

## **SECOND PARTY OPINION (SPO)**

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Sustainability Quality of the Issuer and Asset Pool

Raiffeisenlandesbank Oberösterreich AG

12 June 2020

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## Overall Evaluation of the Green Bond

Raiffeisenlandesbank Oberösterreich AG (RLB OÖ) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. RLB OÖ's Green Bond framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. RLB OÖ's sustainability performance, according to the ISS ESG Corporate Rating.

### ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b> <b>Performance against GBPs</b>	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 ICMA GBPs.	<b>Positive</b>
<b>Part 2:</b> <b>Sustainability quality of the asset pool</b>	<p>The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include: green buildings, wind power, solar PV, hydro power and geothermal.</p> <p>All assets of the asset pool are located in highly regulated and developed countries. Legislative frameworks in these countries set minimum standards, which reduce environmental and social risks.</p>	<b>Positive</b>
<b>Part 3:</b> <b>Issuer sustainability performance</b>	<p>The issuer itself shows a medium sustainability performance and has been given a rating of 'C', which classifies it as 'Prime' by the methodology of the ISS ESG Corporate Rating.</p> <p>It is rated 21<sup>st</sup> out of 281 companies within its sector as of 12.06.2020. This equates to a good relative performance, with a Decile Rank<sup>2</sup> of 1.</p>	<b>Status: Prime</b> <b>Rating: C</b> <b>Decile Rank: 1</b>

<sup>1</sup> ISS ESG's evaluation will remain *valid* until any modification of the Green Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 24.05.2019). The controversy check of the underlying assets was conducted on the 18.05.2020.

<sup>2</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.










## Contribution of the Green Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the RLB ÖÖ's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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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
<b>Green Buildings</b>	<b>Significant contribution</b>	
<b>Renewable energy: Wind power</b>	<b>Significant contribution</b>	 
<b>Renewable energy: Solar PV</b>	<b>Significant contribution</b>	 
<b>Renewable energy: Hydro power</b>	<b>Significant contribution</b>	 
<b>Renewable energy: Geothermal</b>	<b>Significant contribution</b>	 

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

RLB ÖÖ intends to allocate the net proceeds of the Green Bond issued under this framework to a loan portfolio ('Eligible Loan Portfolio') of new and/or existing loans in the following categories. The eligible loans are to be funded in whole or in part by an allocation of the Green Bond proceeds. The use of proceeds categories can be summarized as follows:

##### **Renewable Energy:**

Defined as the financing or refinancing for the production, appliances, establishment, acquisition, operation, distribution and products of renewable energy, such as:

- Wind energy: Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes
- Solar energy: Solar energy Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities
- Hydro power: Small scale hydro power plants or investments in the refurbishment or refinancing of existing medium or large hydro power plants
- Bio energy: Facilities producing biofuel and/or biomass such as biofuel preparation, pre-treatment and bio-refinery facilities (limited to direct emissions of  $\leq 100\text{g CO}_2\text{e/kWh}$ )
- Geothermal energy: Geothermal power plants and geothermal heating/cooling systems (limited to direct emissions of  $\leq 100\text{g CO}_2\text{e/kWh}$ )

##### **Green Buildings:**

Defined as the financing or refinancing of buildings which meet regional, national or internationally recognized energy label regulations, standards or certifications:

- Top 15% most energy-efficient buildings in a certain region based on the building construction date (based on building codes) and/or Energy Performance Certificates.
- Refurbished buildings with an energy efficiency improvement of at least 30% or two steps in energy performance label compared to original built quality
- New and / or existing buildings which have received at least one (or more) of the following classifications:
  - LEED: Platinum, Gold
  - BREEAM: Outstanding, Excellent, Very Good
  - DGNB-Family, meaning DGNB, ÖGNI or SGNI: Platinum, Gold
  - Other comparable international green building certifications

##### **Environmentally sustainable management of living natural resources and land use:**

Defined as the financing or refinancing of environmentally responsible, economically viable and socially beneficial forest management, agriculture and fishery.

