

BAWAG SUSTAINABLE FINANCE FRAMEWORK

August 2025



1. ABOUT BAWAG

BAWAG Group (the “Group”) is a multi-brand and multi-channel commercial bank with a history dating back to 1883 in Austria focusing on serving over 4 million retail, small business, corporate, real estate and public sector customers. The focus is on the DACH/NL region, with exposure also in Western Europe and the United States. The Group operates under various brands and across multiple channels offering comprehensive savings, payment, lending, leasing, investment, building society, factoring and insurance products and services. The goal is to deliver simple, transparent, and affordable financial products and services that our customers need.

The Group operates through the following business segments:



Retail & SME

BAWAG Group’s customer focus underpins the Retail & SME strategy by working to make the lives of customers easier and more manageable as it relates to their financial affairs. This entails:

- providing customers with an entire range of products and services when and where they want
- providing easy-to-use and easy-to-understand financial products at a fair price
- leveraging new and existing technologies to simplify process and reduce complexity
- focusing on high-touch and high-quality advisory across a modernized branch network as well as
- establishing new retail partnerships and leveraging lending platforms in acquiring new customers



Corporates, Real Estate & Public Sector

The **Corporates, Real Estate & Public Sector** segment focuses on domestic and international lending, deposits and payment services. Across the segment, the focus is on risk-adjusted returns and conservative underwriting.

The regional focus in the **Corporates and Real Estate** business is on the Austrian and German market as well as developed and mature markets in Western Europe and the United States. Senior secured lending to strong sponsors on cash flow generating companies and assets is primarily targeted.

In the **Public Sector business**, the focus is on sovereigns, federal state, municipalities and public sector entities in Austria, Germany and Western Europe.

Our strategy has been consistent since 2012: Growing in our core markets focused on serving the needs of our customers, driving efficiency through operational excellence, and always keeping a safe and secure risk profile. The continuous improvement mindset we have embraced, and the strategic M&A executed, have been the catalysts underpinning the transformation of our franchise from a traditional banking model to a digital bank with a high-touch and high-quality advisory-focused branch network.



I	GROWTH <i>in core markets through loan growth & M&A</i>	II	EFFICIENCY <i>through operational excellence</i>	III	SAFE & SECURE <i>risk profile</i>
	Core markets <ul style="list-style-type: none"> • Austria as foundation with expanding footprint in Germany, Switzerland, Netherlands (DACH/NL) + W. Europe / USA Criteria for core market growth <ul style="list-style-type: none"> • Fiscal position (single A or better sovereign rating), stable legal infrastructure, and political environment Serving the customers <ul style="list-style-type: none"> • 24/7 banking access through multi-channel & multi-brand commercial banking system • Customer value proposition: <i>“Providing simple, transparent and affordable financial products and services the customers need”</i> 		Focus on the things we control <ul style="list-style-type: none"> • Investing in long-term strategic initiatives yielding sustainable productivity gains and transforming the franchise • Simple & straightforward core products + quality servicing that benefit the customers • Centralizing and In-sourcing Technology, Data & Operations platform “TechOps”... Owning the technology & infrastructure • Simplified group structure = reducing management layers, hierarchy, eliminating silos, and bureaucracy 		Believe in maintaining a fortress balance sheet through a strong capital position, stable customer funding and low risk profile <ul style="list-style-type: none"> • Conservative and disciplined underwriting in markets we understand • Proactively manage non-financial risks ... no capital markets business, no trading activities, no exposure to high-risk AML countries

Doing business sustainably is the key to long-term success of all of our stakeholders. Therefore, a sustainable value creation is at the core of decision-making and how the group is steered. A separate sustainability strategy is not pursued, as it is viewed as an integral part of the overall business strategy and represents our general view on sustainability – to align it with our existing governance and embed it in the existing functions, processes etc. to ensure one decision-making.

2. BAWAG'S APPROACH TO SUSTAINABILITY

Doing business sustainably is the key to long term success of all our stakeholders. Therefore, the sustainable value creation is at the core of our decision-making and how we steer the Bank. We view sustainability as an integral part of our overall business strategy, and this is also aligned on how we have embedded sustainability across the organization. Therefore, whilst success and value creation are goals for every company, for BAWAG, success does not mean doing business at the expense of an intact, peaceful and livable world. With this in mind, we have developed an ethical framework that supports and guides us in pursuing our business strategies. This is how we embody and uphold our commitment to corporate social responsibility.

BAWAG's aim is to keep minimising the negative effects of our business activities to the greatest extent possible. The preservation of an intact environment as the basis of life for future generations is one of the fundamental principles of BAWAG Group. These requirements are anchored in the Group-wide Code of Conduct.¹ In addition to moral and ecological responsibility, we strive to do business in a modern, intelligent and sustainable way.

As a bank, we are in a unique position to shape sustainable and future-oriented development by granting loans, investing customer deposits and giving customers access to payment services.

Sustainability governance

BAWAG has a sustainability governance structure in place, with various supervisory at interplay.

The **Management Board** is responsible for executing, monitoring, and reviewing BAWAG's sustainability strategy and embedding its corporate culture. Top management has various sustainability-related responsibilities, including aligning operations with net-zero targets for scope 1 and 2 emissions. Management Board remuneration includes ESG targets as part of short-term and long-term incentive programs. Examples of ESG targets include CO2 emission reduction, gender diversity quotas, and green lending initiatives. Detailed responsibilities as well as remuneration schemes can be found in the Governance section of the consolidated non-financial report within the annual report.

