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Green Bond Framework
Oberbank AG

June 2021

Oberbank AG, Rechtsform: Aktiengesellschaft, Sitz: Linz, Firmenbuch Nr. FN 79063 w, Landesgericht Linz, DVR: 0019020

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1. Background

Oberbank AG ("Oberbank") was founded in 1869 as Bank für Oberösterreich und Salzburg and is an independent, Austrian regional bank headquartered in Linz. Its branch network covers Austria (Upper Austria, Salzburg, Lower Austria and Vienna), Germany, the Czech Republic, Slovakia and Hungary. Oberbank serves both retail and corporate customers and offers the full range of financial services. As an independent regional bank, we are well-established in our markets and provide local support to individuals and businesses. Thinking and acting in accordance with the principles of sustainability have always been an integral part of Oberbank's value-based strategy.

Successful sustainability management and clear goals are of great importance for the development and future success of Oberbank. For this reason, our sustainability strategy is also a key element of our overall banking strategy.

Oberbank's business policy and continuing success are guided by the principles of good corporate governance and transparency. Oberbank pursues sustainable and long-term objectives. As an exchange-listed company, Oberbank is committed to the Austrian Code of Corporate Governance (ÖCGK), as amended. In addition, compliance with the OECD Guidelines on Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the ILO Core Labour Conventions is explicitly respected.

The ownership structure and the strategic orientation of Oberbank as a listed, independent regional bank are clearly communicated to the public. Retaining independence is a priority goal of the Bank. Independence is secured by sustainable earnings and a sound risk policy. No single shareholder of Oberbank is in a position to acquire a direct or indirect controlling interest.

In the past, Oberbank's strategy and business policy have included a clear commitment to ensuring a balance of interests of all stakeholders – customers, employees, shareholders and other stakeholders. This balance of diverse claims and needs contributes significantly to the stability and security of Oberbank, and is a decisive factor supportive of its independence and autonomy.

Sustainability at Oberbank

Oberbank's sustainability strategy is based on ethical and environment stewardship values, and is regularly reviewed and updated. Oberbank is committed to the goal of the Paris Agreement to limit global warming to 1.5°C. All sustainability ambitions of Oberbank comply with the UN's Sustainable Development Goals (UN SDGs).

As Oberbank, we take responsibility for sustainability and have defined ambitious strategic goals to contribute to the 1.5°C goal. To this end, we take action at various levels: in our core business of lending, we contribute to decarbonization by defining exclusion and positive criteria for commercial loans. We will calculate and publish annually how many tons of CO_2 we have helped to reduce through our lending policy.

Comprehensive information on our 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.

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Oberbank has established an internal organizational sustainability structure to ensure the implementation of its sustainability strategy.

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 our sustainability goals and actions.

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. We also plan to become active members in organisations such as the Green Finance Alliance Initiative of the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology, the initiative "Energiewende Leaders" and the network "Principles for Responsible Investment".

Oberbank publishes an annual Sustainability Report which provides information on the Group's sustainability priorities and activities.

The report is structured along the key fields of action of our sustainability strategy as identified by a materiality analysis. Measurable sustainability goals are linked to their SDG impact.

Comprehensive information on our sustainability strategy, details and progress reports on all (planned) measures and projects, details on the internal sustainability organization, participation of stakeholders and membership in ESG initiatives are published in the most recent Sustainability Report available for downloading at https://www.oberbank.at/nachhaltigkeit.

Sustainable lending policy

Oberbank believes that sustainability is inseparably linked to the management of a bank's risk exposure. For this reason, ESG criteria and sustainability risks (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 our customers, we also consider sustainability risks in the assessment of the business model.

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.

Oberbank does not pursue the widespread practice in the financial sector of selling non-performing loans to financial service providers. Non-performing borrowers continue to receive support directly from Oberbank.

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2. Oberbank's Green Bond Framework

Ambitious strategic sustainability objectives are creating demand for capital to fund projects supportive of sustainable and environmental goals. To this end, Oberbank has developed a **Green Bond Framework** ("Framework") based on the current version of the **Green Bond Principles** (**GBP**) of the **International Capital Market Association** (**ICMA**) in June 2021. When designing the Green Bond Framework, Oberbank also considered the requirements of the Delegated Acts for Environmental Objectives 1 and 2 of the EU Taxonomy published by the EU Commission in June 2021 and also the requirements of the draft of the EU Green Bond Standard published in 2020.

