

# Second-Party Opinion

## Volksbank Wien Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Volksbank Wien Sustainability Bond Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Green Buildings, (ii) Renewable Energy, (iii) Energy Efficiency, (iv) Clean Transportation, (v) Sustainable Agriculture, (vi) Access to Essential Services, and (vii) Affordable Housing – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 7 and 11.



**PROJECT EVALUATION / SELECTION** Volksbank Wien AG's Sustainability Bond Committee will be in charge of selecting eligible loans. The Bank has a Compliance Framework and a Code of Conduct in place which defines environmentally and socially harmful sectors and through which environmental and social risks of financed projects can be managed and mitigated. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Volksbank Wien AG's will track proceeds via a Sustainability Bond Register. The Sustainable Bond Team will manage the proceeds on a portfolio basis. Unallocated proceeds will be held within the treasury of the group, in cash and cash equivalents. VBW will allocate proceeds within 36 months of issuance. This is in line with market practice.



**REPORTING** Volksbank Wien AG intends to report on the allocation of proceeds on its Investor Relations website on an annual basis until full allocation. Allocation reporting will include indicators such as amount outstanding and the allocated versus unallocated amounts. In addition, Volksbank Wien AG is committed to reporting on relevant impact metrics. Sustainalytics views Volksbank Wien AG's allocation and impact reporting as aligned with market practice.

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<b>Evaluation date</b>	February 22, 2022
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<b>Issuer Location</b>	Vienna, Austria
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## Introduction

Volksbank Wien AG (“VBW”, or the “Bank”) is the central organization of the Austrian Association of Volksbanks and provides banking services to retail and small and medium-sized enterprises (SME) clients. The Bank was founded in 2001, currently employs around 1,300 people and is headquartered in Vienna, Austria.

VBW has developed the Volksbank Wien Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to deliver positive environmental and social outcomes.

The Framework defines eligible green categories in the following five areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Sustainable Agriculture

The Framework defines eligible social categories in the following two areas:

1. Access to Essential Services
2. Affordable Housing

VBW engaged Sustainalytics to review the Framework, dated January 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of VBW’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. VBW representatives have confirmed (1) they understand it is the sole responsibility of VBW to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The Volksbank Wien Sustainability Bond Framework is available on Volksbank Wien AG’s website at: <https://www.volksbankwien.at/investor-relations>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and VBW.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that VBW has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Volksbank Wien Sustainability Bond Framework

Sustainalytics is of the opinion that the Volksbank Wien Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of VBW's Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Agriculture, Access to Essential Services, and Affordable Housing– are aligned with those recognized by the GBP and SBP.
  - Under the Green Buildings category, VBW may finance the construction, acquisition and ownership or renovation of commercial as well as retail real estate:
    - Buildings which have achieved or will achieve a minimum of LEED Gold, BREEAM Excellent or ÖGNI Gold.<sup>4</sup> See Appendix 1 for further information on the referenced building standards.
    - Buildings belonging to the top 15% of low-carbon buildings (based on primary energy demand) at the national level, which is determined by local buildings codes, building years and EPC certificates. Where an assessment of the top 15% is not possible, VBW will define buildings with an EPC level "A". This is in line with market practice.
    - Refurbishment of buildings that lead to a reduction of primary energy demand or carbon emissions of at least 30% compared to previous building performance or that lead to at least two classes of improvement in EPC level.
    - Refurbishments which meet cost-optimal minimum energy performance requirements in accordance with the Energy Performance of Buildings Directive (EPBD) in Austria.
    - Installation, maintenance and repair of energy efficiency equipment such as LED lighting and electric vehicle charging stations; instruments and devices for measuring, regulating and controlling energy performance of buildings, such as zoned thermostats, building automation and control systems and smart meters; on-site renewable energy technologies such as solar photovoltaic systems.
    - Criteria for investment in this category are in line with market practice.

<sup>4</sup> The ÖGNI certifies sustainable buildings and districts according to the European DGNB quality certificate. As such a ÖGNI "Gold" is viewed as equivalent to DGNB "Gold".

