



PORR AG

Green Finance Framework

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1. Introduction

PORR is committed to its core competency – construction. With around 19,000 staff members and production output of around EUR 5,0bn (as of Q3/2018), the PORR Group is one of the largest Austrian construction companies and one of Europe’s leading infrastructure specialists.

As a full service provider, it covers every aspect of the modern construction industry – from building construction through to complex projects in railway and bridge construction, tunnelling and road construction. The Group generates more than 87% of its production output on the five stable home markets of Austria, Germany, Switzerland, Poland and the Czech Republic.

Intelligent building means embracing responsibility. This is the reason why doing business sustainably is a key component of PORR’s strategy. PORR is addressing major planetary challenges such as demographic shifts, climate change, scarcity of resources with strategic solutions that are both timely and forward-looking.

2. PORR’s approach to Sustainability

As a full-service provider with nearly 150 years’ experience in the design, development and execution of numerous domestic and international construction projects, PORR is committed to a strategy centred on sustainability – the backbone of its business activities lies in the interplay between **economy**, **ecology** and **society**. Through its skills, PORR helps to master the world’s challenges – including climate change, responsible consumption and resource-friendly production, sustainable urban planning and industry, innovation and infrastructure. In its economic activities, the company gives equal weight to economic, societal, social and environmental standards, which are summarized in the three action fields of **adding value**, **recognising value** and **preserving value**.

Adding value forms the foundation of every economic activity within PORR. It encompasses the core business of construction - the central aspect of company. In the financial sphere, PORR draws on anti-bribery training, audits and similar measures to ensure legally compliant processes. **Recognising value** involves measures and initiatives to nurture the staff’s performance, skills and expertise. The top priorities are the aspects of health and safety. **Preserving value** refers to the responsible approach to ecological resources. Special attention is paid to the high environmental and social standards. Adherence to environmental regulations is regularly assessed through audits by an independent body. In addition, every business division is required to systematically record environmental impacts and to plan and implement improvements.

In the field of CSR, PORR concentrates its business activities on issues that are highly relevant to stakeholders on the one hand and issues that are intrinsically intertwined with PORR’s core business on the other. Implementing sustainability in the core business is only a success if it creates added economic, environmental and social value. PORR promotes an integrative approach; in other words, it creates a link between the three dimensions of sustainability and is committed to responsible corporate management.

PORR’s Vision

- PORR is aiming for long-term economic success and wants to act in a manner that is both socially responsible and ecologically sustainable
- PORR focuses on maintaining regular contact with stakeholders in finding solutions to meet the global challenges
- PORR is committed to improving environmentally friendly performance along the entire value chain
- The company wants:

- to reinforce resilience to current and future consequences of climate change to make a valuable contribution towards conserving natural resources for current and future generations
- to replace resource-intensive and environmentally harmful methods by developing sustainable and innovative products and services
- to make an important contribution to a positive and inclusive working environment that demonstrates full appreciation and support for employees

PORR’s Sustainability Goals

Sustainability is an integral component of the PORR corporate philosophy. The company is committed to upholding sustainability criteria at every stage of the value chain. This applies to several areas including the social sector as well as securing diversity and equal opportunities throughout the entire Group.

The PORR Group is clearly committed to environmental protection and focuses heavily on research and development in the interest of climate protection. With PORR’s regularly updated climate protection strategy, the Group wants to contain and avert the greatest challenges of our time – climate change and its negative consequences – sustainably and effectively.

Energy efficiency measures, using renewable energy sources and thereby substituting fossil energy sources, as well as the development and use of sustainable products and services, support PORR in the efforts to reduce emissions.

