

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Oberbank AG
17 June 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bonds
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and EU Taxonomy Climate Delegated Act (June 2021)
Scope of verification	<ul style="list-style-type: none">• Oberbank AG Green Bond Framework (as of June 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as Oberbank AG Green Bond Framework remains unchanged

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Scope of work

Oberbank AG (“Oberbank” or “the issuer”) commissioned ISS ESG to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bonds link to Oberbank’s sustainability strategy – drawing on Oberbank’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Oberbank’s Green Bond Framework (June 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
3. The Green Bond Framework – whether the projects financed align with the EU Taxonomy Climate Delegated Act (June 2021)¹ and contribute positively to the UN SDGs.

¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
Part 1: Green Bonds link to issuer's sustainability strategy	According to the ISS ESG Corporate Rating published on 09.06.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Public & Regional Banks sector. The issuer is rated 32 out of 277 companies within its sector.	Consistent with issuer's sustainability strategy
Part 2: Performance against the GBPs	<p>The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs.</p> <p>The eligible project category is for green buildings. The use of proceed categories have a positive contribution to SDG 13 'Climate Action'.</p>	Positive
Part 3: Alignment of the Use of Proceeds with the EU Taxonomy	<p>For the green project categories, ISS ESG assessed the alignment of Oberbank's due diligence processes against the requirements of the EU Taxonomy (Climate Delegated Act version of June 2021), on a best effort basis.</p> <p>Based on robust processes for selection of Green Loans, the green eligible projects are considered to be aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.</p>	Aligned

² ISS ESG's evaluation is based on the Oberbank's Green Bond Framework (June 2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 09.06.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN BONDS LINK TO OBERBANK'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF OBERBANK'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
OBERBANK AG	PUBLIC & REGIONAL BANKS	2	VERY HIGH

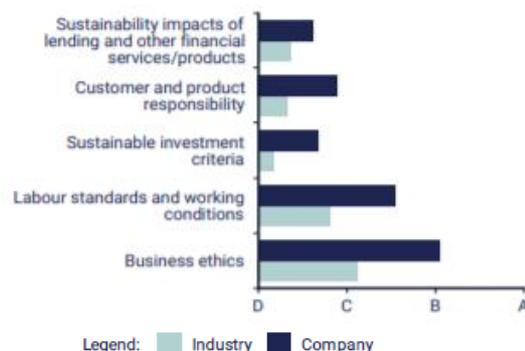
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Public & Regional Banks sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 09.06.2021, this Rating places Oberbank 32 out of 276 companies rated by ISS ESG in the Public & Regional Banks sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Oberbank is an Austria-based bank providing banking, investment and leasing services to retail and corporate clients. The company offers socially responsible investment products based on relevant sustainability criteria as well as a basic banking account subject to moderate terms and conditions. Moreover, Oberbank offers financing of renewable energy and energy efficiency construction projects. However, these products and services still represent a minor part of Oberbank's business activities.

Sustainability Risks

As a financial company, Oberbank faces sustainability challenges mainly in its lending and asset management business, and with regard to ensuring the respectful treatment of clients. The company focuses mainly on Austria and neighbouring countries and is not significantly involved in international

project finance. Oberbank considers some relevant sustainability aspects in its lending business through the exclusion of controversial sectors and practices such as trade in protected species and banned or controversial weapons, and production of nuclear energy. Moreover, the company has taken some steps regarding the integration of social and environmental aspects into its mainstream asset management. Oberbank's employees are mainly located in Austria and Germany where they benefit from high legal employment standards on e.g. employment security and health and safety. Concerning business ethics, Oberbank has established a code of conduct and a compliance handbook that provide detailed guidance on various topics such as insider dealings, conflicts of interest and money laundering, antitrust violations as well as several corresponding compliance measures. However, some measures such as third-party anti-corruption due diligence assessments are missing.

Governance opinion

Regarding Oberbank's corporate governance structure, 50% of its board members are considered independent. The board's audit committee comprises a minority of independent directors while the remuneration committee comprises a majority of independent directors and the nomination committee is fully independent (as at April 28, 2021). However, the chair of the board (Mr. Andreas König, as at June 9, 2021) is deemed not independent. The company discloses its remuneration for each member of the executive management team, including long-term components, which could incentivize sustainable value creation.