- Forests and forestry: Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the Endorsement of Forest Certified (PEFC)
- Agriculture: Organic farming, certified in compliance with the EU and national regulation

**Energy Efficiency:**

Defined as the financing or refinancing of the establishment, acquisition, expansion and upgrade of transmission lines and energy storage facilities or technologies and/or the associated infrastructure.

- Energy efficiency projects, e.g. improving the energy efficiency of the industrial production process<sup>3</sup> in a factory, energy storage efficiency projects, smart grid solutions for more efficient transmission/distribution of energy

**Clean Transportation:**

Defined as the financing or refinancing of public land transport and clean transportation loans such as:

- Public transport (e.g. subways, trains, trams, electric, biofuel or hybrid buses), including:
  - Infrastructure (e.g. rail networks, station upgrade)
  - Non-diesel rolling stock (excluding fossil fuel transportation)
- Commercial and retail electric vehicles (e.g. truck fleets, automobiles, charging infrastructure)

**Sustainable Water and Waste Water Management:**

Defined as the financing or refinancing of public (and corporate) loans dedicated to the equipment, development, construction, operation and maintenance of:

- Water distribution systems with improved efficiency
- Water recycling and wastewater treatment plants
- Flood mitigation infrastructure

**Opinion:** ISS ESG considers the Use of Proceeds description provided by RLB OÖ's Green Bond Framework as aligned with the Green Bond Principles.

## 2. Process for Project Evaluation and Selection

A dedicated Sustainability Bond Committee has been established to create this Green Bond Framework. RLB OÖ's Sustainability Bond Committee is formed by members of the Financial Management, Treasury, Investor Relation, and Sustainability Management department. The committee will manage any future updates to the Framework, including expansions to the list of

<sup>3</sup> Energy efficiency improvement in fossil fuel technologies are excluded from this Eligibility Category.

Eligible Categories, and oversee its implementation. The eligible Green Bond Framework will be evaluated according to the use of ESG criteria and focusing on the relevant and the material issues.

In identifying eligible assets and their non-financial impacts RLB OÖ may rely on external consultants and their data sources.

The loans selection is based on the “Eligibility Criteria” defined in the section above (Use of Proceeds). RLB OÖ ensures that all eligible loans comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. It is part of RLB OÖ’s transaction approval process to ensure that all its activities comply with internal environmental and social directives.

**Opinion:** *ISS ESG considers the Process for Project Evaluation and Selection description provided by RLB OÖ’s Green Bond Framework as aligned with the Green Bond Principles. Moreover, the issuer involves the participation of various internal departments while the projects selected show alignment with the sustainability strategy of the issuer.*

### **3. Management of Proceeds**

The net proceeds of the Green Bond issued under this framework will be managed by RLB OÖ in a portfolio approach.

RLB OÖ intends to allocate the proceeds from the Green Bond to a portfolio of loans that meet the use of proceeds eligibility criteria and are in accordance with the evaluation and selection process presented above, the Eligible Loan Portfolio.

RLB OÖ will strive, over time, to achieve a level of allocation for the Eligible Loan portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Bond. Additional Eligible Loans will be added to the Eligible Loan Portfolio to the extent required to ensure that the net proceeds from outstanding Green Bond will be allocated to Eligible Green loans.

Whilst any Green Bond net proceeds remain unallocated, RLB OÖ will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments, the balance of net proceeds not yet allocated to the Eligible Loan Portfolio

**Opinion:** *ISS ESG finds that the Management of Proceeds proposed by RLB OÖ is well aligned with the Green Bond Principles. Earmarking is ensured through a portfolio approach and temporary investment instruments are also described.*

#### 4. Reporting

The Green Bond Principles require RLB OÖ to provide information on the allocation of proceeds. In addition to information related to the projects to which green bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

RLB OÖ will align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (June 2019)"<sup>4</sup>.

The reporting basis for all RLB OÖ Green Bonds and other potential green funding [i.e. loans, private placements, schuldschein etc] is the Eligible Green Loan Portfolio and an aggregated reporting will be prepared for all of RLB OÖ's Green Bonds and other potential green funding outstanding.