In addition to the Board functions, BAWAG established - instead of the previous ESG officers - a **Sustainability Office** in 2024, which is responsible for developing and coordinating the sustainability strategy of the Group together with the respective business functions, the regular reporting to BAWAG's management functions in regards to the effectiveness of the initiatives and the coordination of the external reporting. In addition, it coordinates the implementation of upcoming regulations focusing on sustainability and works closely with the business and control functions.

Next to these governance bodies, there are various working groups covering specific ESG topics and promoting several ESG initiatives.

For further detail please refer to the annual report.

Environmental Strategy

Climate change is amongst the most significant challenges for the world to address, and we recognize that the financial sector plays a vital role in supporting the achievement of global climate goals. Mitigating or adapting to climate change is a long-lasting process that requires contributions from all stakeholders, including policymakers, companies, and private individuals who all can contribute by setting the framework as well as by altering consumption patterns for a more sustainable future. Our responsibility in addressing climate change encompasses various aspects, from adhering to our business principles including managing respective risks associated with climate change, to actively engaging with our stakeholders.

While our environmental footprint through own operations is limited, we want to lead by example for our stakeholders. It is our objective to keep negative impacts of our business activities as low as possible. As our highest impact results out of our lending activities, we aim to limit the negative impact and have set decarbonization targets for our largest GHG emitting portfolios.

Our climate and environmental strategy is in full alignment with our strategic pillars. Furthermore, our transition plan highlights our decarbonization priorities, levers and initiatives to provide transparency on how we reduce our impact on climate change as well as mitigate transition risk through steering the portfolio. While we have full control over the decarbonization of our operations, the transition of our lending portfolio heavily depends on our customers' behaviour and their initiatives towards a sustainable future. Engaging with our customers is crucial to achieving our targets.

Transition Plan

¹See [here](#).

Transition planning for BAWAG Group did not just start with the development of our initial transition plan; it began when we established our strategy a decade ago, focusing on risk adjusted returns.

Our financed emissions reflect our business model with a favourable balance of the lower financed emission intensity of residential real estate and the smaller share of corporate exposure overall, as well as a marginal share of high-emission heavy industry and energy sectors. Following the acquisition of Knab in 2024, approximately 70% of our balance sheet, excluding cash, was covered with our GHG calculations. As of 2024, the GHG equivalent portfolio was composed as follows:

- 60% of the GHG emissions of the in-scope assets resulted from lending to energy producers mostly under the control of public authorities.
- 19% of the GHG emissions of the in-scope assets related to mortgages. Despite the low emission intensity, mortgages are a substantial contributor of absolute emissions financed due to the materiality of the lending volume. After the acquisition of Knab, approximately 50% of our assets (excluding cash) were mortgages.
- The remaining 21% came from the commercial real estate business, motor vehicles and low-volume, well diversified corporate exposure across industries.

Our transition plan highlights our decarbonization priorities, levers and initiatives to provide transparency on how we reduce our impact on climate change as well as mitigate transition risk through steering the portfolio. In our transition plan, we commit to achieve net-zero for our Scope 1 and 2 emissions by 2050 and to align our largest portfolios with the 1.5-degree maximum global warming scenario of the sector-specific SBTi pathway.

For further details, please see the transition plan as outlined in the annual report in accordance with the European Sustainability Reporting Standards (ESRS) E1-16 reporting requirements.²

ESG risk management framework

Because ESG risks span across all risk management pillars, we pursue a multidimensional steering approach within our risk management framework. It is embedded in our key risk policies and processes, ensuring an appropriate consideration of ESG risks. New or modified products and lines of business are examined for ESG contribution based on the ESG statement, inherent risk as well as the general conditions under which the product should be introduced. Service providers are evaluated for their ESG commitment as part of our outsourcing assessments. In the annual risk process assessment (RCSA), ESG-relevant aspects are identified from an operational and organizational perspective including internal controls contributing to risk mitigation.

The interaction of sustainability-related risks and other material risk types is evaluated as part of the overarching risk self-assessment (RSA) as well as the annual risk materiality assessment. Within BAWAG's portfolio steering framework, both high-ESG-risk sectors and countries are limited accordingly due to low-risk appetite for industries exposed to high transition risk (for example oil and gas industries for which there is de minimis exposure on book, and political or social risk). As such, explicit internal capital limits were allocated to ESG risk stemming from credit, market, liquidity and operational risk based on the assessment of ESG risks on the portfolio and processes. However, overall ESG risk is low given low exposures to high transition risk industries such as fossil fuel and natural resource sectors as well as low exposures to restricted and prohibited industries.

ESG Due Diligence Process in Lending

BAWAG established a governance framework for monitoring and managing the respective risks. To address these challenges, BAWAG has implemented key risk indicators and established due diligence processes to manage the associated risks. This includes restricted and prohibited sectors which are part of the due diligence process and loan origination process. The biggest challenge remains the availability and accuracy of related data. For the largest GHG emitting portfolios, we developed decarbonization pathways. Additionally, as part of our governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions and evaluation of new credit extensions etc. Various initiatives such as learning programs, newsletters etc. support the implementation of the topic in the organization.

At BAWAG, ESG risk is integrated into our ICAAP and stress test framework, allowing an integral steering across the different risk types. Therefore, BAWAG conducts a comprehensive business environment scan and materiality assessment in which developments for all of BAWAG's segments and core markets are analysed, primarily for the lending portfolio but also for all our own sites. These include developments in upcoming regulations, technological innovations, demographic changes, social developments, the economy, biodiversity as well as physical and transition risks

The implemented risk management framework ensures the effective identification, measurement and management of risks across the Group and builds the basis to make informed risk-based business decisions. It allows us to react quickly and proactively to market trends or other deteriorating developments as well as support the Bank's sustainable organic and inorganic growth within the overall risk appetite.