With regard to its governance of sustainability, the company has not set up a board committee tasked with the supervision of its sustainability strategy. ESG targets, which could encourage sustainable value creation, do not appear to be integrated into the executives' remuneration system. Concerning business ethics, Oberbank has established a code of conduct and a compliance handbook that provide detailed guidance on various topics such as insider dealings, conflicts of interest and money laundering, antitrust violations as well as several corresponding compliance measures. However, some measures such as third-party anti-corruption due diligence assessments are missing.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Oberbank's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Oberbank's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF GREEN BONDS WITH OBERBANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Oberbank is an active member of the UN Global Compact, respACT - Austrian business council for sustainable development and ÖGUT - Austrian Society for Environment and Technology. Oberbank publishes an annual Sustainability Report which provides information on the Group's sustainability priorities and activities.³²

Oberbank is committed to the goal of the Paris Agreement to limit global warming to 1.5°C and compliance with the UN's Sustainable Development Goals (UN SDGs). Oberbank takes action at various levels: in their core business of lending, the bank contributes to decarbonization by defining exclusion and positive criteria for commercial loans.

Oberbank has made sustainability an integral part of its operations and engages in regular and open dialogue with its key stakeholders (public institutions, customers, investors and employees) as well as with representatives of the most effective organizations and key actors for sustainable development (e.g., NGOs, industry initiatives, sustainability rating agencies and regulators). In the spirit of stakeholder value, Oberbank also focuses on the needs of society and global requirements. Therefore, the interests and expectations of all stakeholders are reflected in their sustainability goals and actions.

For all sustainability priorities, Oberbank defined specific sustainability objectives and activities.

Rationale for issuance

Oberbank is working to establish sustainable finance in Germany and Austria, to mobilize funds for a transition towards low carbon economy, to enhance risk management and financing standards and increase the credibility of the sustainable investments.

Oberbank believes that sustainability is inseparably linked to the management of a bank's risk exposure. For this reason, ESG criteria and sustainability risks (e.g., physical risks, transition risks) are also taken into account in addition to other economic factors when reaching decisions on loans. Credit management decisions are taken in accordance with the generally defined exclusion criteria for loans and comply with the processes defined for this purpose. When rating the creditworthiness of customers, sustainability risks in the assessment of the business model are also taken into consideration.

Social aspects are also part of Oberbank's lending standards. In both corporate and retail banking, the capacity to service a loan is a mandatory requirement for granting a loan, irrespective of any collateral that may be made available. Moreover, Oberbank has always given priority to supporting long-time customers who find themselves in economic stress situations during challenging phases.

³ Comprehensive information on Oberbank's sustainability strategy as well as details and progress reports on all (planned) measures and projects are included in the most recent Sustainability Report available at <https://www.oberbank.at/nachhaltigkeit>

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public & Regional Banks sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings (Residential)	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceed category financed through this bond is consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

An amount equal to the net proceeds of the Green Bond Instruments will be used to finance or refinance, in whole or in part, loans or investments mainly in Oberbank's core region (Austria and Germany) that promote the transition to a low-carbon, climate resilient and sustainable economy (Green Loans), each of which must meet the green loan criteria as defined by Oberbank below.

The net proceeds can be used to fund both existing and new green loans which have been granted either up to 18 months after the issuance of a green bond or up to 18 months prior to the issuance. The net proceeds will be used primarily to refinance existing green loans. However, Oberbank will endeavour to increase the volume of new green loans granted.

