

HYPO NOE Landesbank
für Niederösterreich und Wien AG
Green Bond Framework



June 2020

Framework for HYPO NOE based on the Green Bond Principles¹

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¹ Green Bond Principles, 2018 edition <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

1. HYPO NOE AT A GLANCE

HYPO NOE Landesbank für Niederösterreich und Wien AG (referred as “HYPO NOE”) is the largest and oldest-established of Austria’s state mortgage banks², and has been a dependable commercial bank, stable state bank and specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, but also has a presence in selected markets elsewhere in the European Union.

In line with its business model as a mortgage bank, HYPO NOE offers public sector, real estate and corporate customers one-stop shopping for a comprehensive range of financial services. The product portfolio focuses on funding for hard and social infrastructure, non-profit and commercial housing construction and other large property development projects. Retail customers benefit from the expert personal service provided through the branch network in the Bank’s home market Lower Austria & Vienna, with a focus on housing finance.

HYPO NOE concentrates on five business segments that reflect its core competencies: Public Sector, Real Estate Customers, Retail and Corporate Customers, Treasury & ALM, and Real Estate Services. HYPO NOE also includes HYPO NOE Leasing, which works with large state and local government customers.

HYPO NOE is one of Austria’s leading covered bond issuers and has a frequent presence on the capital markets through the issuance of secured and unsecured benchmark bonds. Based on the solid foundations provided by customer deposits, and on its closer cooperation with development banks, HYPO NOE also takes steps aimed at diversifying its sources of refinancing.

HYPO NOE is backed by a stable and reliable sole owner in the shape of Austria’s largest state, Lower Austria. The Bank’s owner takes a long-term view and ensures that it stays true to its strategy of organic growth in its core business, best-in-class digital solutions in its mortgage lending, and further improvements in profitability, whilst maintaining a conservative risk and capital profile.

The Bank’s sustainable approach to its core operations is underpinned and promoted by its clear ethical principles and business policies. Its portfolio leans strongly towards sustainability due to the large proportion of lending that creates social value added. ISS ESG Prime status underlines its commitment to environmental and social responsibility.

² In terms of total assets (2018 consolidated financial statements) and foundation dates

2. HYPO NOE - ESG

HYPO NOE launched its sustainability programme already in 2013, rolling it out to the entire Bank in 2014 and has since then reported annually in accordance with the GRI standards. Based on the Nachhaltigkeits- und Diversitätsverbesserungsgesetz (Austrian Sustainability and Diversity Improvement Act), which came into force in 2017 (in short: NaDiVeG), and which transposes EU Directive 2014/95/EU (NFI Directive) into national law, HYPO NOE prepares a consolidated non-financial statement in the Management Report. Based on this, further information, also in accordance with the GRI standards, is being made available in the sustainability report to ensure best possible transparency and provide HYPO NOE's stakeholders with comprehensive information on its sustainability efforts.



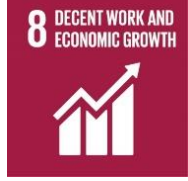



Within the framework of its sustainability strategy and due to its low-risk business with a focus on financing the public sector and real estate, HYPO NOE places particular emphasis on financial solutions with added social value. HYPO NOE therefore evaluates its credit portfolio with regards to sustainability as part of the credit approval process. The sustainability criteria were defined together with the sustainability officers, the front-office units and brainbows Informationsmanagement GmbH, and their observation as part of the credit approval process was regulated by an internal procedure. Ongoing training of key account managers by the sustainability officers and assessment by the Green Bond Committee (GBC) as part of the credit approval process ensure that the criteria and their allocation are based on the latest regulatory and scientific findings (see section 4.2). In addition, strict ethical guidelines and business principles ensure that any environmental and/or social risks related to HYPO NOE financings are best mitigated.