RLB OÖ will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Loan Portfolio after a year from the issuance of the applicable Green Bonds, to be renewed annually until full allocation of the Green Bond net proceeds. Both the allocation report and the impact report are expected to form an integral part of the RLB OÖ annual report.

#### **Allocation reporting**

The allocation report will provide, on an aggregated basis, indicators such as:

- the size of the identified Eligible Green Bond Framework
- the total amount of proceeds allocated to Eligible ESG loans
- the balance (if any) of unallocated proceeds
- the amount or the percentage of new financing and refinancing

#### **Impact reporting**

Where feasible, RLB OÖ intends to report on the environmental and social impacts of the projects funded with the Green Bond proceeds, or, refer to existing Sustainability reporting. A list of potential indicators is presented below.

<b>GBP Category</b>	<b>Indicator</b>
Green Buildings	<ul style="list-style-type: none"> <li>• Estimated ex-ante annual energy consumption in KWh</li> <li>• Estimated avoided/reduced carbon emissions (in tCO<sub>2</sub> eq)</li> <li>• Overview of sustainable labels and certificates for eligible buildings</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Renewable energy generation (MWh per year)</li> <li>• Installed renewable energy capacity (MW)</li> <li>• Estimated avoided carbon emissions (in tCO<sub>2</sub> eq)</li> </ul>

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>



Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>• Forests and forestry                             <ul style="list-style-type: none"> <li>- Forest area (hectares)</li> <li>- Forestry certification scheme (if applicable)</li> <li>- Net carbon sequestration (tonnes per year) (if available)</li> </ul> </li> <li>• Agriculture                             <ul style="list-style-type: none"> <li>- Agriculture land area (hectares)</li> <li>- Organic farming certification scheme</li> </ul> </li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Energy savings (MWh per year)</li> <li>• Estimated avoided carbon emissions (in tCO<sub>2</sub> eq)</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Low carbon public transportation and vehicles                             <ul style="list-style-type: none"> <li>- Number of vehicles</li> <li>- Estimated avoided carbon emissions (in tCO<sub>2</sub> eq)</li> </ul> </li> </ul>
Water and Waste Water Management	<ul style="list-style-type: none"> <li>• Quantity of treated wastewater and/or supplied freshwater (cubic meters per year)</li> <li>• Qualitative improvements in freshwater supply and/or wastewater treatment.</li> </ul>

**Opinion:** ISS ESG finds that the reporting proposed by RLB OÖ is in line with industry best practices. Moreover, the impact reporting includes clearly defined indicators in line with the industry practices.

**External review**

**Second Party Opinion**

RLB OÖ will obtain an independent second party opinion from Institutional Shareholder Services Inc. (ISS) to confirm the validity of the RLB OÖ Green Bond Framework. The independent second party opinion will be published on the RLB OÖ website.

**Verification**

The external verification of the green bond allocation report is expected to form an integral part of the external verification process of the RLB OÖ annual report.

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### Green Buildings

As a Use of Proceeds category, green commercial real estate has a significant contribution to the SDG 11 “Sustainable cities and communities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

#### ASSESSMENT AGAINST ISS ESG KPIs

##### Energy Efficiency prerequisites

- ✓ 100% of projects underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. The buildings belong to the top 15% of energy efficient buildings in Austria and Germany, as established by the independent consultant Drees & Sommer.

##### Site selection

- ✓ 100% of projects are developed on brownfield sites (e.g. previously developed land that is not used anymore at the time of construction) and excluded from protected areas.
- ✓ 88% of projects are located within a maximum of 1km from one or more modalities of public transport. The remaining 12% of projects are not.

##### Construction standards

- ✓ 100% of projects are located in Austria and Germany, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).
- No information is available on the sustainable procurement regarding building materials (e.g. recycled materials).

##### Water use minimization in buildings

- National legislation requires buildings to have measures to reduce water consumption (e.g. high-efficiency fixtures and fittings, rainwater harvesting). However, it is not always possible to know whether these measures are implemented.

##### Safety of buildings users

- ✓ 100% of projects provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems) as provided by national legislation.