Eligible Green Projects

GREEN CATEGORY ⁴	DEFINITION	ELIGIBILITY CRITERIA
Green buildings (residential)	Acquisition and ownership of residential buildings (single-family and multi-family) built before 31 December 2020	<ul style="list-style-type: none"> Energy Performance Certificate (EPC) Class A. Alternatively, buildings that belongs to the top 15% most energy efficient buildings at the national or regional level in terms of operational primary energy demand (PED), with the corresponding certification.
	Acquisition and ownership of residential buildings (single-family and multi-family) built after 31 December 2020	<ul style="list-style-type: none"> The primary energy demand (PED), which defines the energy performance of a building after construction, is at least 10% below the national threshold for nearly zero energy buildings (NZEB) and verified by an Energy Performance Certificate (EPC). For residential buildings over 5,000 m²: Testing for air tightness and thermal integrity upon completion or, alternatively, verifiable quality control processes during the construction process.
	Renovation of existing single-family and multi-family homes	<ul style="list-style-type: none"> Building renovation complies with the applicable requirements for major renovations. Alternatively, it leads to a reduction in primary energy demand (PED) of at least 30%.

⁴ Environmental Objective (1): Climate Change Mitigation

Exclusions

The net proceeds of Green Bond Instruments will not be used for investments that do not comply with the restrictions described and defined in Oberbank's "Guidelines for Absolutely Excluded Transactions and Transactions requiring Anti-Money Laundering Authorization". All of the exclusion criteria defined refer to the full investment scope of the projects funded.

Oberbank dissociates itself from industries, companies and business practices that, in its view, could result in unacceptable environmental, social and governance (ESG) effects. The following exclusion criteria based on sustainability aspects are mandatory for new customers as well as for new business areas of existing customers and do not permit any type of approval.

Oberbank will not enter into business relationships with companies and will distance itself from a company for which it is known or becomes known in the course of a business relationship that it violates labour law, human rights or employs child labour.

Criteria	Example
Labour law violations	When working conditions are unacceptably inadequate especially in terms of minimum wages, working hours, health and safety.
Child labour	If children are employed or the employment of children becomes known during a detailed audit.
Human rights violations	When human rights are systematically violated due to political arbitrariness, torture, restrictions to privacy rights, restrictions to freedom of opinion or restrictions to freedom of religion.

Additionally, Oberbank considers the following areas to carry higher potential ESG risk and are therefore excluded:

Sector/Criteria	Excluded	Economic activity classification (ÖNACE)
Nuclear energy	<ul style="list-style-type: none"> ▪ Production of nuclear energy ▪ Mining of uranium and enrichment ▪ Handling or trading in radioactive waste or hazardous waste, or receiving commissions from such trades 	<ul style="list-style-type: none"> ▪ Mining of uranium and thorium ores ▪ Generation of electricity
Drugs	<ul style="list-style-type: none"> ▪ Production and trafficking in drugs which are banned from consumption in Austria by law 	
Gemstones and conflict materials	<ul style="list-style-type: none"> ▪ Mining of conflict materials or blood diamonds or similar 	<ul style="list-style-type: none"> ▪ Mining and quarrying n.e.c.
Fishery	<ul style="list-style-type: none"> ▪ Non-compliance with internationally recognized standards and agreements 	<ul style="list-style-type: none"> ▪ Marine fishery

Trade in protected animals or export leather	<ul style="list-style-type: none"> ▪ Trade in endangered species or protected animal species, or in animal species covered by the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), or in parts of these animals ▪ Brokering of hunts or hunting of such animals 	<ul style="list-style-type: none"> ▪ Wholesale of live animals ▪ Wholesale of hides, skins and leather ▪ Retail trade in zoological supplies and live animals
High-volume fracking and extraction of oil sands	<ul style="list-style-type: none"> ▪ Primary business purpose is high-volume fracking or extraction of oil sands 	<ul style="list-style-type: none"> ▪ Extraction of crude oil and natural gas
Coal	<ul style="list-style-type: none"> ▪ Exclusive extraction of coal 	<ul style="list-style-type: none"> ▪ Coal mining Anthracite mining Lignite mining
Embryo research	<ul style="list-style-type: none"> ▪ Destructive human embryo research which contributes significantly to revenues (excluding vitro fertilization) 	

In line with the regionality principle, Oberbank focuses on companies in countries in which it is represented, or which have their registered office in the EU or belong to a member state of UNIDO. In addition, Oberbank does not engage in proprietary transactions with central governments which are excluded under the following criteria:

