

# National Bank of Greece Green Bond Framework



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## Table of Contents

1	Introduction .....	3
1.1	NBG at a Glance.....	3
1.2	NBG's Commitment to Sustainability.....	3
1.3	NBG's Corporate Social Responsibility .....	4
2	Green Bond Framework.....	6
2.1	Use of Proceeds .....	6
2.2	Process for Project Evaluation and Selection.....	7
2.3	Management of Proceeds.....	7
2.4	Reporting .....	7
2.5	External Verification .....	8
	Appendix – NBG's Sustainability Performance .....	9
	Disclaimer.....	11

## 1 Introduction

### 1.1 NBG at a Glance

National Bank of Greece (“**NBG**” or “the **Bank**”) is one of the four systemic banks in Greece and one of the largest financial institutions in Greece by market capitalisation, holding a significant position in Greece’s retail banking sector, with, as at 31 December 2019, more than 10 million deposit accounts, more than 2 million lending accounts, 390 branches, one private banking unit and 1,465 Automated Teller Machines (“**ATM**”). The Bank and its consolidated subsidiaries (the “**Group**”) provide a wide range of financial services, including retail (such as mortgage lending and consumer lending), commercial and investment banking services and asset management, through the Group’s network of branches and subsidiaries in Greece and abroad.

A universal bank with a strong focus on sustainable economic and social development, NBG operates across multiple business lines, including corporate business, SMEs and retail banking. The Hellenic Financial Stability Fund (HFSF) holds a 40.4% share in NBG, with the rest split between international institutional investors (45.7%) and domestic investors (13.9%).

### 1.2 NBG’s Commitment to Sustainability

The creation of value for shareholders, customers, employees and the community at large is a top priority for NBG, coupled with socially responsible practices and actions in its general operations. NBG’s strategic priorities include the growth and further development of its retail banking and SMEs business, meeting the needs of Greek households and increasing the volume of loans granted to attractive domestic business sectors.

NBG joined the United Nations Global Compact as a Participant member in June 2018, and integrates the 17 Sustainable Development Goals (“SDGs”) into its strategy and culture. In particular, NBG has identified **six priority SDGs** to which it intends to contribute through its products and services:



NBG believes that environmental responsibility forms an integral part of good corporate conduct and accordingly adopts and implements specific policies designed to protect the environment. NBG continuously incorporates relevant processes into its business activity and undertakes actions aiming at minimizing its environmental footprint. NBG’s Environmental Management System complies with best practices established by the European Bank for Reconstruction and Development (EBRD) and the International Financial Corporation (IFC), both of which participated in NBG’s capital increase that was completed in December 2015, as well as with the international standard 14001.

NBG has established an **Action Program for the Environment** to drive its operations, which is composed of five pillars:

1. Deployment of an environmental risk assessment policy in investment and credit processes
2. Rationalization of work-related travel and commuting
3. Effective management of paper and solid waste
4. Deployment of environmental standards in purchasing
5. Conservation of natural resources and energy

This has already contributed to reducing NBG’s total energy consumption by 13% in 2018 compared to 2017. NBG recognizes the importance of having a clear greenhouse gas (GHG) emissions reduction strategy in place, and, while continuing to invest in the energy efficiency of its premises and operations, NBG is also working towards setting Group-level targets to reduce its own carbon footprint, which it expects to publish during the course of 2020.

To complement these internal efforts, NBG also integrates environmental risk considerations to its corporate loans assessment, and places **special emphasis on approvals of loans that serve to support business activities that will enhance employment and protect the environment**, such as: clean technology and infrastructure, production of traditional and biological products, research and development (R&D) of environmentally friendly products, and joint funding programs for the enhancement of sustainable entrepreneurship.

