



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Funding Framework

Kommunalkredit Austria AG

8 March 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green, Social and Sustainability Debt Instruments
Relevant standards	<ul style="list-style-type: none">Green Bond Principles and Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021)
Scope of verification	<ul style="list-style-type: none">Kommunalkredit's Sustainable Funding Framework (as of March 3, 2023)Kommunalkredit's Selection Criteria (as of March 3, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK	3
KOMMUNALKREDIT BUSINESS OVERVIEW	3
ASSESSMENT SUMMARY	4
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES	6
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE	8
A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY DEBT INSTRUMENTS TO THE UN SDGs	8
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA.....	14
PART III: ALIGNMENT OF THE SELECTION CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACTS	16
PART IV: LINKING THE TRANSACTION(S) TO KOMMUNALKREDIT'S ESG PROFILE	25
A. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY DEBT INSTRUMENTS WITH KOMMUNALKREDIT'S SUSTAINABILITY STRATEGY	25
B. KOMMUNALKREDIT'S BUSINESS EXPOSURE TO ESG RISKS	26
ANNEX 1: Methodology	29
ANNEX 2: ISS ESG Corporate Rating Methodology	30
ANNEX 3: Quality management processes	31
About this SPO	32

SCOPE OF WORK

Kommunalkredit Austria AG (“the issuer” or “Kommunalkredit”) commissioned ISS Corporate Solutions (ICS) to assist with its Green, Social and Sustainability Debt Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. Kommunalkredit’s Sustainable Funding Framework (as of March 3, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).
2. The Selection Criteria – whether the nominated project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Substantial Contribution Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)². For the remaining green project categories, Kommunalkredit has not yet identified specific projects or assets for the allocation of proceeds and therefore, the alignment assessment is only on the selection criteria and Kommunalkredit’s processes and policies for project selection with the Technical Screening Criteria for Substantial Contribution to Climate Change Mitigation.
4. Linking the transaction(s) to Kommunalkredit’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

KOMMUNALKREDIT BUSINESS OVERVIEW

Kommunalkredit is classified in the Mortgage & Public Sector Finance industry, as per ISS ESG’s sector classification. Kommunalkredit Austria AG specializes in infrastructure and energy financing services. It offers institutional funds, public finance and deposits. The firm's sectors include energy, environment, communication, digitalization, transport, social infrastructure, and natural resources. The company was founded in 1958 and is headquartered in Vienna, Austria.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part 1: Alignment with GBP/SBP/SBG	The issuer has defined a formal concept for its Green, Social and Sustainability Debt Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.	Aligned
Part 2: Sustainability quality of the Selection Criteria	<p>The Green, Social and Sustainability Debt Instruments will (re-)finance eligible asset categories which include: Green categories: Renewable Energy, Energy Efficiency, Clean Transport, Pollution Prevention and Control, and Sustainable Water and Wastewater Management; Social categories: Access to Essential Services: Education and Healthcare, Affordable Basic Infrastructure: Fiber Optic Networks and Broadband Service and Public Transport and Transportation Infrastructure, Affordable Housing: Social Housing.</p> <p>The green use of proceeds categories have significant contribution to SDGs 6 'Clean water and sanitation', 7 'Affordable and clean energy', 12 'Responsible consumption and production', 13 'Climate action', and a limited contribution to SDG 10 'Reduced Inequalities'.</p> <p>The social use of proceeds categories have significant contribution to SDGs 1 'No poverty', 3 'Good health and well-being', 4 'Quality education', 10 'Reduced inequalities', and 11 'Sustainable cities and communities', and limited contribution to SDGs 5 'Gender equality', 7 'Affordable and clean energy', 9 'Industry, innovation and infrastructure', and 13 'Climate action'.</p> <p>Energy Efficiency (Installation and operation of fiber) and Sustainable Water and Wastewater Management (Water metering) improve the operational impacts of Kommunalkredit's borrower(s) and end users and mitigate potential negative externalities of third-party sectors on SDGs 6 'Clean water and sanitation', 7 'Affordable and clean energy' and 13 'Climate action'.</p>	Positive

³ The evaluation is based on the Kommunalkredit's Sustainable Funding Framework (as of March 3, 2023), and on the ISS ESG Corporate Rating updated on the February 8, 2023 and applicable at the SPO delivery date.

