

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

HYPO Oberösterreich
30 August 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• ICMA Green Bond Principles (GBPs)
Scope of verification	<ul style="list-style-type: none">• HYPO Oberösterreich's Green Finance Framework (as of August, 26th 2021)• Eligibility Criteria
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as the Green Finance Framework of the issuer remains unchanged

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Scope of work

Oberösterreichische Landesbank (“HYPO Oberösterreich” or “the issuer”) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bond’s link to HYPO Oberösterreich’s sustainability strategy – drawing on the issuer’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. HYPO Oberösterreich’s Green Finance Framework (August 2021 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs).
3. The Eligibility Criteria – 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
<p>Part 1:</p> <p>Green Bond link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 07.12.2020, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Public & Regional Banks sector. The issuer is rated 17th of 276 companies within its sector.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing a green bond is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBPs</p>	<p>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 Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The overall sustainability quality of the Eligibility Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bond will (re-)finance eligible asset categories which include Green Buildings.</p> <p>Those use of proceeds categories have a positive contribution to SDG 13 'Climate Action'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on the issuer's Green Finance Framework (August 2021 version), on the analysed Eligibility Criteria as received in July 2021, and on the ISS ESG Corporate Rating published on 07.12.2020.

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND'S LINK TO HYPO OBERÖSTERREICH'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF HYPO OBERÖSTERREICH'S ESG PERFORMANCE

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

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
HYPO OBERÖSTERREICH	PUBLIC & REGIONAL BANKS	1	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Public & Regional Banks sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 11.08.2021, this Rating places HYPO Oberösterreich 17th out of 276 companies rated by ISS ESG in the Public & Regional Banks sector.

Key challenges faced by companies in terms 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 Oberösterreich provides banking and insurance services to different client groups. Its main opportunities are the provision of financial services with social and environmental benefits as well as the provision of equal access to financial services. The company offers several financial services with a high social benefit, with a specific focus on the financing of social housing as well as services for charity organisations. The company further offers socially responsible investment products that use both an exclusionary screen and a best-in-class approach. Finally, the company offers a basic bank account subject to moderate terms and conditions, accessible banking services for clients with disabilities and provides green loan and leasing products to its clients. However, the named products and services could be expanded both in volume and scope.

Sustainability Risks

The financial sector's main sustainability risks concern the integration of environmental and social aspects into its lending and investment business. Lending-related risks are limited as the company is not significantly involved in international project finance or in potential controversial sectors (such as oil and gas, or resource extraction). HYPO Oberösterreich considers some social and environmental criteria in its lending business, such as client-related requirements on resource efficiency or community health and safety. With regard to responsible client relations, HYPO Oberösterreich has taken reasonable steps to ensure responsible marketing and tax compliance by clients. The company further distributes investment products by fund manager Kepler, which also engages on sustainable issues for selected funds. However, HYPO Oberösterreich fails to present a comprehensive strategy to adequately manage all relevant risks related to its asset management activities. The company has taken good measures with regard to the management of employee-related issues. In addition, as all employees work in Austria, they benefit from high legal employment standards on e.g. employment security. Finally, business ethics risks appear to be comparably well-managed through the implementation of a comprehensive code of conduct supported by several compliance measures, such as extensive compliance training.

Governance opinion

The company's governance structure is to some extent designed to ensure separation of managerial and supervisory functions as the chairman of the board is considered independent. Yet, there is no majority of independent members on the supervisory board (as at December 1, 2020). Likewise, independent board members are not in the majority on the company's board committees in charge of audit and remuneration; only the nomination committee can be considered predominantly independent (as at September 9, 2019). The company discloses the remuneration policy for its executives. It apparently does not include long-term incentive components, which could otherwise incentivize sustainable value creation. There is no indication of an independent board committee in charge of a sustainability strategy and it seems that ESG targets are not a part of the remuneration system for the company's executive management team. Business ethics risks appear to be comparably well-managed through the implementation of a comprehensive code of conduct covering almost all relevant issues, including corruption. The code is supported by several compliance measures such as comprehensive compliance training.

Sustainability impact of products and services portfolio

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

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Social housing	15%	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is currently not facing any severe controversies.

