

## **SECOND PARTY OPINION (SPO)**

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Sustainability Quality of the Issuer and Asset Pool

HYPO NOE Landesbank für Niederösterreich und Wien AG  
8 June 2020

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## Overall Evaluation of the Green Bond

HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. HYPO NOE's Green Bond framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. HYPO NOE's sustainability performance, according to the ISS ESG Corporate Rating.

### ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b> <b>Performance against GBPs</b>	The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	<b>Positive</b>
<b>Part 2:</b> <b>Sustainability quality of the asset pool</b>	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which solely includes green buildings.  All assets of the asset pool are located in Austria, a highly regulated and developed country. Legislative frameworks in those countries set minimum standards, which reduce environmental and social risks.	<b>Positive</b>
<b>Part 3:</b> <b>Issuer sustainability performance</b>	The issuer itself shows a medium sustainability performance and has been given a rating of C+, which classifies it as 'Prime' by the methodology of the ISS ESG Corporate Rating.  It is rated 4 <sup>th</sup> out of 279 companies within its sector as of 24.04.2020. This equates to a high relative performance, with a Decile Rank <sup>2</sup> of 1.	<b>Status: Prime</b>  <b>Rating: C+</b>  <b>Decile Rank: 1</b>

<sup>1</sup> ISS ESG's evaluation will remain *valid* until any modification of the Green Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 16.03.2020). The controversy check of the underlying assets was conducted on the 25.03.2020.

<sup>2</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

## Contribution of the Green Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the HYPO NOE's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings	Significant contribution	

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

The HYPO NOE Green Bonds are bonds which are exclusively used for the proportional or complete (re-)financing of suitable “Eligible Green Loans” belonging to the following “Eligible Green Categories”. Eligible Green Loans could be credit claims, investments and/or projects. It is not excluded that the issue proceeds may also be held as collateral in the public or hypothecary cover pool.

Eligible Green Categories are the following:

##### **Green Buildings:**

Eligible Green Loans are loans financing or refinancing Real Estate assets belonging to the Top 15% most carbon-efficient buildings in Austria and built after January, the 1st, 2016 i.e.:

- Real Estate assets with Energy Performance Certificates of at least B or better (i.e. A and B EPC classes)
- Real Estate assets built in compliance with the requirements of the current Austrian construction standards, OIB RL 6 2011/2015/2019, which is in line with the NZEB directive
- Real Estate assets built in compliance with the requirements of the current construction Standards of Lower Austria’s Wohnbauförderrichtlinien 2011 respectively 2019

##### **Renewable Energy:**

Eligible Green Loans are loans financing or refinancing the production, appliances, establishment, acquisition, operation, distribution and products of renewable energy, such as:

- Wind energy: Onshore and offshore wind energy generation facilities
- Solar energy: Solar energy Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities
- Bio energy: Facilities producing biofuel and/or biomass such as biofuel preparation, pre-treatment and bio-refinery facilities (limited to direct emissions of  $\leq 100\text{g CO}_2\text{e/kWh}$ )
- Geothermal energy: Geothermal power plants and geothermal heating/cooling systems (limited to direct emissions of  $\leq 100\text{g CO}_2\text{e/kWh}$ )

##### **Environmentally sustainable management of living natural resources and land use:**

Eligible Green Loans are loans financing or refinancing environmentally sustainable management of living natural resources and land use projects, such as:

- Forests and forestry: Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the Endorsement of Forest Certified (PEFC)
- Agriculture: Organic farming, certified in compliance with the EU and national regulation

##### **Energy Efficiency:**

Eligible Green Loans are loans financing or refinancing the establishment, acquisition, expansion and upgrade of transmission lines and energy storage facilities or technologies and/or the associated infrastructure:

- Energy efficiency projects, e.g. improving the energy efficiency of industrial production process in a factory
- Energy storage efficiency projects
- Smart grid solutions for more efficient transmission/distribution of energy

**Clean Transportation:**

Eligible Green Loans are loans financing or refinancing public land transport and clean transportation loans such as:

