



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Bank für Tirol und Vorarlberg Aktiengesellschaft

15 September 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainable refinancing instruments▪ Green Bond Principles, as administered by the International Capital Market Association (as of June 2021 with June 2022 Appendix 1)
Relevant standards	<ul style="list-style-type: none">▪ Social Bond Principles, as administered by the International Capital Market Association (as of June 2023)▪ Sustainability Bond Guidelines, as administered by the International Capital Market Association (as of June 2021)
Scope of verification	<ul style="list-style-type: none">▪ BTV Sustainable Finance Framework (as of September 15, 2023)▪ BTV Eligibility Criteria (as of September 15, 2023)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

The Bank für Tirol und Vorarlberg Aktiengesellschaft (“the Issuer” or “BTV” or “the Bank”) commissioned ISS Corporate Solutions (ICS) to assist with its Bonds and similar instruments as well as sustainable savings and investment products (hereafter ‘Sustainable refinancing instruments’) by assessing three core elements to determine the sustainability quality of the instruments:



1. BTV’s Sustainable Finance Framework (as of September 15, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction to BTV’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

BTV BUSINESS OVERVIEW

BTV is classified in the Public & Regional Banks industry, as per ISS ESG’s sector classification.

BTV engages in the provision of banking and financial services. It operates through the following segments: Corporate Banking, Private Customers, and Financial Markets. The company was founded by Hans Sonvico and Ferdinand Brettauer on April 8, 1904 and is headquartered in Innsbruck, Austria.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP/SBP/SBG</p>	<p>The Issuer has defined a formal concept for its Sustainable refinancing instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The Sustainable refinancing instruments will (re)finance eligible asset categories which include: Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water Management, Sustainable Transport, Ecologically Sustainable Management of Living Natural Resources and Land Use, Conservation of Terrestrial and Marine Biodiversity, Environmentally Friendly and Recyclable Products and Production Methods, Environmentally Friendly Buildings, Affordable Housing, Access to Basic Social Services, and Socio-economic Advancement and Empowerment.</p> <p>Product and/or service-related use of proceeds categories² individually contributes to one or more of the following SDGs:</p>  <p>Process-related use of proceeds categories³ individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's sector on one or more of the following SDGs:</p> 	<p>Positive</p>

¹ The evaluation is based on the BTV's Sustainable Finance Framework (September 2023 version), on the analysed Eligibility Criteria as received on September 15, 2023 and on the ISS ESG Corporate Rating updated on May 16, 2023, and applicable at the SPO delivery date.

² Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water Management, Sustainable Transport, Ecologically Sustainable Management of Living Natural Resources and Land Use, Conservation of Terrestrial and Marine Biodiversity, Environmentally Friendly and Recyclable Products and Production Methods, Environmentally Friendly Buildings, Affordable Housing, Access to Basic Social Services, and Socio-economic Advancement and Empowerment.

³ Energy Efficiency, Pollution Prevention and Control, Sustainable Water Management and Ecologically Sustainable Management of Living Natural Resources and Land Use.

	The environmental and social risks associated with those use of proceeds categories are managed.	
Part 3: Linking the transaction to BTV's ESG profile	The key sustainability objectives and the rationale for issuing Sustainable refinancing instruments are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.	Consistent with Issuer's sustainability strategy

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

This section evaluates the alignment of the BTV's Sustainable Finance Framework (as of September 15, 2023) with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).

GBP, SBP AND SBG	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by BTV's Sustainable Finance Framework is aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines⁴.</p> <p>The Issuer's green and social categories align with the project categories as proposed by the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Criteria are defined in a clear and transparent manner. Environmental and social benefits are described.</p> <p>The Issuer defines a look-back period of 1.5 years for specific financing pools and exclusion criteria for harmful project categories, in line with best market practice. The Issuer commits to disclose proceeds' allocation in its annual reporting.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by BTV's Sustainable Finance Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer defines responsibilities in the selection and evaluation process, which is in line with best market practice. The Issuer involves various stakeholders in this process, in line with best market practice. The Issuer identifies alignment of the Sustainable Finance</p>

⁴ If some of the financings also serves projects outside of the sustainable financing fields and also without any factual connection with them, these components are to be deducted according to the financing shares and are not financed using a sustainable refinancing instrument. Provided that the proportion of financing outside of the sustainable financing fields does not exceed 10% of the total financing and does not contradict the principles of sustainability as defined by the BTV exclusion list, this proportion can also be financed through a sustainable refinancing instrument.