B. CONSISTENCY OF GREEN BOND WITH HYPO OBERÖSTERREICH’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Identifying sustainability as one of the most important future and social issues, HYPO Oberösterreich states to incorporate ecological and social concerns, in addition to economic aspects, into the companies’ decision-making processes and the broader corporate strategy.

The issuer is committed to the 1.5-degree target of the Paris Climate Agreement and to national climate and environmental targets. Further, the bank has set itself the goal of climate neutrality in Scope 1 (direct emissions) & Scope 2 (indirect emissions through the provision of energy) by 2025. Reduction of CO2 emissions generated by the Bank is prioritized over offsetting. In Scope 3 (further indirect emissions), a continuous reduction is targeted. The achievement of the target is supported by an ISO-certified environmental and energy management system (EN ISO 50001, EN ISO 14001) with relevant environmental and energy targets.

From the United Nations (UN) 2030 Agenda for Sustainable Development, HYPO Oberösterreich has chosen five Sustainable Development Goals (SDGs) to prioritize, including SDGs 3, 8, 11, 12 and 13. The issuer states to support these through various business activities, including, among other things, the financing of the domestic healthcare sector, social housing projects and the support of church and social organizations.

Rationale for issuance

Hypo Oberösterreich has set the goal to increase the volume of sustainable financing by ten percent annually. By 2025, this translates into an increase in the volume of sustainable investments of 50%².

² This refers to assets under management, screened according to ESG-objectives using the “Morningstar DirectSM” Database.

Further, the company incorporates exclusion criteria (in accordance with the requirements of the Austrian Eco-label) into its credit policy.

Consequently, its Green Finance framework describes the process based on the bank's strategic guidelines, from the use of funds to reporting and external evaluation. In this way, the issuer intends to ensure compliance with a defined, traceable and transparent process over the life of the financial products.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public & Regional Banks sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

The use of net proceeds of green financial instruments or the definition of suitable categories is the core of the Green Finance Framework. The net proceeds of a green bond issuance are to be used within 24 months.

Based on the strategy of HYPO Oberösterreich, the focus of business activities is on residential construction. The focus of this framework is therefore on energy-efficient residential construction in Austria. The financing or refinancing of the following loan receivables of suitable categories qualify for HYPO Oberösterreich's "Green Finance Pool":

PROJECT CATEGORY	GREEN SUB-CATEGORY	SUITABILITY CRITERIA/LIMITS
Green Buildings	<p>New construction:</p> <ul style="list-style-type: none"> - Residential buildings with subsidies for owner-occupied housing Upper Austria - Subsidized large-scale housing - Private housing 	<p><u>Buildings constructed before 2021:</u></p> <p>Energy certificate of at least class A</p> <p>Alternatively, based on the energy certificate, the building belongs to the top 15% of the national or regional building stock, expressed by primary energy demand in operation³</p> <p><u>Buildings constructed after 2021:</u></p> <p>Primary energy demand 10% below the national plan³</p>
	<p>Renovation:</p> <p>Comprehensive thermal renovation</p>	<p>The refurbishment results in a primary energy demand in accordance with the national plan or a reduction in primary energy demand of at least 30%³</p>

Credit claims that do not fall into these appropriate categories will not be funded or refinanced with the net proceeds of financial instruments issued under this framework.

Exclusion Criteria

³ This corresponds to the technical screening criteria of the EU taxonomy (as of June 2021) as well as the minimum requirements of the new Austrian building standard (OIB Guideline 6 updated in March 2015, www.oib.or.at) in line with the Austrian implementation strategy of the EPBD Directive <https://epbd-ca.eu/>.

The following exclusion criteria have been laid down in the credit policy applicable to the entire Group.

