

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Hypo Vorarlberg Bank AG

31 January 2023

VERIFICATION PARAMETERS

Type(s) of instrument(s) contemplated	<ul style="list-style-type: none">Green Bonds
Relevant standard	<ul style="list-style-type: none">Green Bond Principles (GBP) as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)EU Taxonomy Delegated Act (June 2021)
Scope of verification	<ul style="list-style-type: none">Hypo Vorarlberg Green Bond Framework (as of January 30, 2023)Hypo Vorarlberg eligibility criteria (as of January 30, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">As long as there is no material change to the Framework

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SCOPE OF WORK

Hypo Vorarlberg Bank AG (hereafter ‘the Issuer’ or ‘Hypo Vorarlberg’ or ‘the Bank’) commissioned ISS Corporate Solutions (‘ICS’) to assist with its Green Bond Framework by assessing four core elements to determine the sustainability quality of the instruments:

1. Hypo Vorarlberg’s Green Bond Framework (January 30, 2023 version) – benchmarked against the International Capital Market Association (ICMA) Green Bond Principles (GBP).
2. The eligibility criteria – whether the use of proceeds categories contribute positively to the UN SDGs and how they perform against ISS ESG’s issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment with the EU Taxonomy Technical Screening Criteria (Technical Screening Criteria for Climate Change Mitigation) on a best-efforts basis¹ – whether specific Issuer’s eligibility criteria of green asset categories are eligible for alignment with the EU Taxonomy Technical Screening Criteria (Climate Change Mitigation Criteria only) of the Report on EU Taxonomy and associated Technical Annex as included in the EU Taxonomy Climate Delegated Act (June 2021).
4. Green Bond Framework’s link to Hypo Vorarlberg’s sustainability strategy – drawing on Hypo Vorarlberg’s overall sustainability profile and issuance-specific Use of Proceeds categories.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a “best efforts basis”.

HYPO VORARLBERG BANK AG

Hypo Vorarlberg Bank AG engages in the provision of financial services. It is classified in the Public and Regional Banks industry, as per ISS ESG's sector classification.

It operates through the following segments: Corporate Customers; Private Customers; Financial Markets, Private Banking and Wealth Management; Treasury / Financial Markets; and Corporate Center. The Corporate Customers segment provides services to clients in the commerce, manufacturing, and trading sectors. Its services include providing loans, cash advances, demand deposits, and term deposits. The Private Customers segment offers short-term investment, securities investment, asset management, and real estate financing services to private household members and self-employed individuals.

The Private Banking and Wealth Management segment involves contemporary solutions through use of flexible optimization concepts adapted to the market situation in asset management, use of viable alternatives to the money market in the investment business, online banking enhancements in payment transactions, and not least through tailored financing. The Treasury / Financial Markets segment is responsible for asset/liability management, refinancing of Hypo Vorarlberg, and various services for customers and other groups within the Bank. The Corporate Center segment includes the refinancing of holdings. The company was founded in February 1897 and is headquartered in Bregenz, Austria.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part 1:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green Bond Principles.</p>	Aligned
<p>Part 2:</p> <p>Sustainability quality of the eligibility criteria</p>	<p>The Green Bonds will (re-)finance eligible asset category which include Green Buildings including Private Mortgages for Energy Efficient Buildings.</p> <p>The use of proceeds categories have a significant contribution to SDG 13 'Climate action' and a limited contribution to SDG 7 'Affordable and clean energy'.</p> <p>For Energy Efficient Buildings in Austria (New buildings and Acquisition and ownership of buildings (built before December 31, 2020)) that do not lie in the top 15% of the national/regional building stock, there is a No Net Impact.</p> <p>The remaining use of proceed category improve the company's operational impacts and mitigate potential negative externalities of the Issuer's financed sector on SDGs 7 'Affordable and clean energy' and 13 'Climate action'.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	Positive
<p>Part 3:</p> <p>Assessment of Eligibility Criteria of eligible Green Asset categories with the EU Taxonomy Technical Screening Criteria</p>	<p>ISS ESG assessed the alignment of some specific Issuer's selection criteria for the eligible green asset categories against the Technical Screening Criteria (TSC) for Climate Change Mitigation requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis³. The categories that do not overlap or comply with the EU Taxonomy have not been assessed. Only EU Taxonomy activities (Green Buildings: New buildings built after December 31, 2020 and Acquisition and ownership of buildings built before December 31, 2020) that substantially contribute to Climate Change Mitigation are highlighted. While the Issuer takes into account the Do No Significant Harm criteria of the EU Taxonomy on a best-effort basis in the process for project evaluation and selection, an assessment on alignment is not in scope.</p> <p>The EU Taxonomy criteria apply to the Austrian Green Asset Pool.</p> <p>During the engagement, there is no portfolio or assets for allocation reviewed.</p>	

