

# Sustainalytics Second Party Opinion

## BAWAG Sustainable Finance Framework

05 August 2025

Framework owner and location:  
BAWAG Group AG  
Vienna, Austria

Sector:  
Banks

### Overall Assessment

Sustainability Contribution



Principles Alignment

✓ **Aligned**

Green Bond Principles 2025  
Social Bond Principles 2025  
Sustainability Bond Guidelines 2021  
Green Loan Principles 2025  
Social Loan Principles 2025

### Contribution to SDGs



### Assessment Summary

BAWAG Group AG has developed the BAWAG Sustainable Finance Framework, dated August 2025, under which it intends to issue green, social and sustainability bonds, as well as obtain green and social loans to fund projects primarily located in Austria, Germany, the Netherlands and Ireland in one green and three social categories.

We have assessed the overall Sustainability Contribution of the Framework as **Significant**, based on the average Sustainability Contribution of the Framework's four use of proceeds categories. As per our methodology, we have applied equal weighting across categories.

The Bank intends to finance environmental expenditures in Green Buildings (Residential) and social expenditures in Access to Education, Access to Healthcare, and Affordable Basic Infrastructure. Under the environmental category, BAWAG will acquire buildings that rank among the most energy-efficient in their region and renovate buildings that achieve at least a 30% energy efficiency improvement or meet the criteria for major renovations under national implementations of Directive 2010/31/EU. While the Framework does not require newly constructed buildings to be zero-emissions ready, and renovations may not lead to consistent minimum energy efficiency gains under the Directive, these investments are nevertheless expected to significantly contribute to the sector's decarbonization.

Regarding social expenditures, the Bank will finance the construction of educational, healthcare and residential care facilities, and essential infrastructure. While residential care facilities target population groups with critical medical needs, the other projects serve the general population in Austria without prioritizing underserved populations or areas. Nevertheless, the facilities are either provided at no cost or are subsidized, thereby significantly enhancing access to these services.

We have assessed the Framework as **Aligned** with the Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, Green Loan Principles 2025, and Social Loan Principles 2025.

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This Second Party Opinion provides our point-in-time independent opinion of the Framework as at the Evaluation Date above. Our assessments of Sustainability Contribution and Principles Alignment are based on our Assessment Framework for Use of Proceeds Instruments (also see Annex 1: Assessment Framework Overview). Our opinion also considers additional information that the Framework owner provided up to the Evaluation Date, as well as public and non-public information.

## Breakdown per Use of Proceeds Category

We have assessed the overall Sustainability Contribution of the Framework as **Significant**, based on the average Sustainability Contribution of the Framework's use of proceeds categories. As per our methodology, we have distributed weight equally across categories, as shown below.

Category	Sustainability Contribution Level	Weight
Green Buildings (Residential)	 Neutral      Moderate <b>Significant</b> Strong	25%
Access to Education	 Neutral      Moderate <b>Significant</b> Strong	25%
Access to Healthcare	 Neutral      Moderate <b>Significant</b> Strong	25%
Affordable Basic Infrastructure	 Neutral      Moderate <b>Significant</b> Strong	25%

## Issuer Overview & Sustainability Strategy

BAWAG Group AG is a commercial bank headquartered in Vienna, Austria. It offers a broad range of services, including savings, payment, lending, leasing, investment, factoring and insurance products and services. The Bank serves retail, small business, corporate, real estate and public sector customers through its subsidiaries in Austria, Germany, Switzerland, the Netherlands, Western Europe, including Ireland, and the United States. Established in 1883, the Group served over 4 million customers and employed 3,625 people as of December 2024.<sup>1</sup>

The Bank integrates environmental and social factors into its sustainability strategy, with a focus on: i) limiting the adverse environmental impacts of its portfolio; ii) decarbonizing its own operations; and iii) engaging with local communities.<sup>2</sup>

To reduce emissions from its lending activities, the Bank aims to gradually align the most carbon-intensive segments of its portfolio, namely power generation and residential mortgages, with sector-specific pathways under the Science Based Targets initiative for a 1.5°C global warming scenario.<sup>3</sup> In 2024, these two sectors accounted for approximately 70% of the Bank's financed emissions. To decarbonize these segments, the Bank plans to engage with clients in the power sector to assess their energy transition plans and to improve the energy performance certificate<sup>4</sup> (EPC) levels of properties within its mortgage portfolio.

Regarding the environmental impact of its own operations, BAWAG has committed to achieving net zero scope 1 and scope 2 emissions by 2050, with interim reduction targets of 50% by 2025 and 70% by 2030, using a 2020 baseline.<sup>5</sup> Key measures to support these goals include transitioning its vehicle fleet to electric by the end of 2025, improving energy efficiency across its offices, and implementing energy monitoring systems.