		Framework and eligible green project categories with the EU Taxonomy Climate Delegated Act, in line with best market practice.
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by BTV's Sustainable Finance Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions⁵. The net proceeds are credited to a sub-account and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach) and on an aggregated basis for multiple Sustainable refinancing instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
4. Reporting	✓	<p>The allocation and impact reporting proposed under BTV's Sustainable Finance Framework is aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. BTV explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer structures and defines the reporting process and is transparent on the level of impact reporting and the information reported and further defines the scope, and frequency of the impact reporting, in line with best market practice.</p>

⁵ Coverage is checked on a monthly basis for all refinancing instruments issued as part of the Sustainable Finance Framework. It is checked whether the respective specific sustainable financing pools or the general sustainable financing pool at least reach the amounts still outstanding from the associated sustainable bonds and similar instruments or the deposits in the sustainable savings products. Simple coverage (100%) is sufficient for the specific sustainable financing pools related to specific bonds or similar instruments. For the refinancing instruments related to the general sustainable financing pool, A sufficient safety buffer must be provided to ensure compliance even in the event of unplanned short-term inflows or outflows from the pool. A coverage ratio of 125% is, therefore, the target.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SUSTAINABLE REFINANCING INSTRUMENTS TO THE UN SDGs⁶

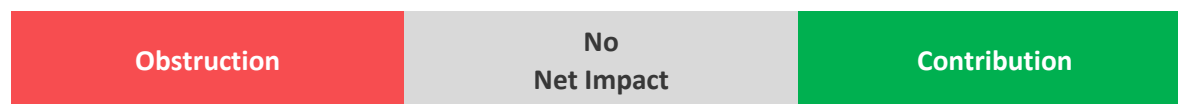
Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.



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 3-point scale (see Annex 1 for methodology):




Each of the Sustainable refinancing instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁷	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>For hydropower: run-of-river power plant without artificial reservoir; power density more than 5 W/m²; Life cycle greenhouse gas emissions below 100 gCO₂ e/kWh.</i></p> <p><i>For geothermal energy: life-cycle greenhouse gas emissions below 100 gCO₂ e/kWh.⁸</i></p>	Contribution	
<p>Renewable Energy</p> <p><i>Manufacture of and equipment with solar panels</i></p>	Contribution	

⁶ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁷ The review is limited to the examples of projects spelled out in the framework.

⁸ The financing and re-financing of hydropower projects > 1000MW is excluded.

<p>Renewable Energy</p> <p><i>Biomass power plant with certified organic energy sources (e.g., FSC, PEFC, SBP), energy sources from sustainable forestry or biomass not used for food production</i></p>	<p>Contribution</p>	
<p>Energy Efficiency</p> <p><i>Energy storage from renewable energy sources only</i></p>		
<p>Energy Efficiency</p> <p><i>Construction of district heating networks with exclusively renewable energy sources</i></p>		
<p>Pollution Prevention and Control</p> <p><i>Soil treatment: Measures to improve the biotope in the soil, measures in the course of conversion from conventional agriculture to organic or regional agriculture (groundwater pollution by nitrates), measures to increase biodiversity on ski slopes (dust drift)</i></p>		
<p>Pollution Prevention and Control</p> <p><i>Waste management: Measures to purify wastewater and filter out pollutants, including nitrates, antibiotics and phosphorus in communities, companies, or buildings.</i></p>		
<p>Pollution Prevention and Control</p> <p><i>Air pollution reduction projects, for example, the installation of wood gasifiers in pellet heating systems for the use of certified organic fuels (e.g. FSC, PEFC, SBP)</i></p>		
<p>Sustainable Water Management</p> <p><i>Including water protection, sustainable water supply, wastewater, water saving measures.</i></p> <p><i>Maintenance as well as new construction and conversion of mechanical systems for the treatment of wastewater</i></p>		
<p>Sustainable Transport</p> <p><i>Electromobility and associated infrastructure, electric and hybrid local and long-distance public transport.</i></p> <p><i>Fleet conversion to e-mobility</i></p>		

