

# Second-Party Opinion

## Vienna Insurance Group Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Vienna Insurance Group Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Affordable Housing, and Access to Essential Services – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, and 11.



**PROJECT EVALUATION / SELECTION** VIG's internal process in evaluating and selecting projects is managed by the Sustainability Bond Committee (SBC), which is comprised of members from the Corporate Social Responsibility, Asset Management, Treasury, and Compliance departments, and the ESG Project Leader and Manager of Proceeds. In consultation with SBC the CSR officer in charge has overall responsibility for project selection based on alignment with the Framework's eligibility criteria. Based on these elements, Sustainalytics considers this process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** VIG's process for management of proceeds is overseen by the Group's Asset Management. Proceeds will be managed using a portfolio approach. VIG's SBC will establish an internal process to track allocations to the bond proceeds. Should any proceeds remain unallocated, they will be held in accordance with the relevant internal treasury policies, in cash, cash equivalents or similar instruments. Based on these elements, Sustainalytics considers this process to be in line with market practice.



**REPORTING** VIG intends to report on the allocation of proceeds on its website on an annual basis, until full allocation of the bond proceeds. The allocation reporting will include details such as total allocation per category, list of eligible assets in the Eligible Project portfolio, including a description of the projects and allocated amounts, the proportion of refinancing vs. financing, and balance of unallocated amounts. In addition, VIG intends to report on relevant impact indicators. Based on these elements, Sustainalytics considers this process to be in line with market practice.

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**Evaluation date** December 23, 2020

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**Issuer Location** Vienna, Austria

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## Introduction

Vienna Insurance Group (“VIG”, or the “Company”) is an international insurance group headquartered in Vienna. VIG companies develop insurance solutions in line with personal and local needs for customers in Austria and Central and Eastern Europe (CEE). Over 25,000 employees work for the Group, at around 50 companies in 30 countries.

VIG has developed the Vienna Insurance Group Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and/or sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that promote buildings’ energy efficiency, support the transition to green and sustainable development, and GHG emissions reduction, and deliver solutions for a more equitable society. The Framework defines eligibility criteria in six areas:

1. Green Buildings
2. Renewable Energy
3. Clean Transportation
4. Energy Efficiency
5. Affordable Housing
6. Access to Essential Services

VIG engaged Sustainalytics to review the Vienna Insurance Group Sustainability Bond Framework, dated December 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).<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 categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, 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 1.6.1, 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 VIG’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. VIG representatives have confirmed (1) they understand it is the sole responsibility of VIG 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.

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

<sup>1</sup> The Sustainability Bond Guidelines 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 Vienna Insurance Group Sustainability Bond Framework is available on Vienna Insurance Group’s website at: <https://www.vig.com/en/investor-relations/bonds>

<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.

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.

In addition, the Second-Party Opinion opines on the intended 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 VIG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Vienna Insurance Group Sustainability Bond Framework

Sustainalytics is of the opinion that the Vienna Insurance Group Sustainability Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of VIG's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Affordable Housing, and Access to Essential Services – are aligned with those recognized by the GBP and SBP.
  - Regarding Green Buildings, VIG may finance and refinance the acquisition, construction and/or renovation of green buildings in Austria and Central and Eastern European countries. For the construction and acquisition of buildings, to be considered eligible, buildings must comply with one of the following minimum certification levels: BREEAM "Very Good", LEED "Gold", ÖGNI "Gold",<sup>4</sup> DGNB "Gold", and Klimaaktiv "Silver". Sustainalytics recognizes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category. For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1.
  - Under the Renewable Energy category, VIG may finance or refinance the construction, development, acquisition, maintenance, and operation of renewable energy generation projects and facilities from the following sources: solar, wind, hydropower, and geothermal.
    - Hydropower projects located in EU countries are eligible. New development of hydropower projects which have been accompanied by an independent Environmental Impact Assessment, as required under EU law, will be considered eligible for allocation. In addition, hydropower projects which are subject to significant negative media coverage regarding ESG matters will not be considered eligible for allocations.
    - Sustainalytics notes that geothermal and hydropower facilities must comply with a direct carbon emissions threshold of less than 100gCO<sub>2</sub>/kWh and must be accompanied by an independent study determining that potentially significant environmental and social risks are properly assessed and mitigated prior to financing. Sustainalytics views positively the establishment of emission thresholds while also noting that it is market practice to apply a threshold to hydropower that measures carbon intensity on a life-cycle basis rather than in terms of direct emissions. The Issuer notes that a life-cycle-based threshold of 100g/kWh will be applied in the case

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

of projects for which life-cycle data is available. Sustainalytics encourages to advocate that project developers measure emissions on a life-cycle basis, especially in non-temperate zones.