Criteria	Excluded
FATF list EU list of high-risk countries	Countries on the black, dark grey or grey list of the Financial Action Task Force on Money Laundering (FATF) Countries on the EU list of high-risk countries (RE (EU) 2020/855)
Climate protection	Countries that have not ratified the 2015 Paris Climate Agreement.
Freedom of the press and freedom of the media	Countries in which freedom of the press and media is massively restricted (on the blacklist of Reporters Without Borders)
Sanctions	Countries on which EU sanctions have been imposed (see COM/Anti-Money Laundering Compliance/Sanctions & Embargoes) unless specifically defined policies and procedures are in place at Oberbank to mitigate the relevant risks in a lawfully compliant manner.

Opinion: ISS ESG considers the Use of Proceeds description provided by Oberbank's Green Bond Framework as complete, exhaustive and aligned with the Green Bond Principles. The eligible category

is aligned with the issuer's sustainability strategy. The environmental benefits of the projects are clear and the risk to finance controversial projects is reduced as the company follows the best market practice by disclosing an exclusion list (including exclusion of fossil fuel backed projects).

2. Process for Project Evaluation and Selection

As with all Oberbank lending transactions, all potentially green loans are subject to Oberbank's standard lending procedures, which ensure compliance with applicable national rules and regulations, know-your-customer processes, and Oberbank's policies and guidelines on lending, anti-money laundering and sanctions. In addition, potential environmental, social and governance (ESG) risks are assessed as part of the lending process. Sector-specific lending guidelines apply to certain sectors with high ESG risk.

Sustainability experts in Oberbank's lending units assess potential green loans, their compliance with the green loan categories outlined in this Framework and their impact on the environment. If an analysis is required, Oberbank procures additional information such as an environmental impact assessment or a life cycle analysis. Based on the analysis, credit units may nominate loans as potential green loans.

Evaluation of Green Loans

Precise internal review processes and responsibilities have been defined at Oberbank to assess sustainability (according to the EU Taxonomy) and the eligibility of loans granted by Oberbank for green bonds funds. According to the EU Taxonomy, certain thresholds (limits) must be complied with to classify as sustainable financing. In addition to being classified as sustainable financing, a loan must make a significant positive contribution to the attainment of at least one of the six environmental objectives of the EU Taxonomy.

Environmental objectives of the EU Taxonomy

- 1) Climate change mitigation
- 2) Climate change adaptation
- 3) Sustainable use and protection of water and marine resources
- 4) Transition to a circular economy
- 5) Pollution prevention and control
- 6) Protection and restoration of biodiversity and ecosystems

At the same time, the loans identified as sustainable are not permitted to violate certain Do No Significant Harm (DNSH) criteria. For details on eligible green loans under this Framework and on the methodology for checking alignment with the EU Taxonomy, see Section Use of proceeds.

Oberbank's existing business in the area of retail mortgages was analysed by an external partner and assessed for eligibility as sustainable financing for the first issue of a green bond under this Framework. In the future, new business will also be assessed internally according to the same logic.

Oberbank has set up a Green Bond Committee (GBC) to manage the Green Bond Framework. The member of Oberbank's Management Board responsible for sustainability is on Oberbank's GBC (and also chairs it) as well as the relevant department heads and the Oberbank's sustainability officers.

The GBC is responsible for

- Approval of green loans identified in accordance with the aforementioned definition of green loans
- Exclusion of green loans that no longer meet the green bond criteria
- Identification and management of potential ESG risks of green loans
- Monitoring the distribution of net proceeds from Green Bond Instruments
- Review and updating of the Green Bond Framework

When identifying green loans and their non-financial effects, Oberbank reserves the right to also use external consultants and their data sources.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Oberbank's Green Bond Framework as aligned with the Green Bond Principles. The issuer has set up a structured process to identify eligible projects and ESG risks associated with the eligible projects.