	<p>For Energy Efficiency (Installation and operation of high-speed mobile networks), there is no evidence of an improvement on the borrower(s) and end users' potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	
<p>Part 3: Alignment with EU Taxonomy</p>	<p>The alignment of Kommunalkredit's selection criteria, due diligence processes and policies have been assessed against the Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis⁴.</p> <p>The nominated project categories, solar PV and wind power, have been assessed against the entirety of the Technical Screening Criteria, including the Substantial Contribution and Do No Significant Harm (DNSH) criteria, as well as the Minimum Social Safeguards (MSS). The two categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria, except for climate change adaptation ▪ Aligned with the Minimum Social Safeguards requirements <p>For other green use of proceeds categories that overlap with the economic activities in the EU Taxonomy, Kommunalkredit has not yet identified specific existing projects, and thus information on the extent to which the assets will comply with the DNSH criteria cannot be provided. However, Kommunalkredit will apply rigorous procedures and processes to align its portfolio with the EU Taxonomy Technical Screening Criteria, including the Do No Significant Harm Criteria, and the Minimum Social Safeguards where possible. Kommunalkredit will report on the EU Taxonomy alignment of its portfolio as part of its allocation reporting post issuances.</p>	
<p>Part 4: Linking the transaction(s) to Kommunalkredit's overall ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green, Social and Sustainability Debt Instruments are clearly described by the issuer. The project categories financed are in line with the sustainability objectives of the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>

⁴ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA’S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

This section evaluates the alignment of Kommunalkredit’s Sustainable Funding Framework (as of March 3, 2023) with ICMA’s Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).

ICMA’S GBP, SBP, SBG	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Kommunalkredit’s Sustainable Funding Framework is aligned with ICMA’s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p> <p>The issuer’s green/social categories align with the project categories as proposed by ICMA’s GBP, SBP and SBG. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category will be provided at or before the time of issuance, and environmental or social benefits are described.</p> <p>The issuer defines exclusion criteria for any kind of investment related to fossil fuels, nuclear energy, alcohol, tobacco, gambling, weapons, armament, adult entertainment.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Kommunalkredit’s Sustainable Funding Framework is aligned with ICMA’s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>The issuer involves various stakeholders and includes an EU Taxonomy eligibility alignment assessment in this process, in line with best market practice. Further information on EU Taxonomy alignment is provided in Part III of this SPO.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds proposed by Kommunalkredit’s Sustainable Funding Framework is aligned with ICMA’s GBP, SBP and SBG.</p> <p>The net proceeds raised from sustainable funding instruments will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked and managed by Kommunalkredit’s Treasury team using a portfolio approach. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer has defined an expected allocation period of maximum 18 months post issuance.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Kommunalkredit’s Sustainable Funding Framework is aligned with ICMA’s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the issuer’s website⁵. Kommunalkredit explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually, until the bond matures.</p> <p>The issuer commits to disclose the impacts of the Eligible Assets (re)financed. The issuer defines the potential environmental and social impact indicators of each eligible project category. Moreover, the issuer commits to get the allocation report verified from an independent third party, in line with best market practice.</p>

⁵ <https://www.kommunalkredit.at/en/investor-relations/debt-investors>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY DEBT INSTRUMENTS TO THE UN SDGs⁶

Companies can contribute to the achievement of the UN SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. Products and services



The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------






Each of the Green, Social and Sustainability Debt Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

GREEN CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <ul style="list-style-type: none"> ▪ Wind energy (onshore and offshore) ▪ Solar (solar photovoltaic or concentrated solar power) ▪ Geothermal energy⁷ ▪ Small-scale (<10MW) hydropower projects ▪ Transmission and distribution infrastructure for an increase of the transmission of renewable electricity generation 	Significant Contribution	 

⁶ The impact of the UoP categories on UN Sustainable Development Goals is assessed with a proprietary methodology and may therefore differ from the issuer's description in the framework.

⁷ The lifecycle GHG emissions are lower than 100g CO₂e/kWh.

<ul style="list-style-type: none"> Green hydrogen generated from renewable energy sources⁸ 		
<p>Renewable Energy</p> <ul style="list-style-type: none"> Medium-scale ($\geq 10\text{MW}$, $< 1,000\text{MW}$) hydropower projects⁹ Bioenergy, including biomass, biogas or bioliquids^{10,11,12} Electric heat pumps^{13,14,15} 	<p>Limited Contribution</p>	
<p>Energy Efficiency</p> <p>District heating/cooling¹⁶</p>	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Energy Efficiency</p> <ul style="list-style-type: none"> Construction and operation of low emissions data centers¹⁷ Smart metering infrastructure 	<p>Significant Contribution</p>	
<p>Clean Transport</p> <ul style="list-style-type: none"> Zero tailpipe emissions freight¹⁸ and passenger rail and road transport (i.e. metro, tram, bus, train) 	<p>Significant Contribution</p>	

⁸ Renewable energy sources according to the Eligibility Criteria for the Renewable Energy category

⁹ Projects fully complying with the EU Taxonomy Technical Screening Criteria for Climate Change Mitigation (activity 4.5) are assessed also with a significant contribution to SDG 13

¹⁰ The lifecycle GHG emissions are lower than 100g CO₂e/kWh

¹¹ Only biomass/ biofuels using certified sustainable feedstocks are eligible. Excludes use of virgin food/ feed crops and palm oil/ palm oil waste

¹² Projects fully complying with the EU Taxonomy Technical Screening Criteria for Climate Change Mitigation (activity 4.8, 4.20, 4.24) are assessed also with a significant contribution to SDG 13