Charging infrastructure for e-mobility

Development of charging infrastructures for hydrogen stations and financing of the transformation of classic filling stations into e- and H-filling stations

Sustainable Transport

Non-motorized and multimodal transport for example: communal system to hire bicycles, reduction of pollutant emissions.

Ecologically Sustainable Management of Living Natural Resources and Land Use

Ecological agriculture and forestry, conservation and restoration of natural areas, species-appropriate animal husbandry and organic farms

- *Activities that promote or support the recovery of a degraded ecosystem*

Conservation of Terrestrial and Marine Biodiversity

Protection of habitats in/on the water and on land

Environmentally Friendly and Recyclable Products and Production Methods

- *Recycling plants in industry for the preparation and processing of raw materials from recycling processes*
- *Construction of sorting, extraction and recycling machines*
- *Service providers in the recycling industry including their raw material extraction plants with appropriate certification (e.g. CEN/TC 183, EuCertPlast, EU Eco-label)*
- *Production of products made from fully recycled materials*

Contribution



Contribution



Contribution



Contribution



<p>Environmentally Friendly Buildings</p> <p><i>Meet recognized standards and certification criteria (e.g. klima:aktiv from the Austrian BMK Silver or Gold, ÖGNI Gold or Platinum⁹)</i></p> <p><i>Construction of energy-efficient buildings or thermal renovations with a significant improvement in energy efficiency</i></p>	<p>Contribution</p>		
<p>Affordable Housing</p> <p><i>Creating living space in structurally weak and low-income communities</i></p> <p><i>Financing in combination with public subsidies/ Rent-control regulation</i></p>		<p>Contribution</p>	
<p>Affordable Housing</p> <p><i>Non-profit housing associations</i></p> <p><i>Construction of student residences</i></p>		<p>Contribution</p>	
<p>Access To Basic Social Services</p> <p><i>Health centers, medical practices, other healthcare providers</i></p>		<p>Contribution</p>	
<p>Access To Basic Social Services</p> <p><i>Retirement homes and nursing homes for rehabilitation purpose</i></p>		<p>Contribution</p>	
<p>Access To Basic Social Services</p> <p><i>Childcare facilities and vocational training</i></p> <p><i>Elementary schools, secondary schools, colleges, and universities</i></p>		<p>Contribution</p>	
<p>Socio-Economic Advancement and Empowerment</p> <p><i>Equal participation in and integration in the market and society:</i></p> <p><i>Adult education institutions</i></p>		<p>Contribution</p>	
<p>Socio-Economic Advancement and Empowerment</p>		<p>Contribution</p>	

⁹ This assessment is restricted to the Green Buildings that meet the recognized standards and certifications cited here.

Equal participation in and integration in the market and society:

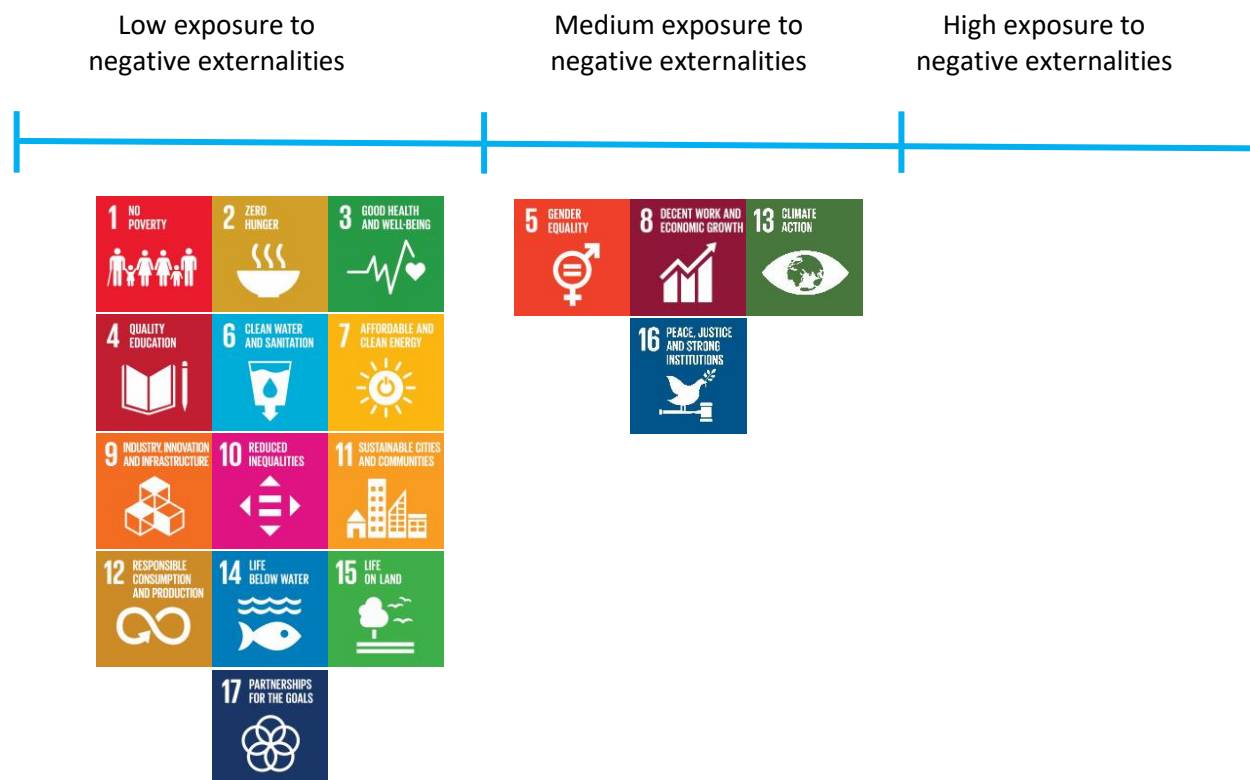
Institutions to support and promote disadvantaged groups¹⁰



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 and Issuer’s clients.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities¹¹ in the Public & Regional Banks (to which BTV belongs) 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.

¹⁰ Facilities for the support and promotion of disadvantaged groups (e.g., hotel or bar that is managed by people with a disability).
¹¹ 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.

USE OF PROCEEDS (PROCESSES) ¹²	OPERATIONAL IMPACT IMPROVEMENT ¹³	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency¹⁴</p> <p><i>New and renovated buildings, district heating systems, smart grids.</i></p> <p><i>Thermal renovation of buildings</i></p> <p><i>Plant financing for heat recovery</i></p>	✓	 
<p>Energy Efficiency¹⁵</p> <p><i>New and renovated buildings, applications and products¹⁶.</i></p>	✓	 
<p>Pollution Prevention and Control</p> <p><i>GHG control: measures for switching from fossil to renewable energy sources such as green hydrogen or biogas</i></p>	✓	 
<p>Sustainable Water Management</p> <p><i>Conversion of systems to reduce water consumption</i></p>	✓	
<p>Ecologically Sustainable Management of Living Natural Resources and Land Use</p> <p><i>Ecological agriculture and forestry, conservation and restoration of natural areas, species-appropriate animal husbandry and organic farms</i></p> <ul style="list-style-type: none"> ▪ <i>Organic farms with appropriate certification (e.g., B. Euro-leaf, Austria Bio Garantie, Naturland, Bio Suisse)¹⁷</i> 	✓	

¹² The review is limited to the examples of projects spelled out in the framework.