PORR takes into consideration all aspects relating to current environmental issues in its business decisions and in managing its resources and infrastructure. PORR counters the increasing scarcity of raw materials and the related price increase by employing resource-conserving measures and recycling. PORR strives to minimise its environmental footprint and continuously improve its environmental measures. Environmental opportunities and risks are mitigated, the resulting effects analysed in detail and corresponding solutions and countermeasures drawn up and implemented.

| Topic | Short and medium-term goals |
|---|--|
| Environmentally sound use of materials, energy and emissions | <ul style="list-style-type: none"> • Reducing specific primary energy consumption by at least 1.5% annually based on figures for 2014 – and by a total of 7.5% by 2020 • Reducing specific GHG emissions by at least 1.5% annually based on figures for 2014 – and by a total of 7.5% by 2020 • Continuing with energy-efficiency measures in the fields of equipment, fleet and building management • Increasing the share of renewable, environmentally friendly forms of energy to more than 10% by 2020 • Further developing methods that conserve resources in foundation engineering, building construction and civil engineering • Further increasing the percentage of recycled construction materials • Focused risk analysis with regard to environmental impacts • Cutting contaminated fractions through advances in waste treatment and recovery techniques • General reduction in waste • Evaluating a SAP-based supplier management system • Set of criteria for high environmental and social standards |

3. The PORR Group Green Finance Framework

In line with PORR's CSR Strategy and the Group's commitment to sustainability, climate protection and sustainable development, PORR has established this Finance Framework under which the Group can obtain green financing like Green Bond(s) and / or Schuldscheindarlehen and loans, to finance or refinance projects promoting environmental progress.

The ICMA Green Bond Principles¹ and the LMA Green Loan Principles² are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green financing instruments. The PORR Green Finance Framework follows the ICMA Green Bond Principles (GBP) 2018 edition and the LMA Green Loan Principles, which provides guidelines in four core components:






- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² LMA's Green Loan Principles 2018: [https://www.icmagroup.org/assets/documents/Regulatory/Green Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf](https://www.icmagroup.org/assets/documents/Regulatory/Green%20Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf)

4. Use of Proceeds

PORR intends to allocate an amount at least equal to the incremental proceeds from sales of the Green Bonds and / or SSDs or the issuance of the Green Loans to finance and/or refinance a portfolio of eligible investments and expenditures (“Eligible Green Projects”) in the following eligible categories, i.e. the Eligible Green Projects Portfolio.

| ICMA GBP category | Brief Description of the Eligible Assets Category | Examples of eligible projects | UN SDG |
|---|---|--|---|
| Green Buildings | PORR commercial real estate | <ul style="list-style-type: none"> • Investments in low carbon commercial buildings which meet regional, national or internationally recognized regulations, standards or certifications <ul style="list-style-type: none"> (i) Top 15% most energy-efficient buildings in a certain region, defined via Energy Performance Certificates, building codes, building years or refurbished buildings with a demonstrated energy efficiency improvement of at least 30% or two steps in energy performance label compared to original built quality (ii) New and / or existing buildings which have received at least one (or more) of the following classifications: <ul style="list-style-type: none"> a. LEED: Platinum, Gold b. BREEAM: Outstanding, Excellent, Very Good c. DGNB-Family, meaning DGNB, ÖGNI or SGNI: Platin, Gold d. Other comparable international green building certifications • Individual investments (incl. material, installation and workload) aimed at improving environmental performance of premises. For example: rainwater recovery and drainage systems, heat pumps, energy storage, lighting (e.g. LED), building automation systems designed to monitor and achieve energy efficiency, ventilation and heat recovery, energy-efficiency measures in the field of equipment and fleet, photovoltaic units with EVs charging points, renewable energy generation, R&D costs to develop more sustainable materials, excluding financing of fossil fuel based |    |
| Pollution Prevention and Control | PORR recycling activities | <ul style="list-style-type: none"> • Investments in recycling facilities including prevention, collection, treatment and processing of all types of construction waste, with the purpose to re-use and minimizing the amount of waste to landfill, promote circular economy of construction materials and to secure raw materials in the long term. <u>Eligible Green Projects may include, but are not limited to:</u> capital expenditures (cost of the plants), operating expenditures (cost for electricity, equipment leasing, land rental) and acquisition costs (excluding goodwill) focused on expanding capacity of projects that enhance recycling, material recovery and reuse • Measures at facilities and technologies that facilitate the recycling of construction materials (asphalt, concrete, etc.) |   |

5. Process for Project Evaluation and Selection

Projects financed and/or refinanced through the Green Finance proceeds under this framework are evaluated and selected based on compliance with the Green Finance Eligibility Criteria and align with PORR's strategic sustainability objectives. A core team (the 'PORR Green Finance Committee') will assess project eligibility and allocation of proceeds to Eligible Green Projects. The Green Finance Committee comprises members of Corporate Social Responsibility and Sustainability, Risk, Accounting, Investor Relations and other parties to be nominated as subject matter experts.

