

Green Finance Framework

**Oberösterreichische
Landesbank AG
“HYPO Oberösterreich”**

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  www.hypo.at



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1. HYPO Oberösterreich Corporate Profile

Oberösterreichische Landesbank AG (hereinafter referred to as HYPO Oberösterreich) is one of Austria's most renowned and traditional banks, with a corporate history stretching back more than 130 years. With total assets of around eight billion euros, it is one of the 20 largest financial institutions in Austria. The province of Upper Austria, Austria's economically strongest province, stands behind the bank as majority owner. The excellent and stable ownership structure is rounded off by Raiffeisenlandesbank Oberösterreich AG and Oberösterreichische Versicherung AG as strategic financial partners.

The bank's core business areas primarily include residential construction financing. Here, the bank covers the entire spectrum from public non-profit to commercial to private and subsidized residential construction. Residential construction accounts for more than 70 percent of the bank's total financing volume. The bank is therefore clearly number one in this segment in its core market of Upper Austria. As the principal bank of the province of Upper Austria and its companies, HYPO Oberösterreich also enjoys an excellent market position among public-sector institutions and church and social organizations. In recent years, HYPO Oberösterreich has been able to contribute its expertise as a financing partner in various project and infrastructure financing projects of the province. As a bank for freelancers, HYPO Oberösterreich is also the market leader in providing services to physicians in private practice. In total, the bank's 420 employees at 12 locations (11 in Upper Austria and 1 in Vienna) serve around 100,000 customers.

The bank's excellent credit rating and high level of security are remarkable and are reflected, among other things, in the lowest credit risks in Austria. This is also regularly reflected in the external assessment of the renowned international rating agency Standard & Poor's. The current rating of A+ means that the bank has an excellent credit standing. With its current rating of A+, HYPO Oberösterreich is once again at the top of the rating comparison of all domestic universal banks.

HYPO Oberösterreich is also one of Austria's most traditional and largest issuing banks. Pfandbriefe and housing bonds, in particular, provide the basis for a solid refinancing structure and secured liquidity.

HYPO Oberösterreich has been committed to sustainability for many years. Some ESG factors have been part of the bank's DNA, so to speak, since it was founded in 1891 as a "non-profit institution" at the time. In recent years, increasing attention has been paid to the area of ecology. Since 2016, HYPO Oberösterreich has been awarded a Prime sustainability rating by ISS ESG.

2. HYPO Oberösterreich Sustainability Strategy

Sustainability is one of the most important future and social issues of our time, which HYPO Oberösterreich supports wholeheartedly. Therefore, in addition to economic aspects, ecological and social aspects are also taken into account when making decisions. Environmental protection, energy efficiency, the conservation of natural resources and the assumption of a social responsibility have a high priority at HYPO Oberösterreich.

Sustainability is a focal point of HYPO Oberösterreich's value-added strategy. Sustainability is incorporated into all corporate decisions and processes and is part of the overall corporate strategy. This means that the targets and measures have been or will be developed from the core business.

Our Strategic Sustainability Goals until 2025

HYPO Oberösterreich is committed to the 1.5 degree target of the Paris Climate Agreement and to national climate and environmental targets.

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 ambitious environmental and energy targets.

HYPO Oberösterreich is convinced that its banking and financial services can make a significant contribution to the sustainable development of the region, the companies and the people. Strict exclusion criteria (in accordance with the requirements of the Austrian Eco-Label) in the credit policy underline the high value of sustainability for the bank. HYPO Oberösterreich's goal is to increase the volume of sustainable financing by ten percent annually. In the case of sustainable investments, the goal is to increase the volume by 50 percent by 2025.

The bank is a member of respect, cooperates with ÖGUT - Austrian Society for Environment and Technology - in the further training of employees, is a partner of Climate Alliance Austria and plans to participate in the Green Finance Alliance Initiative of the Austrian Ministry for Climate Protection.

The bank's relationships with its customers and employees are characterized by respect, appreciation and transparency.

Sustainable customer relationships with added social value are part of the bank's DNA. This includes, for example, the financing of non-profit, social housing as well as the financing of the domestic health care system and the support of church and social organizations.


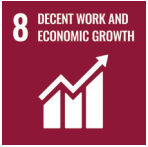



As a top employer in Austria with multiple awards, the bank promotes a wide range of employee programs. For example, HYPO Oberösterreich was the first bank in Upper Austria to be certified in 2009 for improving the compatibility of work and family life. HYPO Oberösterreich has also been a regular participant in the “Cross Mentoring Project” since it was founded to specifically promote women and encourage them to take on management responsibility, and it offers workplace health promotion as part of the state-certified “Healthy & Satisfied” project.

Also important are the topics of further training, appreciation and equal opportunities in terms of diversity. The proportion of female managers and the inclusion of people with disabilities are to double by 2030 (2020 baseline). The annual diversity reporting serves to control these set goals.

The exemplary implementation of all aspects of good governance is a matter of course for the bank. The fight against corruption, money laundering and anti-competitive practices, among other things, is not only included in the bank's binding regulations (Code of Conduct, Compliance Manual, etc.), but employees are also regularly informed and trained on these topics.

2.1. SDGs

From the United Nations (UN) 2030 Agenda for Sustainable Development, the Bank has chosen five Sustainable Development Goals (SDGs) to prioritize.