##### Sustainability labels / Certificates

- No information is available on projects that obtained a (or an equivalent of) BREEM “Very Good”, DGNB “Gold”, LEED “Gold”, HQE “excellent”, BREEM NL “40%”, EPC

(“Level A”) certificate or better certification. However, the buildings located in Austria, consisting of 81% of the green building asset pool, have received certification in line with the Austrian OIB-Richtlinie label.

### **Controversy assessment**

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to RLB OÖ.

## **Wind onshore**

As a Use of Proceeds category, onshore wind has a significant contribution to SDGs 7 “Affordable and clean energy” and 13 “Climate action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

### **ASSESSMENT AGAINST ISS ESG KPIs**

#### **Site selection**

- ✓ The only project of the asset pool is not located in key biodiversity areas (Ramsar sites, UNESCO World Heritage Natural Sites, IUCN protected areas I-IV).
- ✓ The only project of the asset pool underwent an environmental impact assessment at the planning stage.

#### **Community dialogue**

- ✓ The only project of the asset pool features community dialogue as an integral part of the planning process according to national legislation (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms and others).

#### **Environmental aspects of construction and operation**

- ✓ The only project of the asset pool meets high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact).
- ✓ The only project of the asset pool provides for adequate measures to protect habitat and wildlife during operation of the power plant (e.g. turbine turn-off times, monitoring of bats, consideration of birds’ flight paths).

#### **Working conditions during construction and maintenance work**

- ✓ The only project of the asset pool provides for high labour and health safety standards for construction and maintenance work (e.g. ILO core conventions).

### Controversy assessment

A controversy assessment on the project did not reveal any controversial activities or practices that could be attributed to RLB OÖ.

## Solar PV

As a Use of Proceeds category, solar power has a significant contribution to SDGs 7 “Affordable and clean energy” and 13 “Climate action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

### ASSESSMENT AGAINST ISS ESG KPIs

#### Site selection

- ✓ The only project of the asset pool is not located in key biodiversity areas (Ramsar sites, UNESCO World Heritage Natural Sites, IUCN protected areas I-IV).

#### Supply chain standards

- No information is available on whether the project provides for high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions).

#### Environmental aspects of solar power plants

- No information is available on whether the project contains solar panels with a conversion efficiency of at least 15%.
- No information is available on whether the project provides for high environmental standards regarding take-back options. All debtors are required to either submit a take-back guarantee by the solar module manufacturer or to use solar modules by manufacturers that are member of the photovoltaic waste management initiative PV Cycle. For the remaining assets, no information is available.
- No information is available on whether the project is in line with the European Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS Directive).

#### Working conditions during construction and maintenance work

- ✓ The only project of the asset pool provides for high labour and health safety standards for construction and maintenance work (e.g. ILO core conventions).

### Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to RLB OÖ.

## Hydro Power

As a Use of Proceeds category, hydro power has a significant contribution to SDGs 7 “Affordable and Clean Energy” and 13 “Climate Action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

### ASSESSMENT AGAINST ISS ESG KPIs

#### Site selection

- ✓ None of the projects in the asset pool are located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- ✓ 100% of the projects underwent environmental impact assessments at the planning stage.

#### Community dialogue

- ✓ 100% of projects comply with local regulations which provide for good standards regarding the consideration of local residents’ interests during the planning phase (e.g. public dialogue schemes).

#### Environmental aspects of construction and operation

- ✓ 100% of projects meet high environmental standards during the construction phase (e.g. renaturation after construction work).
- ✓ 100% of projects provide for adequate measures to protect habitat and wildlife during the operation phase (e.g. provision of fish passes, fish-friendly turbines, provision for sediment transport, management of erosion risks).

#### Working conditions during construction and maintenance work and dam safety

- ✓ 100% of projects provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

#### Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to RLB OÖ.

## Geothermal

As a Use of Proceeds category, Geothermal has a significant contribution to SDGs 7 “Affordable and Clean Energy” and 13 “Climate Action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

## ASSESSMENT AGAINST ISS ESG KPIs

### Site selection

- ✓ None of the projects are located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- No information is available on assets that underwent environmental impact assessments at the planning stage.
- ✓ None of the projects are located in the proximity to major fault lines.