- The Framework also includes financing or refinancing of loans for pure-play renewables companies where 90% or more of revenues are derived from activities in the renewables industry. Sustainalytics recognizes that the GBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. Nevertheless, Sustainalytics has a positive opinion of this criterion since it considers eligible companies that derive a large majority of their revenues from business activities with positive environmental impacts.
- Within Clean Transportation, VIG may finance or refinance the development, construction, acquisition, maintenance, and operation of electric rail infrastructure and electric rolling stock for both passenger and freight transportation. For passenger transportation, an emissions threshold of <math><75\text{gCO}\_2\text{e/passenger/km}</math> applies. Electric freight transportation, excluding transportation of fossil fuels is eligible. Additionally, VIG may finance the development, construction, acquisition, maintenance, and operation of Battery Electric Vehicle charging infrastructure. Sustainalytics views positively the establishment of emission thresholds and the exclusion of fossil fuel transport.
- In the Energy Efficiency category, VIG may finance investments to improve the energy efficiency of the electricity grid/energy system, and/or establish additional energy storage capacity. Projects in this category are intended to facilitate increased penetration of renewable energy into the grid via connection and/or reduce the curtailment of renewable energy. VIG may finance electricity grid projects which are on a trajectory to full decarbonisation<sup>5</sup> as defined by the EU Taxonomy for Sustainable Finance.<sup>6</sup> These investments can be expected to contribute to an increase in the production and use of renewable energy.
- In the Affordable Housing category, VIG may finance the construction, refurbishment, maintenance, and operation of affordable housing projects that meet the statutory definitions of affordability<sup>7</sup> established by the Federal Act on Charitable Housing (WGG).<sup>8</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 VIG. For a detailed description on impact, please refer to Section 3.
- With regards to Access to Essential Services, VIG may finance investments in health, education and vocational training, healthcare, and financing and financial services that are universally accessible as a public service, regardless of affordability, ensuring access to the general public. Sustainalytics views these expenditures to be socially impactful.
- Project Evaluation and Selection:
  - VIG's internal process in evaluating and selecting projects is managed by the Sustainability Bond Committee (SBC), which is comprised of members from the Corporate Social Responsibility, Asset Management, Treasury, and Compliance departments, and the ESG Project Leader and Manager of Proceeds. The Asset Management function will nominate eligible assets/projects for consideration by the SBC. In consultation with the SBC the CSR officer in charge has the overall responsibility for project selection based on alignment with the Framework's eligibility criteria. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - VIG's process for management of proceeds is overseen by the Group's Asset Management. Proceeds will be managed using a portfolio approach. The SBC will establish an internal process within the Investment function to establish a pool of Eligible Assets and will track allocations

<sup>5</sup> This is defined as weighted average lifecycle emissions intensity of incremental new generation over the last 5 years being <math><100\text{ gCO}\_2\text{e/kWh}</math>.

<sup>6</sup> European Commission, "Taxonomy Report: Technical Annex to the Final report of the Technical Expert Group on Sustainable Finance", (2020), at: [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

