



Vienna Insurance Group Sustainability Bond Framework

December 2020

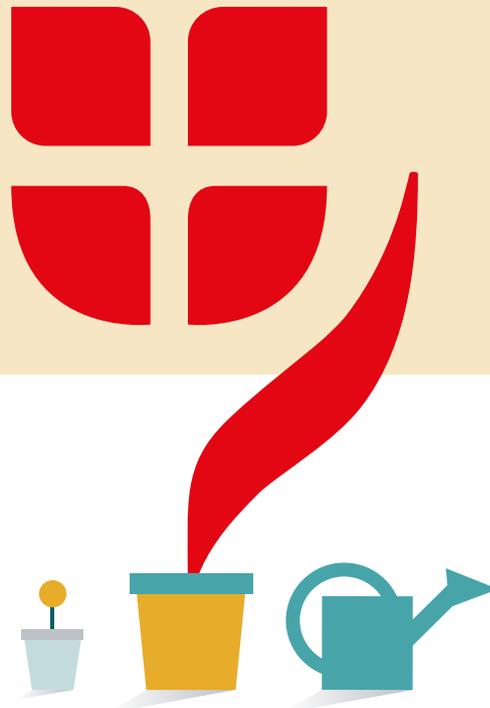
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1. Introduction

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ("VIG") is an international insurance group headquartered in the Austrian capital. Over 25,000 employees work for the Group, with around 50 companies in 30 countries. The VIG companies develop insurance solutions in line with personal and local needs, which has made it one of the leaders in the insurance industry in Austria and Central and Eastern Europe (CEE). In addition to the values of customer proximity and responsibility, VIG Group's strategy is based on diversity as a key success factor, ensuring that the wealth of different cultures and perspectives is optimally used and contributes to sustainable profitability and continuous earnings growth.

Further information on the Company is available at www.vig.com.



2. Approach to ESG at VIG Group

The insurance industry provides protection today against the risks of tomorrow. Insurance companies help to manage financial risks and are also important providers of capital, thereby supporting the development of national economies and modern society.

The roots of VIG Group reach back to the 19th century. Now, as then, the Group aims to be a financial service provider for everyone and is guided by a spirit of community. The VIG insurance companies are not here for just the immediate future, but are instead a reliable long-term partner for their stakeholders. That is also a mission for the core business. As an insurance company, VIG Group promises to provide customers benefits in the future – often decades away. Long-term thinking and sustainable action therefore form the foundation of the business.

The sustainability activities of the VIG Group centre on topics that are highly relevant from a stakeholder point of view and those where the Group has a major impact. The corporate group’s sustainability strategy is based on a materiality analysis and focuses on five areas that cover its entire business activities. These are:

#01. Core Business

The priorities include forward-looking management that integrates social, environmental and governance-related factors into the business and risk strategies, as well as the investment process. This implies a recognition of human rights and strict compliance with all legal and regulatory requirements and self-imposed obligations, such as the internal Code of Business Ethics, which addresses corruption, bribery, human rights and data protection, among other things.

#02. Customers

The priorities include providing the best possible coverage to ensure customer satisfaction. New customer needs will be satisfied using innovative and digital services and products that also offer social and environmental added value if possible. Ensuring customer data protection is an important element.

#03. Employees

The priorities include diversity management and creating a working environment with modern management and well-grounded education opportunities that draws the right employees, motivates and retains them.

#04. Society

The priorities include support for local communities. It also promotes a social orientation with initiatives like the “Social Active Day”, which allows employees to volunteer one working day a year for a social project of their choice. In order to direct its support in the best way possible, VIG Group closely monitors socio-economic trends like demographic change and continuously develops its awareness of social problems.

#05. Environment

The priorities include adjusting the business model for climate change (incl. underwriting) and conserving resources in its own business operations.



VIG shares have been listed in the two sustainability indices, VÖNIX and FTSE4Good, for a long time. The listing in both indices was confirmed again in 2020.

3. Sustainable Investments and Underwriting

More than 22 million customers rely on VIG insurance companies to stand by them when misfortune occurs. The Group therefore feels its number-one priority is to manage the premiums it receives so that it can fully satisfy its obligations to its customers at any time. It therefore focuses on safe, sustainable investments with a preference for good credit ratings and, therefore, stable returns. At the same time, however, VIG Group also takes responsibility for the effects of its investments. The Group has investments in several non-profit building societies in Vienna and other Austrian states that provide affordable housing for a broad range of people. Moreover, the Group published its climate-change strategy in May 2019 with an investment and underwriting

policy for the coal sector that is mandatory for all Group companies and aimed at promoting the transition to an environmentally friendly low-carbon future.

