

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond

Bank für Tirol und Vorarlberg Aktiengesellschaft

04 January 2024

VERIFICATION PARAMETERS

Type(s) of
instruments
contemplated

- Green Bond

Relevant standards

- Green Bond Principles, as administered by the International Capital Market Association (as of June 2021 with June 2022 Appendix 1)

Scope of verification

- BTV's Green Bond based on Sustainable Finance Framework (as of September 15, 2023)

Lifecycle

- BTV's asset level information on SiMotel Mitarbeiterhaus (as of January 02, 2024)

Validity

- Pre-issuance verification

- Valid as long as the cited Framework and Green Bond's credentials (as of January 02, 2024) remain unchanged

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SCOPE OF WORK

Bank für Tirol und Vorarlberg Aktiengesellschaft (“the Issuer”, “the Bank”, or “BTV”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:


1. BTV’s Green Bond based on the Sustainable Finance Framework (as of September 15, 2023)– benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles, as administered by the International Capital Market Association (as of June 2021 with June 2022 Appendix 1) (GBP).
2. The asset level information on the project SiMotel Mitarbeiterhaus whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction to BTV’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

BTV BUSINESS OVERVIEW

BTV is classified in the Public & Regional Banks industry, as per ISS ESG’s sector classification.

BTV engages in the provision of banking and financial services. It operates through the following segments: Corporate Banking, Private Customers, and Financial Markets. The company was founded by Hans Sonvico and Ferdinand Brettauer on April 8, 1904 and is headquartered in Innsbruck, Austria.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Sustainability quality of the Issuance</p>	<p>The Green Bond will (re)finance eligible asset categories Green Buildings which contribute to the following SDGs:</p> <div data-bbox="643 808 992 922" style="text-align: center;">  </div> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Linking the transaction(s) to BTV's ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p>Consistent with Issuer's sustainability strategy</p>

¹ The evaluation is based on the BTV's Green Bond credentials based on the Sustainable Finance Framework (as of September 15, 2023), on the analysed asset-level information as received on January 02, 2023 and on the Indicative Corporate Rating and applicable at the SPO delivery date.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the BTV’s Sustainable Finance Framework (as of September 15, 2023) with the Green Bond Principles.

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by BTV’s Sustainable Finance Framework is aligned with the Green Bond Principles.</p> <p>The Issuer’s green category align with the project category as proposed by the Green Bond Principles. Criteria are defined in a clear and transparent manner. Environmental benefits are described.</p> <p>The Issuer already selected the project that will be financed with the underlying transaction and will disclose proceeds’ allocation in its annual reporting.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by BTV’s Sustainable Finance Framework is aligned with the Green Bond Principles.</p> <p>The project selection process is defined. ESG risks associated with the project category are identified and managed through an appropriate process. Moreover, the project selected shows alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer defines responsibilities in the selection and evaluation process, which is in line with best market practice. The Issuer involves various stakeholders in this process, in line with best market practice.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds proposed by BTV's Sustainable Finance Framework is aligned with the Green Bond Principles. The net proceeds collected will be equal to the amount allocated to eligible project with no exceptions. The net proceeds are credited to a sub-account and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed under BTV's Sustainable Finance Framework is aligned with the Green Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. BTV explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer structures and defines the reporting process and is transparent on the level of impact reporting and the information reported and further defines the scope, and frequency of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs²


Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



The Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Project SiMotel Mitaberbeiterhaus certified with klima:aktiv</i></p>	Contribution	

² The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE GREEN BOND

Green commercial real estate

The table below evaluates the asset-level information against issuance-specific KPIs. The asset will be located in Austria.

ASSESSMENT AGAINST KPIs

Labor, Health, and Safety

The SiMotel project is located in Austria, where stringent health and safety regulations and labor standards are upheld as mandated by national legislation and the European Union.



Additionally, the Borrower has confirmed its compliance with the Code of Conduct for the SiMotel Stakeholders, which specifically regulates health, safety, and labor standards. Austria's legal and regulatory requirements establish a high standard for the operational safety of buildings, which the project will fully meet. This compliance will be verified through the final building inspection, as mandated by the law.

Biodiversity

The SiMotel project is located in Austria, which is an Equator Principles Designated Country and thus deemed to have robust environmental and social governance, along with a robust legislative framework and institutional capacity dedicated to safeguarding both the population and the environment.



BTV aligns with specific national legislation, including Bauverhandlung, Baugenehmigung, Baurichtlinie, and Umweltverträglichkeitsprüfung, which have integrated E.U. Directives to address environmental and biodiversity risks associated with real estate projects.

For SiMotel, no environmental impact assessment was conducted, as it was not mandated by the authority overseeing the building permit. The construction took place on industrial real estate, with its previous use designated as a car parking space.

Environmental aspects of construction and operations

The SiMotel has attained the Silver grade in the klima:aktiv certification, a certificate that underscores the sustainability quality of new constructions and renovation of buildings. The certification evaluates building projects based on three criteria: ecology, economy, and social considerations.



Within the ecology criteria, the assessment covers various factors, including energy efficiency, environmental impact, and the use of eco-friendly materials. Specific metrics such as heating energy demand, primary energy demand, and greenhouse gas emissions are examined. The certification further confirms the use of certified materials in construction, with BTV providing certifications for the sustainability of wood-based materials and cellulose.