### Community dialogue

- ✓ 100% of projects feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes) as provided by legislation.

### Consideration of environmental aspects during planning and construction

- ✓ 100% of projects follow basic environmental standards during the construction phase, as provided by legislation.
- However, no information is available on specific environmental measures during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).
- ✓ 100% of projects provide for basic environmental standards during the operation phase, as provided by legislation.
- However, no information is available on specific measures that avoid contamination of soil and groundwater (e.g. well casing, management of waste streams, measures for the disposal of flowback and production water).
- No information is available on projects that provide for seismic monitoring.

### Working conditions during construction

- ✓ 100% of projects provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

### Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to RLB OÖ.

## PART III: ASSESSMENT OF RLB OÖ'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime<sup>5</sup>' or 'Not Prime' based on its performance on basic ESG requirements for its industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
<b>Raiffeisenlandesbank Oberösterreich AG</b>	<b>PRIME</b>	<b>C</b>	<b>1</b>

This means that in terms of industry-specific sustainability requirements the company performed in a medium way. However, compared to others in the industry RLB OÖ performs well.

As of 12.06.2020, this rating places RLB OÖ 21<sup>th</sup> out of 281 companies rated by ISS ESG in the Financials/Public & Regional Banks sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In all of the key issues, RLB OÖ rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria".

Details on the rating of the issuer can be found in Annex 1.

<sup>5</sup> Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

## DISCLAIMER

1. Validity of the SPO: For RLB OÖ's first issuance following the SPO release date.
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.
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## ANNEX 1: ISS ESG Corporate Rating

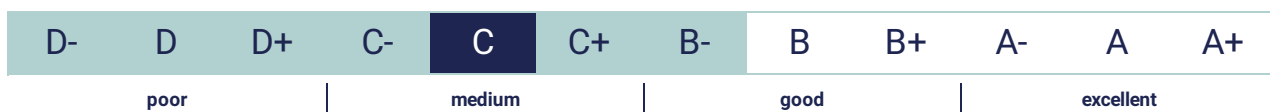
The following pages contain extracts from RLB OÖ's ISS ESG Corporate Rating.

# ESG Corporate Rating

## Raiffeisenlandesbank Oberösterreich AG

Industry	Financials/Public & Regional Banks	Status	<b>Prime</b>
Country	Austria	Rating	<b>C</b>
ISIN	AT0000A0CKA5	Prime Threshold	<b>C</b>
		Decile Rank	<b>1</b>

### Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

### Decile Rank



Low relative performance

High relative performance

Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

### Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berner Kantonalbank AG	CH	C+
Deutsche Kreditbank AG	DE	B-
La Banque Postale S.A.	FR	B-