² ISS ESG's evaluation is based on the Hypo Vorarlberg's Green Bond Framework (January 30, 2023 version), on the analysed eligibility criteria as received on January 30, 2023, and on the ISS ESG Corporate Rating updated on the November 24, 2022 and applicable at the SPO delivery date.

³ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

	<p>Based on robust selection processes, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Technical Screening Criteria for Climate Change Mitigation for Green Building - New buildings built after December 31, 2020 ▪ Aligned with the Technical Screening Criteria for Climate Change Mitigation for Green Building - Acquisition and ownership of buildings built before December 31, 2020 	
<p>Part 4: Green Bonds' link to Issuer's Sustainability strategy</p>	<p>The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>	<p>Consistent with the Issuer's Sustainability strategy</p>

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES

This section describes ISS ESG's assessment of the alignment of Hypo Vorarlberg's Green Bond Framework (dated January 30, 2023) with the ICMA Green Bond Principles.

ICMA GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Hypo Vorarlberg's Green Bond Framework is aligned with the ICMA Green Bond Principles.</p> <p>The Green Bond proceeds will be used to finance and refinance eligible green assets of project categories which align with the project categories as proposed by the ICMA Green Bond Principles. The eligible criteria are defined in a clear and transparent manner. Environmental benefits are described and quantified.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Hypo Vorarlberg's Green Bond Framework is aligned with the ICMA Green Bond Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. The Issuer provides information, if relevant for the asset categories on the alignment with the EU Taxonomy. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer discloses responsibilities in the project evaluation and selection process. The Issuer involves various stakeholders in this process, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by Hypo Vorarlberg's Green Bond Framework is aligned with the ICMA Green Bond Principles.</p> <p>The proceeds collected will be at least equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the Issuer discloses the temporary investment instruments for</p>

		unallocated proceeds. The proceeds are managed per bond (bond-by-bond approach).
4. Reporting	✓	<p>The allocation and impact Reporting proposed by Hypo Vorarlberg’s Green Bond Framework is aligned with the ICMA Green Bond Principles.</p> <p>The Issuer commits to publicly disclose the allocation of proceeds and to report in an appropriate frequency⁴. Hypo Vorarlberg discloses the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the Green Bond matures.</p> <p>The Issuer is transparent on the level of impact reporting, the information reported, the reporting frequency, the scope, and the duration, in line with best market practice.</p>

⁴ Hypo Vorarlberg’s updated Framework is available at <https://www.hypovbg.at/investor-relations>

PART II: SUSTAINABILITY QUALITY OF THE USE OF PROCEEDS CATEGORIES

A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.





1. Products and services







The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bonds' use of proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Construction and Financing of Green Buildings (Residential) in Austria <i>New Buildings built after December 31, 2020</i> <i>Primary Energy Demand is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements</i>	Significant Contribution	
	Limited Contribution	
Construction and Financing of Green Buildings (Residential) in Austria <i>Acquisition and ownership of Buildings (built before December 31, 2020)</i> <i>EPC class A or Top 15% of the national/regional building stock and No fossil heating systems</i>	Significant Contribution	
	Limited Contribution	

