

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and the CHF Green Bond Asset Pool

Hypo Vorarlberg Bank AG (HypoV)  
25 February 2020

## CONTENTS

Overall Evaluation of the CHF Green Bond.....	3
ISS ESG ASSESSMENT SUMMARY.....	3
Contribution of the CHF Green Bond to the UN SDGs.....	4
ISS ESG SPO ASSESSMENT.....	5
PART I: GREEN BOND PRINCIPLES.....	5
PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL.....	8
Private Mortgages for Energy Efficient Buildings .....	8
Green commercial real estate.....	9
PART III: ASSESSMENT OF HYPO VORARLBERG BANK AG'S ESG PERFORMANCE .....	11
ANNEX 1: ISS ESG Corporate Rating.....	13
ANNEX 2: Methodology .....	18
About ISS ESG SPO .....	19

## Overall Evaluation of the CHF Green Bond

Hypo Vorarlberg Bank AG (HypoV) commissioned ISS ESG to assist with its CHF Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. HypoV'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. HypoV'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>	<p>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 include: private mortgages for energy efficient buildings and green commercial buildings.</p> <p>All assets of the asset pool are located in Switzerland, a highly regulated and developed country. Legislative frameworks in Switzerland set minimum standards, which reduce environmental and social risks.</p>	<b>Positive</b>
<b>Part 3:</b>  <b>Issuer sustainability performance</b>	<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 14<sup>th</sup> out of 252 companies within its sector as of 25.02.2020. This equates to a high relative performance, with a Decile Rank<sup>2</sup> of 1.</p>	<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 24.07.2019). The controversy check of the underlying assets was conducted on the 11.02.2020.

<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 CHF Green Bond to the UN SDGs

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



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
Private mortgages for energy efficient buildings	Limited contribution	
Commercial Green Buildings	Limited contribution	

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

The use of proceeds is the (re-)financing of energy-efficient buildings in Switzerland. The properties were categorised by a defined rating scale for energy efficiency according to the categories of the energy performance certificate of Swiss Cantons (GEAK). The categorisation from A – G is based on the building’s estimated energy requirement for space heating and hot water measured in kWh per m<sup>2</sup> energy procurement area and year (kWh/m<sup>2</sup>/year).

The objects are divided into two categories based on the rating classes A to G. Category 1 includes objects of the rating classes A to C, that are built from the year 2000 on with heating specifications based on the Swiss Federal register of buildings and housings (GWR), excluding oil. For properties without available data on heating systems, i.e. 17 out of 54 assets, the average energy demand was derived using a model based on the type of building, year of construction and living space. Category 2 includes all objects that do not fulfil at least one of the selection criteria of category 1. HypoV has only selected assets with category 1 and rating-classes A to C for this CHF Green Bond.

For more information on the calculation method of the energy requirements consult HypoV’s exhaustive framework, which can be found here (<https://www.hypovbg.at/investor-relations/#greenbond>).

ASSET CATEGORY	INCLUDED IN GREEN BOND PORTFOLIO	SHARE OF ASSET POOL
A Private mortgages for energy efficient buildings	✓ Yes	82%
B Commercial green buildings	✓ Yes	18%
<b>Total</b>		<b>100%</b>

**Opinion:** ISS ESG considers the Use of Proceeds categories and their description provided by HypoV’s Green Bond Framework as aligned with the Green Bond Principles.

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

To ensure transparency, a report will be submitted to the Sustainability Committee – consisting of the Sustainability Officer, a member of the Managing Board, a Credit Management member, a member of the Compliance department, two Treasury members and a branch manager of St. Gallen – on a regularly basis. This report includes the allocation of sustainable loans towards green bonds proceeds and the volume development of lending for the purpose of building, purchasing or refurbishment of green, sustainable buildings. The Sustainability Committee will decide which new financing will be added to HypoV’s green pool and verifies that all selected Eligible Assets comply with HypoV’s Use of Proceeds criteria.