In support of its commitment to have a positive social impact on local communities, the Bank supports initiatives that promote financial education and assist underprivileged groups.<sup>6</sup> As part of these efforts, the Bank has partnered with the Children's Office at the University of Vienna, an organization dedicated to enhancing financial literacy among children from diverse backgrounds from an early age.

At the governance level, the Management Board is ultimately responsible for executing, monitoring, and reviewing BAWAG's sustainability strategy.<sup>7</sup> The Environmental, Social and Governance Committee (ESGC), which comprises members of the Supervisory Board, oversees the development and implementation of sustainability initiatives, monitors progress toward targets, and manages ESG risks.<sup>8</sup> Operationally, the Sustainability Office co-ordinates the implementation of the Bank's sustainability strategy across business functions, reports progress to the Chief Risk Officer and ensures compliance with evolving sustainability regulations.

The Bank publishes an annual consolidated sustainability report outlining its strategy, targets, governance structure, risk management framework and performance on key ESG topics.

<sup>1</sup> BAWAG, "Consolidated Annual Report 2024", (2024), at <https://www.bawaggroup.com/resource/blob/95390/d6d886895769b4e7acb7706128e85912/en-consolidated-annual-report-bawag-group-master-2024-final-data.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> EPC Bureau, "Energy Performance Certification", at: <https://www.epc-certification.com/>

<sup>5</sup> BAWAG, "Consolidated Annual Report 2024", (2024), at <https://www.bawaggroup.com/resource/blob/95390/d6d886895769b4e7acb7706128e85912/en-consolidated-annual-report-bawag-group-master-2024-final-data.pdf>

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

## Principles Alignment

We have assessed the BAWAG Sustainable Finance Framework as follows:

Green Bond Principles 2025 – **Aligned**

Social Bond Principles 2025 – **Aligned**

Sustainability Bond Guidelines 2021 – **Aligned**

Green Loan Principles 2025 – **Aligned**

Social Loan Principles 2025 – **Aligned**

BAWAG intends to issue green, social and sustainability bonds, including senior preferred bonds, senior non-preferred bonds, subordinated bonds, covered bonds, medium-term notes, and obtain green and social loans<sup>9</sup> under the Framework.

Covered bonds will include covered green or social standard bonds and covered green or social collateral bonds, as defined by ICMA in the Green Bond Principles 2025 and the Social Bond Principles 2025. The net proceeds of the covered bonds will be applied exclusively to finance or refinance eligible projects under the Framework. For any covered collateral bond, the underlying collateral will align with the Framework criteria. The Bank will ensure that there will be no double counting of eligible projects under covered bonds and any other outstanding green or social labelled financing instruments.

The Framework will be used by BAWAG or any of its subsidiaries. BAWAG will ensure alignment of each issuance by its subsidiaries with the four core components of the Principles, as defined in the Framework.

### Principles Alignment Detailed Evaluation

#### Use of Proceeds

**Aligned**

*Alignment with core requirements*

- ▶ The Framework describes eligibility criteria appropriately.
- ▶ The Framework identifies relevant target populations for social projects.
- ▶ All expenditures are expected to provide clear environmental or social benefits.

#### Project Evaluation and Selection

**Aligned**

*Alignment with core requirements*

- ▶ The Framework describes a governance process for the evaluation and selection of eligible projects.
- ▶ The Framework communicates the environmental or social sustainability objectives of eligible projects.
- ▶ The Framework describes a process to identify and manage perceived environmental and social risks associated with eligible projects.

<sup>9</sup> BAWAG will not obtain any revolving credit facilities under the Framework but may label multi-tranche loan facilities.

*Additional considerations*

- ▶ BAWAG has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank describes how eligible projects support its overarching sustainability objectives and strategy.
  - ▶ The Bank states that it intends to align green projects under the Framework with the applicable EU Taxonomy technical screening criteria for substantial contribution in the Climate Delegated Act (December 2021).
  - ▶ The Bank indicates the SDGs to which it expects to contribute through eligible projects.
  - ▶ The Framework excludes investments related to activities associated with controversial weapons; cultivation and production of tobacco; exploration, mining, extraction, distribution and refining of hard coal and lignite; exploration, extraction, distribution and refining of oil fuels and manufacturing of gaseous fuels; electricity generation with a GHG intensity higher than 100gCO<sub>2</sub>e/kWh; nuclear energy generation; gambling; and alcohol.

**Management of Proceeds****Aligned***Alignment with core requirements*

- ▶ The Framework describes a governance structure for the management of proceeds.
- ▶ The Framework describes the processes and systems that will be used to track the proceeds.
- ▶ The Framework describes the intended temporary placement for the balance of unallocated proceeds.
- ▶ In the event of multi-tranching, BAWAG will only label tranches that are exclusively allocated to green or social projects.