Physical Climate Risk

Climate and environmental risks were analysed in the regularly conducted materiality analysis. For example, the risk drivers tropical

² See [here](#).

cyclone, river flood, storm surge, heat stress, precipitation stress, fire weather stress, drought stress, cold stress, sea level rise and landslide were explicitly examined for the physical risk in the credit portfolio.

In section E1- IRO-1 of our Annual Report under the ESRS framework, we report on the exposures of our balance sheet to physical climate risk by industry.

In addition, in section E1 of our Annual Report under the ESRS framework, we report on the exposures of our balance sheet to physical climate risk over time (now, 2030 and 2050) according to certain IPCC RCP scenarios, including RCP 8.5. As of 2024, BAWAG has assessed that over time (current, 2030 and 2050), measured in terms of total exposure in combination with risk classes, the overall physical risk profile is falling. This is mainly due to the mortgage portfolio.

Transition Risk

Moreover, BAWAG assesses its transition risk, which occurs in connection with the development towards a low-carbon economy.

BAWAG Group's business model is primarily focused on Retail & SME. Residential mortgages represent a substantial portion of the loan portfolio. The transition towards stricter environmental regulations and the ambition for energy efficient homes could have implications on property values, borrower affordability, and overall credit risk. Residential real estate also has usually long maturities and mid-term could be impacted by regulation changes to improve the energy performance. At the same time, the countries we are operating in also consider a fair transition. Given the size of the portfolio, BAWAG has set decarbonization targets and initiatives in order to prepare for the transition. Beside decarbonization targets we set specific KRIs (key risk indicators) to track transition risk for the residential mortgage portfolio. Power generation is the highest emitting sector within our portfolio. The exposure is related to primarily public-sector related entities. Power generation needs to undergo a transition, but the transition risk on client level is limited, given the public sector relation. Nevertheless, we have set up a transition plan. Overall, the transition risk is mainly driven by policy and legal transition events and is assessed via a comprehensive business environment scan as well as with the materiality analysis.

Additionally, as of 2024, BAWAG has no exposure to coal and de-minimis exposure to oil and gas.

Please refer to section in section E1 of our Annual Report under the ESRS framework in the Annual Report for further details.

Product introduction process: ESG criteria mandatory part of every decision on new products and services

The product implementation process (PIP) plays a central role in the development of new products and services, entering new markets and making important changes to existing products, services and markets. All risks, such as credit risk, market risk and operational risk, must be taken into account during product development. Prior to launching new products, the responsible product managers were asked to assess and describe potential impacts of product implementation in respect of environmental, social and governance aspects. The impact is queried and presented using a statement on sustainability aspects (ESG statement), which is an integrated part of the tool for product launches:

- Environmental: Positive aspects include the expansion of green energy or electromobility, increasing energy efficiency or reducing the use of natural resources, such as paper.
- Social: Positive aspects include the opportunity for people with special needs to participate, the reduction of discrimination, the fight against poverty, and the expansion of educational opportunities.
- Governance: Conformity with internal guidelines such as the Code of Conduct, the Anti-Corruption Guideline or the Data Protection Guideline was defined as a mandatory requirement for a product launch and must be met in any case. Conformity of new products with internal guidelines was already mandatory before the introduction of the CSR/ESG statement. As the Code of Conduct contains a clear commitment to environmental protection and social responsibility, the product managers undertake to pay attention to these two sustainable aspects when launching products.

Sustainable Lending

By broadly considering the value chain from an ESG perspective, BAWAG Group aims to expand its understanding of risk and seize business opportunities for the benefit of its shareholders, customers and other stakeholders. We aim to take advantage of specific growth opportunities associated with environmental and social developments. Examples include the transition to a resource-efficient economy and the need for greater environmental protection and social inclusion.

Sustainable Lending Products: Corporates & Public Sector business

Many public sector entities such as municipalities, agencies as well as the Republic of Austria, which has a long-standing relationship with BAWAG as the provider of payment services, place their trust in BAWAG with regard to

Providing financial services and financing investment projects. Of the infrastructure investments that the Bank has (co-)financed in recent years, the majority were projects that accelerated the expansion and improvement of infrastructure in rural regions throughout Austria.³

- Education: BAWAG finances many educational institutions in Austria. These include various facilities ranging from

³ For more information see [Öffentliche Hand | BAWAG](#).

educational campuses to schools and Day-care centres

- The second major area is water management, where both water supply and wastewater treatment (filtration systems, decarbonization) are financed
- Health care: hospital financing and public and private care facilities
- Public transport: Railway logistics: financing of expansion of goods terminal – road on rail
- Utilities: financing of green projects of energy suppliers, waste separation plants and recycling

BAWAG's corporate customers also include companies that promote the expansion of alternative energy generation facilities, build crucial health care facilities, contribute to the preservation of Austria's flora and fauna, drive the progress of electromobility and provide continuing education and training for handicapped and hard-to place people.

Sustainable Lending Products: Retail Banking business

Additionally, BAWAG grants retail customers sustainable credit for sustainable purposes. Measures included are consumer financing with a sustainable purpose such as the installation of PV systems or the purchase of electric cars,⁴ or loans dedicated to the purchase or construction of an energy-efficient property, as well as energy efficiency-enhancing renovation measures, such as the improvement of heating systems, thermal renovations, and installation of heat pumps.⁵

Financing Principles: Integration of sustainability

By embedding responsible and profitable growth in consideration of sustainability factors into our Group strategy, we ensure that the further development of our business activities is in line with environmental and social concerns.

