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GREEN BOND FRAMEWORK

HYPO VORARLBERG

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Gender note:
For ease of reading, the simultaneous use of masculine and feminine terminology has been dispensed with.

GREEN BOND FRAMEWORK

1. INTRODUCTION

About Hypo Vorarlberg
Hypo Vorarlberg (the "Bank") was founded in the year 1897 and is the largest single banking institution in Vorarlberg with total assets of approximately EUR 16.3bn as of 30 September 2022. The shareholders of Hypo Vorarlberg are the state of Vorarlberg with a share of approx. ¾ and a banking consortium consisting of LBBW and L-Bank with a share of approx. ¼. The earnings before taxes as of 30 September 2022 amount EUR 134.2mn. Hypo Vorarlberg employs 727 people.

Hypo Vorarlberg's sustainability strategy and governance
Hypo Vorarlberg aims at balancing the economic success of its business activities with ecological compatibility and social aspects. The values that define the Bank's corporate culture include responsibility in business, offering high-quality products and services, a systematic focus on customers' needs and a mindful approach to employees and resources, in addition to social commitment. In the year 2021, Hypo Vorarlberg published its Code of Conduct, which contains the Bank's fundamental principles of action. All employees are obliged to observe these principles and act in accordance with the Code of Conduct.[1] For Hypo Vorarlberg, it is of utmost importance to support and continue to promote the state of Vorarlberg's **"Energy Autonomy 2050"**[2] project by financing energy-efficient projects. The objective of this initiative is to fully meet the regional energy demand with renewable energy by 2050. "Energy Autonomy 2050" was complemented by the strategy "Energy Autonomy+" and now also takes energy-independent emissions into account.

Hypo Vorarlberg strives to assume responsibility for the environment and the civic environment that goes beyond legal and economic requirements where feasible. Furthermore, Hypo Vorarlberg has developed **ethical guidelines** and **positive and exclusion criteria**.[3] These guidelines and criteria have been implemented in Hypo Vorarlberg's business processes. Transactions with customers or financing that violate at least one of the principles of the ILO core labor standards are excluded. The Bank also follows the rules of the Austrian Code of Corporate Governance (ÖCGK) and is committed to the OECD Guidelines on Multinational Enterprises, the ILO core labor standards and the Universal Declaration of Human Rights. Hypo Vorarlberg also promotes and viably preserves the regional economy in its key markets. In line with this goal, Hypo Vorarlberg is striving to finance and promote projects with ecological and social impact. For many years, the Bank took action to reduce its own environmental footprint, for example, Hypo Vorarlberg improved the energy efficiency of its buildings. At its head office in Bregenz and in Dornbirn, Hypo Vorarlberg itself is already utilising renewable energy generated by photovoltaic plants.

Sustainability initiatives and commitment
The global warming and climate change are scientifically undisputed, and many of these changes observed since the 1950s are unprecedented. The temperatures of the atmosphere and oceans are rising, while the amount of snow and ice is declining, moreover, the sea level is rising and the concentration of greenhouse gases is surging. In order to combat these dramatic consequences, and take steps towards a low-carbon economy, ten renowned companies located in the Vorarlberg region have created the Climate Neutrality Alliance 2025 initiative. Hypo Vorarlberg was one of these companies. Later the alliance evolved into the 'turn to zero'[4] initiative, and has continued its commitment to reducing greenhouse gas emissions even after this initiative was wound down. Through the Bank's majority ownership by the Federal State of Vorarlberg, Hypo Vorarlberg is also involved in the 'mission zero V' programme, under which the State of Vorarlberg pursues the ambitious objective of becoming one of the first regional public administrations with near-zero greenhouse gas emissions.

[1] Source: Code of Conduct of Hypo Vorarlberg Bank AG, https://www.hypovbg.at/fileadmin/Hypovbg/Hypo-Vorarlberg/Verhaltenskodex_Hypo-Vorarlberg.pdf (retrieved: 2023-01-30)
[2] Source: https://www.energieautonomie-vorarlberg.at/de/das-ist-energieautonomie/ (retrieved: 2023-01-30)
[3] Source: Sustainability Report of Hypo Vorarlberg Bank AG, https://www.hypovbg.at/nachhaltigkeit/nachhaltigkeitsbericht (retrieved: 2023-01-30)
[4] Source: https://www.turntozero.com/ (retrieved: 2023-01-30)

When selecting stocks and bonds in asset management as well as for the Hypo Vorarlberg Fonds at the individual stock level, Hypo Vorarlberg ensures among other things compliance with the ten principles of the UN Global Compact.[5] Furthermore, the Bank's business activities contribute towards selected Sustainable Development Goals (SDGs) of the United Nations.[6] [7] Naturally, the Bank also contributes to the Paris Climate Agreement to keep the global temperature rise well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius financing energy-efficient projects.