Further details of the Group policies relating to responsible investment and underwriting are available on the company website¹.

¹ www.vig.com/climate-change-strategy



4. Rationale for Issuance

VIG Group recognises that the insurance industry has an important role to play in the transition toward more sustainable, lower-carbon economies, both through the risk-management products and services it provides and the financial assets it manages.

VIG Group’s ambition is to ensure that our investment portfolio has a positive impact on society and the environment, whilst maintaining sound financial quality. We believe that there is an opportunity to secure market recognition of the role played by our sector in the field of responsible investment and have therefore decided to establish this Sustainability Bond Framework to provide investors in VIG debt instruments with an opportunity to support this vision.



5. Alignment with voluntary market standards

Under this Sustainability Bond Framework, VIG may issue three types of bonds:



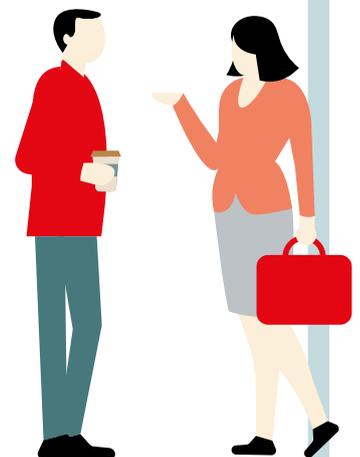
The Sustainability Bond Guidelines¹ administered by the International Capital Markets Association recommend alignment of Sustainability Bonds with the four core components of both the Green Bond Principles, 2018 (“GBP”)² and Social Bond Principles 2020 (“SBP”)³, collectively known as the “Principles”. The GBP and SBP outline eligible project categories for green and social projects. The Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity for best practices when issuing Green, Social and/or Sustainability Bonds. This Sustainability Bond Framework aligns with the four core components of the GBP and SBP.

This Sustainability Bond Framework will apply to any Green, Social and/or Sustainability Bond issued by VIG and will be applied for as long as any such instrument is outstanding. This Framework may be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards and classification systems, including for example the developing EU Taxonomy and EU Green Bond Standard. VIG will aim to obtain an updated or new SPO in case this Framework is significantly updated.

5.1. Use of Proceeds

VIG Group will allocate an amount equal to the net proceeds of any Green Bond to Eligible Green Assets, any Social Bond to Eligible Social Assets and any Sustainability Bond to a combination of Eligible Green Assets and Eligible Social Assets.

VIG Group will make allocations to Eligible Green and/or Social Assets where the investment has taken place within a maximum of three years prior to the date of any Green, Social and/or Sustainability Bond issuance. On a best-effort basis, VIG will aim to allocate an amount equal to the proceeds raised by any bond under this Framework within three years from the issuance of each Green, Social and/or Sustainability Bond.



1 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>
 2 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>
 3 <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

Green Bond Principles Eligible Category	Eligibility Criteria	Example projects	Indicative metrics	Sustainable Development Goals alignment
Green Buildings	Investments in real estate (including new buildings and renovations), that have received or are expected to receive: <ul style="list-style-type: none"> • BREEAM¹ Certification (Outstanding, Excellent, or Very Good) • LEED² Certification (Platinum or Gold) • ÖGNI³ Certification (Platinum or Gold) • DGNB⁴ (Platinum or Gold), • Klimaaktiv⁵ (Gold or Silver) 	THE BRICK, Vienna, ÖGNI Platinum	tCO ₂ e avoided	
Renewable Energy	Investments relating to the construction, development, acquisition, maintenance and operation of renewable energy projects/facilities/companies ⁶ , including solar and wind power, hydropower ^{7,8} and geothermal ⁹ .	Hohe See (497 MW) and Albatros (112 MW) Offshore Wind Farms ⁹ Starbond Trust-Izcalli: Q-Energy Seville and Huelva Solar Farms ¹⁰ Catapult Hypesol Solar ¹¹	tCO ₂ e avoided	
Clean Transportation	Investments relating to the development, construction, acquisition, maintenance and operation of electric rail infrastructure and electric rolling stock for both passenger and freight transportation: <ul style="list-style-type: none"> • For passenger transportation, where carbon intensity of transportation is less than 75g CO₂e/passenger km • For freight transportation, where such transportation does not involve fossil fuels Investments relating to the development, construction, acquisition, maintenance and operation of Battery Electric Vehicle infrastructure	LISEA Tours-Bordeaux High Speed Electric Rail Project	tCO ₂ e avoided	
Energy Efficiency	Investments which serve to improve the energy efficiency of the electricity grid/energy system and/or establish additional energy storage capacity ¹²		tCO ₂ e avoided	