3. Management of Proceeds

The net proceeds of Green Bond Instruments issued under this Framework are managed by the GBC applying a portfolio approach. Oberbank allocates the net proceeds from Green Bond Instruments to a portfolio of eligible loans that meet the green bond criteria as described in the section on Use of Proceeds. Eligible green loans are flagged as such in the bank's internal system, and can therefore be represented in a portfolio. Oberbank's aim is to fully allocate eligible green loans to the portfolio (Green Portfolio) until maturity, but at the latest 18 months after the issue, and to replace these loans if they are removed from the Green Portfolio due to early repayment, redemption, sale or loss of status as eligible for the Green Portfolio. If there is a shortfall in green loans until maturity, Oberbank may – until full reallocation – hold the amount corresponding to the unallocated issuance proceeds in cash or in short-term liquid instruments in accordance with the exclusion criteria defined in Oberbank's "Guidelines for Absolutely Excluded Transactions and Transactions requiring Anti-Money Laundering Authorization".

As mentioned above, the management of the Green Portfolio is the responsibility of the GBC. The availability of eligible green loans and compliance with green bond criteria is reviewed on a quarterly basis. Oberbank may modify the composition of the green portfolio at its discretion, provided the total volume of green loans is at least equal to the net proceeds of the outstanding Green Bond Instruments and the selected green loans meet all green bond criteria.

Opinion: ISS ESG finds that the Management of Proceeds description provided by Oberbank aligns with the GBPs. Earmarking of proceeds is ensured through a portfolio approach, while the timeframe and allocation method are also described. The procedure for unallocated proceeds is also disclosed.

4. Reporting

Allocation reporting

Oberbank will prepare and make available a report on the allocation of the net proceeds to the Green Portfolio ("Allocation Report") on a nominal equivalence basis one year after the issuance of the respective Green Bond Instruments. This report will be updated annually until full allocation.

Oberbank intends to report on the allocation of the use of proceeds to the green portfolio on an aggregate (portfolio) basis by category for all Green Bond Instruments issued by Oberbank as set out below:

- Volume of the Green Portfolio
- Total amount of net proceeds allocated to the Green Portfolio;
- Balance (if any) of unallocated net proceeds;
- Amount or percentage share of new loans and refinancing;
- Breakdown of allocated net proceeds by green bond category;
- Total volume of outstanding Green Bond Instruments
- Geographical breakdown of the Green Portfolio

Impact reporting

Oberbank intends to align its impact reporting with the portfolio approach described in the ICMA Handbook - Harmonized Framework for Impact Reporting (December 2020).

Oberbank intends to report, to the extent possible, one year after the issuance of the respective Green Bond Instruments and then annually on the environmental impact of the green loans financed with the net proceeds of the Green Bond Instruments (“Impact Reporting”). As the green bond categories include a number of different project types, the final key impact indicators may differ from those listed below. Energy generation/savings and reduction of greenhouse gas emissions are considered the most important indicators and are prioritized. Below is a list of indicative indicators:

GREEN PROJECT CATEGORY	EXAMPLE OF POSSIBLE KEY PERFORMANCE INDICATORS
Green buildings (residential)	<ul style="list-style-type: none"> ▪ Reduction of energy consumption in kWh ▪ Carbon emissions avoided in tCO2 equivalent per year

Both the Allocation Report and the Impact Report are made available on the Oberbank website. This report also discusses the measurable contribution of these green loans to the climate goals set out in the EU Taxonomy and in the UN SDG.

Opinion: ISS ESG finds that Oberbank’s reporting, as described in the framework, aligns with the GBPs. The issuer provides detail relating to the level, frequency, scope, and duration of reporting for both allocation and impact reporting. The impact indicators are clearly defined, and both the allocation report and impact report are publicly disclosed on the issuer’s website which enhances the quality of the reporting.

External review

Starting one year after issuance and until maturity (or until full allocation), Oberbank intends to commission its external auditor or a reputable auditor annually with the preparation of a report on the allocation of the net proceeds from the Green Bond Instruments to the portfolio of green loans who thus verifies the allocation.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs

Using a proprietary methodology, ISS ESG assessed the contribution of Oberbank’s Green Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the Sustainable Bond Framework and the issuer’s specific sectorial context.