It has not been ruled out that the buildings financed or refinanced by the issue proceeds are also included in HypoV's cover pool as collateral (mortgage and public sector covered bonds). However, HypoV guarantees that there is only one intended use for each loan. The issuing purpose of mortgage and public sector covered bonds is general corporate finance.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by HypoV's Green Bond Framework as aligned with the Green Bond Principles. Moreover, several departments are involved in the project selection. However, improvements can be made on the commitment to transparency in case of ESG controversies.

### 3. Management of Proceeds

After issuance, net proceeds of the CHF Green Bond issue will be used for refinancing loans in HypoV's CHF Green Bond Pool. HypoV has developed a "green bond management system" (WinCredit from BaseNet) and all eligible loans, and the related KPI's for each building, are entered in a ledger. The eligible loans in the "green bond management system" will be contrasted with the green bond proceeds.

Until maturity, HypoV will invest a volume at least equal to the proceeds of its CHF Green Bond issuance in Eligible Assets, and to continue to finance and promote energy-efficient housing and commercial properties.

If, contrary to expectations, proceeds of the CHF Green Bond cannot be fully allocated to Eligible Assets in Switzerland, HypoV aims to invest these unallocated proceeds in Austrian green assets in the meantime and replace them with new or existing business in Switzerland as soon as possible.

HypoV aims to allocate proceeds to Swiss energy-efficient buildings within two years after issuance. Generally, HypoV's goal is to replace at least 20% of the refinanced loans with new business or with existing business in Swiss energy-efficient buildings during the entire tenor of the issue.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by HypoV is aligned with the Green Bond Principles. Moreover, ESG criteria are defined if temporary investments are necessary which reflects best market practice.

### 4. Reporting

On an annual basis, HypoV will provide a report on the development of its CHF Green Bond proceeds. The following points are essential elements of each report:

- Allocation reporting:
  - The list of Eligible Assets financed, including a description thereof.
  - Aggregate volume in each category of Eligible Assets, including a percentage of the use for refinancing and financing of new business.
  - The balance of any unallocated proceeds invested in other green assets.

- A breakdown of existing loans and new added loans as well as geographical distribution and other relevant stratification tables so investors can assess the CHF Green Bond Pool characteristics.
- Impact reporting:
  - HypoV will ensure that the CO<sub>2</sub> emissions of financed projects relative to the buildings built in the same bucket of years (2000 – 2005, 2006 – 2019, 2020 – 2024 et cetera) is calculated and published. The financed projects also take buildings with Minergie certifications into account.

The reports will be published on HypoV's website around September every year for the lifetime of the CHF Green Bond issue. The impact reports (avoided CO<sub>2</sub> emissions) of the Energy Institute of Vorarlberg, an independent association, and IAZI (Informations- und Ausbildungszentrum für Immobilien AG) will only be available in German, but a summary will be made available in German and English.

**Opinion:** *ISS ESG finds that the allocation reporting proposed by HypoV is fully aligned with industry best practices and with the GBPs. The impact reporting has clearly defined indicators on which they will be reported and is thus in line with industry best practices and the GBPs.*

### External review

HypoV has commissioned ISS ESG to provide a Second Party Opinion (SPO) to confirm the alignment of its inaugural CHF Green Bond with the ICMA Green Bond Principles.







## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### Private Mortgages for Energy Efficient Buildings

As a 'Use of Proceeds' category, private mortgages for energy efficient buildings, has a limited contribution to the SDG 11 "Sustainable cities and communities".