We have historically considered environmental and social impact factors in our credit decisions, as they will impact our potential borrowers' repayment of loans over time. This supports our continued focus on sustainability-related risk in order to strengthen our current business model.

BAWAG is committed to addressing the immediate need to combat climate change across its business. However, the reality is today's actions will take time to have real impact on our climate. As a Retail-focused bank, BAWAG will support its customers as they look to reduce their carbon footprint. BAWAG is also committed to keeping its exposure to high-emitting GHG sectors low across its corporates portfolio.

BAWAG is disciplined in its lending, we focus on risk adjusted returns and we believe that sustainability underpins long-term profitability and capital growth as we look to grow organically in our core markets as well as through M&A. Our sustainability strategy reflects our belief that long-term success requires a commitment to responsible practices that benefit all of our stakeholders and the environment. BAWAG Group is aware of the sensitivity of specific business segments and takes into account possible negative effects in its financing decisions. In addition to the management of operational risks, key objectives of the Group-wide compliance and non-financial risk management include the prevention of money laundering, the fight against the financing of terrorism, the monitoring of compliance with sanctions, fraud prevention, data protection, information security, securities compliance and the prevention of insider trading, market abuse and conflicts of interest. The risk culture is the general guideline for employees in dealing with the risks in their area of responsibility.

BAWAG Group has defined lending criteria⁶ according to which all customers are screened. If a company is involved in one of these areas and can be held responsible for its involvement, it can be excluded or restricted in lending. The restricted/prohibited criteria are reviewed on a regular basis and is available on our website.

BAWAG's Social Strategy

At BAWAG, our commitment to social engagement within our local communities is also an integral part of our identity and extends beyond traditional banking services. We embrace our social responsibility by actively engaging in initiatives that foster financial education, support underprivileged communities, and empower individuals to climb the social ladder. As such, to foster financial education, BAWAG Group has entered a collaboration with the Children's Office at the University of Vienna. The Children's Office at the University of Vienna brings together children from all social backgrounds and motivates them to be curious throughout their lives. This is one example of our initiatives.

Enabling (barrier-free) access to products and services enhances the access to finance. It has a positive impact on the society, as financing is made available through various channels. Moreover, as defined in our business strategy, we want to provide our customers 24/7 banking access through a multi-channel and multi-brand commercial banking platform. Over the last couple of years, we diversified our Retail & SME originations away from branches, thereby increasing the accessibility of our products and services. While our branch footprint was reduced as a response to changing customer behaviour, we entered partnerships, worked with brokers, and continuously enhanced our online/digital access.

Furthermore, BAWAG recognizes human rights as universal standards and consider them the foundation of our business practices as we

⁴ For more information see [Grüne Finanzierung für nachhaltige Projekte | BAWAG](#).

⁵ For more information see [Grüner Konsumkredit für E-Auto, PV & Wohnbau | BAWAG](#).

⁶ For more information see [BAWAG Lending Criteria](#).

want to be a reliable partner for all of our stakeholders, spanning from customers, employees, suppliers, communities to governments. Our culture is built on mutual respect, commitment, and customer focus, in alignment with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Global Compact Women’s Empowerment Principles and the employee rights defined by the International Labour Organization (ILO).

As such, we have policies in place to safeguard these core principles. Our code of conduct outlines the ethical principles we adhere to, while our Human Rights Policy, accountable for the implementation is the Management Board, is reviewed annually, defines our guidelines and principles for addressing human rights. We integrate these principles into our daily operations and strive to create a working environment that respects and promotes the well-being and dignity of all employees. Monitoring and feedback are crucial to this process, including the Grievance Policy, feedback from employees and the Works Council, as well as employment law measures for violations. In addition to the internal Human Rights Policy, the company is committed to complying with the labour law framework in all countries in which it operates and to promoting diversity and equal opportunities as key success factors, with all employees treated equally and fairly. We support the freedom of trade unions and associations as well as the collective bargaining rights of employees.

Supporting regulations, standards, or frameworks for sustainability-related disclosure and reporting

BAWAG Group aims to follow best market practices for sustainability-related disclosure and reporting:



Reporting under the European Sustainability Reporting Standards (ESRS) for the first time in 2024, including the double materiality assessment



Reporting based on Article 8 of the EU Taxonomy Regulation



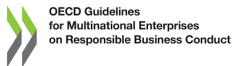
Commitment to apply the current provisions of the Austrian Code of Corporate Governance through BAWAG Group’s Code of Conduct



Commitment to the ten Principles of the UN Global Compact, including the seven UN Global Compact Women’s Empowerment Principles



Commitment to the UN Sustainable Development Goals



Commitment to the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct



Calculation and reporting of GHG emissions Scope 1, 2 and 3 consistent with the Greenhouse Gas Protocol – operational control approach



First participation in 2024 in CDP Corporate Questionnaire on environmental, water, biodiversity and plastic issues – 2024 CDP Climate Score: C



Signatory of the Partnership for Carbon Accounting Financials (PCAF)

3. BAWAG SUSTAINABLE FINANCE FRAMEWORK

Rationale for revising the Green Bond Framework

In our efforts to continue to align with the highest standards, frameworks, regulations and best market practice in the Sustainable Finance markets, BAWAG has revised again its Green Finance Framework to be more focused and ambitious. In addition to the latest ICMA Green Bond Principles, LMA Green Loan Principles and adherence to the EU Taxonomy Regulation Substantial Contribution criteria for green buildings, BAWAG expanded the scope of sustainable financing by adding social categories to be able to issue also social and/or sustainability finance instruments with the aim to better align the financing needs with the holistichness of the sustainability strategy, which focuses also on providing social relief to disadvantaged people and/or areas.