¹³ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

¹⁴ The energy efficiency projects financed under this Framework are deemed to improve the energy efficiency of both manufacturing and/or non-manufacturing sites.

¹⁵ The energy efficiency projects financed under this Framework are deemed to improve the energy efficiency of both manufacturing and/or non-manufacturing sites.

¹⁶ Including Smart thermostats, Energy efficient appliances, LED lightening, Insulation materials, Energy Management Software

¹⁷ BTV will only finance the cultivation of organic food and the transition from conventional to organic farming.

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

The table below evaluates the Eligibility Criteria against issuance specific KPIs. The entirety of the assets is and will be located in Europe (EU14), mainly in Austria, Germany and Switzerland.

ASSESSMENT AGAINST KPIs

ESG guidelines into investment process

BTV has set up a Sustainable Finance Committee, made up of members from all relevant areas and BTV's sustainability management. In addition to project selection and introduction of sustainable products, it is also responsible for the further development of the Sustainable Finance Framework.

BTV defined an ESG assessment process for assets underlying this Framework. Firstly, a preliminary check is performed by a sustainable finance expert located in the headquarter in Innsbruck. During this first assessment, the expert check whether the project is matching with the categories defined by the BTV Sustainable Finance Framework. Then, the expert defines and check the KPIs of the project and check the EU-Taxonomy eligibility through the assessment of the minimum safeguards and Do No Significant Harm criteria. BTV underlines that they plan to use rule-based software to assess the EU Taxonomy eligibility in the future.

✓ Then, a second screening is performed by the Sustainable Finance Committee consisting of various members with different backgrounds, e.g., treasury, credit management, and corporate finance. They will check and decide if the project is eligible for inclusion in a sustainable asset pool, which forms the basis for the issue of sustainable refinancing products. They are also in charge of the documentation of the Sustainable Asset Pool eligibility. To identify specific ESG risks, BTV use project-based data and third-party sources to assess the site-related risks.

When a substantial¹⁸ ESG risk is identified, it is classified on a scale of three degree of severity. At the moment, the projects with high risk won't be included in the asset pool and the project with medium risk will be further investigated.

BTV also states to evaluate the mitigation measures plans agreed with the projects operator to avoid identified risks and reduce environmental risks from the projects. It is important to note that these two-steps assessment is applied to commercial real estate, small private real estate, corporate and leasing projects. They do not apply this assessment process for working capital and short-term loans which are not included in this Framework. The only criteria used for these loans is the exclusion criteria applied to all asset of BTV.

¹⁸ BTV explains that the term substantial refers, on the one hand, to the possibility that the project could run the risk of non-compliance or dilution of the sustainability components, e.g. siting of a biomass district heating plant near areas of damaged timber (bark beetles, storm damage), endangerment of groundwater due to the construction of energy-efficient buildings, destruction of biodiversity pressure areas by buildings in the course of post-densification, endangerment of glacier areas by cable cars. On the other hand, from a risk perspective, the term refers to threats to the economic framework of the project, e.g., reduced operation of hydropower plants or agriculture due to water shortages.

ESG Guidelines into financing process for most sensitive sectors¹⁹ eligible under the Framework

ESG Guidelines into financing process for Forestry and Pulp and Paper

BTV confirms that for projects dealing with forestry and forestry management, a separate analysis is carried out that considers at the local conditions, vulnerability to drought, bark beetle infestation, storm and wind damage, resilience to rising temperatures, heat stress, etc. As a complement to those assessment, BTV considers the sustainable nature of different project by considering the relevant recognized certifications. For forestry FSC and PEFC are a prerequisite.



For pulp and paper, as for any other manufacturing industry, a separate analysis tailored to the production process, the location and the industry is carried out. In addition to questions of any kind of emissions, this includes the origin of input materials, water use and treatment, traffic volume, land use and sealing, use of renewable energy, location in the community, etc. A first orientation is also provided by certifications such as ISO 14001, and ISO 9001 if available.