<p>Eligible Energy Efficient Buildings in Austria (New buildings and Acquisition and ownership of buildings (built before December 31, 2020))</p> <p>Limits set of Residential Buildings:</p> <ul style="list-style-type: none"> - HED limit 2010- 2016: 50 kWh/m²a - HED limit 2017: 47.6 kWh/m²a - HED limit 2018-2019: 34 kWh/m²a - HED limit 2020-2022: 32 kWh/m²a - HED limit from 2023 on: 30.6 kWh/m²a <p>And Top 15% of the national/regional building stock⁵</p>	<p>Limited Contribution</p>	 
<p>Eligible Energy Efficient Buildings in Austria (New buildings and Acquisition and ownership of buildings (built before December 31, 2020))</p> <p>Limits set of Residential Buildings:</p> <ul style="list-style-type: none"> - HED limit 2010- 2016: 50 kWh/m²a - HED limit 2017: 47.6 kWh/m²a - HED limit 2018-2019: 34 kWh/m²a - HED limit 2020-2022: 32 kWh/m²a - HED limit from 2023 on: 30.6 kWh/m²a <p>And Does not lie in the Top 15% of the national/regional building stock</p>	<p>No Net Impact</p>	
<p>Construction and Financing of Green Buildings (Residential) in Switzerland</p> <ul style="list-style-type: none"> - GEAK A-C - Minergie 	<p>Limited Contribution</p>	 
<p>Construction and Financing of Green Buildings (Residential) in Switzerland</p> <p>New Buildings built from 2020 on⁶ Energy demand space heating and hot water limit 35 kWh/m²a</p> <p>And Top 15% of the national/regional building stock</p>	<p>Limited Contribution</p>	 

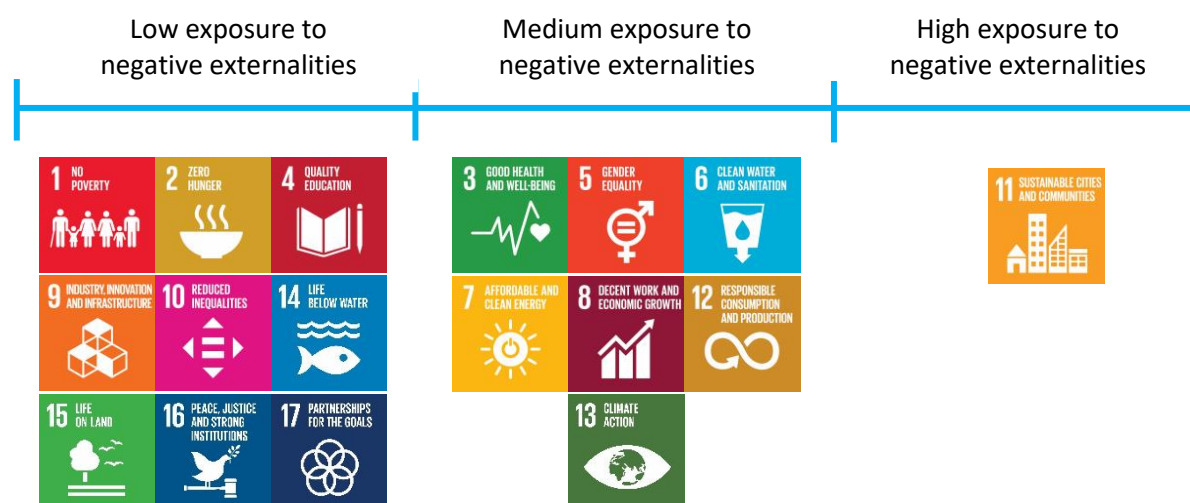
⁵ Building lying in the Top 15% include Single Family Houses in Austria from 2010 on and in Salzburg from 2012 on, and Multi Family Houses in Austria from 2010 on, in Salzburg from 2012 on, and Burgenland and Vorarlberg from 2013 on.

⁶ Based on the SIA Standards, the Model of energetic requirements for cantons (MoPEC), and using the equivalences of energy label property, construction of a building after 2016 in Switzerland guarantees that the building has at least a B energy label property. The Swiss Federal Office of Energy performed an analysis in 2019 (gapexplore) using proprietary data collected from CECB's database to show energy performance label distribution. As a result, label CECB A and B which account for 8% of the distribution. Then, any building with at least a B certificate is part of the top 15% of the Swiss stock's most energy-efficient buildings.



2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or ‘operational impact improvement’) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

Hypo Vorarlberg finances operations/processes in the Real Estate sector. According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities⁷ in the Real Estate industry are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁸	SUSTAINABLE DEVELOPMENT GOALS
<p>Construction and Financing of Green Buildings (Residential) in Austria</p> <p>Renovation of existing Buildings</p> <p><i>The building renovation must comply with the applicable requirements for major renovations, or the renovation will result in a Primary Energy Demand reduction of at least 30%.</i></p>	<p>✓</p>	 

⁷ Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.
⁸ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

Renovation and Financing of Green Buildings (Residential) in Switzerland

Renovation of Buildings built from 2020 on

- GEAK A-C
- Minergie



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

Green Buildings and Private Mortgages for Energy Efficient Buildings

The table below presents the findings of an ISS ESG assessment of the Green Bonds eligibility criteria against ISS ESG KPIs. All of the assets are/or will be located in Austria or Switzerland.