Additionally, when considering the deeper ESG management, private mortgages for energy efficient buildings can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-)financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>Energy Efficiency prerequisites</b>	
<ul style="list-style-type: none"> <li>✓ All assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.</li> </ul>	 
<b>Construction standards</b>	
<ul style="list-style-type: none"> <li>✓ All assets are located in Switzerland, where high labour, and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).</li> </ul>	
<b>Responsible treatment of customers with debt repayment problems</b>	
<ul style="list-style-type: none"> <li>✓ For all assets, pre-emptive actions to prevent client debt repayment problems are in place (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ For all assets, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ For all assets, the creditor excludes the selling of contractually serviced loans.</li> </ul>	
<b>Controversy assessment</b>	
<p>Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for private mortgage loans.</p>	












## Green commercial real estate

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

Additionally, when considering the deeper ESG management, commercial real estate can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-)financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>Energy Efficiency prerequisites</b>	
<ul style="list-style-type: none"> <li>✓ All assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.</li> </ul>	 
<b>Site Selection</b>	
<ul style="list-style-type: none"> <li>✓ All assets are developed on brownfield sites (e.g. previously developed land that is not used anymore at the time of construction).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ All assets are located within a maximum of 1km from one or more modalities of public transport.</li> </ul>	
<b>Construction standard</b>	
<ul style="list-style-type: none"> <li>✓ All assets are located in Switzerland, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).</li> </ul>	
<ul style="list-style-type: none"> <li>○ No information is available on the sustainable procurement regarding building materials (e.g. recycled materials).</li> </ul>	
<b>Water use minimization in buildings</b>	
<ul style="list-style-type: none"> <li>○ No information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).</li> </ul>	
<b>Safety of building users</b>	
<ul style="list-style-type: none"> <li>✓ All assets provide for measures to ensure operational safety (e.g. requirements for fire protection, in line with national legislation).</li> </ul>	 

### Sustainability labels / Certificates

- None of the assets obtained a (or an equivalent of) BREEAM “Very Good”, DGNB “Silver / Gold”, LEED “Gold”, HQE “excellent” certificate or better certification. However, all commercial buildings obtained Minergie certificates.



### 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.

The methodology for the asset evaluation can be found in Annex 2.

## PART III: ASSESSMENT OF HYPO VORARLBERG BANK AG'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
<b>HYPO VORARLBERG BANK AG</b>	<b>PRIME</b>	<b>C</b>	<b>1</b>

This means that the company performed well 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 25.02.2020, this rating places Hypo Vorarlberg 14<sup>th</sup> out of 252 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 five key issues, Hypo Vorarlberg rates above the average for the sector. A very significant outperformance was achieved in "Labour standards and working conditions", "Customer and product responsibility", "Sustainable investment criteria" and in "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  
London/Munich/Rockville/Zurich

<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 Vorarlberg'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

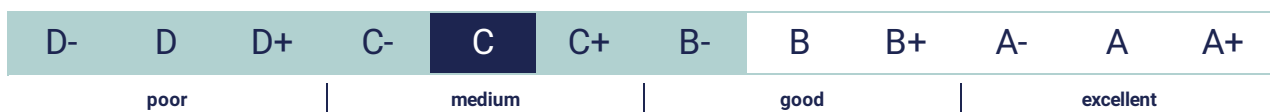
The following pages contain extracts from Hypo Vorarlberg's 2020 ISS ESG Corporate Rating.

# ESG Corporate Rating

## Hypo Vorarlberg Bank AG

<b>Industry</b>	Financials/Public & Regional Banks	<b>Status</b>	<b>Prime</b>
<b>Country</b>	Austria	<b>Rating</b>	<b>C</b>
<b>ISIN</b>	XS1856342560	<b>Prime Threshold</b>	<b>C</b>
		<b>Decile Rank</b>	<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-