<sup>7</sup> Defined in § 39 (18) 6 of WGG: 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>8</sup> Legal Information System of the Republic of Austria, "Bundesrecht konsolidiert: Gesamte Rechtsvorschrift für Wohnungsgemeinnützigkeitgesetz, Fassung vom 26.11.2020", at: <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10011509>

matched to the bond proceeds. This process will be managed by the appointed VIG ESG Project Leader and Manager of Proceeds. VIG intends to allocate an amount equal to the net proceeds raised by the Sustainability Bond issuance within 36 months of the date of issuance. Should any proceeds remain unallocated, they will be held in accordance with the relevant internal treasury policies, in cash, cash equivalents or similar instruments (including green, social and/or sustainability bonds issued by other issuers, as well as sustainable investment funds which have been awarded the Austrian Eco-label,<sup>9</sup> the FNG-seal<sup>10</sup> or the EU Ecolabel<sup>11</sup> respectively, that are categorized as an 'ESG-investment fund by Morningstar').<sup>12</sup> Based on these elements, Sustainalytics considers this process to be in line with market practice.

- Reporting:
  - VIG intends to report on the allocation of proceeds on its website on an annual basis, until full allocation of the bond proceeds. The allocation reporting will include details such as total allocation per category, list of eligible assets in the Eligible Project portfolio, including a description of the projects and allocated amounts, the proportion of refinancing vs. financing, and balance of unallocated amounts. In addition, VIG, intends to report on relevant impact indicators, such as tCO<sub>2</sub>e avoided, number of beneficiaries of health/education projects and numbers of affordable housing units made available. Impact reporting is subject to available information and data. Based on these elements, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Sustainability Bond Guidelines 2018**

Sustainalytics has determined that the Vienna Insurance Group Sustainability Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of VIG**

#### **Contribution of Framework to Vienna Insurance Group's sustainability strategy**

VIG's sustainability strategy incorporates social and environmental considerations into its core business operations. To ensure the integration of these values, VIG has adopted a group-wide climate change and sustainability strategy which was approved by the Managing Board in May 2019.<sup>13</sup> Since 2018, the Group has more than doubled its investment in green bonds, having a total investment of EUR 154 million in green assets by the end of 2019, which accounted for 0.4% of VIG's total portfolio. While Sustainalytics positively notes this increase, it is encouraged for VIG to develop quantifiable and time-bound lending targets to further demonstrate its commitment to sustainability.<sup>13</sup>

VIG is committed to gradually end its investments in the coal sector and as part of this effort has defined a clear underwriting and investment strategy. In terms of direct investment, VIG will completely eliminate investments in the coal sector by the end of 2035 and as part of the transition process will not make new investments into companies that rely on coal by more than 30% for their sales or own energy generation.<sup>14</sup> The Group's underwriting strategy stipulates that no new coal mining or coal power plant construction projects will be granted insurance, and existing insurances will not be renewed for such projects.<sup>14</sup> While Sustainalytics views VIG's commitment to divest from the coal sector impactful, Sustainalytics encourages VIG to set quantifiable targets in other areas for environmental and social sustainability.

The Group's primary social focus is contributing to affordable housing in Austria. VIG has contributed to over 100,000 housing units through investments in non-profit building societies, providing access to affordable rent in many cities.<sup>13</sup>

<sup>9</sup> <https://www.umweltzeichen.at/en/products/sustainable-finance>

<sup>10</sup> Forum Nachhaltige Geldanlagen (FNG), founded in 2001, is the industry association promoting sustainable investment in Germany, Austria and Switzerland: <https://www.forum-ng.org/en/fng-the/about-us.html>

<sup>11</sup> <https://ec.europa.eu/environment/ecolabel/>

<sup>12</sup> <https://www.morningstar.com/esg>

<sup>13</sup> VIG Sustainability Report 2019, at:

[https://www.vig.com/fileadmin/web/Corporate\\_Responsibility/Nachhaltigkeitsberichte/VIG\\_Nachhaltigkeitsbericht\\_2019\\_vig\\_com\\_EN.pdf](https://www.vig.com/fileadmin/web/Corporate_Responsibility/Nachhaltigkeitsberichte/VIG_Nachhaltigkeitsbericht_2019_vig_com_EN.pdf)

<sup>14</sup> VIG Climate Change Strategy 2019, at: [https://www.vig.com/fileadmin/web/Corporate\\_Responsibility/Klimawandel-Strategie/Update\\_VIG\\_Klimawandel-Strategie\\_Mai2019\\_Stand20052019.pdf](https://www.vig.com/fileadmin/web/Corporate_Responsibility/Klimawandel-Strategie/Update_VIG_Klimawandel-Strategie_Mai2019_Stand20052019.pdf)

Sustainalytics is of the opinion that the Vienna Insurance Group Sustainability Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

### **Well-positioned to address common 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 recognized by the Green Bond Principles (2018) and Social Bond Principles (2020) 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 associated with the eligible projects, could include occupational health and safety, land use change and biodiversity issues associated with large-scale infrastructure development, and waste generated in construction.