	Objective	Implementation HYPO NOE	Medium-term Targets
Environment	Reducing the own ecological footprint	<ul style="list-style-type: none"> • Environmental and climate strategy (own ecological footprint) • Environmental management system ISO 14001 	<ul style="list-style-type: none"> • In the context of the environmental and climate strategy, measurable targets for 2025 have been defined. Reduction of: <ul style="list-style-type: none"> - CO₂ emissions - Land consumption - Paper consumption - Car pool • Increase share of e-mobility
	Exclusion and positive criteria	<ul style="list-style-type: none"> • At least yearly review of internal guidelines with regards to ethical guidelines and business principles 	<ul style="list-style-type: none"> • Ongoing evaluation of further exclusion and positive criteria in the credit committee
Social	Responsible employer	<ul style="list-style-type: none"> • Code of conduct • Operational health management • Focus on continuing education • Working according to life stages 	<ul style="list-style-type: none"> • Implementation of a diversity strategy • Regular employee surveys (including resulting measures) • Fitness and health checks on a regular basis for employees
	Financing with social value added	<ul style="list-style-type: none"> • Focus on financings of the public sector as well as on public housing • Financings of the strategic business segments Public Finance, Real Estate and Corporate Customers are tested with regards to their sustainable character and, based on certain criteria, recorded in the core banking system 	<ul style="list-style-type: none"> • In the future, all financings will be tested with regards to their sustainable character and recorded in the core banking system
Governance	Fight against inter alia corruption, money laundering or anti-competitive practices Diversity (see also Social)	Manuals and compulsory training in the areas of: <ul style="list-style-type: none"> • Compliance • Money laundering and terrorist financing • Corruption • Conflicts of interest • Investment advice and conduct of business rules • Code of Conduct • Signatory of the Diversity Charter ("Charta der Vielfalt") • Diversity concept 	<ul style="list-style-type: none"> • Training of all employees in the area of compliance on a minimum yearly basis • Mandatory training for managers in the area of diversity • Fit & proper trainings for identified staff

3. IMPLEMENTAION OF SDG AT HYPO NOE

On the basis of its business model, HYPO NOE makes a significant contribution to the UN Sustainable Development Goals with a focus on financing the public sector and real estate. Special focus is placed on financing public projects with added value in the areas of adaptation to climate protection, health, education, culture and infrastructure.

Within its direct sphere of influence, HYPO NOE has implemented a comprehensive environmental management system ISO 14001 and defined an environmental and climate strategy with clear targets. As socially responsible employer, HYPO NOE focuses on continuing education and company health management.

SDG	Description ³	Contribution HYPO NOE
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Ensuring a healthy life for all people of all ages	Financing of health infrastructure projects (hospitals, nursing homes, medicine and research centres) Operational health management
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensuring access to affordable, reliable, sustainable and modern energy for all	Financing renewable energy, increasing energy efficiency Reducing the own ecological footprint: own environmental and climate strategy (ISO 14001)
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Promoting sustained, broad-based and sustainable economic growth, full and productive employment and humane working conditions for all	As a regional bank, HYPO NOE contributes to value creation and secures jobs in Lower Austria and Vienna
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Building a resilient infrastructure, promoting broad-based and sustainable industrialisation and supporting innovation	Financing of public projects with social value added in the areas of health, education and infrastructure being important building blocks for a sustainable development
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Making cities and settlements inclusive, safe, resilient and sustainable	Financing of public projects in municipalities, regions and cities: nurseries, schools, universities, hospitals, care centres
 <p>13 CLIMATE ACTION</p>	Taking immediate action to combat climate change and its effects	Environmental and climate strategy with clear, measurable targets, greening of the Car Policy, ethical guidelines and business principles including exclusion criteria

³ Source: Resolution of the UN General Assembly, adopted on 25 September 2015, link: <https://www.un.org/depts/german/gv-70/band1/ar70001.pdf?OpenElement=>

4. HYPO NOE'S GREEN BOND FRAMEWORK

HYPO NOE has decided to issue Senior Preferred Green Bonds and other debt instruments (e.g., covered bonds or promissory notes) in order to support its sustainability strategy and the financing of green projects. The HYPO NOE Green Bond Framework follows the ICMA Green Bond Principles (GBP) 2018 edition⁴, which provide guidelines in the form of four key components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

HYPO NOE intends to reflect in its Green Bond Framework any evolution in Green Bond market best practices as well as related regulations such as the EU Green Bond Standard and the EU Taxonomy of Sustainable activities.

4.1 Use of Proceeds

The HYPO NOE Green Bonds are bonds which are exclusively used for the proportional or complete (re-) financing of suitable "Eligible Green Loans" belonging to the following "Eligible Green Categories". Taken together, the "Eligible Green Loans" constitute the "Green Portfolio".

"Eligible Green Loans" are credit claims, investments and/or projects which are in line with one or more of the following "Eligible Green Categories". "Eligible Green Loans" are not excluded from use as collateral in the public sector or mortgage cover pool.