1 <https://www.breeam.com/>

2 <https://www.usgbc.org/>

3 <https://www.ogni.at/leistungen/zertifizierung/>. ÖGNI certifies buildings in accordance with the DGNB certification system (<https://www.dgnb-system.de/en/>). DGNB is recognised in the Green Bond Guidelines for the Real Estate Sector, as published by ICMA.

4 <https://www.dgnb-system.de/en>

5 <https://www.klimaaktiv.at/>

6 Where investments in companies are concerned, only investments in 'pure-play' renewables companies will be eligible, where >90% of revenues are derived from activities in the renewables industry.

7 Only hydropower assets developed in European Union countries, and in the case of new assets, 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 the subject of significant negative media coverage regarding Environmental, Social and Governance (ESG) related matters will not be considered eligible for allocations.

8 Where direct carbon emissions are less than 100g CO₂e/kWh. Carbon intensity on a life-cycle basis may be taken into account if relevant data and information is made available by project developers.

9 Further information on these projects in which VIG has participated as an investor is at: https://www.talanx.com/en/newsroom/press_articles/talanx_leads_the_financing_for_cpp_investments%E2%80%99

10 <https://info.assuredguaranty.com/press-room/all-press-releases/news-details/2019/Assured-Guaranty-Wraps-First-Guaranteed-Solar-Bond-Transaction-in-Spain/default.aspx>

11 https://www.talanx.com/de/presse/presseartikel/talanx_investiert_250_mio_eur_in_spanisches_solarprojekt

12 Where an eligible project is intended to facilitate increased penetration of renewable energy into the grid via connection and/or reduce the curtailment of renewable energy. Grid projects are deemed eligible if the relevant grid is on a 'transition trajectory'. This is defined as weighted average life-cycle emissions intensity of incremental new generation over the last 5 years being <100 gCO₂e/kWh.

Social Bond Principles Eligible Category	Eligibility Criteria	Example projects	Indicative metrics	Sustainable development goals alignment
Affordable Housing	Investments in construction, refurbishment, maintenance and operation of housing that meet the relevant statutory definitions ¹ of affordability.	EGW Heimstätte ²	Number of affordable housing units upgraded and added to supply	
Access to Essential Services	Investments in health, education and vocational training, healthcare, financing and financial services. ³	Volksschule Röttergasse ⁴ Apeiron Biologics ⁵ : COVID-19 therapeutics development	Number of beneficiaries	 

¹ As defined by the Austrian federal law of 8 March 1979 on non-profit housing (Wohnungsgemeinnützigkeitsgesetz – WGG), as amended, updated.

² <https://www.egw.at/>

³ Allocations in this category will be made where such access is provided 'universally' as a public service, i.e. benefits are not restricted to specific groups, including restrictions which may occur based on affordability.

⁴ <https://roetzergasse.at/>

⁵ <https://www.apeiron-biologics.com/>

5.1.1. Exclusions

Allocations relating to Green, Social and/or Sustainability Bonds issued by VIG will be made in accordance with the criteria above and will not be used to finance or refinance the following investments: Fossil Fuels, Alcohol, Gaming, Tobacco, Weapons.

5.2. Process for Project Evaluation & Selection

To ensure that allocations of an amount equal to the net proceeds of any Green, Social and/or Sustainability Bond are made to Eligible Green and/or Social Assets as specified above, VIG Group has established a Sustainability Bond Committee ("SBC").

The SBC will be responsible for:

- Ensuring the proposed pool of Eligible Green and/or Social Assets is aligned with the categories as

specified in the Use of Proceeds section above and approving any proposed changes to the pool in the event that the existing assets no longer meet the eligibility criteria (e.g. following divestment, liquidation, technology switch, concerns regarding alignment of underlying activity with eligibility criteria etc.)

- Reviewing and approving allocation and, where relevant, impact reports where suitable data is available.
- Reviewing and approving any proposed updates to this Sustainability Bond Framework.