Hypo Vorarlberg's green bond issuances and update of the Green Bond Framework

In the spirit of the above-mentioned initiatives, and the associated mitigation of climate change with the goal to achieve the Paris Climate Agreement's 2 degree Celsius-target, Hypo Vorarlberg has designed, approved and implemented a set of procedures that jointly form the **Green Bond Framework**. It is based on the latest version of the **Green Bond Principles**[8] **(2021 version)** and has been created to facilitate transparency, disclosure and integrity of Hypo Vorarlberg's green financing initiatives.

Hypo Vorarlberg's first Euro denominated green bond was issued in fall 2017 and is comprising a volume of EUR 300mn. Hypo Vorarlberg was the first Austrian Bank to issue a green bond. In spring 2020, the Bank has successfully issued its first green bond in Swiss franc. Moreover, Hypo Vorarlberg issued a green private placement in Czech koruna in 2020.

In order to take into account new regulation, such as the EU Taxonomy and the proposed EU Green Bond Standard (EUGBS), Hypo Vorarlberg's Green Bond Framework has been adapted on a best effort basis.

Hypo Vorarlberg intends to update its Green Bond Framework on a regular basis to account for changes in the regulations and market practices, as well as potentially extend the framework by adding more project categories. In that case, a new version of the Green Bond Framework will be published on Hypo Vorarlberg's website.

[5] Source: https://www.unglobalcompact.org/what-is-gc/mission/principles (retrieved: 2023-01-30)

[6] Source: Sustainability Report of Hypo Vorarlberg Bank AG, https://www.hypovbg.at/nachhaltigkeit/nachhaltigkeitsbericht (retrieved: 2023-01-30)

[7] Source: https://sdgs.un.org/goals (retrieved: 2023-01-30)

[8] Source: https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/ (retrieved: 2023-01-30)

2. HYPO VORARLBERG'S GREEN BOND FRAMEWORK

This Green Bond Framework is based on the latest version of the Green Bond Principles[9] (2021 Version) published by the International Capital Market Association (ICMA). The Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure, and that promote integrity in the development of this rapidly growing market. In June 2021, the Delegated Acts for Environmental Objectives 1 and 2 (climate change mitigation and climate change adaptation) of the EU Taxonomy was published. With respect to its Austrian portfolio, Hypo Vorarlberg intends align the eligibility criteria of the green categories, on a best effort basis, with the substantial contribution criteria of the EU Taxonomy Delegated act for climate change mitigation. Hypo Vorarlberg, will further on a best effort basis, take into account the "Do No Significant Harm" (DNSH) criteria as well as the minimum social safeguards.

Below, please find the five components of the green bond issuance process to ensure transparency:

1. **Use of proceeds**
2. **Process for evaluation and selection**
3. **Management of proceeds**
4. **Reporting**
5. **External review**

2.1. USE OF PROCEEDS

The definition of the eligible use of proceeds constitutes the central element of any green bond. An amount equivalent to the net proceeds of each Hypo Vorarlberg green bond is intended to be used to **finance or refinance selected eligible loans, investments and/or projects in categories which have clear environmental benefits following criteria further described in this chapter ("Eligible Assets")**.

The current framework will include projects, loans and investments in the field of green and energy efficient buildings.

All Eligible Assets selected for Hypo Vorarlberg's green bonds are located in Austria and Switzerland. The criteria for the green eligible assets for each country are described in the tables below. Further information related to the selection of assets, and approach to the EU Taxonomy can be found in the Appendix.

[9] Source: https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/ (retrieved: 2023-01-30)

Sustainable Development Goals (SDG)[10]

The United Nations (UN) defined 17 Sustainable Development Goals (SDGs). In the following tables, the SDGs to which Hypo Vorarlberg is contributing through its green bond issuances are briefly explained.