Eligible Green Categories are the following:

Green Buildings:

Eligible Green Loans are loans financing or refinancing real estate assets belonging to the Top 15% most carbon-efficient buildings in Austria and built after January, 1st, 2016⁵, i.e.:

- Mortgages for assets with an Energy Performance Certificate at least B or better (i.e. A and B EPC classes)⁶
- Mortgages for assets built in compliance with the requirements of the current Austrian construction standards, OIB RL 6 2011/2015/2019, in line with the NZEB directive
- Mortgages for assets built in compliance with the requirements of the Lower Austrian 'Wohnbauförderung' (housing subsidy directive) 2011 or 2019
- Mortgages for assets which have received at least one (or more) of the following classifications:
 - LEED: Platinum, Gold
 - BREEAM: Outstanding, Excellent, Very Good
 - DGNB-Family, meaning DGNB, ÖGNI or SGNi: Platinum, Gold
 - klimaaktiv
 - other comparable international green building certifications

Renewable Energy:

Eligible Green Loans are loans financing or refinancing the production, appliances, establishment, acquisition, operation, distribution and products of renewable energy, such as:

- Wind energy: Onshore and offshore wind energy generation facilities

⁴ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁵ Representing less than 10% of existing building stock, based on the Austrian annual construction rate (www.statistik.at/)

⁶ Minimum requirements of the new Austrian construction standard (OIB-Directive 6 updated in March 2015, www.oib.or.at/) in line with the Austria implementation strategy of EPBD Directive <https://epbd-ca.eu/>

- Solar energy: Solar energy Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities
- Bio energy: Facilities producing biofuel and/or biomass such as biofuel preparation, pre-treatment and bio-refinery facilities (limited to direct emissions of $\leq 100\text{g CO}_2\text{e/kWh}$)
- Geothermal energy: Geothermal power plants and geothermal heating/cooling systems (limited to direct emissions of $\leq 100\text{g CO}_2\text{e/kWh}$)

Environmentally sustainable management of living natural resources and land use:

Eligible Green Loans are loans financing or refinancing environmentally sustainable management of living natural resources and land use projects, such as:

- Forests and forestry: Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the Endorsement of Forest Certified (PEFC)
- Agriculture: Organic farming, certified in compliance with the EU and national regulation

Energy Efficiency:

Eligible Green Loans are loans financing or refinancing the establishment, acquisition, expansion and upgrade of transmission lines and energy storage facilities or technologies and/or the associated infrastructure:

- Energy efficiency projects, e.g. improving the energy efficiency of industrial production process in a factory
- Energy storage efficiency projects
- Smart grid solutions for more efficient transmission/distribution of energy

Clean Transportation:

Eligible Green Loans are loans financing or refinancing public land transport and clean transportation loans such as:

- Public transport (e.g. subways, trains, trams, electric, biofuel or hybrid buses), including:
 - Infrastructure (e.g. rail networks, station upgrades)
 - Non-diesel rolling stock (excluding fossil fuel transportation)
- E-mobility solutions for commercial and retail operations (e.g. lorry fleets, automobiles, charging infrastructure)

Water and Waste Water Management:

Eligible Green Loans are loans financing or refinancing the equipment, development, construction, operation and maintenance of:

- Water distribution systems with improved efficiency
- Water recycling and wastewater treatment plants
- Flood mitigation infrastructure

Climate Change Adaptation:

Eligible Green Loans are loans financing or refinancing the equipment, development, construction, operation and maintenance of infrastructure increasing the local resilience regarding the consequences of climate change, such as:

- Dams and dykes
- River basin management
- Protection against forest fires

Pollution prevention:

Eligible Green Loans are loans financing or refinancing the equipment, development, construction, operation and maintenance of:

- Waste collection and treatment facilities
- Waste recycling facilities

4.2 Process for project evaluation and selection

HYPO NOE has established clear ethical guidelines and business principles for its business activities. The Bank thus sees to it that only business relationships that are in line with its philosophy and sustainability focus are being established. This code of practice makes sure that when in doubt, HYPO NOE refrains from controversial financings - whether from a social or environmental point of view.

The ethical guidelines and business principles consist of the positive and exclusion criteria and form the basis of business initiation within the entire HYPO NOE organisation. Detailed knowledge of the business purpose of the envisaged financing is necessary in order to identify any risks for the bank and the customer as well as to optimise customer service delivery.

With the positive criteria, HYPO NOE promotes those areas amongst its business activities that, from the point of view of the Bank, provide the greatest social benefit. The negative criteria represent those areas that are excluded from any business activity in order to protect society. The guidelines also form part of internal procedures on the granting of all loans.

