reuse, and recycling activities are assigned a Medium green shade, acknowledging their positive contribution to waste reduction and resource recovery. However, the framework's eligibility criteria are broad and lack quantitative thresholds and life cycle emissions considerations, which constrains our assessment to the Medium to Light green shade.
- Financing for waste collection systems is expected to cover municipal solid waste and electronic waste. We view favorably that the bank requires transparency over the final disposition of collected waste, with an emphasis on reuse and recycling, in order to qualify as a green project. The issuer informed us that fossil-fuel powered vehicles for waste collection are not eligible to receive financing. Nevertheless, the collected waste may still be transported using diesel-powered heavy-duty

vehicles, which is still the dominant vehicle used by municipalities and waste companies in Austria and other relevant jurisdictions.

- The extent to which investments explicitly targeting improvements in product recyclability or reusability generate measurable results remains unclear, although projects are assessed individually and may enhance recycling rates. Additionally, there are currently limited considerations of life cycle emissions associated with eligible circular economy activities.
- Eligible activities within this project category can be exposed to physical climate risks due to their fixed nature. We understand that the issuer’s overall strategy to mitigate physical climate risks at a portfolio level is also applicable to financed circular economy projects.
- The issuer confirmed that waste-to-energy projects are not in the scope of the financing.

### Climate change adaptation

#### Assessment

 **Dark to Medium green**

#### Description

Construction of protective measures against flooding, heavy rainfall, mudflows, etc.  
Measures that contribute to heat reduction, such as greening

### Analytical considerations

- The annual mean surface air temperature in Austria has increased by 3.1 C compared with pre-industrial levels, according to the Second Austrian Assessment Report on Climate Change. The growing frequency of extreme weather events, including heat waves, flooding, and mudslides, can have significant implications for public health, infrastructure, agriculture, and tourism. Meeting Austrian and European climate targets will require rapid implementation of additional measures that go beyond existing policies.
- Financed projects under this category encompass both nature-based and infrastructure-related solutions, with preference given to nature-based approaches. Measures that contribute to heat reduction, such as greening, can help lower heat stress and improve air quality, particularly in densely built-up areas, and we assess these as Dark green. Conversely, construction-based adaptation solutions without clear commitments to reduce embodied emissions can lead to carbon lock-in risks and increased life cycle emissions. We assess investments in these projects as Medium green.
- Financed adaptation measures are in line with the bank’s overall sustainability strategy and internal policies, which encourage climate considerations in lending activities, including consideration of the Intergovernmental Panel on Climate Change’s Representative Concentration Pathways to identify physical risks. We understand that national adaptation plans are not considered at this stage, nor is maladaptation.
- We understand that projects eligible in this category will not involve fossil-fuel value-chain activities, namely exploration, extraction, processing, and distribution of fossil fuels, in line with the framework’s exclusion criteria.

### Biodiversity

#### Assessment

 **Medium to Light green**







#### Description

Ecological restoration  
Water conservation  
Creation and preservation of protected areas

**Analytical considerations**

- Healthy ecosystems and biodiversity are an important part of a low-carbon, climate resilient future, by providing natural resources, supporting water and soil management, and maintaining essential ecosystem services. Well-designed projects can reduce threats such as unsustainable resource extraction, climate and land-use change risks, and pollution.
- We assign a Medium to Light green shade to the overall project category, reflecting the biodiversity benefits and risks associated with financed conservation and restoration projects, as well as their relevance in transitioning to a low-carbon future. The broad eligibility criteria reduce clarity regarding the extent to which such financing contributes to measurable biodiversity enhancements. Additionally, the bank assesses whether restoration projects deliver positive outcomes for nature preservation as part of its screening process, but there are no explicit restrictions preventing future economic use of restored areas following financing. This limitation is reflected in the Light green shade.
- Future investments in this category are expected primarily to support the implementation of regulatory requirements related to nature restoration. The EU Restoration Regulation (Regulation (EU) 2024/1991) requires member states to restore significant portions of degraded ecosystems by 2030 and 2050, and to adopt national restoration plans outlining how these targets will be achieved while ensuring that restored areas do not significantly deteriorate. We expect that potential investments will be in line with these objectives.
- The bank does not take climate co-benefits or carbon sequestration into account in its project selection process at this stage, and there are no additional climate adaptation and resilience considerations associated with this project beyond the bank's overall sustainability strategy and regulation.