- Public transport (e.g. subways, trains, trams, electric, biofuel or hybrid buses), including:
  - Infrastructure (e.g. rail networks, station upgrade)
  - Non-diesel rolling stock (excluding fossil fuel transportation)
- Commercial and retail electric vehicles (e.g. truck fleets, automobiles, charging infrastructure)

**Water and Waste Water Management:**

Eligible Green Loans are loans financing or refinancing the equipment, development, construction, operation and maintenance of:

- Water distribution systems with improved efficiency
- Water recycling and wastewater treatment plants
- Flood mitigation infrastructure

**Climate Change Adaptation:**

Eligible Green Loans are loans financing or refinancing the equipment, development, construction, operation and maintenance of infrastructure increasing the local resilience regarding the consequences of climate change, such as:

- Dams and dykes
- River basin management
- Protection against forest fires

**Pollution prevention:**

Eligible Green Loans are loans financing or refinancing the equipment, development, construction, operation and maintenance of:

- Waste collect and treatment facilities
- Waste recycling facilities

**Opinion:** ISS ESG considers the Use of Proceeds description provided by HYPO NOE's Green Bond Framework as aligned with the Green Bond Principles. A clear description of types of investments is also made available.

## **2. Process for Project Evaluation and Selection**

HYPO NOE has established clear ethical guidelines and business principles for its business activities. The Bank thus ensures that it only enters into business relationships that are compatible with its philosophy and sustainability orientation. These guidelines ensure that the entire HYPO NOE, in case of doubt, refrains from controversial financing - whether from a social or environmental point of view. The ethical guidelines and business principles consist of the positive and exclusion criteria and form the basis of business initiation within the entire HYPO NOE.

With the positive criteria, HYPO NOE promotes those areas in its business activities that, from the point of view of the company, provide the greatest social benefit. The negative criteria represent those areas that are excluded from business activities in order to protect society.

### **Positive criteria**

The HYPO NOE is committed to the international and national climate targets and, within the framework of its environmental and climate strategy, is guided by the current climate and energy strategy ("mission 2030") of the Republic of Austria.

These include the financing of social infrastructure, the creation of housing: specifically, support is provided to businesses for the construction of socially and environmentally compatible housing (non-profit housing).

A further focus is on the promotion of the use of sustainable energies and environmental protection as well as the promotion of education and culture.

### **Exclusion criteria**

The general rule of HYPO NOE is that the following areas are excluded from all financings.

- Financing of nuclear power plants (as well as suppliers of core components and corresponding infrastructure)
- Financing of operations involving environmental risks
- Financing of arms transactions
- Financing of pornography and prostitution-related activities
- Financing to warring countries according to OeKB coverage guidelines
- Financing of operations involving human rights abuses as defined by the United Nations Universal Declaration of Human Rights
- Financing of transactions involving labour rights violations in accordance with ILO core labour standards (including freedom of assembly/association, forced labour, child labour, discrimination)
- Financing of transactions that contradict the bank's own business ethics and compliance guidelines and transactions involving suspected corruption
- Financing of coal-fired power plants and coal mining

The Green Bond Committee, gathering the strategic business segments Retail and Corporate Customers, Real Estate Customers and Public Sector as well as Strategic Risk Management, Operating Credit Risk Management, Sustainability Officers and Treasury/Capital Markets, is in charge

of reviewing sustainability during the loan application process and allocation accordingly in the core banking system.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by HYPO NOE's Green Bond Framework as aligned with the Green Bond Principles. Moreover, the projects selected show alignment with the sustainability strategy of the issuer and the national strategy. The issuer includes clear exclusion criteria for its investments and insures the participation of various internal departments.

### 3. Management of Proceeds

An amount equivalent to the sum of the net proceeds generated from the Green Bonds will be managed by HYPO NOE treasury with a portfolio approach. HYPO NOE will ensure that the Green Portfolio is at least equal to the net proceeds of the Green Bonds outstanding until the maturity of the Green Bonds. To do so, HYPO NOE will mark Eligible Green Loans included in its Green Portfolio within HYPO NOE's internal system.

