

SECOND PARTY OPINION (SPO)

Verification of the Sustainability Quality of the Issuer and Social Asset Pool

Hypo Tirol Bank AG
04 January 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Social Bond
Relevant standards	<ul style="list-style-type: none">• ICMA Social Bond Principles
Scope of verification	<ul style="list-style-type: none">• Hypo Tirol's Social Bond Framework (as of December 2020)• Hypo Tirol's Social Asset Portfolio (as of December 2020)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• For Social Bond issuances after SPO publication as long as the Framework remains unchanged

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SCOPE OF WORK

Hypo Tirol Bank AG (“Hypo Tirol” or “the issuer”) commissioned ISS ESG to assist with its Social Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Hypo Tirol’s sustainability performance, according to the ISS ESG Corporate Rating.
2. Hypo Tirol’s Social Bond Framework (December 2020 version)– benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBPs).
3. The Social Asset Pool– whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Issuer sustainability performance	<p>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.</p> <p>It is rated 23rd out of 277 companies within its sector as of 04.01.2021. This equates to a high relative performance, with a Decile Rank² of 1.</p>	Status: Prime Rating: C Decile Rank: 1
Part 2: Alignment with SBPs	<p>The issuer has defined a formal concept for its Social Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Social Bond Principles.</p>	Positive
Part 3: Sustainability quality of the Social Asset Pool	<p>The overall sustainability quality of the Social Asset Pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Social Bond will (re-)finance eligible asset category related to Affordable Housing.</p> <p>This use of proceeds category has a significant contribution to the SDG 10 “Reduced inequalities” and SDG 11 “Sustainable cities and communities”. The environmental and social risks associated with those assets have been well managed.</p>	Positive

¹ ISS ESG’s evaluation is based on Hypo Tirol’s Social Bond Framework (December 2020 version), on the analysed Social Asset Portfolio as received on the 06.11.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 07.07.2020). ISS ESG underwent a controversy screening of the asset pool on the 25.11.2020.

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

ISS ESG SPO ASSESSMENT

PART I: ASSESSMENT OF HYPO TIROL'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance or fails to demonstrate any commitment to appropriately address the topic). “Prime” status is granted to industry leaders who fulfill demanding performance expectations. Industry leaders are considered the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

COMPANY	STATUS	RATING	DECILE RANK	TRANSPARENCY LEVEL
HYPO TIROL	PRIME	C	1	HIGH

This means that the company sustainability performance is high when compared against industry peers and medium in terms of the industry-specific requirements defined by ISS ESG.

ESG performance

As of 04.01.2021, this Rating places Hypo Tirol 23rd out of 277 companies rated by ISS ESG in the Financials/Public & Regional Banks sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Hypo Tirol is a Tyrol-based regional bank providing all kinds of financial and insurance services to retail, corporate and institutional clients. The financial sector can aim at providing solutions to global sustainability challenges by offering financial services with a green and/or social value or via socially responsible investment products. Hypo Tirol provides a basic banking account amongst others to promote equal access to financial markets and is, compared to its peers, highly engaged in the financing of affordable housing activities. In addition, the company offers socially responsible investment products. For instance, it offers bond funds that exclude investments in companies involved in controversial business practices or areas such as child labor, pornography, animal testing and gambling. In addition, it offers an ecology-themed fund focusing on energy efficiency and emission reduction. However, only for single products information is available on whether exclusion

criteria are clearly defined and not significantly restricted. In addition, the aforementioned products and services are negligible vis à vis the overall product portfolio

Sustainability Risks

When looking at the company's risk exposure, it has to be considered that Hypo Tirol operates mainly in Tyrol and South Tyrol and is not significantly involved in international project finance. The company has taken steps to minimize risks related to its lending business by addressing human and labor rights and excluding controversial sectors and practices from financing, such as weapons, gambling and speculative business. In addition, the company integrates sustainability criteria in investment decisions for third parties. With regard to client relations, there are steps to manage relevant risks in several areas such as responsible marketing and sales, responsible treatment of clients with debt repayment problems, or ensuring client tax compliance. By and large, Hypo Tirol has a basic risk management approach to address several social and environmental risks related to its business activities. The company's staff is mainly located in Austria, where high legal employment standards exist. To further exceed these standards, Hypo Tirol has taken sound steps in areas such as health and safety, work-life balance or equal opportunities. As concerns business ethics, Hypo Tirol has established comprehensive formal guidelines addressing most compliance issues, including corruption. To ensure compliance with these guidelines, the company has set up several measures such as confidential and anonymous whistleblower channels and compliance trainings.