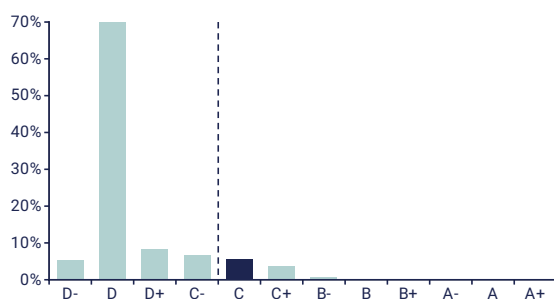
Legend: ■ Industry ■ Company --- Prime

### Key Issue Performance

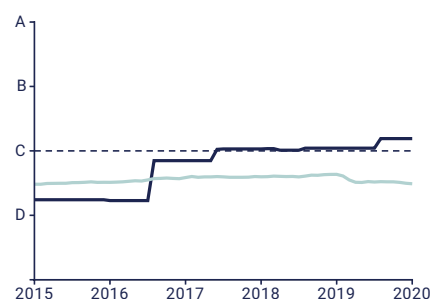


### Distribution of Ratings

252 companies in the industry



### Rating History



# Hypo Vorarlberg Bank AG

## Analyst Opinion

### Sustainability Opportunities

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Hypo Vorarlberg offers financial products and services for private and commercial clients such as asset management, loans and special financing solutions, leasing service or savings accounts. The company provides SRI products estimated to account for less than 0.5% of total assets under management (in 2018). Relevant products include a theme fund applying a best-in-class approach. Besides, the company offers green loan programs promoting climate change mitigation or energy efficiency as well as financial services with a social benefit. The company also offers a banking account supporting financial inclusion. However, the named products and services do not constitute the main business of the company.

### Sustainability Risks

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For a financial institution, the most relevant sustainability issues are the systematic integration of environmental and social aspects into core business areas as well as the responsible treatment of clients and employees. There is no indication of a comprehensive strategy to adequately manage risks in the lending or investment business. However, it has to be considered that the company has primarily activities in OECD countries and is not significantly involved in project financing. The company also excludes some controversial activities from lending and investment activities. In the social dimension, Hypo Vorarlberg shows a comparably good approach to manage employee and customer-related issues. This includes, for instance, offering solutions for clients with debt repayment problems or work-life options for employees. There is no specific approach to ensure employment security; however, the company operates in countries with high legal standards on employment security and workforce restructuring. Furthermore, the company might face compliance risks, which are addressed by the implementation of group wide compliance guidelines. Those cover almost all relevant business ethics aspects but fail to address important issues such as validity of financial information. To ensure compliance with its guidelines, the company provides compliance training, risk assessments and reporting channels, amongst others. However, a recent controversy relating to money transfers in 2018 tarnishes the company's performance.

### Governance Opinion

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Hypo Vorarlberg is majority-owned by Vorarlberger Landesbank-Holding (76.87% of total share capital), a special fund of the State of Vorarlberg. The remaining shares are held by Austria Beteiligungsgesellschaft mbH (23.13%), which comprises Landeskreditbank Baden-Württemberg - Förderbank (7.70%) and its parent company Landesbank Baden-Württemberg (15.42%) (all information as at December 2018). Although the chair of the board was previously CEO of the company, he can be considered independent as more than five years lie between both functions. In addition, the majority of the members of the supervisory board are independent as well as the committees in charge of audit, nomination and remuneration (as at May 2019). Moreover, the company discloses its remuneration policy for executives, including long-term components. The company's executive management team does not receive any kind of variable compensation.

Regarding the company's governance of sustainability, there is no evidence of a 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. The company addresses possible compliance risks by the implementation of group wide compliance guidelines. Those cover almost all relevant business ethics aspects but fail to address important issues such as validity of financial information. To ensure compliance with its guidelines, the company provides compliance training, risk assessments and reporting channels amongst others. However, a recent controversy relating to money transfers in 2018 tarnishes the company's performance.

# Hypo Vorarlberg Bank AG

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by 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).

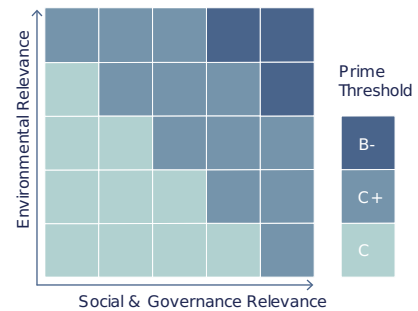


# Hypo Vorarlberg Bank AG

## 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.

**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 Vorarlberg's CHF 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 Vorarlberg (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

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

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