
Green Bond Framework

Hypo Tirol Bank AG



Unsere Landesbank



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Introduction

Company profile of Hypo Tirol Bank AG

As the bank of the federal state of Tyrol, Hypo Tirol Bank AG (in short: "Hypo Tirol") is a universal and regional financial partner for people and the economy. As Hypo Tirol is one hundred percent owned by the federal state of Tyrol, which it intends to remain in the future, Hypo Tirol assumes responsibility for the province. Just as it stands for sustainable success in financial matters, it also stands up for sustainability in all its facets - economically, socially and ecologically.

As the owner, the federal state of Tyrol has been a strong partner of Hypo Tirol since its foundation. At a total of 18 locations in North and East Tyrol, private and corporate customers as well as freelancers, private banking customers and public institutions find personal advice and individual service in all financial matters. The branch network is completed by a self-service branch in Innsbruck, which is open around the clock, as well as modern online services, which are characterized by user-friendliness and highest security standards. At the Vienna branch, Hypo Tirol operates as a niche provider with a focus on private banking and commercial residential housing financing.

The holistic service approach is lived in the form of individual dual support, in which experts from the fields of residential-housing financing, private banking or from the supra-regional corporate customer centers are consulted according to the needs. The universal range of financial services is complemented by subsidiaries such as Hypo Tirol Versicherungsmakler GmbH, Hypo Immobilien Betriebs GmbH and Hypo Tirol Leasing GmbH.

Thanks to a tight and sustainable management, Hypo Tirol is on solid footing despite the multiple ongoing crises (geopolitical situation, inflation, rising energy and food prices) and the related uncertainties with regard to the further macroeconomic development. The bank's capital resources are comfortable and lead to an excellent standing on the international capital market. The bank rating by Standard & Poor's (S&P) underpins this fact and remained consistently in the "A" category in 2021. The strong owner and the fact that loans in the core segment (private residential housing) are secured by mortgages, as well as the sustainable risk policy in combination with a good sector mix in SME financing are the prerequisites for Hypo Tirol Bank to successfully master the consequences of the crises.

Sustainability at Hypo Tirol

For Hypo Tirol, sustainability means to combine economic success, the careful use of natural resources as well as social responsibility and thus to assume responsibility for the future. This division into ecological and social sustainability is also generally known as the ESG criteria (Environmental, Social and Governance). As also defined in our vision, mission and guiding principles, we strive for sustainable business with our customers, our employees and natural resources to create added value for everyone. This aspiration is embedded in strong internal governance and is lived in all functions and organizational units.

Since May 2022, Hypo Tirol and its corporate headquarters have been a member of the Tyrolean Climate Alliance. The association Klimabündnis Tirol is part of the largest municipal climate protection network in Europe. The bank initiates and supports projects that promote, among other things, climate-friendly mobility, social concerns and biodiversity.

Hypo Tirol is committed to all 17 Sustainable Development Goals (SDGs) of the UN Action Plan¹. With the help of the Green Bond, Hypo Tirol makes the clear decision to continue making a significant contribution to the fulfilment of its focus SDG's. The following SDGs, which are related to the Green Bond, are included in the focus goals of Hypo Tirol without exception.



The climate strategy of Hypo Tirol states that business activities should preferably be directed towards climate-friendly investments. Measures for this purpose include the expansion of the product range in the investment and credit sector, underpinned by exclusion criteria for sectors that do not correspond to our ecological and social understanding.

Our ethical position, set out in our lending policy, prohibits the financing of: Brothels, pornography, gambling, production of- or trade with outlawed weapons, mining of uranium and coal as well as fracking, nuclear power plants, coal-fired power plants, deep-sea fishing, production of tobacco products, speculative loans (= loans for the acquisition of financial assets for speculative purposes) and ship financing.