Governance opinion

Hypo Tirol is wholly-owned by the Province of Tyrol (as at July 6, 2020). As the company does not disclose sufficient individual information on its seven board directors, only the board chair and two further members could be identified as independent (as at July 4, 2020). The independence of the members of the company's board committees in charge of audit, nomination and remuneration also remains unclear as their composition has not been disclosed. In addition, no information is available on whether important elements for sustainable value creation such as long-term incentive components are integrated into the remuneration of the company's executive management team.

Regarding the company's governance of sustainability, there is no evidence of an independent board committee tasked with the supervision of sustainability issues. In terms of remuneration, it remains unclear whether ESG targets are included in the executive remuneration scheme. As concerns business ethics, Hypo Tirol has established comprehensive guidelines addressing most compliance issues (e.g., insider dealings, corruption and money laundering) and has set up several measures to ensure adherence, such as confidential and anonymous whistleblower channels and compliance trainings.

Sustainability impact of products and services portfolio

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

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of healthcare infrastructure and services	2%	CONTRIBUTION	
Financing of affordable and cooperative housing, lending to healthcare services and infrastructure, financing of energy provision to individuals, provision of basic bank accounts	11%	CONTRIBUTION	  
Others	N/A	No net impact	

Breaches of international norms and ESG controversies

The company is not facing any controversy.

PART II: ALIGNMENT WITH THE SOCIAL BOND PRINCIPLES

1. Use of Proceeds

The proceeds of Hypo Tirol’s social bonds are and will be used exclusively to finance, in whole or in part, an eligible portfolio of social financing. The portfolio contains projects related to Affordable Housing. The net proceeds are and will be used to refinance both existing and new projects. The projects may also be held in the public or mortgage covered pool.

Furthermore, financing of the following unethical activities is prohibited by the issuer’s credit guidelines: brothels, pornography, gambling, production/trade of/with outlawed weapons, mining of uranium and coal, fracking, nuclear power plants, coal-fired power stations, deep-sea fishing, production of tobacco products and speculative loans.

The Hypo Tirol Social Bond framework includes investments in the following area:

CATEGORY	DEFINITION
Affordable Housing	<ul style="list-style-type: none"> • Non-profit housing • Housing subsidies and refurbishment with social and family policy-related objectives • Providing local communities with affordable and high-quality housing

Affordable Housing

Providing affordable and high-quality housing that contribute to social and family policy-related objectives is a priority of Hypo Tirol. The issuer finances projects of non-profit developers (non-profit housing), private and corporate clients, that defined clear rules and conditions to qualify affordable and quality housing. Furthermore, all non-profit property developers are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitgesetz, or “WGG”). They thus have the legal mandate to provide housing according to the cost-cover principle, equating to housing provided at a price below market average.

Non-profit housing developers according to WGG are defined as follows:

CRITERIA	DESCRIPTION
Non-profit orientation	Activity is directed to have a positive social impact by providing housing and settlement.
Tied-up assets	The equity capital is to be used for a specific purpose in the non-profit housing sector.
Business circle	Construction, renovation and management of apartments.

Cost coverage	The current rent (cost rent) shall be based on the costs actually incurred: <ul style="list-style-type: none"> • Production costs (basic, construction and ancillary costs) • Financing • Current house management costs • Maintenance and improvement contribution • Contributions to reserves
Allocation of apartments	Conducted with consideration of housing need, household size and income situation of the tenant.

To promote Affordable Housing, the state of Tyrol offers support in the form of loans, grants or subsidies to support people’s access to housing, a basic need. Under the Tyrolean Housing Promotion Act 1991 (Tiroler Wohnbauförderungsgesetz 1991, or “TWFG 1991”) implemented by non-profit developers or private and corporate customers, housing projects automatically comply with the Housing Promotion or Housing Renovation Guidelines. Those guidelines set for example income limits, permissible household size in relation to usable living space, energy efficiency indicators, a fair interest rate for financing, etc.

To select eligible projects under the Affordable Housing category, Hypo Tirol has defined the following criteria (see table below). Those criteria are mapped by the issuer via the bank's core system considering clients classification and individual credit business lines.

COSTUMER TYPE	ASSIGNMENT CRITERIA
Non-profit housing	Sector and identification according to TWFG 1991
Housing promotion and refurbishment with social and family policy goals	Sector and identification according to TWFG 1991

Opinion: ISS ESG considers the Use of Proceeds description provided by Hypo Tirol’s Social Bond Framework as aligned with the Social Bond Principles. The sustainability objectives of the issuance align with Hypo Tirol’s overall sustainability strategy and the social benefits of the issuances are clearly described and furthermore covered under national legislation. Additionally, Hypo Tirol excludes the financing of harmful project.