The update of the framework (referred to as the “**Framework**”) strengthens the accountability and commitments with regards to BAWAG’s climate and social strategy, as it provides additional transparency around the financing and/or refinancing of projects which enable the transition to a low-carbon economy and/or alleviate social issues.

BAWAG believes sustainable finance instruments are an effective tool to channel projects that demonstrate environmental and/or social benefits and thereby contribute to the objectives of the EU Green Deal, the Paris Climate Agreement and the UN Sustainable Development Goals 2030 (UN SDGs). BAWAG is committed to promoting sustainable economic activities in the industry and countries where it operates.

In addition, sustainable finance instruments help to diversify BAWAG’s investor base, to broaden dialogue with existing investors and to contribute to the development of the sustainable finance market.

BAWAG Sustainable Finance Framework basis

BAWAG Group AG has established this Framework under which it or any of its subsidiaries, including BAWAG P.S.K. (referred to as “**BAWAG**”) can issue green, social and/or sustainability finance instruments (referred to as “**Sustainable Finance Instruments**”), which may include senior bonds (preferred and non-preferred), subordinated bonds, covered bonds, medium-term notes (MTNs) and/or loans in any currency and/or denomination to finance new and/or refinance green, social and/or sustainability eligible loans (referred to as “**Eligible Loans**”) with a positive environmental and/or social benefit.

The Sustainable Finance Instruments that can be issued under this Framework are defined below:

- green finance instruments to finance and/or refinance eligible green loans (referred to as “**Eligible Green Loans**”), as defined in the Use of Proceeds section under Green Eligible Categories
- social finance instruments to finance and/or refinance eligible social loans (referred to as “**Eligible Social Loans**”), as defined in the Use of Proceeds section under Social Eligible Categories
- sustainable Finance Instruments to finance and/or refinance Eligible Green Loans and Eligible Social Loans, as defined in the Use of Proceeds section under Green and Social Eligible Categories.

The Framework is based on the:

- ICMA Green Bond Principles (GBP) 2025⁷
- ICMA Social Bond Principles (SBP) 2025⁸
- ICMA Sustainability Bond Guidelines 2021⁹
- ICMA Pre-issuance Checklist for Green Bonds / Green Bond Programme 2023¹⁰
- ICMA Pre-issuance Checklist for Social Bonds / Social Bond Programme 2023¹¹
- LMA/APLMA/LSTA Green Loan Principles (GLP) 2025¹²
- LMA/APLMA/LSTA Social Loan Principles (SLP) 2025¹³.

Both GBP/SBP and GLP/SLP are a set of voluntary standards which provide guidance in the form of four key pillars:

1. Use of Proceeds
2. Process for Loan Evaluation and Selection

⁷ See [here](#).

⁸ See [here](#).

⁹ See [here](#).

¹⁰ See [here](#).

¹¹ See [here](#).

¹² See [here](#).

¹³ See [here](#).

3. Management of Proceeds

4. Reporting

The Framework defines the portfolio of Eligible Loans (referred to as “Eligible Loan Portfolio”) to be funded by the proceeds of Sustainable Finance Instrument issued by BAWAG.

BAWAG may review and update this Framework, from time to time, to align with industry best market practices and future market developments, regulations, and expectations (i.e. future changes to the ICMA Green/Social Bond Principles, the LMA/APLMA/LSTA Green/Social Loan Principles, and/or developments related to sustainable finance regulation such as the EU Taxonomy Regulation and related delegated acts, and the EU Green Bond Standard Regulation). Any future version of this Framework will either keep or improve the current level of transparency and reporting disclosures, including the corresponding review (referred to as “**Second Party Opinion**” or **Pre-issuance review**”) by an external consultant (referred to as the “**Second Party Opinion Provider**” or “**External Reviewer**”), and will be published on BAWAG’s website¹⁴.

For the avoidance of doubt, any future version of this Framework (including the relevant eligibility criteria) and related Second Party Opinion or Pre-issuance Review may not necessarily apply to Sustainable Finance Instruments issued under this version of the Framework. Further this Framework may not necessarily apply to outstanding green finance instruments issued under the previous version of the Framework.

Moreover, this Framework, when relevant and applicable, considers elements of the EU Taxonomy Regulation¹⁵, the EU Taxonomy Disclosures Delegated Act¹⁶, the EU Taxonomy Climate Delegated Act – Annex I¹⁷, subsequent amendments¹⁸, the EU Green Bond Standard Regulation¹⁹ and Final Report on Social Taxonomy from the Platform on Sustainable Finance²⁰.

5. USE OF PROCEEDS

An amount equivalent to the (net) proceeds from Sustainable Finance Instruments issued by BAWAG will be used to finance and/or refinance the Eligible Loan Portfolio, which comply with the eligibility criteria (referred to as “**Eligibility Criteria**”) set out below.

Eligible Loans are included as per their outstanding value, while committed and disbursed amounts are not taken into account. Eligible Loans shall qualify for refinancing with no limitation with regards to the look-back period. In alignment with BAWAG’s broader sustainability strategy and support of the UN SDG 2030 agenda, the Eligibility Criteria contemplated under this Framework may directly contribute to the achievement of UN SDGs²¹, EU Environmental Objectives²² and EU Social Objectives²³.

Eligible Loans may, among others, be located in Austria, Germany, the Netherlands and Ireland.