VIG assumes responsibility for the care of the environment and society, which is demonstrated by the integration of environmental and social factors into the Group's risk strategy and investment process. The Group's commitment is formalized in the self-imposed Code of Business ethics. The Code of Business ethics outlines the Group's commitment to protecting the environment, worker health and safety and complying with environmental and social legal and regulatory requirements.<sup>15</sup>

Additionally, as the projects financed by the framework take place in the European Union, relevant EU Directives ensure that social and environmental risks are adequately managed, and minimum standards are adhered to. The Environmental Impact Assessment ("EIA") Directive 2014/52/EU ensures that all projects having a significant effect on the environment are sufficiently assessed before approval and that there is a screening procedure in place for determining the need for an EIA for other project categories that may negatively impact the environment.<sup>16</sup> Regarding worker health and safety, European directives on safety and health at work provide a strong framework to ensure that employers take necessary measures for the protection of safety and health of workers and the prevention of occupational risks.<sup>17</sup>

Moreover, VIG's activities take place in Designated Countries under the Equator Principles<sup>18</sup>, further ensuring that adequate and robust environmental and social governance legislation systems and institutional capacity are in place to mitigate the common environmental and social risks associated with the projects financed by the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that VIG 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 six 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 social and affordable housing in Austria**

More than 70% of European citizens live in urban areas, a percentage that is only set to increase in the future.<sup>19</sup> According to the UN, around 80% of Europe's citizens will live in an urban area by 2050. In parallel with urbanization, housing prices are rising at a rate that is not matched by income growth in a majority of EU Member States.<sup>20</sup> Over 10% of Europeans spend more than 40% of their disposable income on housing.<sup>21</sup> The European Commission has estimated that the affordable housing sector lacks around EUR 57 billion investment each year, meaning that investment in social and affordable housing should increase by 25%.<sup>22</sup> There is a growing housing crisis in Europe's cities as housing is becoming less-and-less affordable, and Austria is no exception. The housing cost overburden rate is at 7% and according to a study by Inegral, and

<sup>15</sup> ViG Code of Business Ethics, at: <https://www.vig.com/en/corporate-responsibility/vig-code-of-business-ethics/the-individual-rules-of-the-vig-code-of-business-ethics.html>

<sup>16</sup> Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014, at: <http://data.europa.eu/eli/dir/2014/52/oj>

<sup>17</sup> European Agency for Safety and Health at Work, at: <https://osha.europa.eu/en/safety-and-health-legislation/european-directives>

<sup>18</sup> Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

<sup>19</sup> European Commission, "Urban population", at: [https://ec.europa.eu/knowledge4policy/foresight/topic/continuing-urbanisation/developments-and-forecasts-on-continuing-urbanisation\\_en](https://ec.europa.eu/knowledge4policy/foresight/topic/continuing-urbanisation/developments-and-forecasts-on-continuing-urbanisation_en)

<sup>20</sup> European Commission, "Urban agenda for the EU", at:

[http://ec.europa.eu/futurium/en/system/files/ged/policy\\_guidelines\\_for\\_affordable\\_housing\\_2018.pdf](http://ec.europa.eu/futurium/en/system/files/ged/policy_guidelines_for_affordable_housing_2018.pdf)

<sup>21</sup> Eurostat, "Housing costs a challenge to many households", at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200520-1>

<sup>22</sup> European Commission, "Housing Partnership Action Plan", at:

[https://ec.europa.eu/futurium/en/system/files/ged/folder\\_action\\_plan\\_of\\_the\\_euua\\_housing\\_partnership.pdf](https://ec.europa.eu/futurium/en/system/files/ged/folder_action_plan_of_the_euua_housing_partnership.pdf)

half of Austrians feel that housing is no longer affordable.<sup>23</sup> In the last 10 years (2009-2019) the five largest Austrian cities have seen a 39% increase in rent prices, which is 4% more than the average of the country.<sup>24</sup>

Limited-Profit Housing Associations have a very important role in providing affordable housing to tenants in Austria. Due to the increased unaffordability of housing, more and more people are trying to get access to social housing or other forms of subsidized accommodation. Consequently, waiting lists are growing and the housing crisis is worsening. On average 15,000 subsidized housing units are built in Austria, but the demand for subsidized housing is approximately 22,000 units per year.<sup>25</sup> There is a yearly shortage of 7,000 affordable housing units in Austria, demonstrating the importance and need for investing in limited-profit housing associations. Moreover, financially supporting limited-profit housing associations in Austrian cities will contribute to the goals of the Urban Agenda of the EU and the New Urban Agenda as part of the Habitat III process.<sup>26</sup> Sustainalytics believes that by financing limited-profit housing associations, VIG will increase the number of affordable housing units available in Austrian cities and aid the development of a more sustainable housing market in Austria.

### Importance of increased renewable energy share in the EU

The energy sector accounts for over 75% of greenhouse gas emissions of the EU.<sup>27</sup> Fossil fuels are responsible for about 71% of the EU's primary energy supply according to a report by IRENA despite the ongoing efforts to transition away from fossil fuels and reduce greenhouse gas emissions.<sup>28</sup> The EU has set the ambitious goal for to become climate-neutral by 2050. The objective is at the basis of the European Green Deal and in line with the EU's commitment under the Paris Agreement to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C.<sup>29</sup> To achieve a climate-neutral EU by 2050, the European Commission (EC) has proposed a European Climate Law to ensure that the goal is set in legislation and Member States meet their targets.<sup>30</sup> In 2009, the EU adopted the Renewables Directive including targets for all EU Members to reach a 20% share of energy from renewable sources by 2020.<sup>31</sup>

According to the latest progress report, the EU is projected to reach a share of renewable energy between 22.8% and 23.1% overall by xx.<sup>32</sup> There are, however, 5 member states at severe or moderate risk of failing to achieve the target. The recast Renewable Energy Directive 2018/2001/EU entered into force in 2018, setting new binding targets for member states to achieve by 2030.<sup>33</sup> Meeting the 2030 targets<sup>34</sup>, 40% cuts in greenhouse gas emissions (from 1990 levels), 32% share for renewable energy and, 32.5% improvement in energy efficiency will be an important milestone for the EU to achieve climate neutrality by 2050. While the EU is on the right path to achieve its climate goals and meet its commitment under the Paris agreement, Sustainalytics is of the opinion that by financing renewable energy generation projects that generate energy from solar, wind, hydropower and geothermal as a source, VIG will contribute to individual member states the EU as a whole to achieve its short-term and longer renewable energy and greenhouse gas reduction targets set by the European Green Deal.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

<sup>23</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>24</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>25</sup> GBV, "Limited-Profit Housing Associations in Austria, Overview", at: [www.gbv-aktuell.at](http://www.gbv-aktuell.at)

<sup>26</sup> United Nations, "New Urban Agenda", at: <https://uploads.habitat3.org/hb3/NUA-English.pdf>

<sup>27</sup> European Commission, "Powering a climate-neutral economy", (2020), at: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1259](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1259)

<sup>28</sup> IRENA, "Renewable Energy Prospects for the European Union", at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Feb/IRENA\\_REmap\\_EU\\_2018.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Feb/IRENA_REmap_EU_2018.pdf)

<sup>29</sup> European Commission, "Paris Agreement", at: [https://ec.europa.eu/clima/policies/international/negotiations/paris\\_en](https://ec.europa.eu/clima/policies/international/negotiations/paris_en)

<sup>30</sup> European Commission, "(EU) 2018/1999 (European Climate Law)" at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0080&from=EN>

<sup>31</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009, at: <https://eur-lex.europa.eu/eli/dir/2009/28/oj>