2. Process for Project Evaluation and Selection

Representatives from the Sustainability, Treasury, Credit Risk Management and Public Institutions departments of Hypo Tirol identify eligible projects based on their social benefits and select suitable assets for outstanding social bonds or new issuances. Hypo Tirol strives to keep the proportion of new loans as high as possible. A Sustainability Committee is reviewing and confirming the eligibility of the assets selected. All eligible projects included in the Social Bond Portfolio should comply with the requirements outlined in the section "Use of proceeds".

The following standards apply to projects under the TWFG 1991 Promotion Act:

AFFORDABLE HOUSING	STANDARDS
Housing procurement according to housing promotion-guideline	<ul style="list-style-type: none"> • Urgent housing needs • Objective housing allocation guidelines • Rental price fixing according to costs (non-profit developers) • Income caps • Defined space caps depending on the size of the household • Appropriate land and construction costs • Threshold levels for energy efficiency
Housing maintenance according to housing renovation-guideline	<ul style="list-style-type: none"> • Regular housing needs • Maximum eligible floor space to household size • Eligible renovation measures • Reasonable costs • Threshold levels for energy efficiency

The selected assets are listed in an allocation overview and tracked accordingly. When selecting projects, Hypo Tirol ensures that national or international standards regarding social issues are met, as well as national laws and regulations. If controversial projects are identified among the identified assets, the issuer is committed to provide transparency on the controversial events.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Hypo Tirol's Social Bond Framework as aligned with the Social Bond Principles. Eligible projects for refinancing, associated eligibility criteria, identification and selection processes are transparently defined.

3. Management of Proceeds

The assets identified through the project appraisal and selection process are not booked in a separate portfolio, but are held within the Bank's loan portfolio.

The identification of the projects is carried out as part of the loan approval and settlement process, with a review of the guarantee provided by the State of Tyrol in accordance with TWFG 1991. The Credit Risk Management, Financing Service and Public Institutions divisions collect the key performance indicators for the respective properties. After selection and confirmation of the assets by the Sustainability Committee, an ongoing monitoring of the assets takes place in the Treasury division. An equal amount to the outstanding proceeds of social bonds are allocated to tracked assets. If funds are temporarily unallocated, they are invested in money market instruments, cash and/or ESG bonds for a maximum period of 12 months.

Opinion: ISS ESG finds that Management of Proceeds proposed by Hypo Tirol is well aligned with the Social Bond Standard, as all the proceeds are tracked and segregated properly.

4. Reporting

Hypo Tirol will provide information and reporting documents about its social bonds on its website (www.hypotiro.com/investorrelations). As long as Social Bonds are outstanding, Hypo Tirol will publish an annual report. Each annual report will be reviewed and approved by the Sustainability Committee. The annual report contains an allocation report which shows the proportion of new and existing loans in portfolio, as well as information on A) the development of the volume of classified assets held by Hypo Tirol and B) the social benefit of the respective projects financed with the bond issue.

A) Volume development:

- The proceeds of the Social Bonds in circulation
- The amount of assets allocated to the Social Portfolio
- The amount of unallocated proceeds of the Social Bond

B) Social benefits:

CATEGORY	CATEGORY IMPACT ANALYSIS (KPIS, BENEFITS)
Non-profit housing	Number of housing units
Housing promotion and refurbishment with social and family policy goals	Number of housing units

In addition, a qualified sustainability rating agency will publish an annual report on compliance of the eligible assets with the documented criteria. It will be published on the bank's website (www.hypotiro.com/investorrelations).

Opinion: ISS ESG finds that the reporting proposed by Hypo Tirol is aligned with the Social Bond Principles. Hypo Tirol provides transparency on the level of expected reporting as well as on the frequency, scope and duration.

External review

Hypo Tirol has commissioned ISS ESG to evaluate the Social Bond Framework.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SOCIAL BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Bond Asset Pool and using a proprietary methodology, ISS ESG assessed the contribution of the Hypo Tirol's Social 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):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Social 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
Affordable Housing	Significant contribution	 

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SOCIAL ASSET POOL

Affordable Housing

As a Use of Proceeds category, Affordable Housing has a significant contribution to the SDG 10 "Reduced inequalities" and SDG 11 "Sustainable cities and communities". The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI	
Prerequisite for Affordable Housing	
✓	100% of financed assets are non-profit housing for rent or housing subsidies and renovation.
Standard for Affordable Housing	
✓	All non-profit housing assets provided for rent, accounting for 60% of the entire asset pool, are democratically organized. For the remaining assets, this KPI is not applicable.
✓	All non-profit housing assets provided for rent, accounting for 60% of the entire asset pool, are rented at a price 31% lower than the local average rent level. For the remaining assets, this KPI is not applicable.
✓	All non-profit housing assets provided for rent, accounting for 60% of the entire asset pool, provide for indefinite rental contracts, that can only be terminated by legally

standardized reasons (e.g. backlog of payments). For the remaining assets, this KPI is not applicable.