The Framework defines the loans and investments eligible for financing from the proceeds of the green bonds issued by Oberbank. Additionally, the Framework describes the process for identifying, selecting and reporting of loans which comply with the EU Taxonomy as well as the organization of the use of the proceeds from Oberbank's green bonds. Under the Framework, Oberbank may issue green bonds in various formats such as senior preferred debt, senior non-preferred debt and covered bonds (collectively, the **"Green Bond Instruments"**). The documentation for all Green Bond Instruments issued by Oberbank must include a reference to this Framework in the section on the use of the proceeds.

As both the Green Bond Principles and the green bond market are constantly evolving, the Framework may be updated, enlarged or adapted to meet the relevant regulatory requirements such as the EU Green Bond Standard or further publications in connection with the EU Taxonomy.

The Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure, and support integrity in the development of the market for green instruments.

Oberbank's Framework is based on the following key pillars:

(a) Use of proceeds

(b) Process for project evaluation and selection

(c) Management of proceeds

(d) Reporting

(e) External review

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3. Use of proceeds

Use of net 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.

Financing and refinancing

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 Loans - Requirements (Green Bond Criteria) Austria and Germany

Green project categories	Green sub-category	Definition	Eligibility criteria	UN SDG	EU Taxonomy
Green buildings (residential)	**Construction of new buildings**	Acquisition and ownership of **residential buildings (single-family and multi-family)** built before 31 December 2020	**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.		Environmental Objective (1): Climate Change Mitigation
	Acquisition and ownership of residential buildings	Acquisition and ownership of **residential buildings (single-family and multi-family)** built after 31 December 2020	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 controlprocesses during the construction process.		
	Renovation of existing residential buildings	Renovation of existing **single-family and multi-family homes**	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%.**		

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Exclusion criteria

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.

Absolutely excluded transactions

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 a higher potential ESG risk and are therefore excluded:

Sector/Criteria	Excluded	Economic activity classification (ÖNACE)
Nuclear energy	• Production of nuclear energy • Mining of uranium and enrichment • Handling or trading in radioactive waste or hazardous waste, or receiving commissions from such trades	• Mining of uranium and thorium ores Generation of electricity
Drugs	• Production and trafficking in drugs which are banned from consumption in Austria by law	
Gemstones and conflict materials	• Mining of conflict materials or blood diamonds or similar	• Other mining and quarrying n.e.c. Mining and quarrying n.e.c.
Fishery	• Non-compliance with internationally recognized standards and agreements	• Marine fishery
Trade in protected animals or export leather	• Trade in endangered species or protected animal species, or in animal species covered by the Washington Convention on International Trade in Endangered	• Wholesale of live animals Wholesale of hides, skins and leather Retail trade in zoological supplies and live animals

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	Species of Wild Fauna and Flora (CITES), or in parts of these animals • Brokering of hunts or hunting of such animals	
High-volume fracking and extraction of oil sands	• Primary business purpose is high-volume fracking or extraction of oil sands	• Extraction of crude oil and natural gas Extraction of crude oil Extraction of natural gas
Coal	• Exclusive extraction of coal	• Coal mining Anthracite mining Lignite mining
Embryo research	• Destructive human embryo research which contributes significantly to revenues (excluding vitro fertilization)	

Exclusion criteria for countries

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, we do 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.

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4. Process for loan 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.

Process description – evaluation of green loans granted by Oberbank

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 3 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.

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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.

5. 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 aims 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.

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6. 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 prioritised. Below is a list of indicative indicators:

Green project categories	Green sub-categories	Impact indicators
Green buildings (Residential)	**Construction of new buildings** **Acquisition and ownership of residential buildings**	• Reduction of energy consumption in kWh • Carbon emissions avoided in tCO2 equivalent per year
	Renovation of existing residential buildings	

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.

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7. External review

Second party opinion

Oberbank's Green Bond Framework has been audited by ISS ESG which has issued a Second Party Opinion.

ISS ESG has evaluated Oberbank's Green Bond Framework and its alignment with the ICMA Green Bond Principles (June 2021) as well as the EU Taxonomy (June 2021) and has issued an opinion on the robustness and credibility of the Green Bond Framework.

The Second Party Opinion as well as the Green Bond Framework are available for investors and other stakeholders on Oberbank's website www.oberbank.at/bondinvestoren.

Verification

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.

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