S&P Global Ratings' Shades of Green

Assessments					
Dark green	Medium green	Light green	Yellow	Orange	Red
<b>Description</b>					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
<b>Example projects</b>					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

## Social project categories

### Affordable housing

Proceeds to be allocated towards subsidized rental housing and cooperative housing construction

Target population: People with low income

#### Analytical considerations

- Financing for this category will go for the construction of subsidized rental housing and cooperative housing primarily in Austria. BKS Bank lends to institutional borrowers like GBVs (Gemeinnützige Bauvereinigungen). According to the bank, approximately 30% of the real estate loan volume is allocated to social lending, mainly for new construction and acquisitions.
- Subsidized rental and cooperative (limited profit) housing are central to Austria's housing system, backed by strong public regulation and long-term financing. Data from Statistics Austria and European housing studies show that social housing made up about 21%–24% of total housing stock over 2021–2024, one of the highest rates in Europe. According to the Austrian Federation of Limited-Profit Housing Associations, limited-profit housing associations provide about 17% of the total housing stock and 40% of rental housing, operating under a cost-rent model with capped profits. The Organisation for Economic Co-operation and Development (OECD) estimates the average social housing rent is about €550 per month, roughly 32% cheaper than private market rents (€807).
- The primary beneficiaries of the proceeds are people with low income. The bank uses the federal definition of low income, based on net annual income limits (e.g., € 53,000 net annually for a single person household in Carinthia in 2026) used to determine eligibility for subsidized rental or cooperative housing. We recognize that these initiatives are beneficial for the target population and view the reference to a national metric to define target populations favorably. The social benefits associated with affordable housing are substantial because they strengthen housing security and alleviate cost-of-living pressures for such populations.
- Social affordability risks are managed through local regulations and program criteria, but projects may still generate environmental risks during construction, including those stemming from greenhouse gas emissions, air quality impacts, and adverse effects on ecosystems and biodiversity. Buildings may also be exposed to physical climate risks like floods and heat waves. BKS Bank manages these risks through its integrated ESG risk framework that combines designated software, Climate-Map-based scenario analysis, and overarching ESG factors embedded in the credit process. We understand that this approach is applicable to all relevant eligible social projects financed under the framework.

### Access to education

Proceeds to be allocated towards construction and/or renovation of:

- Early childhood education facilities
- Primary and secondary schools
- Technical schools
- Vocational training centers

Target population:

- Children and adolescents
- Students, especially those with low incomes
- Adults who benefit from vocational training

Universities and Universities of Applied Sciences – (education / continuing education)

Target population:

- Students, especially those with low incomes
- Adults pursuing further education or career changes

Education and future loan of BKS Bank

Target population

- Individuals who are completing an education or training program

### **Analytical considerations**

- Eligible projects support the construction and renovation of educational facilities. Based on discussions with the bank, financing is directed primarily toward the public sector, with no minimum accessibility requirement applied at the project level. BKS Bank also offers a dedicated education and future loan covering further education and training costs, accessible to all borrowers without restrictions.
- Austria operates a highly developed and publicly funded education system with broad participation across all levels. Early childhood enrollment was 91% for children aged three and above in 2023, while vocational education and training is a particular strength, with 69% of upper secondary students enrolled, well above the EU average of 49%. About 85% of vocational education and training students are engaged in work-based learning, translating into employment rates of about 85% for recent graduates. Public spending on education amounted to approximately 4.9% of GDP in 2023, slightly above the EU-27 average of 4.7%, supporting largely free and accessible provision across all levels. Tertiary attainment among young adults aged 25–34 years reached 44% in 2024, approaching the EU's 45% target for 2030, while adult participation in formal and non-formal learning was 52% in 2022, significantly above the EU average of 40%.
- The framework's target population encompasses children and adolescents, students including those from low-income backgrounds, and adults participating in vocational training. Given that access to public education in Austria is broadly available and not means-tested, investments in educational infrastructure benefit all learners regardless of socioeconomic background. Social benefits identified under the framework include improved access to higher education and vocational training, enhanced equal opportunities and social mobility, and support for lifelong learning initiatives.