Site selection

- ✓ 100% of the assets are located in Tyrol, where legislation ensures responsible choice of site location and prevent major impacts on biodiversity. However, no information is available on whether the assets are located in key biodiversity areas (e.g. Ramsar, IUCN Category I-IV, Unesco Heritage).
- ✓ 100% of the assets are connected to the public transport network operated in Tyrol. However, due to the number of assets in the pool, ISS ESG was not able to check that all assets are located within a maximum of 1km to one or more modalities of public transport.

Construction standard

- ✓ 100% of assets provide for high labour and health and safety standards (e.g. ILO core conventions).
- No information is available on whether assets provide for sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

Water use minimisation in buildings

- ✓ 100% of the assets are located in Tyrol, where legislation requires buildings to have measures to reduce water consumption (e.g. high-efficiency fixtures and fittings, rainwater harvesting). However, no information is available on whether those measures are implemented for all assets in the pool.

Safety of building 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.

Energy efficiency

- For 17.5% of the assets good energy efficiency standards are in place (e.g. heating energy demand below 50 kWh/m²a). For the remaining assets, no information is available.

Controversy assessment

No controversy assessment was conducted due to the low controversy risk of the financed activity.

DISCLAIMER

1. Validity of the SPO: For Social Bond issuances after SPO publication as long as the Framework remains unchanged.
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.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Hypo Tirol's 2020 ISS ESG Corporate Rating.

Hypo Tirol Bank AG

Corporate ESG Performance
Prime
 RATED BY
ISS ESG

Company Information

Country
Austria

ISIN
XS0132424028

Industry
Financials/Public & Regional Banks

Key Results

Rating
C

Decile Rank
1

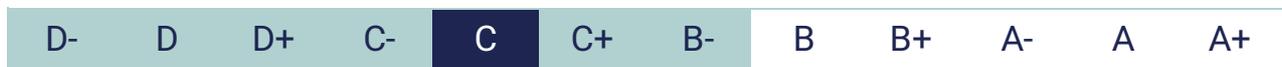
Transparency Level
High

Performance score
51.52

Status
Prime

Prime Threshold
C

Absolute Rating

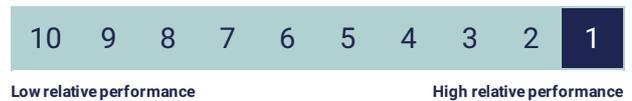


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



Decile Rank



Industry Leaders

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

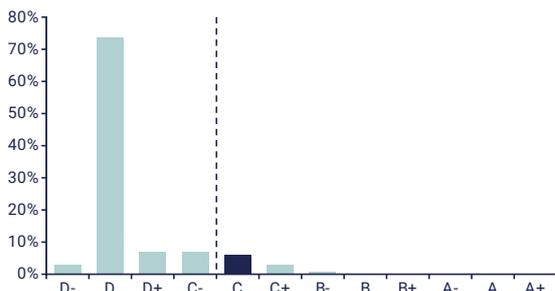
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance



Distribution of Ratings

277 companies in the industry



Rating History



Hypo Tirol Bank AG

Analyst Opinion

Sustainability Opportunities

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Hypo Tirol Bank 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.

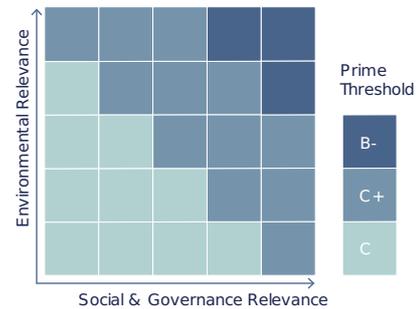
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile 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.

Hypo Tirol Bank 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.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

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).

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).

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.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Social KPIs

The ISS ESG Social 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 Tirol’s Social 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. 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.

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 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 to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Hypo Tirol (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 Tirol’s Social Bond contributes to related SDGs.

ANNEX 3: Quality management processes

SCOPE

Hypo Tirol commissioned ISS ESG to compile a Social Bond SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the Social Bond Principles and to assess the sustainability credentials of its Social Asset Pool, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Social Bond Principles
- ISS ESG KPI set: Affordable Housing

ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level

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.

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

The engagement with Hypo Tirol took place from October to December 2020.

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.

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, contact:

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