*Additional considerations*

- ▶ BAWAG will manage the proceeds from the financing using a portfolio approach.
- ▶ BAWAG has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank intends to allocate all proceeds to eligible projects within 24 months of each issuance.
  - ▶ Pending full allocation, temporary proceeds will be placed in the Bank's treasury liquidity portfolio and will be held in cash or invested in short term liquid instruments, in line with the Framework's exclusion criteria.
  - ▶ The Bank will obtain a limited or reasonable assurance from an external auditor or a reputable verifier for its allocation of proceeds annually until full allocation or maturity.

**Reporting****Aligned***Alignment with core requirements*

- ▶ The Bank will provide an annual allocation report at least until full allocation of proceeds, or maturity, and renew it in case of material changes.

*Additional considerations*

- ▶ BAWAG has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank will report and include at least category-level allocation as well as impact information on its website.
  - ▶ The Bank will report on the qualitative and quantitative impacts of projects using relevant metrics.
  - ▶ The Bank shares at least one impact metric for each category.
  - ▶ The Bank intends to align its impact reporting with the standards set out in: i) the ICMA Harmonized Framework for Impact Reporting for Green Bonds (June 2024);<sup>10</sup> ii) the ICMA Harmonized Framework for Impact Reporting for Social Bonds (June 2025);<sup>11</sup> and iii) the Nordic Public Sector Issuers' Position Paper on Green Bonds Impact Reporting (March 2024).<sup>12</sup>
  - ▶ The Bank may obtain limited assurance for the impact report.

<sup>10</sup> ICMA, "Harmonised Framework for Impact Reporting", (2024), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

<sup>11</sup> ICMA, "Harmonised Framework for Impact Reporting for Social Bonds", (2025), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-June-2025.pdf>

<sup>12</sup> Nordic Public Sector Issuers, "Position Paper on Green Bonds Impact Reporting", (2024), at: [https://www.kuntarahoitus.fi/wp-content/uploads/2024/05/NPSI\\_Position\\_Paper\\_2024.pdf](https://www.kuntarahoitus.fi/wp-content/uploads/2024/05/NPSI_Position_Paper_2024.pdf)

## Sustainability Contribution

BAWAG intends to use the proceeds from instruments issued under the Framework to finance and refinance loans expected to lead to environmental benefits primarily in Austria, Germany, the Netherlands and Ireland, as well as to social benefits in Austria.

We have assessed the overall Sustainability Contribution of the Framework as **Significant** based on the average Sustainability Contribution of the Framework's use of proceeds categories. As per our methodology, we have distributed weight equally across categories.

Sustainability Contribution



### Sustainability Contribution per Use of Proceeds Category

Green Buildings (Residential)



We have assessed the Sustainability Contribution of the Green Buildings category as **Significant**.

Residential buildings financed under the Framework must either have an EPC A, belong to the top 15% of the national building stock, or achieve a Primary Energy Demand (PED) at least 10% lower than the local nearly zero-energy building (NZEB) requirements, placing them among the most energy efficient in their region. However, newly constructed buildings may still rely on fossil fuels for energy generation. Renovation investments must deliver at least a 30% reduction in PED or meet the major renovations criteria under Directive 2010/31/EU. These requirements vary across EU Member States and may not demonstrate a consistent level of energy efficiency improvements. Expenditures also include the installation of renewable energy technologies in buildings, which support the goal of achieving zero-emission energy and heating systems. Together, investments in this category are expected to significantly support the decarbonization of the building stock.

#### Category Expenditures

Expenditure	Description
Acquisition of residential buildings	<ul style="list-style-type: none"> <li>► Buildings constructed before 31 December 2020 with EPC A<sup>13</sup> or better or belonging to the top 15% of the national or regional building stock in terms of PED. The top 15% will be determined by an external consultant.</li> <li>► Buildings constructed after 31 December 2020 with PED at least 10% below the national threshold for NZEB<sup>14</sup> verified by an EPC.</li> </ul>
Renovation of existing residential buildings	<ul style="list-style-type: none"> <li>► Renovation of buildings that either: i) result in at least a 30% reduction in PED compared to the pre-renovation level; or ii) where the building meets the requirements for major renovations in the applicable national and regional building regulations for major renovations implementing Directive 2010/31/EU.<sup>15</sup></li> <li>► The 30% PED improvements will be achieved within three years.</li> <li>► Financing will be limited to renovation costs, unless a building fulfils the criteria for acquisition of existing green buildings defined above as a result</li> </ul>

<sup>13</sup> EPC Bureau, "Energy Performance Certification", at: <https://www.epc-certification.com/>

<sup>14</sup> NZEB: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-and-zero-emission-buildings\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-and-zero-emission-buildings_en)

<sup>15</sup> The Directive 2010/31/EU stipulates that the energy performance of the building or the renovated part that is upgraded must meet cost-optimal minimum energy performance requirements of the respective national and regional building regulations.

	of the retrofit, in which case the expenditures related to the asset value of the building can also be financed.
Installation of renewable energy technologies in buildings	► Installation, maintenance and repair of solar photovoltaic (PV) systems and heat pumps with a Global Warming Potential (GWP) below 675. Eligible heat pumps will have an appropriate refrigerant management system in place.