- Under the Renewable Energy category, VBW may finance wind power, solar power and hydro power. Regarding hydro power, this will include run-of-river hydropower without an artificial reservoir or low storage capacity.<sup>5</sup> New hydro projects will be subject to an Environmental Impact Assessment<sup>6</sup> and only projects without significant risk or expected negative impact identified will be financed. This is in line with market practice.
- Under the Energy Efficiency category VBW may finance products or technology that reduce energy consumption such as production processes in factories aiming for a 30% improvement in energy efficiency. Fossil fuel powered equipment or improvements in carbon-intensive heavy industries are excluded from such financing. This is considered to be in line with market practice.
- Under the Clean Transportation category, VBW may finance zero-emission vehicles and related infrastructure such as electric charging points. Vehicles that are used for the purpose of transporting fossil fuels are excluded. VBW has confirmed that this does not include parking facilities. This is in line with market practice.
- Under the Sustainable Agriculture category VBW may finance environmentally sustainable agriculture, including certification schemes including Global G.A.P (limited to G.A.P IFA) or EU Organic and equivalent<sup>7</sup> certification schemes that are compliant with EEC No. 834/2007 on organic production and labelling of organic products based on approval by the control bodies and authorities for equivalency for Austria.<sup>8</sup> Sustainalytics encourages VBW to report on any schemes they intend to finance.
- Under the Access to Essential Services category, VBW may finance the following:
  - Healthcare facilities that provide free and government subsidized services such as hospitals, pharmacies, diagnostic and other laboratory services as well as rehabilitation centres.
  - Free or subsidized assisted living and homes for the elderly.
  - Sustainalytics notes that the costs of these services are covered by the public social insurance of Austria in accordance with federal states' local Sozialhilfegesetz (Social Welfare Act) or the Mindestsicherungsgesetz (Minimum Benefit Act) which ensure access for the target populations. This is in alignment with market practice.
  - Access to public and government subsidized educational services including support for childhood development through loans for the construction and upgrade of facilities and equipment. This is in alignment with market practice.
- Under the Affordable Housing category, VBW may finance social and affordable housing by means of co-operative housing associations, building societies, non-profit organizations and public utility housing enterprises. VBW has confirmed that projects to be financed will meet the statutory definitions of affordability<sup>9</sup> established by the Federal Act on Charitable Housing.<sup>10</sup> Sustainalytics considers that the scope and the rationale of the Austrian regulatory environment for affordable housing provides a strong framework for impactful allocations of proceeds by VBW.
- Sustainalytics notes positively that the following sectors have been excluded from financing: defence and weapons, nuclear energy, fossil fuel energy, mining, alcohol, tobacco and gambling.
- Project Evaluation and Selection:
  - The Sustainability Bond Committee ("SBC" or the "Committee") is in charge of selecting eligible loans. The SBC is part of a broader committee, the VBW Sustainable Committee, which is comprised of representatives from multiple departments, including Treasury, Communication, Sales Management, Risk Controlling, Credit Risk Management and Compliance. The SBC is

<sup>5</sup> Alternatively, for facilities in operation pre-2020, facilities should either comply with power density above 5 W/m<sup>2</sup> or direct GHG emissions below 100 gCO<sub>2</sub>e/kWh; for facilities in operation after 2020, a power density above 10 W/m<sup>2</sup> or direct emissions below 50 gCO<sub>2</sub>e/kWh apply.

<sup>6</sup> According to the Federal Act on Environmental Impact Assessment in Austria.

<sup>7</sup> Eligible projects include those that have applied or pre-certified to the eligible programs. In case of denied certification or if certification is not achieved, the loan will be excluded from the portfolio and substituted by an eligible project.

<sup>8</sup> European Commission, "Control Bodies and Authorities from Member States", at: [https://ec.europa.eu/agriculture/ofis\\_public/actor\\_cbeu/ctrl.cfm?targetUrl=home](https://ec.europa.eu/agriculture/ofis_public/actor_cbeu/ctrl.cfm?targetUrl=home)

<sup>9</sup> Defined in § 39 (18) 6 of the Federal Act on Charitable Housing: The state governments have to determine by ordinance the conditions under which persons are to be regarded as beneficiaries for buildings located in their state territory within the meaning of this paragraph. The housing needs, including the urgency, the size of the household and the level of income, must be taken into account.