NBG has historically been an important sponsor of **renewable energy sources (RES)**: in 2018 alone, NBG approved financing for over EUR 250 million in RES projects, while in 2019 the Bank contributed to the country's efforts to improve its environmental footprint by financing RES projects worth EUR 507 million. In addition, NBG promotes investments in energy production via solar photovoltaic (PV) systems by offering tailored financing solutions to individuals and businesses who wish to benefit from national incentives in this space.

NBG has also designed and launched, in 2018, a **series of Green Banking products**, which include:

- Green Loans to customers who wish to install energy-saving technologies and products with the aim of improving energy efficiency of homes;
- “ESTIA Green Home” mortgages for the purchase or construction of an energy efficient residence or the repair of a house to upgrade it in terms of energy consumption;
- “Energy Saving at Home II” Program, a loan for participation, co-funded by ETEAN S.A., to support energy efficiency improvement interventions, with a program portfolio of EUR 14.1 million as of end-2018.

In addition to its strong commitment to the environment, NBG is engaged in a wide range of initiatives and actions aiming at social welfare – including of its employees – economic development, and the safeguarding and promotion of Greek culture through NBG's “Responsibility” Corporate Social Action program. Among the multiple collaborations with other European and national institutions to support the societies where it operates, NBG is a key partner to the “**act4Greece**” Program,<sup>1</sup> and an ambassador of the “**Sustainable Greece 2020**” initiative, with the aim of raising awareness and mobilizing funds on issues relating to sustainable development, responsible entrepreneurship and social responsibility.

NBG has been a signatory to the UN Global Compact since June 18, 2018 with the status of “Participant” (Briefing on NBG's activities is available at: [www.unglobalcompact.org/participation/report/cop/create-and-submit/active/429877](http://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/429877)). The Bank is also a member of the Greek Network for Corporate Social Responsibility (the national representative association to the European CSR Corporate Social Responsibility Network) and of Hellenic Bank Association (EET)'s Sustainable Development Committee, responsible for the “Sustainable Greece 2020” initiative mentioned above.

### 1.3 NBG's Corporate Social Responsibility

NBG has strong Environmental, Social, and Governance (ESG) policies in place, including Anti-Bribery, Personal Data Policy, Corporate Social Responsibility (CSR), Human Resources for Development and Education, Travel, which fulfill the prerequisites for an effective ESG performance across the Group. Full details of NBG's ESG policies are available on the corporate website ([www.nbg.gr/en/the-group/corporate-social-responsibility](http://www.nbg.gr/en/the-group/corporate-social-responsibility)). NBG also has an Environmental Management System (EMS) Framework in place (available on the company's intranet to its personnel – and currently under revision), which sets out the principles that need to be followed, with the purpose of ensuring that the Bank's activities comply with the environmental and social standards to which it adheres. Furthermore, NBG's non-financial reporting is done in compliance with the Global Reporting Initiative (GRI) Standards and the Greek Code of Sustainability.

NBG is also the first and only bank in Greece, as of today, who received ISO Certification and

<sup>1</sup> The act4Greece program is a pioneering crowdfunding initiative, launched in 2016, for the promotion of social and developmental banking. The program covers projects falling within 7 action areas: 1) Welfare, Health and Solidarity, 2) Social Economy and Entrepreneurship, 3) Culture and Cultural Entrepreneurship, 4) Young and Innovative Entrepreneurship, 5) Environment and Sustainability, 6) Research, Education and Training, and 7) Sporting Activities.

Confirmations. Additional details on NBG's certifications and sustainability performance are included in the **Appendix**.

### NBG's Sustainability Awards and Distinctions



Capital Finance International

*'Best Corporate Governance Greece 2018'*

*'Best Corporate Governance Greece 2017'*

*'Best Corporate Governance Greece 2016'*

Following its nomination by third parties based on published and widely available data and information, NBG participated in the evaluation of its corporate governance arrangements, and received the above awards from the international organization Capital Finance International (CFI), while receiving excellent reviews from CFI, with particular reference made to the sound and effective compliance and corporate governance framework it has adopted



**NBG Corporate Governance Framework awarded Silver Award** among Private Enterprises Sector



**NBG has been awarded twice with the *Diamond Award***, the highest distinction by the Corporate Responsibility Institute regarding its outstanding performance for implementing CSR responsible practices, according to the National Index of Corporate Responsibility "CR Index" and "CRI Pass".