### *Analytical Commentary*

In 2022, building operations accounted for 30% of global final energy consumption and 26% of energy-related GHG emissions, with the majority of these emissions resulting from the electricity used to heat and cool buildings.<sup>16</sup> To reduce emissions in this sector, many countries, including Germany, Austria, the Netherlands and Ireland, are strengthening building energy codes and performance standards. However, the sector must further accelerate its decarbonization efforts to achieve net zero emissions by 2050. As of 2020, only 5% of new buildings worldwide were zero carbon-ready, while this share must increase to 100% by 2030 to keep pace with internationally agreed climate goals.<sup>17</sup> In parallel, the expansion of renewable energy systems plays a key role in decarbonizing building operations. To align with the net zero emissions scenario, the number of households relying on solar PV globally should grow from 25 million in 2020 to over 100 million by 2030.<sup>18</sup> Similarly, heat pump installations must increase from 180 million units in 2020 to 600 million by 2030.<sup>19</sup> In this context, investing in highly energy-efficient new builds and increasing renewable energy technologies across the building stock are essential to reducing emissions from the building sector.

The Framework's eligibility criteria require residential buildings built before 31 December 2020 to either obtain an EPC A or fall within the top 15% of the national or regional building stock in terms of energy performance. This positions eligible buildings among the most energy efficient in their region. Similarly, eligible residential buildings constructed after 31 December 2020 that achieve a PED at least 10% lower than the local NZEB requirements are also considered the most energy efficient buildings of their region. Although the Framework does not require buildings to be fossil fuel free in their energy generation, posing a risk of fossil fuel lock-in, especially for new builds after 2024, these investments are still expected to contribute meaningfully to the decarbonization of the building sector.

Building renovations that meet the 30% energy savings threshold or comply with the EU directive for major renovations will also notably reduce emissions from the building stock, although renovation requirements vary across EU Member States and may not demonstrate a consistent level of minimum energy efficiency improvements. Expenditures related to the installation of solar photovoltaic systems and heat pumps in residential buildings will promote the transition towards zero emissions energy and heating systems. The financed heat pumps will use refrigerants with a GWP below 675 and are equipped with refrigerant management

<sup>16</sup> IEA, "Buildings", at: <https://www.iea.org/energy-system/buildings>

<sup>17</sup> IEA, "Tracking Buildings", (2023), at: <https://www.iea.org/energy-system/buildings>

<sup>18</sup> IEA, "Approximately 100 million households rely on rooftop solar PV by 2030", (2022), at: <https://www.iea.org/reports/approximately-100-million-households-rely-on-rooftop-solar-pv-by-2030>

<sup>19</sup> IEA, "Installation of about 600 million heat pumps covering 20% of buildings heating needs required by 2030", (2022), at: <https://www.iea.org/reports/installation-of-about-600-million-heat-pumps-covering-20-of-buildings-heating-needs-required-by-2030>



systems for leakage prevention and appropriate end-of-life handling, further enhancing their environmental advantages over conventional heating technologies. Collectively, these investments are expected to significantly contribute to decarbonizing the building sector and advancing a low carbon-built environment.

## Access to Education



We have assessed the Sustainability Contribution of the Access to Education category as **Significant**.

The Bank intends to finance expenditures to improve access to education, childcare services and music training centres. These investments will target Austria's population at large, rather than addressing underserved areas or groups facing substantial unmet needs. School education will be freely accessible to all, while childcare services and music training centres will be provided at subsidized rates, with individuals often responsible for covering a portion of the costs. Although underserved areas or groups are not prioritized and subsidy structures differ, investments under this category are expected to collectively make a significant contribution to improving the availability of these services across the country.