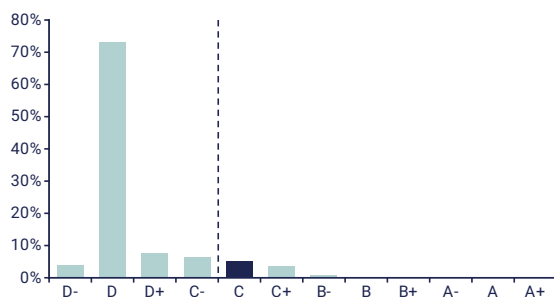
Legend: ■ Industry ■ Company --- Prime

### Key Issue Performance

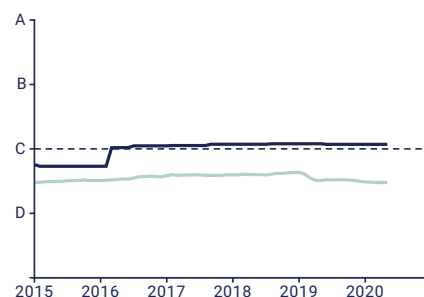


### Distribution of Ratings

281 companies in the industry



### Rating History



# Raiffeisenlandesbank Oberösterreich AG

## Analyst Opinion

### Sustainability Opportunities

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Raiffeisenlandesbank Oberösterreich provides various banking products and services to private, corporate and institutional customers, mainly in Austria. In addition, through its subsidiaries VIVATIS Holding and efko Frischfrucht und Delikatessen, the group is engaged in the food and beverages sector. The company provides a range of financial services and products with a social value, including for instance, financial services for social housing. In addition, through its subsidiary Kepler-Fonds, the group enables its clients to make socially responsible investments by offering several ethical and ecological funds. The investment process comprises both an exclusionary screening (e.g. human rights breaches) and a best-in-class approach. Raiffeisenlandesbank Oberösterreich also offers green financial services to promote renewable energies, amongst others, and a basic banking account. Finally, the company's food subsidiaries offer certified organic or fairtrade products, amongst others. However, the aforementioned products and services do not constitute the main business of the company.

### Sustainability Risks

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As a financial company, Raiffeisenlandesbank Oberösterreich's main sustainability challenges are the systematic integration of environmental and social aspects into the lending and asset management business. Through its subsidiaries VIVATIS Holding and efko Frischfrucht und Delikatessen (efko), the group is further engaged in the food sector, through which it faces challenges such as responsible soil and biodiversity management, or food safety.

The company has some social and environmental guidelines for the lending business, which also apply to the financing of sectors possibly involved in controversial practices. This includes both the consideration of positive aspects (e.g. labour rights) as well as aspects leading to an exclusion of financing (e.g. practices affecting indigenous people). The company's subsidiary HYPO Salzburg integrates sustainability criteria in its mainstream asset management services whilst Raiffeisenlandesbank Oberösterreich has a comparable approach for its own investments. The company has further taken adequate steps to ensure responsible marketing and information security. The food subsidiaries have implemented certified food safety management systems at a number of sites. Finally, the food subsidiaries have taken some measures regarding soil and biodiversity management in the agricultural production, and regarding water conservation. Yet, there is no indication of a comprehensive strategy to address all relevant risks related to client responsibility and to all business activities - specifically with regard to the food segment.

Raiffeisenlandesbank Oberösterreich implemented commitments to ensure employee well-being in almost all relevant employment areas. In addition, the group mainly operates in Austria, where high legal social standards exist regarding important aspects such as employment security. Furthermore, the company has established a code of conduct that provides guidance on all important compliance aspects and has taken relevant measures to ensure compliance.

### Governance Opinion

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Raiffeisenlandesbank Oberösterreich is majority-owned by Raiffeisenbankengruppe OÖ Verbund eGen (98.92% of total share capital, as at December 31, 2018). Regarding the company's governance structure, all members of the supervisory board, including the chair, are considered independent. This also holds for board committees in charged of audit, nomination and remuneration (all information as at December 31, 2018). The company discloses the remuneration policy for its executives; yet, it apparently does not include important elements for sustainable value creation such as long-term incentive components.

There is no indication for an independent sustainability board committee and it remains unclear whether the company includes ESG targets in the variable remuneration of executives. As concerns business ethics, Raiffeisenlandesbank Oberösterreich has established a code of conduct that provides guidance on all important compliance aspects, including corruption. To ensure adherence to its guidelines, the company has taken relevant measures such as comprehensive compliance training, provision of reporting channels and a general commitment to protect whistleblowers.

# Raiffeisenlandesbank Oberösterreich 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.

**Controversial Business Practices** - 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.

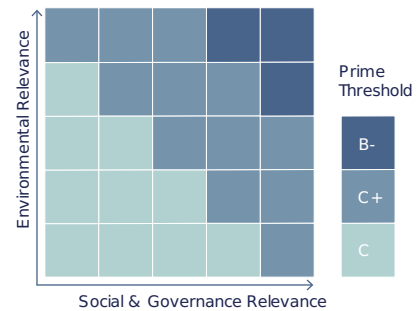
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# Raiffeisenlandesbank Oberösterreich 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.

**Major Shareholders & Ownership Summary** - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

**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.

## ANNEX 2: Methodology

### ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of RLB OÖ's Green Bond.

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.

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

### Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool 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 RLB OÖ (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 RLB OÖ's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

## 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/>

For Information about SPO services, and this Green Bond, contact:

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