Global Banking and Finance Review

***"Best Corporate Governance Bank Greece 2016"***

Following an evaluation of NBG's corporate governance arrangements based on publicly available data, Global Banking and Finance Review awarded NBG as the Bank with the best Corporate Governance in Greece for year 2016.



Corporate Excellence Awards 2018"

The Bank received the title:

***"Best Corporate Governance Bank Greece 2018"***

## NBG's ESG Ratings and Inclusion in Sustainability Indices

	2017	2018	2019
<b>CDP (former Carbon Disclosure Project)</b>	D	D	C
<b>FTSE4Good Index Series (Environmental / Climate Change Pillar)</b>	✓	✓	✓ 4 out of 5
<b>Bloomberg's Gender-Equality Index</b>	✓	✓	✓
<b>ISS Corporate Solutions - Environmental &amp; Social Quality Score</b>		✓ Category 1 - «Highest Rating by Institutional Shareholder Services»	✓ Category 1: «Highest Rating by Institutional Shareholder Services»
<b>Oekom Research / ISS-Oekom</b>	✓ D+	✓ C-	✓ C-
<b>MSCI ESG Ratings (Financing Environmental Impact)</b>	✓ 4.7 out of 10	✓ 5.0 out of 10	✓ 5.3 out of 10
<b>Corporate Responsibility Index</b>	✓ Platinum	✓ Diamond, Environment	✓ Diamond, Environment
<b>Sustainalytics</b>	✓ Medium Risk	✓ Medium Risk	
<b>Ethibel EXCELLENCE Investment Registers</b>	✓		

## 2 Green Bond Framework

In alignment with the broader sustainability strategy, NBG has established this Green Bond Framework to be able to issue Green Bonds and attract dedicated funding for this strategic part of the business.

NBG Green Bond Framework is presented through the following core components, which are aligned with the Green Bond Principles by ICMA:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- External review

NBG intends to align its Green Bond Framework with emerging good practices or other forthcoming regulatory requirements and guidelines.

### 2.1 Use of Proceeds

An amount equivalent to the proceeds of Green Bond issuance(s) will be used to finance or refinance, in whole or in part, new or existing loans and/or investments to equipment, development, manufacturing, construction, operation, distribution and maintenance of Renewable Energy ("Eligible Assets") from the following generation sources:

- Onshore wind energy
- Solar thermal energy
- Small hydro projects (<20 MW)

Eligible Assets are expected to contribute towards the achievement of the following SDGs: SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), and SDG 13 (Climate Action).

For refinancing of existing projects or assets, only loans or investments that have been originated within the past three years will qualify as Eligible Assets.

## 2.2 Process for Project Evaluation and Selection

The Use of Proceeds categories of this Framework are aligned with NBG's strategy and corporate sustainability approach. The underlying Eligible Assets are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirements, and are evaluated against NBG's Environmental Policy and Environmental Management System.

NBG will utilize, after the adaptation of all necessary changes, an existing Committee, that will be composed of representatives from the following divisions: Treasury, Corporate Governance, Strategy, Finance, Risk, IT, Procurement, Marketing, Real Estate. In addition this Committee will have a direct reporting line to its Steering Committee.

In the context of this Framework, the Committee will be specifically responsible for:

- Reviewing and validating the selection of Eligible Assets based on the criteria defined in the Use of Proceeds section 2.1;
- Monitoring the Eligible Assets portfolio throughout the life of the Green Bond(s);
- Removing from the portfolio any Eligible Assets that no longer meet the eligibility criteria, and replacing them with new Eligible Assets as soon as feasible;
- Coordinating any future updates of this Framework.