### Category Expenditures

Expenditure	Description
Construction of public educational and childcare facilities	<ul style="list-style-type: none"> <li>► Construction, operation and retrofitting of public and public sector-affiliated educational facilities intended for the general population in Austria, such as i) primary and secondary schools; ii) day care centres, including kindergartens; and iii) municipal music training centres.</li> <li>► Eligible schools will be free for all, regardless of ability to pay.</li> <li>► Childcare services will be partially or fully subsidized through statutory childcare benefits, depending on the federal state.<sup>20</sup> The final year of kindergarten before primary school will be free of charge for across the country for at least 20 hours per week.</li> <li>► Music training centres will be offered either at partially subsidised rates, with funding provided by the municipalities and the state or free of charge for certain activities conducted through the local schools or community clubs.</li> </ul>

### Analytical Commentary

Austria has a strong education system; however, disparities still exist between students. According to the 2022 OECD PISA results, approximately one in four Austrian 15-year-olds scored below the minimum competency threshold in core subjects, including mathematics, reading and science.<sup>21</sup> Students from disadvantaged backgrounds face the greatest barriers, often attending schools with shortages of teaching staff and learning materials. Austria also has one of the highest-grade repetition rates in the EU, with 16% of students repeating at least one grade after primary school. Low participation rate in pre-school education, especially among low-income and immigrant families, further exacerbates these challenges. In 2023, only 24.1% of children under three were

<sup>20</sup> Federal Chancellery Republic of Austria, "Ausbau der Kinderbildung und -betreuung", at: <https://www.bundestkanzleramt.gv.at/agenda/familie/kinderbildung-und-betreuung/ausbau-kinderbildung-und-betreuung.html>

<sup>21</sup> OECD, "Programme for International Student Assessment (PISA) 2022 Results (Volume I and II) – Country Notes: Austria", (2023), at: [https://www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes\\_ed6fbcc5-en/austria\\_69ba01bc-en.html](https://www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes_ed6fbcc5-en/austria_69ba01bc-en.html)

enrolled in early education, well below the EU average of 37.5%.<sup>22</sup> Investments are therefore central to expanding access to education, particularly for vulnerable groups.

BAWAG intends to finance educational, childcare and music training facilities, though without a specific focus on underserved areas or disadvantaged population groups. Given the overall strength of Austria's education system,<sup>23</sup> such investments would yield greater social impacts if directed toward regions or target groups with recognized gaps in access to educational facilities. While Austria provides free public primary and secondary education, subsidies for public childcare services and music training centres may vary by state. As such, parents or students are expected to cover a portion of the costs, except for the final year of kindergarten, which is free for all. Overall, despite the lack of prioritization for underserved areas or groups and variations in subsidy structures, these expenditures are expected to significantly contribute to improving access to education and early childhood development across Austria.

## Access to Healthcare



Significant

We have assessed the Sustainability Contribution of the Access to Healthcare category as **Significant**.

The Bank intends to finance expenditures that improve access to healthcare and residential care services in Austria. Investments in healthcare are aimed at the general population, while residential care services are directed toward the elderly and individuals in need of rehabilitation, with access granted through a needs-based system that prioritizes those with the most critical medical situations. However, this targeting approach does not address regions lacking such infrastructure or population groups in vulnerable socioeconomic conditions. Nevertheless, by ensuring that these facilities are affordable to all, either through Austria's universal national health system or with public subsidies, expenditures under this category are expected to significantly contribute to increasing the availability of health and social care across Austria.

### Category Expenditures

Expenditure	Description
Construction of healthcare facilities	<ul style="list-style-type: none"> <li>▶ Construction, operation and retrofitting of public or private hospitals and clinics affiliated with the national healthcare system, serving the general population of Austria.</li> <li>▶ Eligible facilities will be affordable to all, regardless of ability to pay, through Austria's universal national health system.</li> </ul>
Construction of residential care facilities	<ul style="list-style-type: none"> <li>▶ Construction, operation and retrofitting of residential care homes and nursing homes affiliated with the Austrian national healthcare system.</li> <li>▶ The target population comprises elderly people and individuals in need of rehabilitation services.</li> <li>▶ Eligible residential care facilities for the elderly will be affordable through public support, including long-term care allowances and means-tested subsidies for those with insufficient pensions or financial means.<sup>24</sup></li> </ul>

<sup>22</sup> Ibid.

<sup>23</sup> UNDP, "Human Development Index," at: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

<sup>24</sup> Federal Ministry of Labour, Social Affairs, Health, Care and Consumer Protection of Austria, "Services/Social Services", (2025), at: <https://www.sozialministerium.gv.at/en/Topics/Care/Services-Social-Services.html>

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- Eligible nursing homes for people in need of rehabilitation will be affordable through coverage by health insurance and state subsidies.<sup>25</sup>
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### *Analytical Commentary*

Although Austria has a well-developed public healthcare system, further improvements are necessary. In 2022, the number of “healthy life years”<sup>26</sup> at age 65 was below the EU average,<sup>27</sup> suggesting a more rapid deterioration in health conditions. While mortality from treatable and preventable causes has declined in recent years, it remains higher than in best-performing EU countries, largely due to behavioural risk factors such as low physical activity, smoking and unhealthy diets.<sup>28</sup> Access to healthcare is uneven across regions, mainly due to shortages of contracted physicians and nursing staff in rural areas, with one third of nurses in hospitals reporting chronic understaffing.<sup>29</sup> This has led to a growing reliance on private providers and rising out-of-pocket payments. In long-term care, an ageing population and workforce shortages are increasing the pressure on both residential and informal care systems, while integration between health and social care services remains limited.<sup>30,31</sup> Investments in health and social care are therefore critical to improve access, particularly in underserved areas.