ASSESSMENT AGAINST ISS ESG KPI

Site selection



Hypo Vorarlberg confirms that the properties are or will be located within 1 km from one or more modalities of public transport. It is further noted that all (re)financed assets are located in Austria or Switzerland exclusively, with adequate local public transport modalities.

Environmental aspects of construction and operation



Hypo Vorarlberg does not have 'hard' systematic criteria in place that ensure that all assets financed or refinanced under this Framework provide for the sustainable procurement of construction materials. Nevertheless, it is noted that Austrian and Swiss sustainable building standards are in place. In Austria, the Recycling Building Materials Ordinance⁹ promotes the preparation for reuse of building components and the recycling of construction or demolition waste.

Water use minimisation in buildings



Water supply in Austria and Switzerland is regulated at national legislation level.¹⁰ However, no concrete policies or strategies for installations, such as water metering, leak control or repair, or rainwater or greywater harvesting, enabling the control and reduction of water consumption are in place.

Safety of building users



Buildings located in Austria must comply with high safety standards following national legislation. For example, the Vorarlberg Building Act¹¹ explains under § 15 Bautechnische Erfordernisse that structures must meet the requirements of mechanical strength and stability, fire protection, hygiene, health, environmental protection, safety of use, sound insulation, energy conservation and thermal insulation, taking into account the use of renewable energy, traffic and the protection of the local and landscape image.

⁹ More information on Austria's Recycling Building Material ordinance is available at <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20009212>

¹⁰ More information on Austria's and Swiss national law on water supply is available at <https://www.wko.at/service/umwelt-energie/Wasserversorgung.html> and [SR 817.022.11 - Verordnung des EDI vom 16. Dezember 2016 über Trinkwasser sowie Wasser in öffentlich zugänglichen Bädern und Duschanlagen \(TBDV\) \(admin.ch\)](https://www.admin.ch/gov/de/uer/sr/817/022/11)

¹¹ More information on Vorarlberg Building Act is available at <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=LrVbg&Gesetzesnummer=20000734>

In Switzerland, the Swiss VKF¹² fire protection regulations consist of standards and guidelines ensuring operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).

Labour, health and safety

All assets are or will be located in Austria and Switzerland policies and measures in place systematically ensuring that assets financed under this framework provide for high labour and health and safety standards for own employees and volunteers (e.g. ILO core conventions).

✓ In Austria, work, health and safety standards are set out in the Employee Protection Act¹³, the Work Rest Act¹⁴ and the Working Hours Act.¹⁵

In Switzerland, the Labour Act forms the basis of employee protection. In the Federal Act¹⁶ of March 13, 1964 the working hours and rest periods as well as health protection are regulated by law. Ordinance 3 to the Labour Act explains that the employer must issue all orders and take all measures necessary to maintain and improve the protection of physical and mental health.

Conservation and biodiversity management

✓ All financed and refinanced buildings are located in Switzerland and Austria, where national legislation requires an environmental impact assessment (Federal Environmental Impact Assessment Ordinance).

Data protection and information security

✓ The Bank has policies and measures in place systematically ensuring that data collection processes on borrowers meet minimum requirements for data and information security, and data security in outsourced data processing.¹⁷

Responsible treatment of customers with debt repayment problems

✓ The Issuer ensures pre-emptive actions to prevent client debt repayment problems are in place (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates). Sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort). The issuer also excludes the selling of contractually serviced loans.