<table>
<tr><th colspan="4">Green eligible assets for the Austrian portfolio</th></tr>
<tr><th>Category</th><th>Eligibility Criteria</th><th>UN SDG</th><th>EU environmental objective</th></tr>
<tr><td rowspan="2">Green and energy efficient residential buildings</td><td>• New buildings (built after 31 Dec. 2020): Primary Energy Demand is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements

• Renovation of existing buildings: The building renovation must comply with the applicable requirements for major renovations, or the renovation will result in a Primary Energy Demand reduction of at least 30%.

• Acquisition and ownership of buildings (built before 31 Dec. 2020): EPC class A or Top 15% of the national/regional building stock[11]</td><td rowspan="2">

By financing energy efficient buildings, Hypo Vorarlberg contributes to SDG 11:

11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials



By financing energy efficient buildings Hypo Vorarlberg contributes significantly to climate protection, SDG 13:

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
13.2 Integrate climate change measures into national policies, strategies and planning</td><td rowspan="2">Climate change mitigation (objective 1)</td></tr>
<tr><td>Energy thresholds for buildings:
• HED limit 2010- 2016: 50 kWh/m²a
• HED limit 2017: 47.6 kWh/m²a
• HED limit 2018-2019: 34 kWh/m²a
• HED limit 2020-2022: 32 kWh/m²a
• HED limit from 2023 on: 30.6 kWh/m²a</td></tr>
<tr><td>Green and energy efficient non-residential buildings</td><td>• Acquisition and ownership of buildings (built before 31 Dec. 2020): EPC class A or top 15% of the national/regional building stock[12]</td></tr>
</table>

[10] Source: https://sdgs.un.org/goals (retrieved: 2023-01-30)

[11] See appendix for the definition of the top 15% for residential buildings in Austria by Drees & Sommer

[12] See appendix for the definition of the top 15% for non-residential buildings in Austria by Drees & Sommer

Green eligible assets for the Swiss portfolio			
Category	**Eligibility Criteria**	**UN SDG**	**EU environmental objective**
Green and energy efficient residential buildings	• **GEAK A-C** • **Minergie**	 By financing green and energy efficient buildings, Hypo Vorarlberg contributes to SDG 11: 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries 11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials  By financing green and energy efficient buildings Hypo Vorarlberg contributes significantly to climate protection, SDG 13: 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.2 Integrate climate change measures into national policies, strategies and planning	Climate change mitigation (objective 1)
	Energy thresholds for buildings built from 2020[13]: • New buildings: 35 kWh/m²a		

[13] Based on the SIA Standards, the Model of energetic requirements for cantons (MoPEC) and using the equivalences of energy label property, a construction of a building after 2016 in Switzerland guarantees that the building has at least a B energy label property. The Swiss Federal Office of Energy has performed an analysis in 2019 (gapexplore) using proprietary data collected from CECB's database to show energy performance label distribution. As a result, label CECB A and B which account for 8 % of the distribution. Then, any building with at least a B certificate is part of the top 15 % of the Swiss stock's most energy-efficient buildings.

2.1.1. EXCLUSIONS

Regarding the loans financed or refinanced with a green bond, Hypo Vorarlberg aims, based on its defined exclusion criteria, to avoid business and financing with morally and/or ethically unacceptable industries. These include among other things pornography and prostitution as well as weapons production. Hypo Vorarlberg also avoids exposures that could be linked to child labour in any way as defined in the ILO core labor standards[14]. It also adheres to the Universal Declaration of Human Rights of the United Nations[15].

2.2. PROCESS FOR EVALUATION AND SELECTION

The selection process outlined below provides an overview of the evaluation and selection as well as the allocation process.

The group risk controlling is responsible for the management of sustainability risks in the financing business. The ethical and sustainable criteria of the Bank are the central control tool of ESG risks. If one of the defined exclusion criteria is violated, the relevant transaction will not be concluded. The ethical and sustainable criteria exclude transactions with increased sustainable risk for the Bank. Those responsible in the core business take appropriate measures to make sure that the criteria are met. The criteria are taken into account during the ongoing audit reviews of the internal revision.[16]

To ensure transparency, on a regularly basis a report will be submitted to the **Sustainability Committee** – which comprises at least one sustainability officer, a member of the Managing Board, two Treasury members and representatives of other relevant departments. In case the issuance of a CHF denominated green bond is planned, a branch manager of St. Gallen will be informed as well. This report includes the allocation of sustainable loans towards green bonds proceeds. Following the eligibility criteria as defined in this framework, the Treasury will review which new financing project will be added to Hypo Vorarlberg's green asset pool and verifies that all selected Eligible Assets comply with Hypo Vorarlberg's Use of Proceeds criteria.