¹³ Electric heat pumps must i) have a refrigerant threshold (GWP) not exceeding 1,500 and ii) meet energy-efficiency requirements in the EU Eco-design Framework Directive







¹⁴ The refrigerant threshold complies with IPCC/TEAP Special Report: Safeguarding the Ozone Layer and the Global Climate System. <https://archive.ipcc.ch/pdf/special-reports/sroc/sroc04.pdf>

¹⁵ Projects fully complying with the EU Taxonomy Technical Screening Criteria for Climate Change Mitigation (activity 4.16) are assessed also with a significant contribution to SDG 13

¹⁶ Systems using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat in line with Directive 2012/27/EU

¹⁷ In compliance with the EU Taxonomy Substantial Contribution Criteria, '8.1. Data processing, hosting and related activities'



¹⁸ Low carbon transportation & related infrastructure related exclusively to the transport of fossil fuels is covered by the exclusion criteria

<ul style="list-style-type: none"> Zero tailpipe emissions passenger cars and commercial vehicles (i.e., hydrogen, fuel cell, electric) Electric vehicle charging stations, hydrogen fueling stations or electric road systems 	<p>Limited Contribution</p>	
<p>Pollution Prevention and Control</p> <p>Waste sorting, processing and/or recycling facilities¹⁹</p>	<p>Significant Contribution</p>	
<p>Pollution Prevention and Control</p> <p>Composting facilities for biowaste²⁰</p>	<p>Significant Contribution</p>	
<p>Pollution Prevention and Control</p> <p>Anaerobic digestion of bio-waste²¹</p>	<p>Limited Contribution</p>	
<p>Sustainable Water and Wastewater Management</p> <p>Acquisition, development, construction and maintenance of:</p> <ul style="list-style-type: none"> Water collection, treatment and supply systems and facilities for domestic and/or industrial use Wastewater network and treatment infrastructure 	<p>Significant Contribution</p>	
<p>Sustainable Water and Wastewater Management</p> <p>Operation of:</p> <ul style="list-style-type: none"> Water collection, treatment and supply systems and facilities for domestic use Wastewater network and treatment infrastructure for domestic use 	<p>Significant Contribution</p> <p>Limited Contribution</p>	 

¹⁹ Separately collected and transported non-hazardous waste that is segregated at source and intended for preparation for reuse or recycling operations








²⁰ Projects fully complying with the EU Taxonomy Technical Screening Criteria for Climate Change Mitigation (activity 5.8) are assessed also with a significant contribution to SDG 13

²¹ Projects fully complying with the EU Taxonomy Technical Screening Criteria for Climate Change Mitigation (activity 5.7) are assessed also with a significant contribution to SDG 13

<p>Sustainable Water and Wastewater Management</p> <p><i>Operation of:</i></p> <ul style="list-style-type: none"> Water collection, treatment and supply systems and facilities for industrial use Wastewater network and treatment infrastructure for industrial use 	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	

SOCIAL CATEGORIES



USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Access to essential services</p> <p><i>Projects that finance or refinance construction or renovation of public schools, including kindergartens, primary and secondary education schools, and public universities.</i></p>	<p>Limited Contribution</p>	
<p>Access to essential services</p> <p><i>Projects that finance or refinance operation of public schools, including primary and secondary education schools</i></p>	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Access to essential services</p> <p><i>Projects that finance or refinance operation of public kindergarten facilities</i></p>	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Access to essential services</p> <p><i>Projects that finance or refinance operation of public universities.</i></p>	<p>Significant Contribution</p>	
<p>Access to essential services</p> <p><i>Projects that finance or refinance construction or renovation of public hospitals, nursing homes for elderly persons, rehabilitations centers for people that are physically or mentally dependent, or homes for the care of handicapped persons</i></p>	<p>Limited Contribution</p>	

<p>Access to essential services</p> <p><i>Projects that finance or refinance operation of public hospitals or rehabilitations centers for people that are physically or mentally dependent</i></p>	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Access to essential services</p> <p><i>Projects that finance or refinance operation of nursing homes for elderly persons or homes for the care of handicapped persons</i></p>	<p>Limited Contribution</p>	 
<p>Affordable housing</p> <p><i>Projects that finance or refinance construction, maintenance, or renovation of social housing projects for beneficiaries, including vulnerable populations such as the elderly, persons with disabilities, or low-income households</i></p>	<p>Significant Contribution</p>	  
<p>Affordable basic infrastructure</p> <p><i>Projects that finance or refinance digital Inclusion projects or activities that allow for the deployment of fiber optic network and broadband for populations located in unconnected (no existing service) or underserved (at least mobile service by one operator) areas</i></p>	<p>Significant Contribution</p>	
<p>Affordable basic infrastructure</p> <p><i>Projects that finance or refinance the construction and/or maintenance of passenger rail transport infrastructure in developing and emerging market countries.</i></p>	<p>Limited Contribution</p>	  