Although, the SiMotel project scores 756 out of 1000 on the following four dimensions: location, energy and supply, building materials and construction, comfort and health, there is limited information available on the concrete measures taken to ensure recyclability, re-usability, durability, maintainability of the materials. Furthermore, details about the renewable sourcing of electricity consumption are currently unavailable.

Water use minimization in buildings



The SiMotel project has incorporated various strategies to curtail water usage including water meter, dual flush systems, high-efficiency appliances and commune washing machines., These initiatives underwent a thorough evaluation as part of the building's certification assessment.

Site location



The SiMotel building project is centrally located in Schruns, with access to the local public transport system, situated within a short distance of less than 1 km.

On-site safety



Austria's legal and regulatory framework mandates a stringent standard for ensuring operational safety in buildings. Consequently, the project is committed to meeting the requisite safety guidelines, which will be formally confirmed through the obligatory final building inspection in accordance with legal stipulations.

PART III: LINKING THE TRANSACTION TO BTV'S ESG PROFILE

A. CONSISTENCY OF GREEN BOND WITH BTV'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

In 2021, BTV's sustainability strategy was redeveloped based on the guiding principle 'Spirit and Attitude' and is based on the five fields of action: customers and products, environment and resources, employees, society and social affairs, and strategy and governance. These support the growth of BTV, considering economic, ecological and social components, and contributing to the UN Sustainable Development Goals (SDGs).

BTV's field of actions are quantified using concrete targets for 2025 and 2030. The targets are given below:

- Customers and Products: Targeting 33% and 67% net growth sustainable financing of portfolio by 2025 and 2030 respectively.
- Environment and Resources:
 - 100% share of green electricity in all Austrian state locations by 2025 and 2030
 - 20% and 30% of electric, hydrogen, and hybrid vehicles in the entire fleet by 2025 and 2030 respectively
- Employees: By 2025 and 2030, respectively, there will be 30% and 40% women in managerial posts.

Society & Social Affairs: Number of guided tours in addition to the educational program (e.g., schools, institutions, customers, etc.) are targeted 30 and 35 by the year 2025 and 2030 respectively. The Issuer has some following measures to achieve its targets:

- Increase in ESG-compliant financing through focused advice and support for customers, based on the high level of training of their employees in the area of ESG.
- BTV has created offers for their employees to use sustainable transportation wherever possible, as well as end-to-end fleet management. The travel policy aims to achieve an overall reduction in CO₂ emissions.
- Ongoing positioning and communication on all channels and setting up awareness-raising programs for younger generations.
- BTV has set measurable goals for gender equality.

The targets are being tracked on a regular basis and communicated to the leadership board. In addition, BTV is currently working on developing a Corporate Carbon Footprint (CCF) Inventory. Hence, no science-based targets have been set.

BTV aims to become carbon neutral within the bank by 2025 and to reduce emissions through investments in renewable energies, energy efficiency and in-house power generation.

Emissions that cannot be reduced will be offset from 2025. However, there is no information available on the Issuer's action plan to reach the ESG targets/goals. BTV is committed to the principles of responsible corporate management and to the Austrian Corporate Governance Code.

The management board is a part of the internal ESG committee and oversees ESG risk and sustainability strategy. Additionally, it regularly updates the risk committee on new risks. BTV's risk management process includes the determination of the risk strategy as well as risk monitoring and control.

The sustainability report³ and ESG concerns in BTV's risk management are under the supervision of the Supervisory Board. Furthermore, BTV is committed to transparent sustainability reporting in accordance with Global Reporting Initiative (GRI). The Issuer has never issued any Sustainable financing instruments before.

Rationale for issuance

BTV's Sustainable Finance Framework demonstrate commitment towards their sustainability strategy which reflects the corresponding goals and focal points in the bank's core business. Therefore, the Issuer issues Green Bond to finance its Green Building project to pursue its strategy when it comes to real estate investment.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bond is clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

³ BTV, April 2023, Annual and Sustainability Report, https://btv.at/uploads/2023/04/Geschaefts-und-Nachhaltigkeitsbericht_2022.pdf

B. BTV'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Public & Regional Banks industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labor standards and working conditions
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of BTV's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed. This analysis is limited to the evaluation of final product characteristic ISS-Corporate and does not include practices along the Issuer's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public & Regional Banks industry are as follows: Sexual harassment in the workplace, Failure to respect the right to just and favorable conditions of work and financial market irregularities.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework and benchmarks and Green Bond's credential (as of January 02, 2024) remains unchanged.
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The parent company of Institutional Shareholder Services ("ISS"), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG ("DB") with the remainder owned by Genstar Capital ("Genstar") and ISS management. In April 2023, DB announced its intention to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become

the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

ANNEX 2: ISS ESG CORPORATE RATING METHODOLOGY

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments. For more information, please visit: <https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: QUALITY MANAGEMENT PROCESSES

SCOPE

BTV commissioned ISS-Corporate to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the BTV's Sustainable Finance Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

Green Bond Principles, as administered by the International Capital Market Association (as of June 2021 with June 2022 Appendix 1).

ISSUER'S RESPONSIBILITY

BTV's responsibility was to provide information and documentation on:

- Framework
- Green Bond credentials
- Documentation of ESG risks management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Bond to be issued by BTV has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, as administered by the International Capital Market Association (as of June 2021 with June 2022 Appendix 1).

The engagement with BTV took place from November 2023 to January 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

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