¹² Fire regulations 2015 | Association of Cantonal Fire Insurance Companies VKF [bsvonline.ch](https://www.bsvonline.ch)

¹³ More information on Austria's Employee Protection Act is available at

<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10008910>

¹⁴ More information on Austria's Work Rest Act is available at

<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10008541>

¹⁵ More information on Austria's Working Hours Act is available at

<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10008238>

¹⁶ More information on Switzerland's Federal Act is available at https://www.fedlex.admin.ch/eli/cc/1966/57_57_57/de

¹⁷ Information on data protection in accordance with Art. 13 and 14 of the General Data Protection Regulation (DSGVO) - <https://www.hypovbg.at/datenschutz>

Sales Practices

- ✓ The Bank has policies and measures in place systematically ensuring that assets financed under this Framework provide for: responsible sales practices (e.g. adequate reward system in place, setting of responsible sales targets and commissions, clear responsibilities, evaluation of agents' competences and sales practices, monitoring and assessment of complaints received, training on responsible sales practices, etc.).¹⁸

Marketing

- ✓ The Bank has policies and measures in place systematically ensuring that assets financed under this framework provide for responsible marketing (e.g. commitment to clear and correct pricing as well as to no hidden costs, commitment to transparency regarding product risks, non-use of small print, commitment to inform customers about the reasons leading to rejection, etc.). Numerous legal provisions that prescribe how advertising or marketing communications must be designed. In summary, it can be said that Hypo Vorarlberg must design its advertising and marketing communications honestly, fairly, professionally, unambiguously and not misleadingly and in a form that is understandable (for the addressee). The advertising messages are checked by the compliance and legal departments for compliance with the law prior to publication.

Inclusion

- ✓ The Bank has policies in place ensuring that borrowers are not discriminated on the basis of race, sexual orientation, gender, and other relevant categories in the access to credit.

¹⁸ Hypo Vorarlberg's Code of Conduct December 2020, https://www.hypovbg.at/fileadmin/Hypovbg/Hypo-Vorarlberg/Verhaltenskodex_Hypo-Vorarlberg.pdf

PART III: ASSESSMENT OF ELIGIBILITY CRITERIA¹⁹ OF ELIGIBLE GREEN ASSET CATEGORIES WITH THE EU TAXONOMY TECHNICAL SCREENING CRITERIA

ISS ESG assessed the alignment of Hypo Vorarlberg’s project selection criteria and processes as well as company policies for the nominated Use of Proceeds, project categories, with the relevant Climate Change Mitigation requirements of the EU Taxonomy Climate Delegated Act²⁰ (June 2021), on a best-efforts basis, based on information provided by Hypo Vorarlberg.

ISS ESG performed an alignment assessment against the selection criteria and Hypo Vorarlberg’s processes and policies for project selection.

The table below shows the alignment of the selection criteria with the relevant EU Taxonomy activity, based on the Technical Screening Criteria of the EU Taxonomy Substantial Contribution to Climate Change Mitigation.

- Where the project selection criteria fully meet the EU Taxonomy Technical Screening Criteria requirements, a tick is shown in the table below.
- Where the project selection criteria have no overlap with the relevant Technical Screening Criteria, or there is no relevant EU Taxonomy activity, a “circle” is shown in the table below.

The results for the activities with Substantial Contribution to Climate Change Mitigation is as follows:

Framework project category	Framework selection and eligibility criteria	EU Taxonomy Activity, based on substantial contribution to Mitigation	Eligible for Technical Screening Criteria (Mitigation)
Green Buildings			
New Buildings	1. The Primary Energy Demand (PED) (281), defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council (282). On the basis of the energy certificate data, which is stored in the core Banking system of Hypo Vorarlberg, it is checked whether the primary energy demand limit is complied with. The energy performance is certified using an	7.1. Construction of new buildings	✓ ²¹

¹⁹ The criteria of the EU Taxonomy only apply to the Austrian Green Asset Pool.

²⁰ [EU Taxonomy Climate Delegated Act](#)

²¹ The Issuer’s current asset pool only includes residential building no more than 5000 m²

	<p>built Energy Performance Certificate (EPC).</p> <p>2. Buildings larger than 5000m², upon completion, will be tested for air-tightness and thermal integrity or quality control processes will be in place during the construction process.</p> <p>3. For buildings larger than 5000 m², the life-cycle Global Warming Potential (GWP) of the building resulting from the construction will be calculated for each stage in the life cycle and be disclosed to investors and clients on demand.</p>		
<p>Acquisition and ownership of buildings</p>	<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A.</p> <p>As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. The Issuer's Asset Pool currently only contains buildings with a building permit year before 2021 and therefore the criterion for new construction does not yet apply to the current Green Asset Pool.</p> <p>3. The Issuer's current asset pool does not include non-residential and only consists of residential buildings no more than 5000 m².</p>	<p>7.7. Acquisition and ownership of buildings</p>	<p>✓</p>