### **Health care**

Proceeds to be allocated towards facilities such as:

- Care facilities for older people
- Hospitals
- Medical centers
- Facilities for people with disabilities
- Assisted and supported living

Target population

- Ensuring medical care availability
- People who require care and support

### **Analytical considerations**

- Eligible projects under this category support access to health care services in Austria through the financing of public and private facilities, primarily care home for older people, medical centers, hospitals, facilities for people with disabilities, and assisted and supported living. The framework's target population encompasses those requiring care, support, or access to health services.

## Second Party Opinion: BKS Bank AG Sustainable Bond Framework

- Austria provides universal, high-quality health care to over 99% of its population through a mandatory social health insurance system governed jointly by federal and regional authorities. Most services are affordable with minimal co-payments, but some costs apply for dental care, private specialists, and expedited access, though vulnerable groups benefit from co-payment caps and exemptions. Health care expenditure is 11.8% of GDP, well above the OECD average of 9.3%. Health care infrastructure investments improve patient access to essential medical care, enhance the efficacy of existing facilities, and play a meaningful role in mitigating health and social inequities across the population.

### Accessibility

Proceeds to be allocated towards facilities such as:

- Installation of elevators, stairlifts, and ramps
- Installation of visual and acoustic guidance systems
- Installation or acquisition of technical aids for blind and visually impaired people
- Building modifications to improve accessibility

Target population

- People with disabilities and care needs

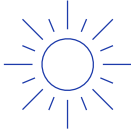
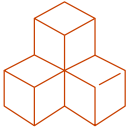

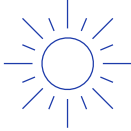


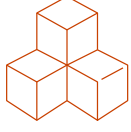

### Analytical considerations

- Eligible projects under the framework will include loans to finance projects related to installations of elevators, stairlifts, and ramps, acquisitions/installation of visual and acoustic guidance systems, and the provision of technical aids.
- Projects aim to contribute to the social objective of improving accessibility to people with disabilities who require care, which is also the target population according to the framework. According to Statistics Austria, 24.7% of Austria's population aged 15-89 years old experienced limitations in daily life due to health-related disabilities in 2024.

# Mapping To The U.N.'s Sustainable Development Goals

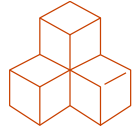
Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Energy-efficient buildings	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p><b>7. Affordable and clean energy</b></p> </div> <div style="text-align: center;">  <p><b>9. Industry, innovation and infrastructure</b></p> </div> <div style="text-align: center;">  <p><b>13. Climate action</b></p> </div> </div>
Renewable energy	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p><b>7. Affordable and clean energy*</b></p> </div> <div style="text-align: center;">  <p><b>13. Climate action*</b></p> </div> </div>
Clean mobility	<div style="text-align: center;">  <p><b>13. Climate action</b></p> </div>
Infrastructure	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p><b>9. Industry, innovation and infrastructure</b></p> </div> <div style="text-align: center;">  <p><b>13. Climate action</b></p> </div> </div>

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Circular economy



**9. Industry, innovation and infrastructure**



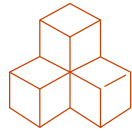
**12. Responsible consumption and production**



**13. Climate action**

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Climate change adaptation



**9. Industry, innovation and infrastructure**



**13. Climate action\***

---

Biodiversity



**13. Climate action**

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Affordable housing



**1. No poverty\***



**9. Industry, innovation and infrastructure**



**11. Sustainable cities and communities\***

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Access to education



**1. No poverty\***

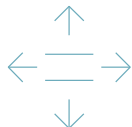


**4. Quality education\***

Health care



**3. Good health  
and well-being\***



**10. Reduced  
inequalities**

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Accessibility



**3. Good health  
and well-being**

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\*The eligible project categories link to these SDGs in the ICMA mapping.

## Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023

## Analytical Contacts

### Primary contact

**Rafael Heim, CFA**  
Frankfurt  
+49 175 581 2558  
rafael.heim  
@spglobal.com

### Secondary contacts

**Florence Devevey**  
Paris  
+33 1 40 75 25 01  
florence.devevey  
@spglobal.com

**Elene Parulava**  
Frankfurt  
elene.parulava  
@spglobal.com

**Didre Schneider**  
Frankfurt  
+49 69 33 999 244  
didre.schneider  
@spglobal.com

### Research contributor

**Elizabeth Chacko**  
Mumbai

## Second Party Opinion: BKS Bank AG Sustainable Bond Framework

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