If the net proceeds of HYPO NOE's Green Bonds cannot be fully allocated to Eligible Green Loans, HYPO NOE may, at its own discretion, invest the balance of the unallocated net proceeds in money market instruments, cash and/or cash equivalents ("substitute assets"), provided that such substitute assets are compliant with HYPO NOE's sustainability principles.

On an annual basis, HYPO NOE's Green Bond Committee will review the suitability and availability of the Eligible Green Loans and replace them with other eligible Green Loans if they are repaid or matured or not satisfying Eligibility Criteria anymore. HYPO NOE may at any time remove Eligible Green Loans from the Green Portfolio, provided that the total volume of Green Portfolio always corresponds at least to the outstanding of Green Bonds

**Opinion:** ISS ESG finds that Management of Proceeds proposed by HYPO NOE is well aligned with the Green Bond Principles. Earmarking is ensured through a portfolio approach and temporary investment instruments are also described.

### 4. Reporting

HYPO NOE has the ambition to publish an annual report on the use of proceeds from any Green Bonds outstanding under this framework. Reporting will be provided on an annual basis until full allocation, and thereafter if there are any material changes to the Eligible Green Loans, until the maturity of HYPO NOE's Green Bonds.

Each annual report will be reviewed and approved by the Green Bond Committee and include:

#### **Allocation reporting**

The HYPO NOE Green Bond report is expected to disclose:

- The total amount of the Green Bonds issued
- The total amount of Green Bond proceeds allocated to the Green Portfolio
- An analysis of the Green Loan Portfolio by Eligible Categories



- The potential amount of unallocated proceeds, if any

HYPO NOE intends to communicate the average origination timeframe of the Eligible Green Loans.

### **Impact reporting**

HYPO NOE intends to publish an impact report that will provide information on the environmental impact of its Eligible Green Loans by category. Reporting is intended to be provided on an annual basis until full allocation, and thereafter if there are any material changes to the Eligible Green Loans, until the maturity of HYPO NOE's Green Bonds.

<b>Eligible category</b>	<b>Output indicators</b>	<b>Impact indicators</b>
Green Buildings	Total areas (m <sup>2</sup> )  • Energy savings (MWh)	Carbon emission avoided (tCO <sub>2</sub> )
Renewable Energy	Expected energy production (MWh)	Carbon emission avoided (tCO <sub>2</sub> )
Environmentally sustainable management of living natural resources and land use	Number of agricultural business financed  Total surface financed (ha)	Volume of farming input avoided (t/year)
Energy Efficiency	Energy savings (MWh)	Carbon emission avoided (tCO <sub>2</sub> )
Clean Transportation	Total tonne.km or pax.km	Carbon emission avoided (tCO <sub>2</sub> )
Water and Waste Water Management	Water and Waste Water Management technology type	Volume of treated water (m <sup>3</sup> /year)
Climate Change Adaptation	Climate Change Adaptation project type	Frequency/sinistrality reduction
Pollution Prevention	Waste Management technology type	Volume of treated/recycled waste (m <sup>3</sup> /year)

**Opinion:** ISS ESG finds that the reporting proposed by HYPO NOE is in line with industry best practices. Moreover, the impact reporting includes clearly defined indicators in line with the industry practices.

### **External review**

HYPO NOE has mandated ISS ESG to provide a second party opinion on HYPO NOE's Green Bond Framework. ISS ESG reviewed HYPO NOE's Green Bond framework and confirmed its alignment with the Green Bond Principles (2018 Edition).

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### Green Buildings

As a Use of Proceeds category, green commercial real estate has a significant contribution to the SDG 11 “Sustainable cities and communities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

#### ASSESSMENT AGAINST ISS-OEKOM ESG KPI

##### Energy Efficiency prerequisites

- ✓ 100% of the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. The buildings belong to the top 15% of energy efficient buildings in Austria.