<sup>32</sup> European Commission, "State of the Energy Union report", at: [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_1838](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_1838)

<sup>33</sup> Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018, at: <http://data.europa.eu/eli/dir/2018/2001/oj>

<sup>34</sup> European Commission, "2010 climate and energy framework", at: [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en)

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
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	7.4 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
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.
Access to Essential Services	3. Good health and wellbeing 4. Quality Education	3.2 Achieve universal health coverage, including financial risk protection, access to quality essential health-care 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, nonviolent, inclusive and effective learning environments for all

## Conclusion

VIG has developed the Vienna Insurance Group Sustainability Bond Framework under which it will issue green, social and/or sustainability bonds and use the proceeds to finance projects to promote buildings' energy efficiency, support the transition to green and sustainable development as well as GHG emissions reduction, and deliver solutions for a more equitable society. Sustainalytics considers that the projects funded by the green, social and/or sustainability bond proceeds will provide positive environmental and social impact.

The Vienna Insurance Group 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 Vienna Insurance Group Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 7 and 11. Additionally, Sustainalytics is of the opinion that VIG has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Vienna Insurance Group is well-positioned to issue green, social and/or sustainability bonds and that that Vienna Insurance Group Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

## Appendices

### Appendix 1: Certification Schemes for Green Buildings

	<b>BREEAM</b>	<b>LEED</b>	<b>DGNB</b>	<b>klimaaktiv</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.	The Klimaaktiv green construction and renovation certification for green buildings was developed by the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology and is administered by the Austrian Society for Environment and Technology.
<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>	<ul style="list-style-type: none"> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</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>	<ul style="list-style-type: none"> <li>• Location</li> <li>• Energy and Supply</li> <li>• Building materials and construction</li> <li>• Comfort and Health</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>35</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>BREAAM 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</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>	<p>The prerequisite is the successful completion of an online building declaration.</p> <p>The levels of certification are awarded according to a point-based rating system. The 1,000 point system distinguishes buildings that meet established requirements.</p>

<sup>35</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

		Construction and Major Renovations, Existing Buildings: Operation and Maintenance).		
<b>Performance display</b>				
<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.	Klimaaktive is a widely used green building certification scheme in Austria. The criteria are increasingly implemented in the requirements for various subsidy schemes.

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Vienna Insurance Group
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	Vienna Insurance Group Sustainability Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	December 23, 2020
<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**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification
- Verification  Rating
- Other (*please specify*):

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 – Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Affordable Housing, and Access to Essential Services – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, and 11.

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

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

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):

VIG's internal process in evaluating and selecting projects is managed by the Sustainability Bond Committee (SBC), which is comprised of members from the Corporate Social Responsibility, Asset Management, Treasury, and Compliance departments, and the ESG Project Leader and Manager of Proceeds. In consultation with SBC the CSR officer in charge has overall responsibility for project selection based on alignment with the Framework's eligibility criteria. Based these elements, Sustainalytics considers this process to be 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 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):

VIG's process for management of proceeds is overseen by the Group's Asset Management. Proceeds will be managed using a portfolio approach. VIG's SBC will establish an internal process to track allocations to the

bond proceeds. Should any proceeds remain unallocated, they will be held in accordance with the relevant internal treasury policies, in cash, cash equivalents or similar instruments. Based on these elements, Sustainalytics considers this process to be in line with market practice.

**Tracking of proceeds:**

- 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 type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

**4. REPORTING**

Overall comment on section (if applicable):

VIG intends to report on the allocation of proceeds on its website on an annual basis, until full allocation of the bond proceeds. The allocation reporting will include details such as total allocation per category, list of eligible assets in the Eligible Project portfolio, including a description of the projects and allocated amounts, the proportion of refinancing vs. financing, and balance of unallocated amounts. In addition, VIG intends to report on relevant impact indicators. Based on these elements, Sustainalytics considers this process to be in line 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 |
|--|--------------------------------------|

Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis  
 Linkage to individual bond(s)  Other (please specify):

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

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Number of beneficiaries  
 Target populations  Other ESG indicators (please specify):

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 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.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**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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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



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