Equality of all people is lived practice in lending. Credit decisions are made regardless of the borrower's gender. We have been countering the poverty trap of "over-indebtedness" for a

¹ Source (query: 30/06/2020): UN General Assembly resolution adopted on 25 September 2015, link: <https://www.un.org/Depts/german/gv-70/band1/ar70001.pdf>

long time with a prudent concept of budgetary accounting, in which minimum approaches to budgetary expenditure play just as important a role as the sustainable calculation of repayment. The sustainability criteria in the credit principles (excluded sectors) apply to all forms of financing and are systematically checked for each credit application. The principles are based on the statutory minimum standards and, where applicable and implementable, apply the principles of the UN Global Compact. The sustainability criteria in the credit principles have the highest binding force as a business strategy requirement.

Hypo Tirol has been rated with the overall grade C in the corporate rating of ISS ESG since 07/07/2020 and thus holds the prime status; this rating was confirmed as of 04/08/2022. This award reflects our continuous development in the sustainability aspects of environmental, social and corporate governance. Furthermore, financial services with a green and/or social value are mentioned. Hypo Tirol takes sustainability criteria into account in its investment decisions and deals with its customers in a responsible manner.

Incentive and objective

The sustainable development and the establishment of sustainable products for our customers as a responsible financial partner is essential for us. Hypo Tirol strives to approach the SDGs of the UN, the climate and energy strategies of the Republic of Austria (Agenda 2030) and the strategy "Tirol2050". The central goal of the Paris Climate Agreement of 2015 to strengthen sufficient measures for a common climate policy and thus to limit the global temperature increase is recognized by Hypo Tirol as well as the so-called "Green Deal", with which Europe is to become the first CO₂-neutral continent.

In line with its strategy, Hypo Tirol pushes the establishment of sustainable products (e.g. introduction of a green WohnVision loan for construction and renovation in June 2022), is involved in various projects in the field of biodiversity (e.g. Klimafitter Bergwald, bees in the garden of the Hypo Center Tirol) and the environment (e.g. mobility concept to promote the use of CO₂ neutral means of transport) or supports social, cultural and sporting events through regional sponsoring (e.g. Tirol radelt, Netzwerk Tirol hilft, Obertöne Stams).

As the regional bank of Tyroleans, it is important and necessary for us to make a sustainable contribution to society, especially to improving environmental protection and achieving climate goals. The ecologically sensitive Alpine region is particularly affected by the consequences of global climate change. The Bank provides financial resources to clients that promote sustainable developments in the field of climate protection and climate change adaptation.

By issuing Green Bonds, Hypo Tirol wants to make a contribution and thus fulfill its ecological responsibility, above all towards capital market participants. The aim is to address the capital market participants who place a special focus on ecological and sustainable aspects in their investment decisions.

Background of the Green Bond Framework of Hypo Tirol

Hypo Tirol has developed its Green Bond Framework with the aim of raising funds that are used to finance assets that contribute to or support climate protection. Under this framework, Hypo Tirol can issue a variety of green financial instruments, including green bonds on a covered and uncovered basis.

The framework includes clear and transparent criteria for green instruments issued by Hypo Tirol and is in line with the guidelines of the ICMA Green Bond Principles (GBP), 2021². These voluntary criteria are developed in multi-stakeholder processes involving issuers, investors, financial institutions and non-governmental organizations to promote the development and integrity of the sustainable financial market.

Hypo Tirol has the option to update or expand the framework to align it with new standards and best practices such as the EU Green Bond Standard ("EU GBS") or other relevant standards and guidelines.

² Source (query: 11/03/2022): <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

Hypo Tirol Green Bond Framework




The Hypo Tirol Green Bond Framework follows the core components of the voluntary process guidelines of the Green Bond Principles (GBP) and comprises the following sections:

- Use of proceeds
- Project evaluation and selection process
- Management of proceeds
- Reporting



Use of proceeds

Hypo Tirol intends to use the net proceeds from the green financial instruments issued under this Framework for the full or partial financing or refinancing of sustainable and energy-efficient real estate and renewable energies which contribute to or support the sustainability objectives of Hypo Tirol ("Eligible Assets"). In this context, the net proceeds are used for the refinancing of existing business as well as for new business, whereby the allocation of these net proceeds is disclosed prior to issuance.