BAWAG intends to finance healthcare facilities across Austria, targeted at the entire population. Given Austria’s already strong public healthcare system,<sup>32</sup> such a broad targeting approach limits the focus on addressing the necessities of specific areas or population groups with unmet medical needs. Nevertheless, these investments will be directed toward public or private hospitals and clinics affiliated with the national healthcare system, which are accessible to all under Austria’s universal healthcare coverage, regardless of their ability to pay. Hence, these expenditures are expected to contribute meaningfully to expanding access to healthcare nationwide.

Eligible residential care and nursing homes target elderly individuals and those requiring rehabilitation. Admission to these facilities in Austria is based on assessed care needs, including physical, mental, or cognitive conditions, as the country follows a need-based system that prioritizes individuals facing the most critical medical situations.<sup>33</sup> However, as these investments may be spread across the country and serve all income levels, they may not specifically target underserved areas that would benefit most from improved access to care. Regarding affordability, residential care facilities will be accessible to the elderly and those in need of rehabilitation at subsidized costs, which will be partially covered by state subsidies and mandatory health insurance, with patients expected to cover a portion of the costs through personal contributions. Access for individuals with low or no income will be further ensured through means-tested state subsidies.

<sup>25</sup> International Long Term Care Policy Network, “Austria’s Long-Term Care System: Challenges and Policy Responses”, at: <https://journal.ilpnetwork.org/articles/10.31389/jltc.112>

<sup>26</sup> Healthy life years is a public health indicator that estimates the number of remaining years a person is expected to live without serious health problems or disabilities. Eurostat, “Glossary: Healthy life years (HLY)”, at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Healthy\\_life\\_years\\_\(HLY\)#:~:text=Healthy%20life%20years%2C%20abbreviated%20as%20HLY%20and%20also,a%20healthy%20condition%20%28i.e.%20without%20any%20activity%20limitation%29](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Healthy_life_years_(HLY)#:~:text=Healthy%20life%20years%2C%20abbreviated%20as%20HLY%20and%20also,a%20healthy%20condition%20%28i.e.%20without%20any%20activity%20limitation%29)

<sup>27</sup> Eurostat, “Healthy life years statistics”, (2024), at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Healthy\\_life\\_years\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Healthy_life_years_statistics)

<sup>28</sup> OECD, “Austria; Country Health Profile 2023”, (2023), at: [https://www.oecd.org/en/publications/2023/12/austria-country-health-profile-2023\\_bcf79c3f.html](https://www.oecd.org/en/publications/2023/12/austria-country-health-profile-2023_bcf79c3f.html)

<sup>29</sup> Bertelsmann Stiftung, “Austria Report: Sustainable Governance Indicators 2024”, (2024), at: [https://www.sgi-network.org/docs/2024/country/SGI2024\\_Austria.pdf](https://www.sgi-network.org/docs/2024/country/SGI2024_Austria.pdf)

<sup>30</sup> Global Observatory of Long-Term Care, “Long Term Care System Profile: Austria”, at: <https://goltc.org/system-profile/austria/>

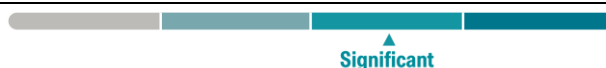
<sup>31</sup> European Observatory on Health Systems and Policies, “Long term care”, at: <https://eurohealthobservatory.who.int/monitors/health-systems-monitor/countries-hspm/section-detail/austria-2018/provision-of-services/long-term-care/>

<sup>32</sup> WHO, “UHC Service Coverage Index”, at: <https://www.who.int/data/gho/data/indicators/indicator-details/GHO/uhc-index-of-service-coverage>

<sup>33</sup> Federal Ministry of Labour, Social Affairs, Health, Care and Consumer Protection of Austria, “Care and Support”, (2025), at: <https://www.sozialministerium.gv.at/en/Topics/Care/Care-and-Support.html>

These affordability mechanisms, together with needs-based targeting, provide assurance that these expenditures will significantly enhance access to care services and reduce the burden currently placed on informal family caregivers.

## Affordable Basic Infrastructure



We have assessed the Sustainability Contribution of the Affordable Basic Infrastructure category as **Significant**.