Exclusions

For the avoidance of doubt, under this Framework BAWAG will not finance and/or refinance the following:

- any activity related to controversial weapons²⁴
- cultivation and production of tobacco
- exploration, mining, extraction, distribution and/or refining of hard coal and/or lignite
- exploration, extraction, distribution and/or refining of oil fuels
- exploration, extraction, manufacturing and/or distribution of gaseous fuels
- electricity generation with a GHG intensity of more than 100gCO₂e/kWh
- nuclear energy generation
- gambling
- alcohol²⁵

Paris Aligned Benchmark Exclusions

Furthermore, at the time of publication of this Framework, at entity level BAWAG is not aware of any violations of the UN Global

¹⁴ See [here](#).

¹⁵ See [here](#).

¹⁶ See [here](#).

¹⁷ See [here](#).

¹⁸ See [here](#).

¹⁹ See [here](#).

²⁰ See [here](#).

²¹ Mapping between ICMA Eligible Categories and UN SDGs based on ICMA High Level Mapping to the Sustainable Development Goals: see [here](#).

²² See [here](#).

²³ See [here](#).

²⁴ Controversial weapons refer to “anti-personnel mines, cluster munitions, chemical weapons and biological weapons” as stated in the indicator 14 of Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288.


²⁵ In accordance with the IFC Exclusion List, production or trade in alcoholic beverages (except for beer and wine) is excluded. Link to IFC Exclusion List [here](#).

Compact principles and OECD Guidelines for Multinational Enterprises, nor is BAWAG aware of any benchmark operators deeming BAWAG in violation of the UNGC principles and OECD Guidelines for Multinational Enterprises²⁶.

²⁶ As per the 2024 BAWAG Consolidated Annual report, BAWAG adheres to internationally recognized human rights frameworks, including the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ten Principles of the UN Global Compact, the seven UN Global Compact Women's Empowerment Principles and the standards set by the International Labor Organization (ILO).

Green Eligibility Criteria

Eligibility Criteria for the Eligible Green Loans align with the applicable Substantial Contribution criteria of the EU Taxonomy Climate Delegated Act – Annex I and subsequent amendments. BAWAG will rely on the EU Taxonomy Art. 8 disclosures when selecting Eligible Green Loans, whether applicable. The share of alignment of the Eligible Green Loans, if any, with the EU Taxonomy Regulation will be disclosed either before issuance and/or in the bond reporting.

ICMA / LMA Green Eligible Category	EU Economic Activity ²⁷	Eligibility Criteria	UN SDG specific target(s) ²⁸	Contribution to EU Environmental Objective
Green Buildings (Residential)	Climate Change Mitigation <ul style="list-style-type: none"> • 7.2 Renovation of existing buildings • 7.7 Acquisition and ownership of buildings • 7.6 Installation, maintenance and repair of renewable energy technologies 	Acquisition and/or renovation of new and/or existing residential buildings, that meet at least one of the following criteria: <ol style="list-style-type: none"> Buildings built prior to 31 December 2020 either with: <ol style="list-style-type: none"> Energy Performance Certificate (EPC) Class \geq A; or Belonging to the top 15% most energy efficient buildings at the national or regional level in terms of operational primary energy demand (PED), with the corresponding certification²⁹ Buildings built on or after 1 January 2021 with energy performance, based on primary energy demand (PED), which defines the energy performance of a building after construction, at least 10% below the national threshold for nearly zero energy buildings (NZEB)²⁹ and verified by an Energy Performance Certificate (EPC)³⁰ Buildings that have undergone refurbishments resulting in an increase in energy of efficiency of at least 30% against a baseline, based on primary energy demand (PED)³¹ Buildings that been refurbished meeting the criteria for major renovations under applicable building renovations 	<ul style="list-style-type: none"> • Target 7.3: By 2030, double the global rate of improvement in energy efficiency 	Climate Change Mitigation (Article 10), including but not limited to: <ol style="list-style-type: none"> 1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)

²⁷ See [here](#).

²⁸ The mapping is line with the ICMA document “Green, Social & Sustainability Bonds: A High-Level Mapping to The Sustainable Development Goals”. Link to the document: see [here](#).




²⁹ The relevant version of NZEB for Austria, Netherlands & Germany are OIB-RL6-“Nationaler Plan, BENZ & GEG 2020 respectively. In accordance with the EU Taxonomy, the net primary energy demand of new constructions (built on or after the 1st of January 2021) must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements.

³⁰ BAWAG has mandated D&S to provide consulting services to develop a methodology for commercial and residential buildings to define the top 15% most energy-efficient buildings, as well as to determine the buildings with at least an EPC rating A, and the definition of the NZEB minus 10%. Please refer to the report available on the BAWAG website for more information.




³¹ The energy performance before the renovation can be based on actual or reference energy data, energy labels or estimated energy use based on the building regulation that was applicable in the building year of the building.