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of Kommunalkredit’s borrowers and their end users. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

Kommunalkredit finances operations/processes in a variety of third-party sectors. For clarity, the exposure to negative externalities linked to the sectors of the operations/processes financed is not displayed.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ²²	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency</p> <p><i>Installation and operation of fiber intended to replace copper-based communication networks.</i></p>	<p>✓</p>	
<p>Energy Efficiency</p> <p><i>Installation and operation of high-speed mobile networks intended to replace copper-based communication networks.</i></p>	<p>-</p>	<p>-</p>
<p>Sustainable Water and Wastewater Management</p> <p><i>Water metering</i></p>	<p>✓</p>	

²² Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA

The table below evaluates the selection criteria against issuance specific KPIs. Kommunalkredit specifies in the Framework that Eligible Assets will be located in the EU or in other OECD countries or will otherwise benefit from a guarantee by a European Export Credit Agency²³.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

Kommunalkredit introduced a mandatory sustainability review for all projects in its energy and infrastructure portfolio in 2012. The sustainability review and the exclusion criteria are included as part of Kommunalkredit's regular credit processes, which applies to all investments, including potential Eligible Assets identified under the framework.

The sustainability review must be carried out prior to the financing request and includes negative screening such as exclusion criteria, and positive screening such as contribution towards defined ESG criteria and UN SDGs. Furthermore, Kommunalkredit will apply additional exclusions defined under the framework when selecting eligible assets. If an eligible asset is subject to a material ESG controversy, as determined by Kommunalkredit's Sustainable Funding Committee, it will be removed from the eligible asset portfolio.

Kommunalkredit has developed a three-stage ESG/Sustainability Check to ensure an asset can be deemed ESG compliant. If one ESG criterion of the asset is classed as 'negative' in the Sustainability Check, corrective action must be initiated upon consultation with the client, if necessary.

Labor, health, and safety

- ✓ Kommunalkredit has measures in place to ensure that all projects apply high labor, health, and safety standards. The issuer has established a Code of Conduct to ensure compliance with all statutory requirements and maintain ethical standards including compliance with minimum wage legislation and respect for human rights. In addition, Kommunalkredit will not knowingly provide financing for any activities that violate human rights or at least one of the four ILO core principles, e.g., child labor. Social criteria such as diversity, equality, and labor market impacts are also assessed as part of the mandatory Sustainability Check. Moreover, the issuer has due diligence processes featuring an assessment of compliance with applicable national laws and, where applicable, Environmental and Social Impact Assessments. Outside of Europe, KA is financing projects that benefit from a guarantee by a European Export Credit Agency, which requests projects apply international standards like the Equator Principles, IFC standards, OECD common approaches.

Biodiversity and community dialogue

- ✓ Kommunalkredit excludes companies that operate in breach of law, including environmental laws, as part of its credit risk strategy. Moreover, Kommunalkredit assesses

²³ Projects supported by European Export Credit Agencies undergo extensive due diligence processes, including an environmental and social impact assessment, prior to approval of the financing.

all projects in its energy and infrastructure portfolio for their impact on biodiversity, soil and water in the mandatory ESG/Sustainability Check. Furthermore, Kommunalkredit is financing projects mainly in the EU, with high local Environmental and Social standards, including community dialogue. For projects outside of Europe, Kommunalkredit finances projects that benefit from a guarantee by a European Export Credit Agency, which requests extensive due diligence processes, including an environmental impact assessment, prior to approval of the financing.

Responsible treatment of customers with debt repayment problems

- ✓ Kommunalkredit has strict credit policies in place to limit the occurrence of client debt repayment problems such that there is 0.0% of non-performing loan ration since privatisation in 2015. In addition, Kommunalkredit lends strictly based on analysis of the debt repayment capacity of its corporate clients, including modelling of various scenarios and using comprehensive external due diligence. Moreover, Kommunalkredit does not lend to private individuals. There is no mortgage-based lending and therefore, Kommunalkredit ensures no mortgage foreclosure foreseen that could affect residency interests of its clients.

Inclusion

- ✓ Kommunalkredit finances the public sector which focuses on public infrastructure (hospitals, schools, kindergarten, etc.) accessible to all by definition. Kommunalkredit confirms that potential projects that might not comply with such criteria will not be assessed as social and will not be included in the Framework.

Exclusion criteria

Kommunalkredit has developed a list of exclusionary criteria at the company-level that apply to all projects financed by the issuer. Kommunalkredit will not knowingly provide financing for any activities involved in the following areas: coal, gas, & oil extraction, construction of new coal power plants, alcohol, tobacco, gambling, weapons & armament, and pornography. Any activity in material violation of relevant national and international laws or sanctions, human rights, labor rights, corruption or money laundering is also excluded. Kommunalkredit has further committed to applying additional exclusions specific to the Framework and will not knowingly finance any kind of investment related to fossil fuels, dedicated fossil-fuel related infrastructure, or nuclear energy.