This assessment is displayed on 5-point scale (see Annex 1 for methodology):



Each of the bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green buildings (residential)	Significant Contribution⁵	

⁵ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs. The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Climate Delegated Act for the activities 7.2. ‘Renovation of Existing Buildings’ and 7.7 ‘Acquisition and Ownership of Buildings’. As the projects to be financed under the Use of Proceeds category “Green Buildings (residential)” have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Climate Delegated Act, a significant contribution to climate change mitigation by the projects is attested.

2. ALIGNMENT OF THE ELIGIBLE GREEN PROJECTS WITH THE EU TAXONOMY

ISS ESG assessed the alignment of the eligible projects and the due diligence and selection processes in place with the EU taxonomy on a best effort basis.

2.1 Renovation of Existing Buildings (7.2)

Projects under this category include the renovation of existing buildings. All Green Projects are located in Austria and Germany. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Climate Delegated Act June 2021 requirement</p> <p>Construction and civil engineering works or preparation thereof.</p> <p>The economic activities in this category could be associated with several NACE codes, in particular F41 and F43 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.</p> <p>An economic activity in this category is a transitional activity as referred to in Article 10(2) of Regulation (EU) 2020/852 where it complies with the technical screening criteria set out in this Section.</p>	<p>The buildings selected by Oberbank comply with the following requirements:</p> <ul style="list-style-type: none"> ▪ The building renovation complies with Directive 2010/31/EU requirements for major renovations that meets the cost-optimal minimum energy performance. ▪ Leads to a reduction of primary energy demand (PED) by at least 30% within a maximum of three years. All assets are based in the EU where the directive for the Energy Performance of Buildings has been transposed into national law. 	<p>✓</p>
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>Reducing material physical climate risks</p>	<p>Physical climate risks are identified by assessing climate risk and vulnerability. The assessment of climate risks is proportionate to the scale of the activity and expected lifespan. Resilience testing and assessment within the scope of construction permit procedures. Evidence is provided in the form of a legally binding construction permit.</p>	<p>✓</p>

Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are legislative prerequisites for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable as residential works in residential buildings		—
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Transition to a circular economy	<p>The measures are in line with the national waste management plan. The EU’s Waste Framework Directive (2008/98/EC) was adopted at national level in Austria e. g. the form of the Waste Management Act 2002 (AWG 2002) implemented and continuously amended. In Germany, the Directive was transposed into national law by the Act to Promote the Circular Economy and Ensure the Environmentally Compatible Management of Waste (Kreislaufwirtschaftsgesetz) in 2012 and continuously amended.</p> <p>As long as Oberbank does not knowingly become aware of any contrary information, it is assumed the legislation currently in force is complied with.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Pollution prevention and control	Directive 2011/65/EU has been implemented in Austria in the form of the Waste Electrical Equipment Ordinance (EAG-VO) and Electrical and Electronic Equipment Substance Ordinance (ElektroStoffV) in Germany.	✓

	<p>For construction products, there are different legal regulations at both national and European level (Regulation (EC) No 1907/2006) that limit the pollutant content or emissions.</p> <p>With regard to measures to reduce noise and other emissions during construction or maintenance work, Austria and Germany have mandatory statutory provisions at the state level to reduce noise and other emissions during construction or maintenance work.</p>	
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6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Not applicable

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CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

An Environmental Impact Assessment is part of the building permit and mitigation action plans are reviewed by local authorities. In the event of violations, the building permit may be revoked and withdrawn. In case of potential controversies, the company confirms that a controversy can ultimately lead to the removal of the assets from the Green Projects pool.

2.2 Acquisition and Ownership of Buildings (7.7)

Projects under this category include the acquisition and ownership of green buildings. All Green Projects are located in Austria and Germany. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Climate Delegated Act June 2021 requirement</p> <p><u>For buildings built before 31 December 2020</u>, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate</p>	<ul style="list-style-type: none"> ▪ The selected projects are exclusively residential buildings with an area of no more than 5000 m². On an individual basis, larger buildings must submit an eco-balance sheet. ▪ Requirement for buildings built before 31 December 2020: The calculated performance of the building must be within the top 15% of the local existing stock in terms of operational Primary 	<p style="text-align: center;">✓</p>