ESG Guidelines into financing process for Agriculture / Fisheries / Aquaculture

For projects dealing with agriculture, a separate analysis would be carried out, focusing strongly on fertilization, water management, land use and animal husbandry, and the share of animal husbandry in total production. BTV states that funding in agriculture presents a minor share²⁰. An analysis in this area is carried out on an ad hoc basis.



Labor, Health, and Safety

All investees are located in EU 14 countries with high health & safety and labor standards ensured by national legislation and the European Union's mandatory social standards.

Nevertheless, BTV is preparing a Code of Conduct for investees and their assets financed under the BTV Sustainable Finance Framework, whereby they confirm compliance with the current legal standards.



The Code of Conduct will be based on the Code of Conduct for suppliers and is expected to be implemented as a first step for large single projects and transactions refinanced by the issued sustainable instruments of the BTV. If available, BTV also checks the Code of Conduct of the investee for specific paragraphs regulating health & safety and labor standards. This Code of Conduct will be in place before the issuance of the first instrument under this Framework.

Biodiversity and Community dialogue

¹⁹ The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

²⁰ Currently, the share is below 5% of the current portfolio.

BTV's investees and their assets are located only in Europe 14 countries who are Equator Principles Designated Countries and thus deemed to have robust environmental and social governance, legislation systems, and institutional capacity designed to protect their people and the natural environment.

Thus, BTV relies on national legislation (Bauverhandlung, Baugenehmigung, Baurichtlinie, Umweltverträglichkeitsprüfung) which have transposed relevant E.U. Directives to cover the biodiversity risks and community dialogues for real estate-related projects. In addition, the sustainable finance expert comprehensively does a preliminary assessment of the impact of the real project on the community whereby factors such as the improvement of the transport infrastructure or the inclusion of people with a handicap are regarded as positive criteria.

✓ For renewable energy projects, the assessment is carried out by means of a separate Environmental and Social Impact Assessment. Since the installations (e.g., PV plant, biomass district heating) are usually individual parts of an already existing complex, the analysis is often shortened to an Environmental Impact Assessment. The involvement of the community takes place via the potential environmental impact assessment, which is obligatory to be examined by the respective authority. The community has a say in any environmental impact analysis that may be required. The social aspect of renewable energy projects arises in particular in the offering of concessionary tariffs for disadvantaged groups.

For other projects, the sustainable finance expert assesses the impact of the project on the biodiversity and on the community and verifies compliance with the national standards. On the one hand, the analyses are carried out as desk analyses; on the other hand, for larger projects or for more complex projects, an on-site visit is carried out. On-site visits can also be carried out by the account manager after clarification with the sustainability expert and formulation of critical questions. In addition, by means of a Code of Conduct to be signed by the client, BTV obliges all project operators, on the one hand, to comply with the laws in the area of ESG (environmental laws, human rights, etc.) and, on the other hand, to provide defined key figures as part of the reporting.

BTV has exclusion criteria that are project dependent and can include for example excessive ground sealing or endangerment of protected species.

Inclusion

BTV states that for the social asset pool, the Bank only includes projects with a decidedly positive social impact on the community, such as the provision of community services like kindergarten or facilities that provide access to essential services.

✓ For BTV, vulnerable or disadvantaged groups include socially disadvantaged and physically impaired persons. Minorities (ethnic, religious, political or sexual etc.) are not taken into account as far as they are covered by the anti-discrimination and equal treatment laws in the EU, Austria, Germany, and Switzerland. Access to services is guaranteed on the one hand by the project planning (e.g., in terms of subsidized or socially graded housing, or on the other hand in the case of services by announcements of the project operator). Access is linked to income limits, including registered unemployment, or recognised asylum or humanitarian right to stay, and is defined by different regional to municipal ordinances.

Services provided by the public sector or by municipalities are available to all by law, and in BTV's business area, this is also lived practice. BTV states as well that the sustainable finance expert will make an assessment regarding the compliance with current legal standards, especially regarding the access to the service without any discrimination of vulnerable groups.

When projects require ESIA, it considers the social responsiveness, or inclusion, of vulnerable and disadvantaged groups in projects that provide a service, utility, or product.