It cannot be ruled out that the buildings financed or refinanced by a bond's proceeds can be used as collateral (mortgage and public sector covered bonds) and are thus also included in Hypo Vorarlberg's cover pool. However, Hypo Vorarlberg ensures through internal procedures that there is only one intended use for each loan. The issuing purposes of mortgage and public sector covered bonds are general corporate purposes.

2.3. MANAGEMENT OF PROCEEDS

After issuing green bonds, the net proceeds of the green bond are intended for (re)financing loans in Hypo Vorarlberg's green pool. Hypo Vorarlberg 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 compared with the green bond's proceeds.

Until maturity, Hypo Vorarlberg will invest a volume at least equal to the proceeds of its green bonds issuance in Eligible Assets, and continue to finance and promote energy-efficient housing and commercial properties. The proceeds of the green bonds are managed per bond (bond-by-bond approach).

If, contrary to expectations, proceeds cannot be allocated to Eligible Assets in Austria, Hypo Vorarlberg aims to invest these unallocated proceeds temporarily in other green bonds that comply with the ICMA Green Bond Principles and that can provide a positive second party opinion from a recognised sustainability rating agency. The green bonds will be replaced by Eligible Assets as quickly as possible.

2.4. REPORTING

On an annual basis, Hypo Vorarlberg will provide an allocation report on the development of its green bond portfolio. The following points are essential elements of each reporting:

Allocation reporting:

- A list of the categories of the Eligible Assets financed.
- Aggregate volume in each category of Eligible Assets, including a percentage of the use for refinancing and financing of new business or newly added loans.
- The balance of any unallocated proceeds invested in other green assets or green bonds.
- A breakdown of existing loans and newly added loans as well as geographical distribution and other relevant distribution which allow investors to assess the Green Bond Pools characteristics.

[14] Source: Sustainability Report of Hypo Vorarlberg Bank AG, https://www.hypovbg.at/nachhaltigkeit/nachhaltigkeitsbericht (retrieved: 2023-01-30)

[15] More information under the following link: https://www.menschenrechtserklaerung.de/ (retrieved: 2023-01-30)

[16] Source: Sustainability Report of Hypo Vorarlberg Bank AG, https://www.hypovbg.at/nachhaltigkeit/nachhaltigkeitsbericht (retrieved: 2023-01-30)

Impact reporting:

- Impact Reporting KPIs, including, for example, total annual GHG emissions avoided (tCO_2e)

The reports will be published on Hypo Vorarlberg's website[17]. The impact reportings (avoided CO_2 emissions) of Drees & Sommer (Projektmanagement und bautechnische Beratung GmbH) and IAZI (Informations- und Ausbildungszentrum für Immobilien AG) are available on Hypo Vorarlberg's website.

2.5. EXTERNAL REVIEW

2.5.1. SECOND PARTY OPINION

The Green Bond Framework at hand is assigned with a second party opinion by ISS ESG. Hypo Vorarlberg has selected ISS ESG as its second party opinion provider for its inaugural EUR Green Bond. ISS ESG is known as one of the world's leading providers of corporate governance and responsible investment solutions, market intelligence, fund services, and events and editorial content for institutional investors and corporations. A report from ISS ESG as sustainability rating agency ensures transparency by verifying and confirming the additional sustainability value of green bonds issued by Hypo Vorarlberg and compliance with this Green Bond Framework as well as the alignment of the Green Bond against the ICMA Green Bond Principles (Version 2021) and the EU Taxonomy Technical Screening Criteria (for Climate Change Mitigation). In addition, the report by ISS ESG also includes a Corporate ESG rating of Hypo Vorarlberg. This report will be further discussed in Chapter 2.5.2. The second party opinion is published on Hypo Vorarlberg's website. Hypo Vorarlberg has also selected ISS ESG as its second party opinion provider for its CHF denominated green bonds.

2.5.2. CORPORATE ESG RATING

Hypo Vorarlberg is rated "C" and therefore reached the prime status[18].