States/Governments

- *Political and social standards*
 - States that violate fundamental rights relating to democracy and human rights (serious, persistent and systematic violations).
 - States in which the death penalty is applied
 - States with particularly high military budgets (more than 4% of GDP)
 - Warring states according to OeKB coverage guidelines
- *Environmental standards*
 - States without targets and measures to reduce greenhouse gases (no ratification of the Paris Climate Agreement and the UN Convention on Biological Diversity)
 - States with expansive policies concerning the expansion of nuclear energy (nuclear power plants under construction and/or planned)

Companies

- Business practices related to:
 - Human trafficking
 - Child labor
 - Forced labor
 - Discrimination
 - Violation of freedom of association
 - Criminal acts
- Business areas, i.e. financing of:
 - Nuclear power plants (incl. suppliers of nuclear components and uranium mining/reprocessing)
 - Fossil fuels (extraction, refining and power generation from coal, oil and natural gas)
 - Armaments and arms deals
 - Genetic manipulation (green and red genetic engineering)

- Prostitution and pornography
- Drug trafficking
- Smuggling
- Forest clearing and deforestation
- Overfishing
- Cruelty to animals

Further, HYPO Oberösterreich does not extend loans to customers who are predominantly active in the following industries, unless they have a sustainability rating or mention sufficiently positive explanations on sustainability in their annual reports⁴:

- Tobacco industry
- Alcohol industry
- Chemical industry
- Gambling

The exclusion criteria refer to the full investment scope of the financed projects.

Opinion: ISS ESG considers the Use of Proceeds description provided by HYPO Oberösterreich's Green Finance Framework as aligned with the GBPs. The eligible project categories show alignment with the sustainability strategy of the company. Further, the issuer specifies a list of exclusion criteria, reflecting best market practice.

2. Process for Project Evaluation and Selection

The identification of the defined credit claims of the suitable categories and inclusion in the "Green Finance Pool" of HYPO Oberösterreich goes through the following process:

- On the basis of the selection criteria defined under the above section (*Use of Proceeds*), the relevant credit claims are determined and a proposal for filling the "Green Finance Pool" is prepared.
- The Sustainability Committee reviews the proposal and its compliance with the framework at least once a year. It decides on inclusion in the pool. The review and decision are documented in a report. The Sustainability Committee of HYPO Oberösterreich consists of the Sustainability Officer and one member each from the Financing, Investment and Treasury departments.
- The report is brought to the attention of the entire Management Board.

⁴ The issuer states that the mentioned categories do not belong to its core business. It is only invested in these industries according to the ÖNACE industry index.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by HYPO Oberösterreich's Green Finance Framework as aligned with the GBPs.

3. Management of Proceeds

The net proceeds of the financial instruments issued under the Framework are used to finance or refinance the loan receivables of the Green Finance Pool⁵. The use of funds is stored in the core banking system to ensure that each loan receivable is only used for a maximum of one purpose.

HYPO Oberösterreich ensures that the pool at least corresponds to the net proceeds of the green financial instruments until their maturity. It is intended to endow the "Green Finance Pool" higher than the outstanding financial instruments and to maintain a security buffer.

If, contrary to expectations, the "Green Finance Pool" is not sufficient to cover the net proceeds, HYPO Oberösterreich will invest the balance of the unallocated net proceeds in cash at its own discretion as a temporary investment until the funds are fully utilized, provided that these comply with the principles of the bank's sustainability strategy (consideration of the exclusion criteria).

Loan receivables of the "Green Finance Pool" may also be used as collateral in the cover pools of HYPO Oberösterreich.

Opinion: ISS ESG finds that Management of Proceeds proposed by HYPO Oberösterreich's Green Finance Framework is fully aligned with the GBPs.

4. Reporting

HYPO Oberösterreich intends to provide an annual report on the development of the net proceeds of the financial instruments covered under the Green Finance Framework and publish it on its website. The report will be prepared on a portfolio level. This Green Finance Report comprises two parts, the use of net proceeds and the impact reporting. The report will be provided at least as long as financial instruments are outstanding under this framework. The Green Finance Report will be reviewed and approved by the Sustainability Committee.

Allocation Reporting

The following items are presented in the Use of Net Proceeds section:

- List of financial instruments issued under the Framework with volume.
- Volume of the Green Finance Pool by appropriate category the section "Use of Proceeds"
- Amount or percentage share of new loans and refinancing
- Volume of net proceeds of the financial instruments that could not be allocated to the appropriate categories (if applicable)

⁵ At this point, the net proceeds are planned to entirely refinance existing green loans.