Data protection and information security

- ✓ BTV is systematically ensuring that data collection processes will meet minimum requirements for data and information security. There is a Code of Conduct²¹ in place that states that all BTV employees are bound by banking secrecy and must maintain confidentiality with regard to customer, employee, and business data. Additionally, BTV is obliged to maintain confidentiality of the personal data they receive through their course of work. They also recruited a Chief Security Officer in 2023. BTV confirm to have set processes to conduct IT risk assessment as well as IT and cyber security training for their employees. GDPR is the data protection standard at BTV AG.

Responsible treatment of customers with debt repayment problems

BTV has implemented lending guidelines that assure a consistent lending approach throughout the different markets and for all customers. All relevant guidelines regarding supranational institutions such as European Bank Authority (EBA) and national ones like Finanzmarktaufsichtsbehörde (FMA) or Oesterreichische National Bank (OeNB) are an integral part of their lending policy.

- ✓ BTV has implemented various measures to deal responsibly with clients having debt repayment problems. Firstly, BTV takes pre-emptive actions to prevent debt repayment problems. Indeed, they focus on dynamic factors when evaluating potential risks regarding customers, they also address a so-called 3-M approach (management, market, and money) in the borrowing process which ensures that customers have the necessary repayment capacities even under more stressful circumstances. Beyond that, every decision concerning lending above EUR 600,000 must be approved by specialized risk managers.

BTV has its own specialized workout unit based on and independent of the usual lending processes to deal with debt repayment problems. Whenever problems regarding the financial situation of customers occur this unit gets involved as early as necessary to prevent potential defaults. BTV ensures that they consider mortgages sales only as a last and least desired option.

Sales practices

- ✓ Measures are in place ensuring that projects financed under this Framework provide for responsible sales practices. BTV states that incentives for the sales personnel are not

²¹ Code of Conduct, Page 7, <https://btv.at/uploads/2022/05/BTV-Code-of-Conduct-2023.pdf>

linked to the distribution of specific products. Indeed, BTV financing business is regulated and controlled by supervisory and auditing bodies including credit risk strategy, competence rules, credit monitoring and rating system, complaint management, etc. Performance-related and variable compensation is dependent on the achievement of business and personal objectives clearly defined as part of the target agreement process. Training is provided through both internal and external training measures.

Responsible marketing

BTV is committed to being transparent in its marketing activities. The Bank has guidelines in place on clear and correct pricing, and the provision of complete and understandable information. Sales personnel are enabled to provide clients with information on product risks.

✓ Compliance is regulated in the preliminary pricing by a dedicated inquiry tool. In the context of financing applications, the hierarchy is mapped in the financing application program and cannot be bypassed for technical reasons. The preparation of contracts is then strictly separated between the front office and the back office, which ensures compliance with all legal requirements (e.g., Consumer Protection Act, KIM Ordinance and Mortgage and Real Estate Act, EBA Guidelines and FMA and Bundesanstalt für Finanzdienstleistungsaufsicht requirements) about both price transparency and documentary transparency. The contracts are supplemented by separately issued General Terms & Conditions and the General Lending Terms & Conditions. BTV explains as well that project rejections are discussed with the customer and the account manager and the reasons for rejection are explained. Each rejection is documented.

Exclusion criteria

BTV has policies excluding private individuals, companies, and states whose activities are not compatible with their principles of sustainability²². To state that are excluded: coal energy, weapons, genetic engineering, addictive substances, prostitution, and pornography.

Additionally, BTV does not engage in a business relationship with entities and individuals involved in corruption, bribery, money laundering, etc.

²² BTV Exclusion criteria, <https://btv.at/ausschlussliste>

PART III: LINKING THE TRANSACTION TO BTV'S ESG PROFILE

A. CONSISTENCY OF SUSTAINABLE REFINANCING INSTRUMENTS WITH BTV'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

In 2021, BTV's sustainability strategy was redeveloped based on the guiding principle 'Spirit and Attitude' and is based on the five fields of action: customers and products, environment and resources, employees, society and social affairs, and strategy and governance. These support the growth of BTV, considering economic, ecological and social components, and contributing to the UN Sustainable Development Goals (SDGs).