[17] Source: The reports can be found under the following link „Green Bond Information"/"Impact Reporting": https://www.hypovbg.at/investor-relations (retrieved: 2023-01-30)

[18] Source: https://www.hypovbg.at/investor-relations/rating-der-hypo-vorarlberg (retrieved: 2023-01-30)

APPENDIX – GREEN BOND FRAMEWORK

1. CRITERIA FOR ELIGIBLE ENERGY EFFICIENT BUILDINGS IN AUSTRIA

In addition to the existing selection criteria of eligible energy efficient buildings, defined by heating energy demand thresholds, Hypo Vorarlberg also adheres to the criteria of the EU Taxonomy. The table on the following page contains the criteria of the eligible loans which can be included in the portfolio of eligible assets.

Hypo Vorarlberg aims to align its Green Asset Portfolio gradually to the criteria laid out in the EU Taxonomy with the goal to reach taxonomy-alignment on a best effort basis. In this transition period, the energy efficiency of the building, determined by the respective heating energy demand threshold, and/or compliance with the criteria of the EU Taxonomy are considered as criteria for eligible energy efficient buildings in Austria.

Category	Criteria for eligible energy efficient buildings in Austria
Energy efficient buildings	**1. Energy efficiency of the building – Compliance with the HED[19] limits** Austria's minimum requirements for the energy quality of buildings are defined by Directive 6 of the Austrian Institute for Structural Engineering (Österreichisches Institut für Bautechnik, OIB). However, they only become legally binding when endorsed in the Structural Engineering Order of the Austrian federal states (Bautechnikverordnung der Bundesländer, BTV). The thresholds shown here relate to respective applicable legal provisions by the State of Vorarlberg[20], which are below the levels set in the OIB guidelines. ■ HED limit 2010: 50 kWh/m²a[21] ■ HED limit 2011: 50 kWh/m²a ■ HED limit 2012: 50 kWh/m²a ■ HED limit 2013: 50 kWh/m²a[22] ■ HED limit 2014: 50 kWh/m²a[22] ■ HED limit 2015: 50 kWh/m²a[22] ■ HED limit 2016: 50 kWh/m²a[22] ■ HED limit 2017: 47,6 kWh/m²a[23] ■ HED limit 2018-2019: 34 kWh/m²a[24] ■ HED limit 2020-2022: 32 kWh/m²a[24] ■ HED limit from 2023 on: 30,6 kWh/m²a[25] **and/or** **2. Compliance with the criteria of the EU Taxonomy** The building meets the criteria of the EU Taxonomy regarding EU environmental objective 1, climate change mitigation, which are explained in more detail in the table below.

[19] The heating energy demand (HED) describes the quantity of heating that must be supplied in a room to keep it at the stipulated standard room temperature (20°C for residential buildings).

[20] Vorarlberger Landesgesetzblatt 83rd Ordinance/2007, 84th Ordinance/2012, 53rd Ordinance/2014, 29th Ordinance/2015, 93rd Ordinance/2016, 67th Ordinance/2021; New Construction Subsidy Guidelines for Private Housing 2018/2019, 2020/2021, 2022, 2023

[21] Based on the BTV 2007 the maximum limit of the HED from 2010 on is 50,0 [kWh/m²a]

[22] Based on the BTV 2012 and 2014 (beginning 2013 – mid 2015) the HED has to be below the following curve calculated with the characteristic length: 40.67 / lc + 17.47 [kWh/m²a]; maximum 50,0 [kWh/m²a] or with the amendment 2015 (mid 2015 – end 2016) the formula is: 17.47 x (1 + 2.328 / lc).

[23] Based on the BTV 2016 (from the beginning of 2017 on) the HED has to be below the following curve calculated with the characteristic length: 14.00 x (1 + 3 / lc). According to the OIB guideline 6 2015, the maximum limit of the HED from 01 January 2017 is 47.6 kWh/m²a. Previously, the maximum limit of the HED since OIB guideline 6 2011 was 54.4 kWh/m²a. The HED limit above corresponds to that of the OIB RL 6 2015 (47.6), since the BTV 2016 does not contain a specific value for a maximum HED value.

[24] According to the New Construction Subsidy Guidelines for Private Housing 2018/2019, 2020/2021 and 2022 of the residential building subsidies of the state of Vorarlberg the following limits for the heating energy demand are eligible for a bonus.