PART III: ALIGNMENT OF THE SELECTION CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACTS

The alignment of Kommunalkredit's company policies, processes, and the project characteristics for the nominated Use of Proceeds project categories has been assessed against the relevant Climate Change Mitigation requirements of the EU Taxonomy Climate Delegated Act²⁴ (June 2021), based on information provided by Kommunalkredit.

For the solar PV and wind power project categories, a full Do No Significant Harm (DNSH) assessment is conducted and presented below in sub-sections a) to d). Up to the date of this SPO, all projects that have been screened for EU Taxonomy eligibility by Kommunalkredit are located within the EU.

Note: For the solar PV and wind power project categories, in order to avoid repetition, the evaluation of the alignment of Kommunalkredit's eligibility criteria to the DNSH criteria to Climate Change Adaptation is provided in Section c). Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section d). They are applicable to both of the above activities.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

For the remaining project categories, as of the time of publication, Kommunalkredit has not identified specific projects or assets for allocation of proceeds and therefore, this alignment assessment is only on the selection criteria and Kommunalkredit's processes and policies for project selection with the Technical Screening Criteria for Substantial Contribution to Climate Change Mitigation. With regards to DNSH, a formal process and due diligence process is put in place by the issuer to fully cover the five DNSH criteria when related projects are identified and DNSH can be evidenced. An opinion on the alignment is not provided at this stage, beyond acknowledging the issuer's commitment.

Kommunalkredit's project selection criteria that overlap with the following economic activities in the EU Taxonomy and for which Kommunalkredit has already identified projects:

- 4.1. Electricity generation using solar photovoltaic technology
- 4.3. Electricity generation from wind power

Kommunalkredit's project selection criteria that overlap with the following economic activities in the EU Taxonomy and for which Kommunalkredit has not yet identified projects:

- 3.10 Manufacture of hydrogen
- 4.2. Electricity generation using concentrated solar power (CSP) technology
- 4.5. Electricity generation from hydropower
- 4.6. Electricity generation from geothermal energy
- 4.8. Electricity generation from bioenergy

²⁴ https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

- 4.9. Transmission and distribution of electricity
- 4.15. District heating/cooling distribution
- 4.16. Installation and operation of electric heat pumps
- 4.20. Cogeneration of heat/cool and power from bioenergy
- 4.22. Production of heat/cool from geothermal energy
- 4.24. Production of heat/cool from bioenergy
- 5.5. Collection and transport of non-hazardous waste in source segregated fractions
- 5.7. Anaerobic digestion of bio-waste
- 5.8. Composting of bio-waste
- 5.9. Material recovery from non-hazardous waste
- 6.1. Passenger interurban rail transport
- 6.2. Freight rail transport
- 6.3. Urban and suburban transport, road passenger transport
- 6.14. Infrastructure for rail transport
- 6.15. Infrastructure enabling road transport and public transport

a) 4.1. Electricity generation using solar photovoltaic technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁵	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Solar PV projects automatically meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See c)	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Kommunalkredit confirms that technical due diligence includes an assessment of the standard of the technical equipment. All projects have concluded operation and maintenance packages with preventive and corrective maintenance checks ensuring durability of the equipment. Moreover, all projects located within Europe are compliant with the EU and national legislation and regulation, including EU Directive 2012/19/EU and European Waste Catalogue regarding recyclability and dismantling. Where no sufficient statement on the main equipment used is available from the project documentation, the issuer will ask for a statement on this issue. The project could be classified as EU Taxonomy-aligned only if the answer provided is sufficient.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See d)	✓

²⁵ This column is based on input provided by the issuer.

b) 4.3. Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁶	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Wind projects automatically meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See c)	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
There is no offshore wind included in the current identified assets. Kommunalkredit will screen future offshore wind project documentation for statements on descriptors 11 of Directive 2008/56/EC. The project could be classified as EU Taxonomy-aligned only if the project documentation contains statements on measures according to the relevant descriptors of Directive 2008/56/EC, e.g. supervision of noise emissions and noise propagation.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Kommunalkredit confirms that technical due diligence includes standard of the technical equipment. All projects have concluded operation and maintenance packages with preventive and corrective maintenance checks ensuring durability of the equipment. Moreover, all projects located within Europe are compliant with the EU and national legislation and regulation, including EU Directive 2012/19/EU and European Waste Catalogue regarding recyclability and dismantling. Where no sufficient statement on the main equipment used is available from the project documentation, the issuer will ask for a statement on this issue. The project could be classified as EU Taxonomy-aligned only if the answer provided is sufficient.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See d) for generic criteria. There is no offshore wind included in the current identified assets. Kommunalkredit will screen future offshore wind project documentation for statements on descriptors 1 and 6 of Directive 2008/56/EC. The project could be classified as EU Taxonomy-aligned only if the project documentation contains statements on measures according to the relevant descriptors of Directive 2008/56/EC, including risk to sea bottom, monitoring of birds, marine mammals, benthos and fish.	✓