Eligible assets must meet the selection criteria set out in the table below. Likewise, the eligible assets are mapped to the UN Sustainable Development Goals (SDGs) and the EU taxonomy for sustainable economic activities. All projects are located in Austria and are regionally limited to Tyrol and Vienna.

GBP Category & UN SDGs	Selection Criteria	EU Taxonomy Climate Delegated Act
<p>Energy efficient buildings</p>   	<p>New and existing residential real estate, including the acquisition of buildings and investments in buildings under construction that meet one of the following criteria:</p> <ul style="list-style-type: none"> • For buildings constructed after 31/12/2020, the primary energy demand in kWh/m² per year, as indicated in the energy performance certificate, is at least 10 % below the threshold set for the national requirements for nearly zero-energy buildings (NZEB). These national requirements transpose Directive 2010/31/EU. <p>For buildings with an area of more than 5,000 m²:</p> <ul style="list-style-type: none"> ○ The building is tested for airtightness and thermal integrity after completion. Any deviations from the performance levels set at the design stage or defects in the building shell are disclosed to investors and clients. Robust and traceable quality control procedures during the construction process, are an acceptable alternative to thermal integrity testing. ○ The life cycle Global Warming Potential (GWP) of the building has been calculated for each phase of the life cycle and is disclosed to investors and clients upon request. <ul style="list-style-type: none"> • Buildings constructed before 31st December 2020 are in the top 15% of the national/regional building stock in terms of primary energy demand³. 	<ul style="list-style-type: none"> • 7.7. Acquisition of and ownership of buildings

³ The composition of this top 15 % is dynamic and can be adjusted on an ongoing basis, if necessary due to changes in market standards. In the case of the provinces of Tyrol and Vienna, this currently corresponds to a year of construction of the buildings between 01/01/2010 and 31/12/2020.

GBP Category & UN SDGs	Selection Criteria	EU Taxonomy Climate Delegated Act
<p>Renewable Energy</p>  	<p>Investments and expenditures related to the generation of renewable energy and corresponding technologies to support the energy transition.</p> <p>Generation of renewable energy:</p> <ul style="list-style-type: none"> • Energy from photovoltaics • Small and medium-sized hydropower plants⁴ that meet one or more of the following criteria: <ul style="list-style-type: none"> ○ Run-of-river power plant without artificial reservoir ○ Power density of the power plant above 5W/m² ○ Life cycle GHG emissions below 100g CO₂/kWh⁵ 	<ul style="list-style-type: none"> • 4.1. Electricity generation using photovoltaic technology • 4.5. Electricity generation from hydropower

Project evaluation and selection process

The use of proceeds defined in this framework concerns energy-efficient residential real estate and renewable energies. Therefore, all potential eligible assets must first and foremost comply with environmental and social laws and regulations as well as Hypo Tirol's policies and standards. In the further course of time, Hypo Tirol aims at approaching the EU taxonomy, the "Do No Significant Harm" (DNSH) criteria and the "Minimum Social Safeguard" (MSS) criteria for all selected asset categories and to create the data basis for an implementation.

The Risk Controlling department is in charge of identifying and actively monitoring and managing the sustainability risks. These risks are considered as cross-sectional risks, which have an impact on the different risk types of Hypo Tirol due to the characteristics of environment, social and corporate governance (ESG - Environment, Social, Governance). In the credit risk process, sustainability criteria are already taken into account during the risk assessment - on the one hand in the sense of an assessment of the probability of default and on the other hand in the course of the collateral assessment. Furthermore, within the scope

⁴ The maximum output of the hydropower plants in the green portfolio is less than 50 megawatts per power plant.

⁵ Life cycle GHG emissions shall be calculated using Recommendation 2013/179/EU or, alternatively, ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. The quantified life cycle GHG emissions shall be verified by an independent third party.

of the risk strategy, Hypo Tirol defines exclusion criteria as well as limit ceilings for portfolios which could be negatively influenced by climate change in order to ensure a sustainable credit exposure.