[25] According to the New Construction Subsidy Guidelines for Private Housing 2023 of the residential building subsidies of the state of Vorarlberg the following limits for the heating energy demand are eligible for a bonus: HED ≤ 11 x (1 + 3 / lc). „lc" stands for the characteristic length. The average characteristic length of model houses (single-family house: 1.26 and multi-family house: 2.52) was used to calculate the limit value. This results in an average HED limit of 30.6 kWh/m²a.

The following table contains the criteria of the EU Taxonomy concerning the objective 1 climate change mitigation: [26]

New buildings (built after 31 Dec. 2020)	The Primary Energy Demand (PED) is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements. Buildings larger than 5000m^2, upon completion, must be tested for air-tightness and thermal integrity or quality control processes are in place during the construction process. The Primary Energy Demand mentioned in the taxonomy is the Primary Energy Demand not renewable ($PEB_{HEB,zul,n.ern}$). According to the OIB (Austrian Institute of Construction Engineering) document concerning the definition of the zero-energy building and setting intermediate targets in a national plan (February 2018)[27] the minimum requirement for the primary energy demand of new buildings is 41 kWh/m^{2}a. Deducting 10% the PED amounts 36.9 kWh/m^{2}a.
Renovation of existing buildings	The building renovation must comply with the applicable requirements for major renovations, or the renovation will result in a PED reduction of at least 30%.
Acquisition and ownership of buildings (built before 31 Dec. 2020)	Buildings built before 31 December 2020 must have at least an EPC class A or the building is within the Top 15% of the national or regional building stock expressed as Primary Energy Demand. Large non-residential buildings are efficiently operated through energy performance monitoring and assessment. Buildings financed by Hypo Vorarlberg that have been built before 31 December 2020 must meet at least one of the following criteria in order to qualify for the Green Bond Pool as an eligible green building: ■ The buildings have an EPC class A. ■ Top 15%: Single family houses built under the OIB guideline 6 2007/2010 with year of construction from 2010 on (Salzburg: 2012) and Multi family houses built under the OIB guideline 6 2007/2010 with year of construction from 2010 on (Burgenland, Vorarlberg: 2013; Salzburg: 2012) belong to the top 15%. The top 15% for non-residential buildings will be determined individually based on the building category (office, hotel, etc.) ■ The building's energy efficiency figures would fulfil the OIB guideline 6 2007/2010: Primary Energy Demand ≤ 190 kWh/m^{2}a The definition of these criteria is based on Drees & Sommer's methodology.

[26] Source: Annex to the Commission Delegated Regulation, 7. Construction and real estate activities
https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_2&format=PDF
(retrieved: 2023-01-30)

[27] Source: OIB guideline 6, national plan, february 2018: https://www.oib.or.at/sites/default/files/nationaler_plan_20.02.18_0.pdf
(retrieved: 2023-01-30)

2. COMPLIANCE WITH THE DO NO SIGNIFICANT HARM (DNSH) CRITERIA OF THE EU TAXONOMY

Hypo Vorarlberg intends to comply with the below mentioned "Do No Significant Harm (DNSH)" criteria which are outlined in the EU Taxonomy on a best effort basis.

Climate change adaptation[28]
Physical climate risks are identified based on a climate risk and vulnerability assessment. Since the buildings financed by Hypo Vorarlberg are insured, it is assumed that a climate risk assessment has been carried out by the insurance company.

Sustainable use and protection of water and marine resources[29]
The criteria concerning the sustainable use and protection of water and marine resources do not apply to installations in residential buildings.

Transition to a circular economy[29]
In the EU Construction and Demolition Waste Management Protocol it is regulated that at least 70% of the non-hazardous construction and demolition waste is prepared for reuse, recycling and other material recovery. ISO 20887:2020 on Sustainability in buildings and civil engineering works - Design for disassembly and adaptability - Principles, requirements and guidance or other standards for the assessment of disassembly or adaptability of buildings demonstrate amongst others the increase of resource efficiency enabling reuse and recycling.

Pollution prevention and control[29]
Building components and materials emit less than 0.06 mg of formaldehyde per m^3 of material or component and less than 0.001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m^3 of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011. New constructions on a potentially contaminated site, the site has been subject to an investigation for potential contaminants (for example standard ISO 18400).

Protection and restoration of biodiversity and ecosystems[30]
The new construction is not built on:

- arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey
- greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List;
- land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest

[28] DNSH criterion concerns the construction of new buildings, renovation of existing buildings and acquisition and ownership of buildings.
[29] DNSH criterion concerns the construction of new buildings and the renovation of existing buildings.
[30] DNSH criterion concerns the construction of new buildings.