##### Site selection

- ✓ 100% of the assets are developed on brownfield sites (e.g. previously developed land that is not used anymore at the time of construction) and excluded from protected areas, as provided by national legislation.
- ✓ 77% of the assets are located within a maximum of 1km from one or more modalities of public transport.

##### Construction standards

- ✓ 100% of the assets are located in Austria, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).
- No information is available on the sustainable procurement regarding building materials (e.g. recycled materials).

##### Water use minimization in buildings

- National legislation requires buildings to have measures to reduce water consumption (e.g. high-efficiency fixtures and fittings, rainwater harvesting). However, it is not always possible to know whether these measures are implemented.

##### Safety of buildings users

- ✓ 100% of the assets provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems) as provided by national legislation.

##### Sustainability labels / Certificates

- No information is available on assets that obtained a (or an equivalent of) BREEAM “Very Good”, DGNB “Gold”, LEED “Gold”, HQE “excellent”, BREEAM NL “40%”, EPC (“Level A”) certificate or better certification. However, all buildings have received certification in line with the Austrian OIB-Richtlinie and the Bond will be certified with the “Austrian Ecolabel for Sustainable Financial Products”.

#### **Controversy assessment**

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to the building projects.

## PART III: ASSESSMENT OF HYPO NOE'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime<sup>3</sup>' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
HYPO NOE	PRIME	C+	1

This means that the company performed in a medium way in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

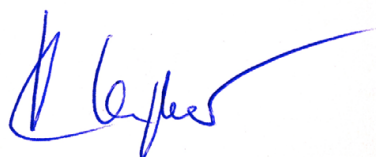
As of 24.04.2020, this rating places HYPO NOE 4<sup>th</sup> out of 279 companies rated by ISS ESG in the Financials/Public & Regional Banks sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In all of the key issues, HYPO NOE rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria" and "Sustainability impacts of lending and other financial services/products".

Details on the rating of the issuer can be found in Annex 1.



Robert Hassler, Head of ISS ESG Ratings

<sup>3</sup> Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

## DISCLAIMER

1. Validity of the SPO: For HYPO NOE's first issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from HYPO NOE's ISS ESG Corporate Rating.

# ESG Corporate Rating

## HYPO NOE Landesbank für Niederösterreich und Wien AG

Industry	Financials/Public & Regional Banks	Status	<b>Prime</b>
Country	Austria	Rating	<b>C+</b>
ISIN	AT0000A0P1M0	Prime Threshold	<b>C</b>
		Decile Rank	<b>1</b>

### Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

### Decile Rank



Low relative performance

High relative performance

Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

### Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berner Kantonalbank AG	CH	C+
Deutsche Kreditbank AG	DE	B-
La Banque Postale S.A.	FR	B-

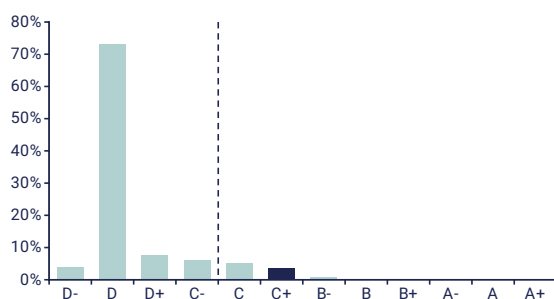
Legend: ■ Industry ■ Company --- Prime

### Key Issue Performance

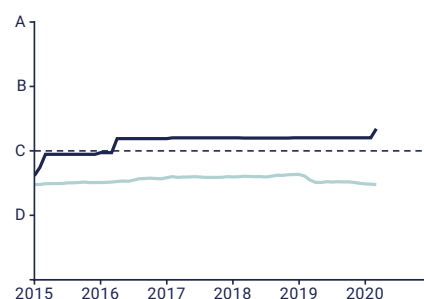


### Distribution of Ratings

279 companies in the industry



### Rating History



# HYPO NOE Landesbank für Niederösterreich und Wien AG

## Analyst Opinion

### Sustainability Opportunities

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HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE) offers banking, leasing and insurance services to retail, corporate, public sector and institutional clients in Austria and the Danube region. The company provides financial services with an environmental and/or social value including specific financial programmes to support a sustainable development of the Danube region and finances social housing. The company is further committed to ensure equal access to financial services by offering a basic bank account and support services for physically impaired clients. HYPO NOE enables its clients to invest in socially responsible investment products applying both an exclusion screen and a best-in-class approach. However, these product offers are still negligible vis à vis the overall product portfolio.