The SBC will be comprised of representatives from the following functions:

- Corporate Social Responsibility
- Asset Management¹
- Treasury
- Compliance
- ESG Project Leader and Manager of Proceeds

¹ The Asset Management function will have responsibility for the nomination of eligible assets/projects initiated by subsidiaries as well as by VIG Holding, for consideration by the SBC.

On an ad hoc basis, the SBC may include a representative of one of its local subsidiaries which is engaged in investment business. The Committee will meet at least 2 times per year to review proposed allocations and ensure these are made in line with the specified criteria above.

5.3. Management of Proceeds

The allocation of an amount equivalent to the net proceeds of any Green, Social and/or Sustainability Bond issued under this Framework to the Eligible Green and/or Social Assets will be managed by VIG Group (Asset Management) using a portfolio approach.

The SBC will establish an internal process within its Investment Function to establish a pool of Eligible Assets and will track allocations matched to the bond proceeds. This process will be managed by the appointed VIG ESG Project Leader and Manager of Proceeds (member of the Sustainability Bond Committee).

Pending full allocation of an amount equivalent to the net proceeds of the Green, Social and/or Sustainability Bond to the Eligible Green and/or Social Assets, the net proceeds will be invested on a temporary basis 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-label², the FNG-seal³ or the EU Ecolabel⁴ respectively, that are categorised as an 'ESG-investment fund' by Morningstar⁵).

5.4. Reporting

Within one year of issuance and annually thereafter, until full allocation of an amount equivalent to the net proceeds of any Green, Social and/or Sustainability Bond as well as in the event of any material changes, VIG Group will publish (i) an Allocation Report and (ii) an Impact Report, subject to the availability of suitable information and data via the VIG Group website at www.vig.com.

The Allocation Report will include:

- Total amount of proceeds allocated to Eligible Green and/or Social Assets per category;
- A list of the Eligible Green and/or Social Assets in the Eligible Project portfolio, including a description of the projects and allocated amounts, subject to confidentiality considerations;
- The proportion of refinancing vs financing; and,
- The remaining balance of unallocated amounts, if any.

VIG Group will also publish the Impact Report on selected environmental impacts of its Eligible Green and Social Assets, subject to the availability of suitable information and data. Ability to report impact metrics associated with investments in Eligible Assets will depend on the specifics of any relevant investment management contract, the underlying economic activity financed and the position of VIG Group in the investment chain. VIG Group anticipates that the primary impact metrics which may be available for reporting will be tonnes of carbon dioxide equivalent emissions (tCO₂e) avoided, the number of beneficiaries of health/education projects and numbers of affordable housing units made available.

6. External Review

6.1. Second Party Opinion

Sustainalytics has provided a Second Party Opinion on VIG Group's Sustainability Bond Framework. The Second Party Opinion is available on the Sustainalytic's website at www.sustainalytics.com as well as on VIG's website at www.vig.com.

6.2. Compliance Review

VIG Group also intends to commission a compliance review within one year of issuance and annually thereafter until full allocation of any Green, Social and/or Sustainability bond, with the intention of confirming that proceeds have been allocated in accordance with the Use of Proceeds specified in this Sustainability Bond Framework.

² <https://www.umweltzeichen.at/en/products/sustainable-finance>

³ 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>

⁴ <https://ec.europa.eu/environment/ecolabel/>

⁵ <https://www.morningstar.com/esg>

7. Disclaimer

The information and opinions contained in this Framework are provided as at the date of this document and are subject to change without notice.

VIG does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

This Framework represents current VIG policy and intent, is subject to change and is not intended nor can be relied upon to create legal relations, rights or obligations.

This Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell VIG Bonds, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of VIG, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

Any decision to purchase any VIG Bonds should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such bonds.

Prospective investors are required to make their own independent investment decisions. No representation is made as to the suitability of any VIG Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of VIG Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such VIG Bonds regarding the use of proceeds and its purchase of VIG Bonds should be based upon such investigation as it deems necessary.

VIG has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with VIG Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any VIG Bonds if the VIG fails to adhere to this

Framework, whether by failing to fund or complete Eligible Green Projects or to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives.

In addition, each environmentally-focused potential purchaser of VIG Bonds should be aware that Eligible Green Assets and/or Eligible Green Insurance Risks may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise, which any purchaser of VIG Bonds or any other person might otherwise have in respect of this Framework or any VIG Bonds as a result of any failure to adhere to or comply with this Framework is hereby disclaimed.

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