Impact Reporting

The Impact Reporting part includes information on the environmental impact of the financing in the Green Finance Pool as follows:

- Projects financed
- Total area (m²)
- Annual energy consumption saved through renovation measures in kWh
- Annual GHG emissions reduced/avoided in tons of CO₂e

Opinion: *ISS ESG finds that the reporting proposed by HYPO Oberösterreich's Green Finance Framework is aligned with the GBPs. The issuer commits to annually report on allocation in a clear, detailed and transparent manner until net proceeds are fully allocated. In addition, the company is transparent on the level of reporting, on its frequency, scope and type of information reported. This also applies to the relevant impact dimensions. Finally, both the allocation report and impact report are publicly disclosed on the issuer's website which enhances the quality of the reporting.*

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Eligibility Criteria, ISS ESG assessed the contribution of the HYPO Oberösterreich’s Green Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).⁶

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



Each of the Green 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	

⁶ This assessment differs from the standard ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs. The insight on the project level in the scope of the current SPO allows to take into account more granular information, including standards from the EU Taxonomy Delegated Acts (June 2021). For projects to be financed under the Use of Proceeds category “Green buildings” which have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation by the projects is attested. Please note that this approach does not equate to a full assessment, to what extent the assets to be financed under this framework are in line with the EU taxonomy.

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

Green buildings

As a Use of Proceeds category, “Green buildings” has a positive contribution to SDG 13 “Climate Action”. The table below presents the findings of an ISS ESG assessment of the Eligibility Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI	
Prerequisite for Green Buildings	
✓	100% of assets (re)financed under this framework undergo an appropriate and detailed selection process that ensures good standards regarding energy efficiency.
Site selection	
✓	100% of assets (re)financed under this framework have a policy on responsible site selection in place (e.g. brownfield development, exclusion of protected areas and sites of high environmental value).
✓	100% of the assets are located within 1 km from one or more modalities of public transport.
Construction standards	
✓	100% of assets (re)financed under this framework are located in Austria where high labour and health and safety standards are in place (e.g. ILO core conventions).
○	No or limited information is available concerning the sustainable procurement of building materials (e.g. recycled materials, third-party certification of wood-based materials).
Water use minimization in buildings	
✓	100% of assets (re)financed under this framework provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings) as provided by national legislation.
Safety of building users	
✓	100% of assets (re)financed under this framework ensure operational safety measures that are in line with Austrian regulation (e.g. emergency exits, fire sprinklers, fire alarm systems).
Energy efficiency	
✓	100% of assets (re)financed under this framework ensure a reduction in primary energy demand below the minimum requirements of the OIB directive ⁷ .
Sustainability labels	

⁷ This represents the Austrian implementation strategy of the Energy Performance of Buildings Directive (EPBD) by the European Union.

- No information is available with regards to the assets that obtained a LEED, BREEAM, DGNB (or an equivalent) certification “Very good”.

DISCLAIMER

1. Validity of the SPO: As long as the Green Finance Framework of HYPO Oberösterreich 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.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of HYPO Oberösterreich’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. 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.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the 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 Oberösterreich (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 Oberösterreich’s Green Bond contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

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.

Norm-Based Research - Severity Indicator - 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

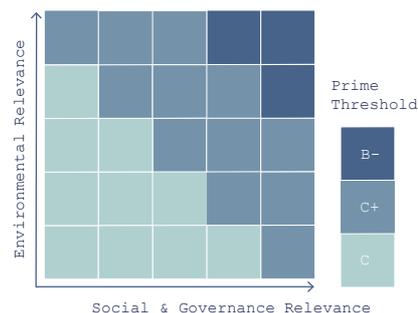
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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).

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).

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 3: Quality management processes

SCOPE

HYPÖ Oberösterreich commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ISS ESG KPI set: - Green Buildings
- Other relevant KPI

ISSUER'S RESPONSIBILITY

HYPÖ Oberösterreich's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- 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 Green Bond to be issued by HYPÖ Oberösterreich based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with HYPÖ Oberösterreich took place in July/August 2021.

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/>

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