<p>evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings</p> <p><u>For buildings built after 31 December 2020</u>, the building meets the criteria specified in Section 7.1 established for the ('Construction of new buildings') that are relevant at the time of the acquisition</p> <p>Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment</p>	<p>Energy Demand, expressed as kWh/m².</p> <ul style="list-style-type: none"> ▪ Requirements for buildings built after 31 December 2020: Oberbank intends to report on the percentage of New Buildings complying with the EU Taxonomy Nearly Zero Energy Building (NZEB) – 10% criteria, where applicable (for assets located in geographies where NZEB has been defined in terms correspondent Building Regulation). ▪ In Germany, the NZEB standard is the EnEV 2016. In Austria, the NZEB is defined as a building that meets the energy requirements of the OIB Guidelines R6:2015, as amended 2018, including the amendments pursuant to R6:2019, and newly constructed buildings as of 1 January 2021. 	
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2. CLIMATE CHANGE ADAPTATION– DO NO SIGNIFICANT HARM CRITERIA

<p>Reducing material physical climate risks</p>	<p>The processes for selection of Green Projects include the resilience and assessment of the project as part of the procedures to obtain a construction permit. The legally binding permit aligns with the EU legislation which are reflected in national regulations. Environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.</p>	<p>✓</p>
<p>Supporting system adaptation</p>	<p>The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.</p>	<p>✓</p>

Monitoring adaptation results	Environmental risk assessments and adaptation results are legislative prerequisites for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable	—	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable	—	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable	—	
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable	—	
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
<p>An Environmental Impact Assessment is part of the building permit and mitigation action plans are reviewed by local authorities. In the event of violations, the building permit may be revoked and withdrawn. In case of potential controversies, the company confirms that a controversy can ultimately lead to the removal of the assets from the Green Projects pool.</p>		

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	The OECD Guidelines provide recommendations for action by governments to multinational companies operating in or from participating countries, thus complementing existing legislation. As long as the Oberbank does not knowingly become aware of any contrary information or facts, it is assumed that the guidelines will be complied with. The recommendations contained in the OECD Guidelines also included due diligence recommendations regarding the value chain/supply chain of companies, which were set out by Oberbank in the Corporate Governance Directive.	✓
UN Guiding Principles on Business and Human Rights	The Guiding Principles aim to establish a significant global standard for preventing and managing the risk of adverse human rights impacts associated with business activities. As long as the Oberbank does not knowingly become aware of any contrary information or facts, compliance with the guiding principles is assumed. The corresponding due-diligence process was laid down by Oberbank in the Corporate Governance Directive.	✓
ILO Core Labour Conventions	The ILO Conventions cover a wide range of social and labour issues, including fundamental human rights, minimum wages, industrial relations, employment policy, social dialogue, social security and other issues. All projects will be based in Austria and Germany, two countries that ratified all the ILO fundamental conventions.	✓

DISCLAIMER

1. Validity of the SPO: As long as Oberbank AG Green Bond Framework remains unchanged.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Oberbank’s Green Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the Green Bond Framework match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Oberbank (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Oberbank’s Green Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Oberbank AG

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

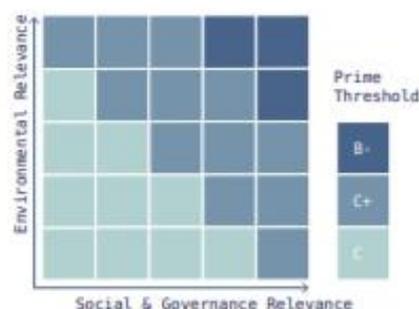
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Oberbank AG

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Oberbank commissioned ISS ESG to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the GBPs and EU Taxonomy to assess the sustainability credentials of its Green Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs
- EU Taxonomy Climate Delegated Act (June 2021)

ISSUER'S RESPONSIBILITY

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

- Framework
- Green Bond Framework / Eligibility criteria
- Documentation of ESG risks management at portfolio

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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.

ISS ESG has conducted this independent Second Party Opinion of the Green Bonds to be issued by OBERBANK based on ISS ESG methodology and in line with the ICMA GBPs.

The engagement with Oberbank took place May/June 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour 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 ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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