4.2.1 Positive criteria

HYPO NOE is committed to the international and national climate targets and, within the framework of its environmental and climate strategy, is guided by the current climate and energy strategy ("Mission 2030") of the Republic of Austria. These form the basis for the positive criteria regarding any initiation of new business relations and simultaneously act as the strategic guidelines for the entire HYPO NOE organisation:

This includes the financing of social infrastructure and housing construction: Particular backing is provided for transactions promoting the construction of socially and environmentally sound housing projects (non-profit housing).

A further focus is on the promotion of the use of sustainable energies and environmental protection as well as the promotion of education and cultural activities⁷.

Furthermore, HYPO NOE aims to identify business opportunities that potentially have a strong impact on climate change and high CO₂ emissions in order to address these with its business partners.

4.2.2 Exclusion Criteria

By principle HYPO NOE excludes the following areas from all financings.

- Financing of nuclear power plants (as well as suppliers of core components and corresponding infrastructure)
- Financing of operations involving environmental hazards
- Financing of arms trade
- Financing of pornography and prostitution-related activities
- Financing to warring countries according to OeKB coverage guidelines
- Financing of operations involving human rights abuses as defined by the United Nations Universal Declaration of Human Rights
- Financing of transactions involving labour rights violations in accordance with ILO core labour standards (including freedom of assembly/association, forced labour, child labour, discrimination)
- Financing of transactions that contradict the bank's own business ethics and compliance guidelines and transactions involving suspected corruption
- Financing of coal-fired power plants and coal mining

⁷ The positive criteria formulated here, as well as the "sustainability references" listed in point 2, are compared with the categories of the EU taxonomy adopted in December 2019 from the "EU Action Plan for Sustainable Growth"

Reputational risks may arise in particular in the case of loans to borrowers operating in sectors that are not compatible with the image or values of HYPO NOE or the owner, the Federal State of Lower Austria. A particular standard of care must also be applied in this respect and, when in doubt, a business relationship should be avoided.

4.2.3 Sensitive ecological and social sectors

HYPO NOE is particularly careful with sustainable financing in the ecologically and socially sensitive sectors of "energy production", "raw material extraction", "forestry" and "agriculture". HYPO NOE considers avoiding any environmental and social risks in these sectors to be essential for the responsible and sustainable development of its target markets.

In addition, avoiding major interventions in existing social and ecological structures as well as protection of water are aspects that must be taken into consideration.

The effects of climate change and CO₂ emissions of financing transactions were equally identified as a key issue.

4.2.4 Green Bond Committee (GBC)

The Green Bond Committee comprising the strategic business segments Corporate Customers⁸, Real Estate Finance and Public Sector as well as Strategic Risk Management, Credit Risk Management, the Sustainability Officers and Treasury is responsible for reviewing any sustainability aspects during the loan application process as well as the correct allocation in the Bank's core banking system.

The financing assessment with regards to environmental and social aspects occurs as part of the regular loan approval process with the inclusion of the sustainability officers.

4.3 Management of proceeds

An amount equivalent to the sum of the net proceeds generated from the Green Bonds will be managed by HYPO NOE treasury under a portfolio approach. Until final maturity of the Green Bonds, HYPO NOE will ensure that the Green Portfolio is always at least equal in size to the net proceeds of the Green Bonds outstanding. For this purpose, HYPO NOE will identify Eligible Green Loans included in its Green Portfolio within HYPO NOE's internal systems.

If in any case net proceeds of HYPO NOE's Green Bonds can at any time not be fully allocated to Eligible Green Loans, HYPO NOE may, at its own discretion, invest the balance of the unallocated net proceeds in money market instruments, cash and/or cash equivalents ("substitute assets"), provided that such substitute assets are compliant with HYPO NOE's sustainability principles.

On an annual basis, HYPO NOE's Green Bond Committee will review the suitability and availability of the Eligible Green Loans and replace them with other eligible Green Loans if they are repaid or matured or not satisfying Eligibility Criteria anymore. HYPO NOE may at any time remove Eligible Green Loans from the Green Portfolio, provided that the total volume of the Green Portfolio always corresponds at least to the net proceeds of outstanding of Green Bonds.

⁸ Legal entities only

4.4 Reporting

HYPO NOE intends to publish an annual report on the use of proceeds from any Green Bonds outstanding under this framework. Such reporting will be provided on an annual basis until full allocation. In case there are any material changes to the Eligible Green Loans, such reporting will be provided until final maturity of HYPO NOE's Green Bonds.