### Sustainability Risks

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For financial companies, it is crucial that responsible lending and investment practices as well as a responsible treatment of clients are ensured. HYPO NOE considers some environmental and social aspects in its lending decisions, and conducts environmental and social risk assessments and loan monitoring. The company also excludes several controversial practices such as breaches of internationally acknowledged labor rights and direct financing of coal-fired power plants as well as financing of utilities companies whose electricity is mainly based on coal. It further has to be considered that the company mainly operates in Austria and Europe, and has no significant engagements in several sectors possibly involved in controversial practices (e.g. forestry, dams and hydropower, fisheries). Therefore, lending-related risks can be considered as somewhat limited compared to other financial institutions. For investment decisions affecting the own portfolio and general asset management, the company considers some relevant exclusion criteria (e.g. weapons, human rights violations, nuclear power and labour rights violations). HYPO NOE has taken some relevant steps to ensure client protection in areas such as responsible marketing or the responsible treatment of clients with debt repayment problems. Moreover, initial steps are taken to also ensure responsible sales practices whilst a clear commitment prohibiting support for clients in tax evasion is missing. HYPO NOE shows an above average performance regarding employee relations. The company is in process to reduce more than 5% of the total workforce in the medium term. However, HYPO NOE has implemented comprehensive measures to avoid compulsory redundancies. As concerns business ethics, HYPO NOE has established a code of conduct on almost all important issues, including corruption. The code is underpinned by an adequate compliance management system.

### Governance Opinion

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The sole owner of HYPO NOE is the Province of Lower Austria with 70.49% being held by NÖ Landes-Beteiligungsholding GmbH and 29.51% being held by NÖ BET GmbH (as at 31 December 2019). The company's governance structure is designed to ensure the effective supervision of management as the chair of the board and the majority of the board members are considered independent. In addition, the company has set up fully independent board committees in charge of audit and remuneration committees and a nomination committee with the majority of its members considered as independent (all information as at March 2020). In addition, the company's executive remuneration policy does apparently not include important elements for sustainable value creation such as long-term incentive components. Regarding the company's governance of sustainability, there is no evidence of an independent board committee tasked with the supervision of sustainability issues. It also remains unclear whether ESG targets are included in the executive remuneration scheme. As concerns business ethics, HYPO NOE has established a code of conduct on almost all important issues, including corruption. The code is underpinned by a compliance management system consisting of comprehensive compliance training, compliance risk assessments and audits, and anonymous and confidential reporting channels for employees.



# HYPONOE Landesbank für Niederösterreich und Wien AG

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Controversial Business Practices** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

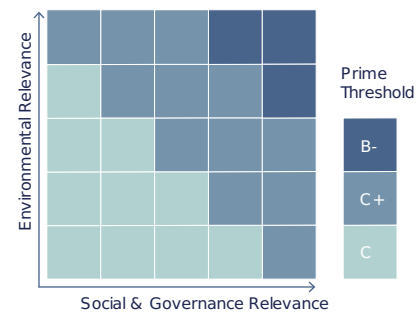
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# HYPONOE Landesbank für Niederösterreich und Wien AG

## Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Major Shareholders & Ownership Summary** - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

## ANNEX 2: Methodology

### ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of HYPO NOE's Green Bond.

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.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Asset evaluation 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 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 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 NOE (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 NOE Landesbank's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

## 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.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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 Information about SPO services, and this Green Bond, contact:

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