The Green Finance Committee monitors the Eligible Green Project portfolio and is also responsible of:

- Excluding the eligible assets that no longer comply with the eligibility criteria
- Replacing the eligible assets that have matured or have been disposed on a best effort basis

The PORR Green Finance Committee meets at least on an annual basis.

PORR's Treasury department will allocate the proceeds of its Green Bonds and / or SSDs to the selected portfolio of projects in accordance with the respective eligible assets outlined in the use of proceeds section.

PORR ensures that all selected Eligible Green Projects comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. PORR applies core minimum environmental and social (ESG) requirements for many of its activities, including those financed with the proceeds of Bonds, Schuldschein and Loans issued under this Green Finance Framework. PORR also applies risk management measures in its capital allocation decisions which are supported by a company-wide planning, reporting and controlling system. PORR's approach to environmental, social and sustainability is described in its sustainability report: <https://porr.at/en/company/csr/csr/>.

6. Management of Proceeds

PORR intends to allocate the proceeds from the Green Financing to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. These projects consist of new and / or existing projects. To ensure proceeds are allocated in accordance to the Green Finance Framework, PORR will track investments in eligible projects.

PORR will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceeds the balance of an amount equal to the net proceeds from its outstanding Green Financings. Additional Eligible Green Projects will be added to the Issuer's Eligible Green Project Portfolio to the extent required to ensure that amount equal to the net proceeds from outstanding Green Financings will be allocated to Eligible Green Projects.

Pending the full allocation to the Eligible Project Portfolio, PORR will hold and / or invest the balance of net proceeds not yet allocated, at its own discretion, in PORR's treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc).

7. Reporting

An annual report will be prepared and made available on PORR's website with the status of PORR's Green Financing proceeds allocation, overview of the project portfolio (re)financed with the proceeds of the Green Financing and the associated environmental impact, until the full allocation of the Green Financing.

PORR intends to report on the Eligible Green Project Portfolio on an aggregate basis, at least at a category level, subject to confidentiality obligations. Any material developments, such as modification of the Framework or allocation portfolio, will be reported in a timely manner. Reports will be available at <https://porr-group.com/en/investor-relations/>.

a. Allocation Reporting

The allocation report will provide:

- the total amount of investments and expenditures in the Eligible Green Projects Portfolio;
- the amount or percentage of new and existing projects; and
- the balance of unallocated proceeds.

b. Impact Reporting

Where feasible, PORR also intends to report on the environmental impacts of the projects funded with the Green Financing proceeds, by way of existing Annual Report, Sustainability Report, and /or specific impact reports. A list of potential indicators is included in Appendix A. These may be supplemented by qualitative and/or case-study reports on outcomes and impacts of the projects funded. Where relevant, information may be provided on data reporting and impact assessment methodologies, to increase transparency.

PORR intends to align the Green Financing impact reporting with the approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (December 2015)"³.

8. External Review

Second Party Opinion (pre issuance)

This PORR Green Finance Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Finance Framework will be made available to the Green Finance investors on <https://porr-group.com/en/investor-relations/>.

³ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/20151202-0530-FINALRevised-Proposal2.pdf>

APPENDIX A

TABLE OF POTENTIAL OUTPUT AND IMPACT INDICATORS PER CATEGORY

| ICMA GBP category | Potential Reporting Indicators |
|---|--|
| Green Buildings | <ul style="list-style-type: none">• Estimated ex-ante annual energy consumption in KWh• Estimated avoided carbon emissions (in tCO₂ eq)• Overview of sustainable labels and certificates for eligible buildings |
| Pollution Prevention and control | <ul style="list-style-type: none">• Volume of construction material recycled• Fractions and volumes sorted from waste (numbers and tonnes).• Prevented CO₂ emissions from recycled material (in tCO₂ eq) |

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