The Bank intends to finance expenditures to improve access to public infrastructure, such as emergency services, water and wastewater systems, and sports facilities. While these investments might not target exclusively underserved areas or groups facing unmet needs, the infrastructure and services will be available to all regardless of their ability to pay or offered at subsidized rates. As such, these expenditures are expected to make a significant contribution to improving the availability of these services across Austria.

### Category Expenditures

Expenditure	Description
Provision of emergency services, clean drinking water, and construction of public sports facilities	<ul style="list-style-type: none"> <li>► Construction, operation, maintenance and retrofitting of the following public municipal infrastructure: i) emergency services related to fire, including firefighting services, fire stations and related infrastructure; ii) water supply and wastewater systems; and iii) non-profit sport facilities.</li> <li>► The expenditures are directed towards populations in Austria with limited or no access to the relevant infrastructure, or to the general population.</li> <li>► Emergency services, water supply and wastewater facilities will be provided free of charge to all, regardless of ability to pay.</li> <li>► Sport facilities will be offered for free or at partially subsidised rates for certain activities, such as swimming pool use or football pitch access.</li> </ul>

### Analytical Commentary

Austria demonstrates a strong commitment to essential public infrastructure through its integrated emergency services, advanced water systems, and sports facilities. However, access remains uneven across regions. Regarding emergency services, smaller municipalities often experience slow response times due to limited equipment and reliance on volunteer-only staffing models.<sup>34</sup> In the water sector, while access is widespread, around 10% of residents in remote or rural areas still depend on decentralized or private sources, leading to variations in water quality and service consistency.<sup>35</sup> On the wastewater side, over 4% of the population is still unconnected to central sewer systems, mostly due to geographical barriers or the high cost of infrastructure expansion.<sup>36,37</sup> Similarly, urban centres are better served with sports infrastructure, while smaller

<sup>34</sup> Austrian Federal Fire Brigade Association, "Little Knowledge about Voluntary, High Reputation for Fire Brigades", at: <https://www.bundesfeuerwehrverband.at/2021/10/11/wenig-wissen-ueber-freiwilligkeit-hohes-ansehen-fuer-feuerwehr/>

<sup>35</sup> Federal Ministry Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management Republic of Austria, "Supply and Use of Water in Austria", at: <https://www.bmluk.gv.at/en/topics/water/use-of-water/supply-and-use-of-water-in-austria.html>

<sup>36</sup> Federal Ministry Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management Republic of Austria, "Public Sewer and Water Main Stock", at: <https://www.bmluk.gv.at/themen/wasser/wasser-oesterreich/zahlen/anlagenbestand.html>

<sup>37</sup> Federal Ministry Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management Republic of Austria, "Wastewater Disposal", at: <https://www.bmluk.gv.at/en/topics/water/water-in-austria/water-in-numbers/wastewater-disposal.html>

states often face limited access, resulting in regional inequalities.<sup>38</sup> Given this context, targeted investment in basic infrastructure is expected to reduce disparities and ensure more equitable access across the country.

BAWAG intends to finance emergency services, expansion of water supply and wastewater infrastructure, and the construction of sports facilities, distributed nationwide. Given Austria's widespread access to emergency,<sup>39</sup> water,<sup>40</sup> and recreational services,<sup>41</sup> prioritizing target groups facing unmet needs or areas with inadequate access would enhance the social impact of these investments. Moreover, while some facilities are indeed intended to benefit populations lacking such infrastructure, the Bank has yet to identify specific areas or establish measurable indicators to guide this targeting. Nevertheless, the financing will support public municipal facilities that are available to all for free or at partially subsidized rates. As a result, these expenditures are expected to make a meaningful contribution to strengthening Austria's emergency preparedness and response systems, providing equitable access to clean drinking water, and enhancing access to recreational infrastructure nationwide.

<sup>38</sup> Ivana, P. et al., "Historical Roots and Modern Realities: Austria's Sports Ecosystem", *Frontiers in Sports and Active Living*, (2025), at: <https://www.frontiersin.org/journals/sports-and-active-living/articles/10.3389/fspor.2025.1498789/full>

<sup>39</sup> International Fire & Safety Journal, "Austria Fire Service Release 2024 Firefighter Statistics", (2025), at: <https://internationalfireandsafetyjournal.com/austria-fire-services-release-2024-firefighter-statistics/>

<sup>40</sup> Federal Ministry Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management Republic of Austria, "Supply and Use of Water in Austria", at: <https://www.bmluk.gv.at/en/topics/water/use-of-water/supply-and-use-of-water-in-austria.html>

<sup>41</sup> Ivana, P. et al., "Historical Roots and Modern Realities: Austria's Sports Ecosystem", *Frontiers in Sports and Active Living*, (2025), at: <https://www.frontiersin.org/journals/sports-and-active-living/articles/10.3389/fspor.2025.1498789/full>

## Environmental and Social Risk Management

We have identified the following areas of environmental and social risk associated with the expenditures eligible under the Framework: land use and biodiversity issues; emissions, effluents and waste generated in construction; occupational health and safety; community relations; business ethics; and predatory lending. BAWAG has the following policies and processes in place to identify and mitigate such risks.