²⁶ This column is based on input provided by the issuer.

c) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁷	ALIGNMENT WITH THE EU TAXONOMY
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>Kommunalkredit requires all financed projects registered as EU Taxonomy-aligned to provide project documents that explicitly address climate-related risk. For wind power and PV projects, ‘changing temperature’ and ‘changing wind patterns’ risks have been identified, and execution of a physical climate risk assessment is part of Kommunalkredit’s Taxonomy Check process.</p> <p>Energy yield assessments have been provided to Kommunalkredit as Project documentation for its Wind and PV projects to assess the temperature and wind-related climate-risk factors. These assessments consider energy yields for the expected lifetime of the project, taking into account factors like wake effect, availability of the plant, electrical efficiency, Turbine Performance, Environmental factors like temperature shutdown and environmental curtailments.</p> <p>For assets with a lifespan of more than 10 years, there is limited information to show that the assessment has taken into account the latest IPCC scenarios. However, the issuer states that software-developers are considering getting the risk assessments from re-insurance companies, using climate projections like the four RCP scenarios.</p>	○

d) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁸	ALIGNMENT WITH EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
<p>Kommunalkredit commits not to finance companies operating in breach of law, including environmental laws, hence all projects comply with relevant EIA legislation and requirements of each country.</p> <p>For the wind and solar PV projects, Kommunalkredit has provided due diligence documents showing that EIA has been conducted as part of the compliance requirement to EU directive 2011/92/EU and mitigation measures, where proposed, are in place.</p> <p>The issuer confirms that project documentation is screened for locations in or near biodiversity-sensitive areas and necessary mitigation measures, if appropriate, are implemented.</p>	✓

²⁷ Ibid.

²⁸ Ibid.

Substantial Contribution to Climate Change Mitigation

Kommunalkredit's credit approval process includes a Taxonomy Check to assess whether projects fulfil the EU Taxonomy's technical screening criteria for substantial contribution to climate change mitigation and can therefore be characterized as taxonomy-aligned under the framework. Kommunalkredit will confirm the proportion of the Eligible Green Asset portfolio that is EU Taxonomy eligible and aligned as part of its allocation reporting.

- Where the project selection criteria overlap with the EU Taxonomy activity, but no assets have yet been selected and Kommunalkredit has clarified that they will incorporate the relevant Taxonomy Criteria for Substantial Contribution to Climate Change Mitigation in their project selection criteria on a best-efforts basis, a tick is shown in the table below.

It is noted that the DNSH assessment is not performed for the project criteria that overlap with the EU Taxonomy activity but for which there are still no assets selected at the time of the SPO.

The results for the activities with Substantial Contribution to Climate Change Mitigation is as follows:

FRAMEWORK PROJECT CATEGORY	FRAMEWORK SELECTION AND ELIGIBILITY CRITERIA	EU TAXONOMY ACTIVITY, BASED ON SUBSTANTIAL CONTRIBUTION TO MITIGATION	ELIGIBLE FOR TSC (MITIGATION)
Renewable energy	Green hydrogen generated from Renewable Energy sources ²⁹	3.10. Manufacture of hydrogen	✓
	Solar (solar photovoltaic or concentrated solar power)	4.1. Electricity generation using solar photovoltaic technology	✓
		4.2. Electricity generation using concentrated solar power (CSP) technology	✓
	Wind energy (onshore and offshore)	4.3. Electricity generation from wind power	✓
	Small-scale (<10MW) and medium-scale (<1,000MW) hydropower projects that comply with one of the following criteria: (i) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir, (ii) the power density of the electricity generation facility is above 5 W/m ² , (iii) the life cycle GHG emissions from the generation of electricity from	4.5. Electricity generation from hydropower	✓

²⁹ Renewable energy sources according to the Eligibility Criteria for the Renewable Energy category

	<p>hydropower are lower than 100g CO₂e/kWh</p>		
	<p>Geothermal energy, where the lifecycle GHG emissions are lower than 100g CO₂e/kWh</p>	<p>4.6. Electricity generation from geothermal energy</p>	<p>✓</p>
	<p>Bioenergy, including biomass, biogas or bioliquids, where the lifecycle GHG emissions are lower than 100g CO₂e / kWh</p>	<p>4.22. Production of heat/cool from geothermal energy</p>	<p>✓</p>
	<p>Bioenergy, including biomass, biogas or bioliquids, where the lifecycle GHG emissions are lower than 100g CO₂e / kWh</p>	<p>4.8. Electricity generation from bioenergy</p>	<p>✓</p>
	<p>4.20. Cogeneration of heat/cool and power from bioenergy</p>	<p>4.24. Production of heat/cool from bioenergy</p>	<p>✓</p>
	<p>4.9. Transmission and distribution of electricity</p>		<p>✓</p>
	<p>Financing provided towards transmission and distribution infrastructure for an electricity system that complies with at least one of the following criteria:</p> <ul style="list-style-type: none"> ▪ The system is the interconnected European system ▪ More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g CO₂e/kWh measured on a life cycle basis over a rolling five-year period ▪ The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 g CO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period: or ▪ The main objective is an increase of the transmission 		