<sup>10</sup> RIS, "Bundesrecht konsolidiert: Gesamte Rechtsvorschrift für Wohnungsgemeinnützigkeitgesetz, Fassung vom 20.01.2022": <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10011509>

- responsible for ensuring that selected loans adhere to eligibility criteria set out in the Framework and for proposing changes in case loans no longer meet the criteria. The Committee is further in charge of ensuring that proposed allocations are aligned with the relevant general policies of the Bank and the ESG strategy as well as approving allocation and impact reports.
- VBW has a Compliance Framework and Code of Conduct in place which define environmentally and socially harmful sectors. Further, transactions have to comply with environmental regulations as well as the European Convention on Human Rights and the Universal Declaration of Human Rights of the United Nations. VBW's risk strategy accounts for ESG risk factors. Based on the Bank's environmental and social (E&S) risk management processes, which are applicable to all allocation decisions made under the Framework, Sustainalytics considers these processes to be adequate and aligned with market expectation.
  - Sustainalytics considers the project evaluation and selection to be aligned with market practice.
  - Management of Proceeds:
    - VBW will track proceeds via its Sustainability Bond Register and the Sustainable Bond Team will manage proceeds on a portfolio basis.
    - Unallocated proceeds will be held and/or invested in cash and/or cash equivalents.
    - The look-back period for refinancing assets will be a maximum of three years and proceeds will be allocated within 36 months of issuance.
    - Based on the measures in place to track and manage proceeds, Sustainalytics considers this to be in line with market practice.
  - Reporting:
    - VBW will publish an allocation and impact report on an annual basis until full allocation. VBW will also report in case of any material changes through the term to maturity. The reports will be publicly available on VBW's Investor Relations website.
    - Allocation reporting will include the amount outstanding, the allocated as well as unallocated amounts, and indicators such as total volume of bonds issued as well as amount and number of eligible loans.
    - Where relevant and feasible, VBW will also report on the impact of the proceeds using KPIs such as estimated annual energy savings (MWh), estimated annual reduced and/or avoided GHG emissions (tCO<sub>2</sub>e), and number of medical or education facilities built or upgraded. For a full list of indicators please see Appendix 2.
    - Based on the reporting process VBW has put in place, Sustainalytics considers this to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Volksbank Wien Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Volksbank Wien AG

### Contribution of Framework to Volksbank Wien AG's sustainability strategy

Sustainalytics is of the opinion that VBW demonstrates a commitment to sustainability with a focus on providing sustainable products and services, specifically subsidized housing financing and "sustainable funds to its clients".<sup>11</sup> For the year 2020, VBW set a target to increase the asset volume of its non-profit housing department by 11% and to finance at least 100 subsidized housing projects.<sup>12</sup> In 2020, VBW financed 136 subsidized housing projects with a volume of EUR 128.7 million. The Bank's asset volume in the non-profit housing department increased by 32.9%.<sup>13</sup> After surpassing its target, VBW aims to achieve another 10%

<sup>11</sup> VBW's "sustainable funds" consider "ecological and social considerations as well as certain aspects of corporate governance". Furthermore, the Bank has a predefined procedure for guiding fund managers, which requires the elaboration of an ESG score and that companies follow a series of sustainability principles, based on the UN Global Compact guidelines. At:

[https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr\\_report\\_2020\\_en\\_gesperrt.pdf](https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr_report_2020_en_gesperrt.pdf)

<sup>12</sup> Volksbank Wien AG, "Consolidated NFI Report 2020", at:

[https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr\\_report\\_2020\\_en\\_gesperrt.pdf](https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr_report_2020_en_gesperrt.pdf)

<sup>13</sup> Ibid.

growth in loans provided for the non-profit real estate sector and increase subsidized real estate financing by 5% in 2021.<sup>14</sup>

VBW provides sustainable investment services for its clients through cooperating with product partners such as Union Investment.<sup>15</sup> Between 2019 and 2020, the Bank's share of sustainable funds has increased from 5.8% to 9.9% and two sustainable funds carried by VBW were awarded the Austrian eco-label.<sup>16</sup> In 2021, VBW plans to expand the range of its sustainable investment together with Union Investment. Apart from affordable housing financing and sustainable funds, VBW also provides lending in areas such as new educational facilities, housing for the elderly and care facilities for young children (kindergartens and nurseries).<sup>17</sup>

Sustainalytics is of the opinion that the Volksbank Wien Sustainability Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives. Sustainalytics encourages VBW to further develop quantifiable and time-bound targets for its sustainable investments and emissions reduction in all its service areas to further strengthen the Bank's sustainability commitments.

### Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include land use and biodiversity issues associated with the construction of projects, emissions, effluents and waste generated in construction, and occupational health and safety.