ICMA / LMA Green Eligible Category	EU Economic Activity ²⁷	Eligibility Criteria	UN SDG specific target(s) ²⁸	Contribution to EU Environmental Objective
		<p>Installation, maintenance and/or repair of:</p> <p>5. Renewable energy technologies in buildings which is at least one of the following:</p> <ul style="list-style-type: none"> a. Solar photovoltaic systems b. Heat pumps³² 		

Social Eligibility Criteria

ICMA / LMA Social Eligible Category	Eligibility Criteria	UN SDG specific target(s)	Social benefits	Target group	Contribution to EU Social Objective ³³
Access to education	<p>Construction, operation and/or retrofitting of:</p> <ul style="list-style-type: none"> Education facilities: public education facilities such as (primary and secondary) schools, day care centres (including kindergartens) and musical training centers 	 	<p>Increase access to accessible education</p> <p>Increase child social skills and language & communication, building emotional resilience</p>	<p>Students, including low-income students</p> <p>Infants and toddlers, including those from low-income families</p>	<p>Adequate living standards wellbeing for end-users</p> <p>Inclusive and sustainable communities and societies</p>
Access to healthcare	<p>Construction, operation and/or retrofitting of:</p> <ul style="list-style-type: none"> Healthcare facilities: public and/or private hospitals and/or clinics affiliated to the national healthcare system Residential care facilities: residential care homes and/or nursing homes for elderly people affiliated to the national healthcare system 		<p>Increase access to quality, timely and accessible healthcare</p> <p>Enhance quality and accessible care for aging population</p>	<p>Individuals in need of rehabilitation services</p> <p>General public Elderly people</p>	<p>Adequate living standards wellbeing for end-users</p> <p>Inclusive and sustainable communities and societies</p>

³³ See [here](#).

ICMA / LMA Social Eligible Category	Eligibility Criteria	UN SDG specific target(s)	Social benefits	Target group	Contribution to EU Social Objective ³⁵
Affordable basic infrastructure	<p>Construction, operation, maintenance and/or retrofitting of:</p> <ul style="list-style-type: none"> • Basic infrastructure such as: <ul style="list-style-type: none"> ○ emergency services related to fire ○ water supply and/or wastewater infrastructure ○ Sport facilities: public sports facilities 	  	<p>Allow for universal access to basic infrastructure</p> <p>Promote social inclusion of all, including low-income people, vulnerable and marginalized people</p>	<p>General population, including marginalized, rural and vulnerable populations</p> <p>Populations with limited or no access to the relevant infrastructure</p>	<p>Adequate living standards wellbeing for end-users</p> <p>Inclusive and sustainable communities and societies</p>

6. PROCESS FOR PROJECT EVALUATION AND SELECTION

BAWAG has established a decision-making process in accordance with the description of the Eligibility Criteria outlined in the Use of Proceeds section of this Framework.

A dedicated Sustainable Finance Committee (referred to as the “SFC”) is set up within BAWAG. The SFC is formed by members with representation from the Treasury department, the Public Sector department & the Group Sustainability Office.

The SFC will meet at least on an annual basis.

The SFC is responsible for/approves:

- Reviewing the content of BAWAG’s Sustainable Finance Framework and updating it to reflect changes about the use of proceeds, the selection of Eligible Loans, the management of proceeds or reporting, and more broadly any changes in corporate strategy, technology, market, or regulatory developments as well as BAWAG’s relevant policies and long-term targets for environmental and social sustainability;
- Initiating the update of external documents such as Second Party Opinion or Pre-issuance Review, and related documents from external consultants and accountants;
- Overseeing the evaluating and selecting the Eligible Loans in line with the Eligibility Criteria, and excluding those that no longer comply with the Eligibility Criteria or have been impaired, sold and, in such case, when required, replacing them
- Overseeing the allocation of proceeds from Sustainable Finance Instruments to Eligible Loans;
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. BAWAG may rely on external consultants and their data sources, in addition to its own assessment;
- Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Loans and appropriate mitigation measures, where possible
- Liaising with relevant business finance segments and other stakeholders on the above.

Environmental and social risk assessment framework

BAWAG ensures that all Eligible Loans comply with official national and international environmental and/or social standards, and local laws and regulations on a best effort basis. It is part of BAWAG’s transaction approval process to ensure that all its activities comply with internal environmental and social directives. BAWAG has defined minimum environmental and social requirements for all lending businesses, including those financed with the proceeds of the Sustainable Finance Instruments. These Eligibility Criteria, minimum requirements and ESG related matters are continuously developed and renewed in BAWAG’s external and internal policy frameworks. BAWAG’s environmental and social policies can be found on BAWAG’s website. Further information on the ESG risk assessment framework can be found in section 2.

ESG policies

BAWAG’s environmental and social risk policies define minimum standards for all its activities, including those (re)financed with the proceeds of Sustainable Finance Instruments issued under this Framework. Application of these policies shall identify and manage perceived environmental and social risks associated with the Eligible Loans.

Below some examples of relevant codes and policies:

- [Code of Conduct](#) on the standards of conduct that we expect of every member of BAWAG and characterisation of our responsibility towards people and the environment
- [Supplier Code of Conduct](#) on the requirements for suppliers of BAWAG to adhere to
- [Lending Criteria](#) on industry exclusions / restrictions in lending
- [Anti-Money Laundering Policy](#) on group-wide policies with respect to anti-money laundering (“AML”) and counter terrorism financing (“CFT”) and other comprehensive measures and procedures
- [Anti-Corruption Policy and Business Ethics](#) on
 - the value in respect of its business conduct implemented through a Code of Conduct
 - high anti-bribery and corruption standards, including processes and guidelines to improve those
- [Data Protection Guidelines](#) on the protection of information, data and ICT systems and to safeguard the interests and privacy of our customers, employees, suppliers and other stakeholders
- [BAWAG Group Security Guidelines](#) on the protection of information, data and ICT systems and to safeguard the interests and privacy of our customers, employees, suppliers and other stakeholders and its good reputation

7. MANAGEMENT OF PROCEEDS

The (net) proceeds from the Sustainable Finance Instruments issued under this Framework will be managed using a portfolio approach. BAWAG will allocate these proceeds to an Eligible Loan Portfolio, selected in accordance with the Eligibility Criteria and with the Process for Project Evaluation and Selection presented above. BAWAG's core banking system features a dedicated flag for Sustainable Finance Instruments under this Framework as well as a dedicated flag for all Eligible Loans allowing for a readily available tracking process of the allocation of use of proceeds.