## 2.3 Management of Proceeds

The net proceeds of the Green Bond(s) will be managed by NBG's Treasury on a portfolio basis. As long as the Green Bond(s) are outstanding, it is intended to exclusively allocate an amount equivalent to the net proceeds to Eligible Assets in line with the criteria and evaluation and section process described in sections 2.1 and 2.2, respectively. For tracking purposes, NBG will individually label all allocated Eligible Assets in its internal information systems and will monitor these allocations (at least on a quarterly basis).

Pending the full allocation of the proceeds to Eligible Assets, or in case insufficient Eligible Assets are available, NBG commits to hold the balance of net proceeds not allocated to Eligible Assets within the Treasury, invested in money market products, cash and/or cash equivalents.

Based on the internal monitoring of the portfolio of Eligible Assets, the Committee will review and approve allocations of bond proceeds to Eligible Assets on a quarterly basis.

## 2.4 Reporting

NBG will, on an annual basis, starting one year after issuance of the Green Bond(s) and until full allocation of the proceeds, provide investors information on both the allocation of proceeds and the non-financial impact of the Eligible Assets included in its Green Bond portfolio.

Both the allocation report and non-financial impact report will be made publicly available in the Investor Relations section of NBG's website – [www.nbg.gr/en/the-group/investor-relations](http://www.nbg.gr/en/the-group/investor-relations).

### **Allocation of proceeds reporting**

NBG will prepare a report to update investors on the allocation of the net proceeds of the Green Bond(s) to Eligible Assets. This report will include information about:

- The total amount of proceeds allocated to Eligible Assets;
- The amounts allocated to Eligible Assets by Use of Proceeds category;
- The amount and / or percentage of new and existing projects (share of financing and refinancing);
- Any balance of unallocated proceeds.

### **Impact reporting**

NBG also intends to report on the environmental impact of the Eligible Assets by category, based on the following indicative list of indicators:

- Installed renewable energy capacity (in GW or MW)
- Expected or actual annual renewable energy generation (in GW or MW)
- Annual GHG emissions reduced or avoided (in tCO<sub>2</sub>e)

Impact reporting will be subject to the availability of information and baseline data, and will be based on methodologies that NBG will make publicly available.

## **2.5 External Verification**

### **Second Party Opinion**

Prior to issuance, NBG has commissioned Sustainalytics to provide a second party opinion (SPO) report on its Green Bond Framework and confirm its alignment with the Green Bond Principles by ICMA.

The SPO is also available in the Investor Relations section of NBG's website – [www.nbg.gr/en/the-group/investor-relations](http://www.nbg.gr/en/the-group/investor-relations).

### **Annual Post-Issuance Review**

NBG will request on an annual basis, starting one year after issuance and until full allocation of the proceeds, a review of the projects for which the bond proceeds were allocated and their compliance with the eligibility criteria set in this framework, to be provided by Sustainalytics.