Sustainalytics is of the opinion that VBW is able to manage and/or mitigate potential risks through implementation of the following:

- All projects financed under the Framework will be based in Austria and comply with relevant EU Directives. The Environmental Impact Assessment Directive 2014/52/EU ensures that all projects that may have a significant impact on the environment are sufficiently assessed before approval.<sup>18</sup>
- VBW commits to exclude lending for businesses in environmentally or socially harmful sectors and ensure that ESG-damaging investments are avoided.<sup>19</sup>
- VBW commits that all potential eligible loans under the Framework will be granted according to the association's implemented credit processes. The processes ensure that the loans comply with national rules, regulations and the Bank's internal policies and procedures such as lending guidelines and anti-money laundering.
- VBW's Code of Conduct guides the Bank's activities as it relates to business ethics, regulatory compliance and overall corporate responsibility. In addition, VBW is a signatory to the UN Global Compact Principles, indicating its commitment to upholding human rights, labour standards, environmental protection and anti-corruption.<sup>20</sup>
- VBW established an internal audit process in 2019 to control climate risks in all its business areas. Both potential transitory and physical climate risks are being considered in this process. VBW has launched its Sustainability Project in 2020, under which the Bank plans to gradually integrate sustainability risks into its core business and risk management processes by implementing measures defined by its strategy team and the Bank's sustainability ambassadors.<sup>21</sup>

<sup>14</sup> Volksbank Wien AG, "Consolidated NFI Report 2020", at:

[https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr\\_report\\_2020\\_en\\_gesperrrt.pdf](https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr_report_2020_en_gesperrrt.pdf)

<sup>15</sup> Union Investment is an asset manager and the investment arm of the DZ Bank Group and part of the cooperative financial services network, at:

<https://www.union-investment.de/startseite>

<sup>16</sup> Volksbank Wien AG, "Consolidated NFI Report 2020", at:

[https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr\\_report\\_2020\\_en\\_gesperrrt.pdf](https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr_report_2020_en_gesperrrt.pdf)

<sup>17</sup> Ibid.

<sup>18</sup> Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014, at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=EN>

<sup>19</sup> Volksbank Wien AG, "Consolidated NFI Report 2020", at:

[https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr\\_report\\_2020\\_en\\_gesperrrt.pdf](https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr_report_2020_en_gesperrrt.pdf)

<sup>20</sup> Volksbank Wien AG, "Code of Conduct", at:

[https://www.volksbankwien.at/m101/volksbank/m044\\_43000/downloads/2021\\_vbw\\_code\\_of\\_conduct\\_e.pdf](https://www.volksbankwien.at/m101/volksbank/m044_43000/downloads/2021_vbw_code_of_conduct_e.pdf)

<sup>21</sup> Volksbank Wien AG, "Consolidated NFI Report 2020", at:

[https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr\\_report\\_2020\\_en\\_gesperrrt.pdf](https://www.volksbankwien.at/m101/volksbank/zib/downloads/geschaeftsberichte/2020/cr_report_2020_en_gesperrrt.pdf)

- Regarding occupational health and safety, the EU Directive on Worker Health and Safety requires that employers to take necessary measures for workers' protection, safety and health and the prevention of occupational risks.<sup>22</sup>
- In addition, the Bank operates in Austria, which is recognized as one of the Designated Countries under the Equator Principles, demonstrating robust environmental and social governance systems, legislation and institutional capacity to mitigate common environmental and social risks associated with the projects financed under the Framework.<sup>23</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that VBW has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of green buildings in the EU and Austria

The buildings and construction sectors were responsible for over one-third of global energy consumption and nearly 40% of CO<sub>2</sub> emissions in 2020.<sup>24</sup> A similar trend can be observed in the EU. The building sector is the single largest energy consumer accounting for around 40% of the EU's total energy use and responsible for emitting 36% of the EU's CO<sub>2</sub> emissions.<sup>25</sup> The EU targets to reduce emissions by at least 55% by 2030 compared to 1990 levels and further aspires to become climate neutral by 2050.<sup>26</sup> Following the EU's commitment, Austria set a national target to become carbon neutral by 2040.<sup>27</sup>

The building sector accounted for 10% of Austria's GHG emissions in 2017.<sup>28</sup> Residential and service buildings contributed 33% of total final energy consumption in 2018.<sup>29</sup> According to the IEA, since 2014, Austria's emissions growth has been largely driven by the increase in final energy consumption in buildings and the transport sector.<sup>30</sup> Given the importance of buildings in reducing Austria's energy use and GHG emissions, the Austrian government has been working to strengthen the decarbonization measures in buildings. In 2017, Austria passed the Green Electricity Act to support electricity generation from renewable sources and help reduce emissions from the residential housing sector.<sup>31</sup> In 2018, Austria released its climate and energy strategy, "#mission2030", and launched two flagship projects related to thermal building renovation and renewable heat.<sup>32</sup> Through those, the Austrian government aims to reduce emissions from the building sector by at least 3 MtCO<sub>2</sub>e by 2030 compared with 2016 and to move towards almost full decarbonization of the sector by 2050.<sup>33</sup>

Based on the above, Sustainalytics is of the opinion that VBW's lending for new green buildings and renovation of existing buildings has the potential to contribute to Austria's GHG emission targets under the EU environmental plan.