3. ADDITIONAL INFORMATION ON THE SELECTION OF ASSETS

Eligible energy-efficient buildings include mortgage claims and investments in new or existing buildings which are aligned with the requirements for energy-efficient buildings located in the following regions:

Austria
In Austria the exact energy indicators of each new mortgage will be assigned as indicated in the energy performance certificate (heating energy demand, primary energy consumption, final energy demand, factor of the overall energy efficiency, carbon dioxide emissions) so that compliance with the selection criteria can be demonstrated at any time. Financed buildings in Austria for which no energy certificate data is available are automatically completed with default values. Qualifying loans for energy-efficient buildings according to the Bank's selection criteria on the basis of their respective energy performance certificate are flagged in the "green bond management system" which Hypo Vorarlberg developed and entered in a register.

Austria's minimum requirements for the energy efficiency of buildings are defined in Directive 6 of the Austrian Institute for Structural Engineering (Österreichisches Institut für Bautechnik, OIB). However, these requirements only become legally binding after they are endorsed in the Structural Engineering Order of the Austrian federal states (Bautechnikverordnung der Bundesländer, BTV).

In addition to the existing selection criteria of eligible energy efficient buildings, determined by heating energy demand limits, Hypo Vorarlberg also adheres to the new criteria laid out in the Delegated Acts of the EU Taxonomy and intends to comply with these criteria on a best effort basis.

Hypo Vorarlberg already attempts to invest 100% of the issue's proceeds in the refinancing of energy-efficient buildings at the respective issue date. If this is not possible, the Bank intends to use the remaining share within the next two years for the purpose of financing new, energy-efficient buildings. In general, Hypo Vorarlberg's goal is to replace at least 15% of the refinanced loans with new business during the entire tenor of each issue.

Switzerland
In Switzerland, properties are divided into two categories subject to their rating classes which range from A to G according to the energy efficiency level of the property. Category 1 includes objects of the rating classes A to C, that are built from the year 2000 and onwards and do not use oil as source of energy for their heating system according to the Swiss Federal register of buildings and housings (Eidgenössische Gebäude- und Wohnungsregister, GWR). Category 2 includes all objects that do not fulfil at least one of the selection criteria of category 1. Hypo Vorarlberg only selects assets of the former category for CHF-denominated green bonds.

The use of proceeds for the CHF denominated bond will primarily be the (re-)financing of energy-efficient buildings in Switzerland.

The rating scale for energy efficiency is coordinated with the categories of the cantons' building energy certificate (GEAK). The properties are categorised on a rating scale from A – G, based on the building's estimated energy demand for space heating and hot water measured in kWh per m^2 energy reference area and year (kWh/m^2/year). It is necessary to distinguish between properties with and without available information about the heating system.

Based on the information about the heat generator and the energy/heat source from the Swiss Federal Register of Buildings and Dwellings, the heating data can be supplemented. The energy demand of such properties is estimated based on the year of construction, address, living space and heating system. The evaluation was supplemented by the use of a freely accessible tool (eVALO)[31], which retrieves further relevant information on the shape of the property (e.g. roof shape) and location (e.g. average temperature of the location).

The average energy demand (in kWh/m^2/year) for properties without available data on heating systems is derived using a model developed by IAZI. Values for objects of the categories multi-family house and single-family house are determined based on the building type, the year of construction and the living space.

[31] Source: https://www.evalo.ch/de (retrieved: 2023-01-30)

The calculation of the energy demand of individual flat units is determined according to the following two steps:

1. Estimation of the energy demand of the property in which the flat is located (in kWh/m²/year). Categorisation of the flat according to the property rating.

2. Calculation of the total annual energy demand of the flat (in kWh/year) as a share based on the living space. For this object type only objects with available information about heating system or with a Minergie certification (Swiss standard for buildings with a high energy efficiency) were evaluated.

Category	LIMITS (Energy demand space heating and hot water)
Financing of new buildings	from 2020 on: New buildings: 35 kWh/m²a

In general, Hypo Vorarlberg's goal is to replace at least 20% of the refinanced loans with new business or with existing business that is not part of the green bond pool during the lifetime of a bond.

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GEMEINSAM GROSSES LEISTEN

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