## Appendix – NBG’s Sustainability Performance

### NBG’s Key Sustainability Performance Indicators

	2017	2018	2019
<b>Total Energy Consumption in MWh</b>	<b>80,636</b>	<b>70,069</b>	<b>52,677</b>
Electricity power consumption in MWh (Branches, Administrations Buildings & Offsite ATMs)	71,974	55,906	46,731*
Natural gas consumption in MWh	2,965	13,068	4,003*
Oil consumption in MWh	5,697	1,095	1,943*
<b>Water Consumption (in m3)</b>	<b>59,257</b>	<b>55,642</b>	**
<b>Paper recycling (in tonnes)</b>	<b>341<sup>1</sup></b>	<b>307<sup>2</sup></b>	<b>816<sup>3</sup></b>
<b>Small and large batteries recycling (in kg)</b>	<b>3,939<sup>1</sup></b>	<b>4,150<sup>2</sup></b>	<b>4,823<sup>3</sup></b>
<b>Low voltage lamps and lighting equipment recycling (in kg)</b>	<b>1,795<sup>1</sup></b>	<b>3,306<sup>2</sup></b>	<b>1,531<sup>3</sup></b>
<b>Electrical and electronic equipment recycling (in tonnes)</b>	<b>524<sup>1</sup></b>	<b>170<sup>2</sup></b>	<b>108<sup>3</sup></b>
<b>Withdrawal of toners (in items)</b>	<b>9,371</b>	<b>8,609</b>	<b>4,583*</b>
<b>Approvals for participation in financing RES investments (€ millions)</b>			
<b>Total Projects</b>	<b>373<sup>1</sup></b>	<b>251<sup>2</sup></b>	<b>507<sup>3</sup></b>
Wind Farms	360.83	223.13	
Hydroelectric projects	8.79	0.21	
Photovoltaic projects	0.38	26.85	
Other	2.75	0.70	

\* Data for 2019 is not final and as displayed on SAP BI System on 5.3.2020 and does not include off-site ATM power consumption.

\*\* Data not available as per 5.3.2020

<sup>1</sup> NBG Group and Bank Annual Financial Report 31 December 2017 page 27

<https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/NBG%20FS%2031%2012%202017%20%CE%95%CE%9D.pdf>

<sup>2</sup> NBG Group and Bank Annual Financial Report 31 December 2018 page 36

[https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/Financial%20Report%2031-12-2018\\_EN.pdf](https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/Financial%20Report%2031-12-2018_EN.pdf)

<sup>3</sup> NBG Group and Bank Annual Financial Report 31 December 2019 page 76-77

<https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/Financial%20Report%2031%2012%202019%20EN.pdf>

### NBG’s ISO certifications

The General Division “Group Compliance and Corporate Governance” received the following Certifications and Confirmations:

#### I. Management System as per EN ISO 9001 : 2015

Applies a Quality Management System in line with the above Standard for the following scope services provided by the Divisions:

- GROUP COMPLIANCE AND REGULATORY AFFAIRS
- GROUP REGULATORY SUPERVISION OF BANKING ACTIVITIES
- GROUP CORPORATE GOVERNANCE & CORPORATE SOCIAL RESPONSIBILITY (CSR)

## **II. Management System as per ISO 37001 : 2016**

Applies an Anti-bribery management system in line with the above Standard for the following scope services provided by the Divisions:

- GROUP COMPLIANCE AND REGULATORY AFFAIRS
- GROUP REGULATORY SUPERVISION OF BANKING ACTIVITIES
- GROUP CORPORATE GOVERNANCE & CORPORATE SOCIAL RESPONSIBILITY (CSR)

## **III. Confirmation of effective application of the European Banking Authority's Guidelines on Internal Governance (EBA-GL- 2017-11)**

Applies effectively the European Banking Authority's Final Guidelines on Internal Governance (EBA-GL- 2017-11) and integrates them into its values and practices, for the following scope:

**IMPLEMENTATION, MONITORING AND COORDINATION OF THE INTERNAL GOVERNANCE REQUIREMENTS FOR THE BANK AND THE GROUP**

## **IV. Confirmation of effective application of the GUIDANCE ISO 26000:2010**

Applies the international guidance ISO 26000:2010 on social responsibility and integrates it into its values and practices, for the following scope:

**IMPLEMENTATION, MONITORING AND COORDINATION OF THE CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES FOR THE BANK AND THE GROUP**

## **V. Confirmation of effective application of the Compliance Management System**

Applies the international guidance ISO 19600:2014 on regulatory Compliance Management System and integrates it into its values and practices, for the following scope:

**IMPLEMENTATION, MONITORING AND COORDINATION OF THE COMPLIANCE AND AML/CFT MANAGEMENT SYSTEM FOR THE BANK AND THE GROUP**

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*Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses which are the subject of, or related to, any Eligible Green Assets will meet any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any eligible green asset.*