	of renewable electricity generation.		
	Electric heat pumps	4.16. Installation and operation of electric heat pumps	✓
Energy Efficiency	Smart metering infrastructure	4.9. Transmission and distribution of electricity (Criteria (2) (f))	✓
	District heating/cooling	4.15. District heating/cooling distribution	✓
Clean Transport	Financing provided towards the acquisition, construction, modernization, maintenance, and operation of infrastructure of low carbon transportation infrastructure projects, including: <ul style="list-style-type: none"> ▪ Zero tailpipe emissions freight³⁰ and passenger rail and road transport (i.e., metro, tram, bus, train) ▪ Zero tailpipe emissions passenger cars and commercial vehicles (i.e., hydrogen, fuel cell, electric) ▪ Electric vehicle charging stations, hydrogen fueling stations or electric road systems 	6.1. Passenger interurban rail transport	✓
		6.2. Freight rail transport	✓
		6.3. Urban and suburban transport, road passenger transport	✓
		6.14. Infrastructure for rail transport	✓
		6.15. Infrastructure enabling road transport and public transport	✓
Pollution Prevention and Control	Waste sorting, processing and/or recycling facilities	5.5. Collection and transport of non-hazardous waste in source segregated fractions	✓
		5.9. Material recovery from non-hazardous waste	✓
	Anaerobic digestion of bio-waste	5.7. Anaerobic digestion of bio-waste	✓
	Composting facilities for biowaste	5.8. Composting of bio-waste	✓

Do No Significant Harm Criteria for remaining project categories

Regarding Kommunalkredit's practices and policies to ensure that their portfolio and projects align with the relevant Do No Significant Harm Criteria for the project categories and activities that are still


³⁰ Low carbon transportation & related infrastructure related exclusively to the transport of fossil fuels this is covered by the exclusion criteria

not part of its portfolio, the issuer has taxonomy check process in place during the credit approval process, where project specific documentations shall be available, include addressing explicitly climate-related risks. In order to address the criteria for DNSH to climate change adaptation, Kommunalkredit will ask the counterpart whether a physical climate risk assessment has been executed.

Regarding Kommunalkredit’s policies and policies to ensure that their portfolio and projects align with the relevant DNSH to sustainable use and protection of water and marine resources, pollution prevention and control regarding use and presence of chemicals, and protection and restoration of biodiversity and ecosystems, Kommunalkredit will make their best efforts to secure the relevant information on whether the assets align with the criteria through the project-specific screening process, including using compliance with national legislation and regulations as indicators.

Minimum Social Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation³¹ have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³²	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>All the projects that Kommunalkredit has currently screened are located in the EU or in other OECD countries or will otherwise benefit from a guarantee by a European Export Credit Agency, which require projects to apply international standards such as the OECD common approach. Kommunalkredit ensures the projects are in compliance with EU laws and regulation, including relevant social laws. Kommunalkredit is a signatory of the UN Global Compact, and is guided by national and European regulatory guidelines, as well as the ILO Core Conventions. The issuer has established a Code of Conduct to ensure compliance with all statutory requirements and maintain ethical standards including compliance with minimum wage legislation and respect for human rights. Moreover, Human Rights Due Diligence (HRDD) related categories are part of the issuer’s exclusion criteria, including material breach of national or international laws or sanctions, massive violation of the UN Human Rights Declaration, violation of at least one of the four ILO core principles, and accepting or soliciting bribes.</p> <p>Kommunalkredit identifies and assesses adverse impacts through a three-stage process called the ‘Sustainability Check.’ ESG criteria including diversity, equality, labor market, corruption, and corporate governance as well as impact on biodiversity are included in the review during the credit process. Where a criterion is classified as negative, the issuer will not select the asset as Eligible Asset Portfolio.</p> <p>The issuer communicates publicly its approach to HRDD in its sustainability report.</p>	

³¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

³² This column is based on input provided by the issuer.