PART IV: LINK BETWEEN THE TRANSACTION(S) AND HYPO VORARLBERG'S ESG PROFILE

A. HYPO VORARLBERG'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Public and Regional Banks industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labour standards and working conditions
Customer and product responsibility
Sustainability impacts of lending and other financial services/products
Sustainable investment criteria



ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part VI.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ²²	DIRECTION OF IMPACT	UN SDGS
Renewable energy sector financing	2.0%	CONTRIBUTION	 

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public and Regional Banks industry are as follows: Sustainability impacts of lending and other financial services/products, Customer and product responsibility, and Labour standards and working conditions.

Please note, that this is not a company-specific assessment but areas that can be of particular relevance for companies within that industry.

²² Percentages presented in this table are not cumulative. Reference year FY 2019.

B. CONSISTENCY OF GREEN BONDS WITH HYPO VORARLBERG'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

In order to take steps towards a low-carbon economy, ten companies located in the Vorarlberg region have created the **Climate Neutrality Alliance 2025** initiative of which Hypo Vorarlberg is the founding member. The initiative defined the objective to achieve climate neutrality (net zero) by 2025. In 2021, the initiative was renamed "turn to zero"²³ and has extended its range of services. In this context, Hypo Vorarlberg intends to achieve an annual reduction of corporate CO₂ emissions of at least 1% year-on-year. The main measure to reach climate neutrality is through offsetting and limited information is available on the plan to reach net zero.

While selecting stocks and bonds for asset management as well as for the Hypo Vorarlberg Bonds at the individual stock level, the Issuer ensures among other things compliance with the ten principles of the UN Global Compact²⁴. Furthermore, the Bank adheres to the Sustainable Development Goals (SDGs) of the United Nations and the Paris Climate Agreement.

In the year 2021, Hypo Vorarlberg published its Code of Conduct, which contains the Bank's fundamental principles of action. The Issuer promotes the state of Vorarlberg's "Energy Autonomy 2050" project by financing energy-efficient projects. The objective of this initiative is to fully meet the regional energy demand with renewable energy by 2050. "Energy Autonomy 2050" was complemented by the strategy "Energy Autonomy+" and now also takes energy-independent emissions into account.

Rationale for issuance

To ensure that the financial services it offers do not have any unintended impact on society or the environment, the Bank's sustainability team has developed ethical guidelines and positive and exclusion criteria. Hypo Vorarlberg also promotes and viably preserves the regional economy in its key markets. While environmental protection and ecological sustainability are playing an increasingly important role for customers and employees, Hypo Vorarlberg is financing green and sustainable projects.

Hypo Vorarlberg's first Euro-denominated Green Bond was issued in fall 2017 and is comprising a volume of EUR 300mn. Hypo Vorarlberg was the first Austrian Bank to issue a green bond. In spring 2020, the Bank has successfully issued its first green bond in Swiss Franc. Moreover, Hypo Vorarlberg issued a green private placement in Czech Koruna in 2020.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

²³ More information on Turn to net zero is available at <https://www.turntozero.com/>

²⁴ The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. More information is available at <https://www.unglobalcompact.org/what-is-gc/mission/principles>

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ANNEX 1: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Hypo Vorarlberg's Green Bonds. It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs. All percentages refer to the number of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs. The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Hypo Vorarlberg (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Hypo Vorarlberg's Green Bond contributes to related SDGs.

EU Taxonomy

Whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Funding Framework meet the criteria listed in relevant activities in the EU Taxonomy Climate Delegated Act (June 2021) has been evaluated. The evaluation shows if Hypo Vorarlberg's eligible categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex. The evaluation was carried out using information and documents provided to ICS on a confidential basis by Hypo Vorarlberg. Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

Hypo Vorarlberg commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA Green Bond Principles and assessing the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- EU Taxonomy Delegated Act (June 2021)
- ISS ESG Key Performance Indicators relevant for use of proceeds categories selected by the Issuer

ISSUER'S RESPONSIBILITY

Hypo Vorarlberg's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by Hypo Vorarlberg based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with Hypo Vorarlberg took place from September 2022 to January 2023.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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