#### Importance of affordable housing in Austria

There is a growing housing crisis in Europe's cities as a result of lack of availability and increasing unaffordability, including in Austria. The housing cost overburden rate (the percentage of the population who live in households where housing expenditure constitutes more than 40% of total disposable income) was at 7% in 2019, while half of the Austrian population feels that housing is no longer affordable, according to one

<sup>22</sup> Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work, (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR>

<sup>23</sup> Equator Principles, "Designated Countries", (2021), at: <https://equator-principles.com/designated-countries/>

<sup>24</sup> The International Energy Agency (IEA), "Buildings", 2021, at: <https://www.iea.org/topics/buildings>

<sup>25</sup> European Commission, "New Rules for Greener and Smarter Buildings will increase quality of life for all Europeans" at:

[https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15\\_en](https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en)

<sup>26</sup> European Commission, "2030 Climate Target Plan", at: [https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan\\_en](https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en)

<sup>27</sup> The International Energy Agency (IEA), "Austria 2020 Energy Policy Review", at: <https://www.iea.org/reports/austria-2020>

<sup>28</sup> Federal Ministry Republic of Austria, (2019), "Long-Term Strategy 2050 – Austria", at: [https://unfccc.int/sites/default/files/resource/LTS1\\_Austria.pdf](https://unfccc.int/sites/default/files/resource/LTS1_Austria.pdf)

<sup>29</sup> The International Energy Agency (IEA), "Austria 2020 Energy Policy Review", at: [https://iea.blob.core.windows.net/assets/ea419c67-4847-4a22-905a-d3ef66b848ba/Austria\\_2020\\_Energy\\_Policy\\_Review.pdf](https://iea.blob.core.windows.net/assets/ea419c67-4847-4a22-905a-d3ef66b848ba/Austria_2020_Energy_Policy_Review.pdf)

<sup>30</sup> Ibid.

<sup>31</sup> Federal Ministry Republic of Austria, "Integrated National Energy and Climate Plan for Austria", (2019), at:

[https://ec.europa.eu/energy/sites/ener/files/documents/at\\_final\\_necp\\_main\\_en.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/at_final_necp_main_en.pdf)

<sup>32</sup> Federal Ministry Republic of Austria, "#mission2030 Austrian Climate and Energy Strategy", at:

[https://gruenstattdat.at/wp-content/uploads/2020/10/mission2030\\_oe\\_climatestrategy\\_ua.pdf](https://gruenstattdat.at/wp-content/uploads/2020/10/mission2030_oe_climatestrategy_ua.pdf)

<sup>33</sup> Federal Ministry Republic of Austria, (2019), "Long-Term Strategy 2050 – Austria", at: [https://unfccc.int/sites/default/files/resource/LTS1\\_Austria.pdf](https://unfccc.int/sites/default/files/resource/LTS1_Austria.pdf)

study.<sup>34</sup> Between 2009 and 2019 rent prices have increased by 39% on average in the five largest Austrian cities, four percentage points more than the country-wide average.<sup>35</sup> Due to the increasing unaffordability of housing, a growing number of people are seeking access to social housing or other forms of subsidized accommodation. Consequently, waiting lists are growing, hence exacerbating the issue. On average, 15,000 subsidized housing units are built in Austria annually. Still, the demand for subsidized housing is currently standing at approximately 22,000 units annually, leading to a yearly shortage of 7,000 affordable housing units in the country, demonstrating the importance of financing affordable housing projects in Austria.<sup>36</sup>

In this context, Sustainalytics is of the opinion that VBW's financing of affordable housing is expected to contribute to the alleviation of the affordable housing shortage in Austria and result in positive social impact.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the Volksbank Wien Sustainability Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Agriculture	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
Access to Essential Services	3. Good Health and Well-being for People  4. Quality Education	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all  4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums

<sup>34</sup> VDSF, "Mehrheit der Österreicher empfindet Wohnen als nicht mehr leistbar", (2019), at: <https://www.vdsf.at/2019/09/29/mehrheit-der-oesterreicher-empfindet-wohnen-als-nicht-mehr-leistbar/>

<sup>35</sup> GBV, "Kluft bei Mietpreisen zwischen Stadt und Land weiter aufgegangen", (2020), at: <https://www.gbv.at/AktuelleMeldungen/2020/Kluft%20bei%20Mietpreisen%20zwischen%20Stadt%20und%20Land%20weiter%20aufgegangen/>

<sup>36</sup> GBV, "Limited-Profit Housing Associations in Austria, Overview", at: [www.gbv-aktuell.at](http://www.gbv-aktuell.at)



## Conclusion




VBW has developed the Volksbank Wien Sustainability Bond Framework under which it may issue green, social or sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to deliver positive environmental and social outcomes. Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental and social impact.

The Volksbank Wien Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Volksbank Wien Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 7, and 11. Additionally, Sustainalytics is of the opinion that VBW has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Volksbank Wien AG is well positioned to issue sustainability bonds and that that Volksbank Wien Sustainability Bond Framework is robust, transparent and aligns with the Sustainability Bond Guidelines 2021, the Green Bond Principles 2021 and the Social Bond Principles 2021.

## Appendices

### Appendix 1: Overview and Assessment of Green Building Certification Schemes

	<b>BREEAM</b>	<b>LEED</b>	<b>DGNB</b>
<b>Background</b>	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.
<b>Certification levels</b>	Pass Good Very Good Excellent Outstanding	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Environment</li> <li>• Economic</li> <li>• Sociocultural and functional aspects</li> <li>• Technology</li> <li>• Processes</li> <li>• Site</li> </ul>
<b>Requirements</b>	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item<sup>37</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Percentage-based performance index</p> <p>The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment. The environmental, economic, socio-cultural and functional aspects and technical quality each account for 22.5% of the total, process accounts for 10% and the site quality is given a separate grade.</p>
<b>Performance display</b>			

<sup>37</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

<b>Qualitative Considerations</b>	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	Widely recognized internationally, and strong assurance of overall quality.	DGNB certification is based on current European Union standards and norms and is being recommended by the German Federal Ministry of Transport, Building and Urban Development. DGNB System has partnerships in a number of countries, among which Bulgaria, Denmark, Austria, Thailand and Switzerland.
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## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Volksbank Wien AG
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	Volksbank Wien Sustainability Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	February 22, 2022
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

**EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)**

Please refer to Evaluation Summary above.

**Section 3. Detailed review**

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

**1. USE OF PROCEEDS**

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – (i) Green Buildings, (ii) Renewable Energy, (iii) Energy Efficiency, (iv) Clean Transportation, (v) Sustainable Agriculture, (vi) Access to Essential Services and (vii) Affordable Housing – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 7, and 11.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Sustainable Agriculture                      |

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- |  |   |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services                        |
| <input checked="" type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |

- |   |  |
|---|--|
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):                   |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Volksbank Wien AG's Sustainability Bond Committee will be in charge of selecting eligible loans. The Bank has a Compliance Framework and a Code of Conduct in place which defines environmentally and socially harmful sectors through which environmental and social risks of financed projects can be managed and mitigated. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Volksbank Wien AG's will track proceeds via a Sustainability Bond Register and proceeds will be managed on a portfolio basis by the Sustainable Bond Team. Unallocated proceeds will be held within the treasury of the group, in cash and/or cash equivalents. VBW will allocate proceeds within 36 months of issuance. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
|---|

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

**Additional disclosure:**

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

**4. REPORTING**

Overall comment on section (if applicable):

Volksbank Wien AG intends to report on allocation of proceeds on the Bank's Investor Relations website on an annual basis until full allocation. Allocation reporting will include indicators such as amount outstanding and the allocated as well as unallocated amount. In addition, Volksbank Wien AG is committed to reporting on relevant impact metrics. Sustainalytics views Volksbank Wien AG's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |   |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Number of beneficiaries  |
| <input type="checkbox"/> Target populations                 | <input checked="" type="checkbox"/> Other ESG indicators (please specify): number of medial or education facilities built or upgraded; number of affordable buildings constructed or renovated; number of jobs created, etc. |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                  |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Allocation and Impact Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

<https://www.volksbankwien.at/investor-relations>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails

an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.



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