SDG	Description (UN)	Our Activities
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Ensure a healthy life for all people of all ages and promote their well-being	<ul style="list-style-type: none"> • Financing the domestic healthcare sector: hospitals, medical practitioners' practices, social insurance, care institutions... • Company health management "Healthy & Satisfied" • Annual, large-scale preventive medical checkups for all employees
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Promote lasting, broad-based and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> • HYPO Oberösterreich is strongly connected to the regional economy, thus contributing to value creation in Upper Austria and being a secure employer in the region with a clear diversity strategy
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Making cities and settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> • Financing large-scale regional social housing • Financing home ownership in the private sector with the associated high ecological building standards
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • Sustainable product range offers consumers the opportunity to invest their money sustainably • Guidelines for purchasing sustainable advertising materials and printed products • Guidelines for sustainable events
 <p>13 CLIMATE ACTION</p>	Take immediate action to combat climate change and its effects	<ul style="list-style-type: none"> • EMS according to ISO 14001 with clear environmental and energy targets • Gradual decarbonization with target of climate neutrality 2025 • Strict exclusion criteria in credit policy

3.

Green Finance Framework

HYPO Oberösterreich has defined sustainability as one of its 4 core strategic positions. The aim of this framework is to establish a transparent methodology on the basis of which “green financial products” such as bonds (Pfandbriefe, senior or tax-privileged housing bonds), accounts and savings books are issued in order to promote projects with ecological benefits.

This 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 bank ensures compliance with a defined, traceable and transparent process over the life of the financial products.

The Green Finance Framework is based on the Green Bond Principles published by the International Capital Market Association (ICMA). This is a voluntary guideline that regulates integrity in the green bond market through transparency, disclosure and reporting. It consists of the following 4 core elements:



- 1. Use of Funds (Use of Proceeds)**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**

Future developments and changes such as best practices or regulatory requirements such as the EU Green Bond Standards or EU Taxonomy are taken into account by HYPO Oberösterreich. The framework can therefore be adapted on an ongoing basis.

3.1. 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	SDG	EU-Taxonomy
Energy-Efficient (Green) Buildings	New construction: <ul style="list-style-type: none"> Residential buildings with subsidies for owner-occupied housing Upper Austria Subsidized large-scale housing Private housing 	<u>Buildings constructed before 2021:</u> Energy certificate of at least class A ¹ 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 operation ¹ <u>Buildings constructed after 2021:</u> Primary energy demand 10% below the national plan ¹	 	Environmental Target: <u>Climate protection</u> Energy-efficient activities according to technical assessment criteria 7.1., 7.2., 7.7. and Annex 1 of EU-Taxonomy EU 2020/852
	Renovation: <ul style="list-style-type: none"> Comprehensive thermal renovation 	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%		

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.

¹ corresponding to the technical assessment criterias of EU-Taxonomy (as of April 2021) as well as the minimum criteria of the new Austrian construction standard (neue österreichische Baunorm OIB-Richtlinie 6, www.oib.or.at) in accordance with the Austrian implementation strategy of the EPBD legal guideline (österreichische Umsetzungsstrategie der EPBD-Richtlinie) <https://epbd-ca.eu/>

3.1.1. Exclusion Criteria

As a regional bank with majority public ownership, we stand for holistic, long-term customer relationships characterized by mutual benefit. However, we also consider ourselves committed to ethical and sustainable action with regard to social and environmental standards. We have therefore defined that we will not grant loans that could harm HYPO Oberösterreich's image (ethical principle, reputational risk) or contradict our business principles, as they are not in line with sustainable and environmentally compatible production processes and products humane and social working conditions and general human and civil rights.

The following exclusion criteria have therefore 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)

Unternehmen:

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

We do 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 reports

- Tobacco industry
- Alcohol industry
- Chemical industry
- Gambling

All exclusion criteria are to apply to the entire project investment.

3.2. Project Evaluation and Selection Process

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 point 3.1. Use of funds, the suitable credit claims are determined with the support of the system 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.

3.3. 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 Pool. 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 temporarily invest the balance of the unallocated net proceeds in cash at its own discretion 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.

3.4. 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 portfolio level. This Green Finance Report comprises 2 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.

3.4.1. Use of Net Proceeds (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 according to point 3.1. use of funds
- 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)

3.4.2. 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

4. External Validation

4.1. Second Party Opinion

HYPO Oberösterreich has commissioned ISS ESG to review this framework.

The results are documented in the Second Party Opinion and are available on the homepage of HYPO Oberösterreich (<https://www.hypo.at/de/investor-relations.html>)

4.2. Austrian Eco-Label for Sustainable Financial Products (UZ49)

The Austrian Eco-Label (UZ) distinguishes products and services that represent the more environmentally friendly alternative in the comparable market offering. It is sponsored by the Federal Ministry for Sustainability and Tourism (BMNT).

The Association for Consumer Information (VKI) is responsible on behalf of the BMNT for the development and administration of the UZ guidelines, which form the basis for the award of the label.

for the awarding of the label. The Austrian Eco-Label for Sustainable Financial Products has been in existence since 2004 and is the oldest such label in Europe. It is planned to have individual products issued under this framework additionally certified with the Austrian Eco-Label for Sustainable Financial Products (UZ49).

4.3. Corporate ESG Rating and Awards

With our sustainability rating in the Prime status of the international rating agency ISS ESG and the “Qualified” status of RFU based in Vienna, we are among the best in the industry in German-speaking countries. Since July 2020, we have been a member of respACT - Austria’s leading corporate platform for sustainable business.

For our activities in the area of employees, we have repeatedly received and continue to receive awards such as the “Work and Family Audit” and the “Quality Seal for Workplace Health Promotion” from Fonds Gesundes Österreich. We were again named “Top Employer 2021” by “kununu” and “Trend” magazine.

We also received the Pro-Ethik seal from the Austrian Advertising Council. This seal is a visible sign that companies also adhere to ethical principles in their advertising activities. This is how we set many impulses today and tomorrow. Or rather: Today for tomorrow.

5. Disclaimer

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