BTV's field of actions are quantified using concrete targets for 2025 and 2030. The targets are given below:

- Customers and Products: Targeting 33% and 67% net growth sustainable financing of portfolio by 2025 and 2030 respectively.
- Environment and Resources:
 - 100% share of green electricity in all Austrian state locations by 2025 and 2030
 - 20% and 30% of electric, hydrogen, and hybrid vehicles in the entire fleet by 2025 and 2030 respectively
- Employees: By 2025 and 2030, respectively, there will be 30% and 40% women in managerial posts.

Society & Social Affairs: Number of guided tours in addition to the educational program (e.g., schools, institutions, customers, etc.) are targeted 30 and 35 by the year 2025 and 2030 respectively. The Issuer has some following measures to achieve its targets:

- Increase in ESG-compliant financing through focused advice and support for customers, based on the high level of training of their employees in the area of ESG.
- BTV has created offers for their employees to use sustainable transportation wherever possible, as well as end-to-end fleet management. The travel policy aims to achieve an overall reduction in CO₂ emissions.
- Ongoing positioning and communication on all channels and setting up awareness-raising programs for younger generations.
- BTV has set measurable goals for gender equality.

The targets are being tracked on a regular basis and communicated to the leadership board. In addition, BTV is currently working on developing a Corporate Carbon Footprint (CCF) Inventory. Hence, no science-based targets have been set.

BTV aims to become carbon neutral within the bank by 2025 and to reduce emissions through investments in renewable energies, energy efficiency and in-house power generation. Emissions that cannot be reduced will be offset from 2025. However, there is no information available on the Issuer's action plan to reach the ESG targets/goals. BTV is committed to the principles of responsible corporate management and to the Austrian Corporate Governance Code.

The management board is a part of the internal ESG committee and oversees ESG risk and sustainability strategy. Additionally, it regularly updates the risk committee on new risks. BTV's risk management process includes the determination of the risk strategy as well as risk monitoring and control.

The sustainability report²³ and ESG concerns in BTV's risk management are under the supervision of the Supervisory Board. Furthermore, BTV is committed to transparent sustainability reporting in accordance with Global Reporting Initiative (GRI). The Issuer has never issued any Sustainable financing instruments before.

Rationale for issuance

BTV's Sustainable Finance Framework demonstrate commitment towards their sustainability strategy which reflects the corresponding goals and focal points in the bank's core business. Therefore, the Issuer issues Sustainable refinancing instruments to finance projects with an environmental and social focus.

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

²³ BTV, April 2023, Annual and Sustainability Report, https://btv.at/uploads/2023/04/Geschaefts-und-Nachhaltigkeitsbericht_2022.pdf

B. BTV'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 & Regional Banks, 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
Labor standards and working conditions
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
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 III.B of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of BTV'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 company's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

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 & Regional Banks industry are as follows: Sexual harassment in the workplace, Failure to respect the right to just and favorable conditions of work and financial market irregularities.

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

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ANNEX 1: Methodology

Green/Social KPIs

The Green/Social 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 BTV's Sustainable refinancing instruments.

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

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social Bond KPIs.

All percentages refer to the amount 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 or that the information provided did not fulfil the requirements of the Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by BTV (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, the extent to which BTV's Sustainable refinancing instruments contributes to related SDGs has been identified.

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

BTV commissioned ICS to compile a Sustainable refinancing instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) and to assess the sustainability credentials of its Sustainable refinancing instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, as administered by ICMA

ISSUER'S RESPONSIBILITY

BTV'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 the 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.

This independent Second Party Opinion of the Sustainable refinancing instruments to be issued by BTV has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).

The engagement with BTV took place from May to September 2023.

ISS' 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 behavior 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 this 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/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Sustainable refinancing instruments SPO, please contact: SPOOperations@iss-esg.com

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