PART IV: LINKING THE TRANSACTION(S) TO KOMMUNALKREDIT'S ESG PROFILE

A. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY DEBT INSTRUMENTS WITH KOMMUNALKREDIT'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Kommunalkredit has set the goal³³ to provide high quality, dependable, sustainable, and resilient infrastructure that accounts in particular for the challenges posed by climate change. It does so by concentrating on its investment segments Energy & Environment, Communication & Digitalization, Transport, Social Infrastructure and Natural Resources. In 2022, Kommunalkredit updated its sustainability strategy and set up a Sustainability Board with clear focus on ESG and the implementation of its sustainability policy. The updated sustainability strategy outlines a two-fold focus:

1. Accelerate to Green transition
 - a. Accelerate decarbonization
 - b. Promoting renewable energy, hydrogen, and green transition technologies.
 - c. Promote commercialization and new green solutions
2. Help improve people's lives: fund social infrastructure and connectivity

Moreover, Kommunalkredit has defined the following strategic targets by 2025:

- Direct at least 40-50% of new infrastructure financing activities towards the green transition
- Help accelerate the commercialization and scaling-up of new green solutions by channeling up to 10% of annual new infrastructure financing volumes towards early-stage and/or innovative projects, leveraging the bank's agility, expertise, and risk appetite to be a first mover in opportunities such as hydrogen, battery storage, and new forms of renewable energy.
- Dedicate at least 30% of yearly new infrastructure financing projects to a combination of social infrastructure and/or digitalization and communication.

Rationale for issuance

Kommunalkredit is a public and corporate sector lender operating in five major business areas: energy and environment, social infrastructure, communication and digitalization, transport, and municipality finance. In 2021, Kommunalkredit has new business volume of EUR 1.9bn in infrastructure and energy financing.

The framework aims to become the reference document for future green, social and sustainability debt instruments issued by Kommunalkredit. Under the framework, Kommunalkredit may (re)finance variety of assets in the eligible green and social categories, in line with its sustainability commitment.

³³ Kommunalkredit Sustainability Report 2020 and 2021 https://www.kommunalkredit.at/fileadmin/user_upload/Kommunalkredit-Sustainability-Report-2020-2021.pdf

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the issuer. All the project categories financed are in line with the sustainability objectives of the issuer.*

B. KOMMUNALKREDIT'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer's industry

The issuer is classified in the Mortgage & Public Sector Finance, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Statutory ESG-standards linked to the geographical allocation of the lending portfolio
Employee relations and work environment
Sustainability impact of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria






ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part IV.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer’s production process, as well as does not account for the core business or participations of the issuer.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ³⁴	DIRECTION OF IMPACT	UN SDGS
Financing of public transportation infrastructure, financing of renewable energy	17%	CONTRIBUTION	 
Financing of affordable housing (for low- to median-income households)	1%	CONTRIBUTION	  

Breaches of international norms and ESG controversies

At issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance industry are as follows: Failure to prevent money laundering, Failure to pay fair share of taxes and Anti-competitive behaviour.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry

³⁴ Percentages presented in this table are not cumulative.

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes Second Party Opinions which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
3. Second Party Opinions are based on data provided by the party to whom the Second Party Opinion is provided (“Recipient”). ISS does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. Neither ISS or ICS will have any liability in connection with the use of these Second Party Opinions, or any information provided therein.
4. Statements of opinion and value judgments given by ISS are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the Second Party Opinion is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above. Statements of opinion and value judgments given by ISS are based on the information provided by the Recipient during the preparation of the Second Party Opinion and may change in the future, depending on the development of market benchmarks, even if ISS is requested by the Recipient to provide another Second Party Opinion on the same scope of work.
5. This Second Party Opinion, certain images, text and graphics contained therein, and the layout and company logo of ICS, ISS ESG, and ISS are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. The use shall be deemed to refer in particular to the copying or duplication of the Second Party Opinion wholly or in part, the distribution of the Second Party Opinion, either free of charge or against payment, or the exploitation of this Second Party Opinion in any other conceivable manner.

The Recipient that commissioned this report may have purchased self-assessment tools and publications from ICS or ICS may have provided advisory or analytical services to the Recipient. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any Recipient’s use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG (“DB”) owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital (“Genstar”) and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies is available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2023 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

Green/Social KPIs

The Green/Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the use of proceeds of Kommunalkredit’s Green, Social and Sustainability Debt Instruments.

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

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

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social 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 or that the information provided did not fulfil the requirements of the Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Kommunalkredit (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, the extent to which Kommunalkredit’s Green, Social and Sustainability Debt Instruments contributes to related SDGs has been identified.

ANNEX 2: ISS ESG Corporate Rating Methodology

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

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

Kommunalkredit commissioned ICS to compile a Green, Social and Sustainability Debt Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Funding Framework aligns with the ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to assess the sustainability credentials of its Green, Social and Sustainability Debt Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

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

- Framework
- Eligibility criteria
- Documentation of ESG risks management

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis, and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green, Social and Sustainability Debt Instruments to be issued by Kommunalkredit has been conducted based on a proprietary methodology and in line with the ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

The engagement with Kommunalkredit took place from November 2022 to March 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this 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.

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 more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green, Social and Sustainability Debt Instruments SPO, please contact: SPOOperations@iss-esg.com Project team

Project lead

Poorvi Ramesh
Associate Vice President
ESG Consultant

Project support

Alice Wong
Associate
ESG Consultant

Project support

Kushum Mehra
Junior Analyst
ESG Consultant

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of ISS ESG SPO
Operations