BAWAG entities will strive, over time, to achieve an Eligible Loan Portfolio the value of which matches or exceeds the balance of net Proceeds from its outstanding Sustainable Finance Instruments within 24 months from the time of issuance of each instrument. Additional Green Loans will be added or removed from the Eligible Loan Portfolio to the extent required.

Whilst any Sustainable Finance Instruments' net Proceeds remain unallocated, BAWAG will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short-term and liquid instruments the balance of net Proceeds not yet allocated to the Eligible Loan Portfolio. BAWAG will ensure that the unallocated funds will be invested in line with the exclusionary criteria set out in this Framework.

Payment of principal and interest of the Sustainable Finance Instruments will be made from the general funds and will not be directly linked to the performance of any Eligible Loans.

If for any reason, during the allocation period an Eligible Loan is no longer eligible, or in case of any major controversy affecting an underlying project (at the company's own evaluation), the SFC will substitute it with another Eligible Loan for an amount at least equivalent.

8. REPORTING

BAWAG will make and keep readily available reporting on the allocation and impact of proceeds from Sustainable Finance Instruments to the Eligible Loan Portfolio, annually and at least until full allocation (or until maturity) of each Sustainable Finance Instrument, or in case of material change at the company's discretion.

The reporting will be based at least on an aggregated category level and will be made publicly available on BAWAG website³⁵.

BAWAG intends to consider for its impact reporting the:

- ICMA "Handbook - Harmonized Framework for Impact Reporting for Green Bonds (June 2024)"³⁶
- ICMA "Handbook – Harmonized Framework for Impact Reporting for Social Bonds (June 2025)"³⁷
- NPSI Position Paper on Green Bonds Impact Reporting (March 2024)³⁸.

Further, BAWAG may decide to (formally) adhere to the voluntary templates for pre-issuance and/or post-issuance disclosures for the "bonds marketed as environmentally sustainable" according to the EU Green Bond Standard Regulation.

Allocation reporting

The allocation report will include the following information, on an aggregated basis, for each eligible category:

- the amount of the identified Eligible Loans;
- the balance (if any) of unallocated proceeds; the amount or the percentage of new financing³⁹ and refinancing;
- the amount or the percentage of encumbered and non-encumbered loans;
- the geographical distribution of the assets (at country level), where feasible;

The total volume of Sustainable Finance Instruments outstanding. Further, BAWAG may report on the amount or the percentage of the Eligible Loan Portfolio aligned with the EU Taxonomy Regulation based on the annual EU Taxonomy Art. 8 disclosures ("Green Asset Ratio").

³⁵ See [here](#).

³⁶ See [here](#).

³⁷ See [here](#).

³⁸ See [here](#).

³⁹ New financing refers to Eligible Loans financed from the year issuance of each Sustainable Finance Instrument onwards.

Eligible Loans with are fully financed and/or refinanced through financial assets which are funded by other entities (e.g. multilateral development banks, such as IBRD, EBRD, EIB, IFC, etc.) under green, social, sustainability and/or any other type of ESG labels will be excluded to avoid double counting of the environmental and/or social impacts.

Impact reporting

The impact report may provide the impact indicators as detailed in the table below:

ICMA / LMA Green Eligible Category	Potential output and impact reporting indicators at category level
Green buildings	<ul style="list-style-type: none"> • Number of green buildings (#) • Number of renewable energy technologies installed, maintained and repaired (#) • Level of Energy Performance Certificate (EPC), if applicable • Estimated annual reduced and / or avoided emissions (in tCO₂eq.) • Estimated annual (primary) energy savings (in MWh)

ICMA / LMA Social Eligible Category	Potential output and impact reporting indicators at category level
Access to Education	<ul style="list-style-type: none"> • Number of schools (#) • Estimated number of students benefitting from schools / day care centres (in #)
Access to Healthcare	<ul style="list-style-type: none"> • Number of healthcare institutions (#) • Estimated number of patients/people benefitting from hospital / residential care facilities (in #) • Number of sport facilities (#)
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of water infrastructure projects built/ upgraded (#) • Number of emergency services projects financed (#) • Estimated number of people benefitting from affordable basic infrastructure (in #) • Number of sport facilities (#)

Depending on availability and subject to confidentiality agreements, BAWAG might seek to complement above indicators with relevant case studies.

BAWAG may appoint specialized consultants to develop a methodology for the estimation and calculation of the impacts that was made publicly available.

Further, BAWAG may report also on the potential green (social) co-benefits associated with the Eligible Social (Green) Loans.

9. EXTERNAL REVIEW

Second Party Opinion (pre-issuance)

BAWAG's Sustainable Finance Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion. [XXXXX] evaluated BAWAG's Sustainable Finance Framework and its alignment with relevant industry standards and has provided views on the robustness and credibility of the Sustainable Finance Framework.

The Second Party Opinion as well as the Sustainable Finance Framework will be made available to investors and other stakeholders on BAWAG's website.

Verification (post-issuance)

BAWAG will request annually, until full allocation (or until maturity), a limited or reasonable assurance report on the allocation of an amount equivalent to (net) proceeds from each Sustainable Finance Instrument to the Eligible Loan Portfolio, provided by its external

auditor or reputable verifier. Further BAWAG may also request to have a limited assurance report on the environmental and/or social impact of the Eligible Loans.

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