The project selection process is divided into four steps:

1. Identification of projects in accordance with the chapter: "Use of proceeds"
2. Approval in the Sustainability Committee
3. Labeling in the core banking system
4. Communication of the asset pool data on the homepage

Based on their sustainable value, representatives of the corporate divisions Sustainability, Treasury, Credit Risk Management, Collateral and Quality Management and Risk Controlling identify eligible assets at least once a year and assign them to the Green Portfolio. Hypo Tirol strives to keep the share of new loans as high as possible. The eligibility of the selected assets is confirmed within the framework of the meetings of the Sustainability Committee. For the Green Bond Portfolio, assets that are selected meet the requirements stated in the section "Use of Proceeds".

The selected assets are listed in an allocation overview and tracked accordingly. When selecting assets, Hypo Tirol makes sure that the assets comply with national and/or international standards with regard to environmental and social issues as well as local laws and regulations.

Management of proceeds

The assets identified in the project evaluation and selection process are not reported in a separate portfolio but are held as part of the Bank's loan portfolio. The identified assets are clearly marked in our core banking system to ensure that each loan can only be assigned to a maximum of one use of funds.

The assets are identified in the credit approval and settlement process. The Collateral and Quality Management, Credit Risk Management and Financing Service departments collect the key performance indicators (KPIs) for the respective properties. After the properties have been selected and confirmed by the Sustainability Committee, the Risk Controlling department is responsible for the ongoing monitoring of the green portfolio. Suitable assets are allocated to the outstanding proceeds of green bonds in the same amount. If funds are temporarily unallocated, they are invested in the short term for a maximum period of 12 months in money market instruments, cash and/or ESG bonds.

Reporting

Allocation of proceeds

Hypo Tirol reports to investors annually, until the maturity of the issues, on the allocation of net proceeds from issued green financial instruments and its portfolio of eligible assets on a portfolio basis. In addition, the allocation of assets to the respective issue is published as a percentage per category. The publication is made on the website of Hypo Tirol (<https://www.hypotirool.com/investorrelations>). The report contains the following information:

- An overview of the green financial instruments issued under the framework and their total amount outstanding (in EUR).
- The allocation of the net proceeds from the issued green financial instruments to a portfolio of eligible assets, including information on:
 - the composition of the portfolio of eligible assets
 - a breakdown of the geographical location of the assets (at the federal state level)
 - a breakdown of new financing versus existing financing
 - if available, the amount of unallocated proceeds

Impact of proceeds

Hypo Tirol intends to report annually on the environmental impact of the entire Green Asset Pool until full allocation, but at the latest within one year after issuance. The impact reporting may include the following:

- An overview of the eligible assets and their environmental classification.
- In case of residential buildings:
 - estimated energy savings compared to a representative, average portfolio of residential buildings or other assets
 - the associated avoidance of greenhouse gas emissions in tons of CO₂
 - selected case study of eligible assets.
- In case of renewable energy:
 - the capacity of on-site installed renewable energy in MW; production of energy from renewable sources in MWh; Estimated avoidance/reduction of CO₂ emissions
 - selected case study of eligible assets

External Review

Hypo Tirol intends to appoint one or more external auditors to perform a pre-issuance verification ("Pre-Issuance Verification" also known as a "Second Party Opinion") and a post-issuance verification ("Post-Issuance Verification").

The pre-issuance verification will verify the compliance of the green bonds with one or more appropriate standards in the green bond market (such as the Green Bond Principles, the EU Green Bond Standard or other similar standards, depending on the applicability and choice of the issuer).

The post-issuance review verifies the corresponding allocation report ("Allocation Report") once the net proceeds from a green bond issuance have been fully allocated to eligible assets.

Both the Pre-Issuance Verification and the Post-Issuance Verification will be available on the website of Hypo Tirol (<https://www.hypotiro.com/investorrelations>).

Disclaimer

The information compiled here for you is based on generally accessible sources which we, Hypo Tirol, consider to be reliable at the time of this information.

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