Each annual report will be reviewed and approved by the Green Bond Committee.

4.4.1 Allocation reporting

The HYPO NOE Green Bond report is expected to disclose:

- The total amount of the Green Bonds issued
- The total amount of Green Bond proceeds allocated to the Green Portfolio
- The potential amount of unallocated proceeds, if any (substitute assets)
- An analysis of the Green Loan Portfolio by Eligible Categories

HYPO NOE intends to communicate the average seasoning of the Eligible Green Loans.

4.4.2 Impact reporting

HYPO NOE intends to publish an impact report that will provide information on the environmental impact of its Eligible Green Loans by category. Reporting is intended to be provided on an annual basis until full allocation. In case there are any material changes to the Eligible Green Loans, such reporting will be provided until final maturity of HYPO NOE's Green Bonds.

Eligible category	Output indicators	Impact indicators
Green Buildings	Total areas (m ²) Energy savings (MWh)	Carbon emissions avoided (tCO ₂)
Renewable Energy	Expected energy production (MWh)	Carbon emissions avoided (tCO ₂)
Environmentally sustainable management of living natural resources and land use	Number of agricultural business financed Total surface financed (ha)	Volume of farming input avoided (t/year)
Energy Efficiency	Energy savings (MWh)	Carbon emissions avoided (tCO ₂)
Clean Transportation	Total tonne.km or pax.km	Carbon emissions avoided (tCO ₂)
Water and Waste Water Management	Water and Waste Water Management technology type	Volume of treated water (m ³ /year)
Climate Change Adaptation	Climate Change Adaptation project type	Frequency/sinistrality reduction
Pollution Prevention	Waste Management technology type	Volume of treated/recycled waste (m ³ /year)

5. EXTERNAL REVIEW

5.1 Second Party Opinion (ISS ESG)

HYPO NOE has mandated ISS ESG to provide a second party opinion on HYPO NOE's Green Bond Framework. ISS ESG reviewed HYPO NOE's Green Bond framework and confirmed its alignment with the Green Bond Principles (2018 Edition).

The Second Party Opinion can be found at: www.hyponoe.at/ir.

5.2 Austrian Ecolabel for Sustainable Financial Products (UZ49)

The Austrian Ecolabel (UZ) is awarded to products and services that represent the more environmentally friendly option within a range of comparable product offerings. The sponsor of the Austrian Ecolabel for Sustainable Financial Products is the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology - BMK. On behalf of the Federal Ministry the Austrian Consumer Protection Association (VKI) is responsible for the development and the administration of the Ecolabel Guidelines, which constitute the basis of the award of the label.

The conformity of the product with the requirements of the directive must be confirmed by an expert opinion from a qualified test center. HYPO NOE confirms that only financing that does not contradict the exclusion criteria of the UZ49 will be included in the Green Bond asset pool. Denkstatt GmbH will carry out this test on behalf of HYPO NOE to ensure that all requirements of UZ49 are met.

Denkstatt GmbH, a European consultancy for optimising environmental and social impact, will certify that HYPO NOE duly conforms to all defined specifications of the Austrian Ecolabel.

5.3 Review

An independent auditor will verify on an annual basis that HYPO NOE duly applied the defined procedures of approval of the Green Bond Committee and that all loans of the Eligible Green Loan Portfolio are already disbursed and registered in the HYPO NOE core banking system.

6. DISCLAIMER

The present document (the “Document”) has been prepared by HYPO NOE Landesbank für Niederösterreich und Wien AG („HYPO NOE“) and was drafted for the sole purpose of presenting HYPO NOE’s “Green Bond Framework“. This Document is being delivered for general information purposes only and no reliance should be placed on the completeness of the information contained herein. It is based on publicly accessible information. In addition, HYPO NOE seeks to ensure the reliability of the source of the information. HYPO NOE does not warrant the adequacy, accuracy, timeliness or completeness of this information. We assume no liability for the completeness and correctness of the content of these sources. All information contained in this document is the result of our independent assessment at the time of publication of this document. The selection and inclusion of the information does not allow any conclusions to be drawn from HYPO NOE’s opinions and forecasts. In particular no representation or warranty is given by HYPO NOE as to any actual issue of any “Green Bond” by HYPO NOE. Further, HYPO NOE reserves the right to change or amend the information provided at any time and without prior notice.

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