E&S Risk identified	Applicable policies, procedures and measures
Due diligence and risk management measures	<ul style="list-style-type: none"> <li>▶ BAWAG integrates sustainability risk into its due diligence process for lending. This involves evaluating key risk indicators related to physical, transition, and environmental risks, and establishing a process to manage associated risks, including a due diligence mechanism. BAWAG also assesses potential environmental and social impacts across its lending portfolio, including factors such as biodiversity, physical and transition risks, demographic and social developments, and regulatory changes.<sup>42</sup></li> <li>▶ The Bank is a signatory to the UN Global Compact,<sup>43</sup> which indicates its commitment to the core values of human rights, labour rights, environmental protection and anti-corruption.<sup>44</sup></li> </ul>
Land use and biodiversity, emissions, effluents and waste generated in construction	<ul style="list-style-type: none"> <li>▶ To evaluate the impacts and dependencies of biodiversity on its lending portfolio, BAWAG uses the ENCORE<sup>45</sup> tool, which identifies exposure to nature-related risks.<sup>46</sup> Additionally, the Bank also conducts portfolio analysis using the WWF Biodiversity Risk Filter<sup>47</sup> tool to inform its internal processes on mitigating biodiversity risks in financed projects.<sup>48</sup> Regarding the lending activities' impact on soil, the Bank is working to enhance its data collection methods with the aim of integrating these considerations into financial portfolios.</li> <li>▶ The Bank complies with the EU Impact Assessment (EIA) Directive,<sup>49</sup> which ensures that any project likely to have a significant environmental impact undergoes an evaluation of its potential direct and indirect environmental impacts prior to approval. With respect to biodiversity, the directive requires measures to be taken to avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, species and habitats.</li> <li>▶ The Bank is required to adhere to the EU Waste Framework Directive,<sup>50</sup> which mandates that construction and demolition waste be managed without endangering human health or harming the environment.</li> </ul>
Occupational health and safety	<ul style="list-style-type: none"> <li>▶ To uphold minimum health and safety standards, the Bank is mandated to comply with EU Directive 89/391/EEC.<sup>51</sup> This directive obliges employers to implement necessary measures to</li> </ul>

<sup>42</sup> BAWAG, "Consolidated Annual Report 2024", (2024), at <https://www.bawaggroup.com/resource/blob/95390/d6d886895769b4e7acb7706128e85912/en-consolidated-annual-report-bawag-group-master-2024-final-data.pdf>

<sup>43</sup> United Nations, "About the UN Global Compact", at: <https://unglobalcompact.org/about>

<sup>44</sup> BAWAG, "Consolidated Annual Report 2024", (2024), at <https://www.bawaggroup.com/resource/blob/95390/d6d886895769b4e7acb7706128e85912/en-consolidated-annual-report-bawag-group-master-2024-final-data.pdf>

<sup>45</sup> UN Environment Programme, "ENCORE - About", at: <https://encorenature.org/en/about/about-encore>

<sup>46</sup> BAWAG, "Consolidated Annual Report 2024", (2024), at <https://www.bawaggroup.com/resource/blob/95390/d6d886895769b4e7acb7706128e85912/en-consolidated-annual-report-bawag-group-master-2024-final-data.pdf>

<sup>47</sup> WWF, "Biodiversity Risk Filter", at: <https://riskfilter.org/biodiversity/home>

<sup>48</sup> BAWAG, "Consolidated Annual Report 2024", (2024), at <https://www.bawaggroup.com/resource/blob/95390/d6d886895769b4e7acb7706128e85912/en-consolidated-annual-report-bawag-group-master-2024-final-data.pdf>

<sup>49</sup> European Commission, "Environmental Impact Assessment", at: [https://environment.ec.europa.eu/law-and-governance/environmental-assessments/environmental-impact-assessment\\_en](https://environment.ec.europa.eu/law-and-governance/environmental-assessments/environmental-impact-assessment_en)

<sup>50</sup> European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives", (2008), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32008L0098>

<sup>51</sup> European Council, "Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01989L0391-20081211>

	<p>prevent occupational risks, improve working conditions and provide adequate instructions and training, among other health and safety provisions in the workplace.</p> <ul style="list-style-type: none"> <li>▶ The Bank does not currently have policies pertaining to occupational health and safety for infrastructure development projects and will comply with local regulations to guarantee the provision of a healthy and safe environment for projects financed in non-EU countries.</li> </ul>
Community relations	<ul style="list-style-type: none"> <li>▶ As part of the investment decision-making process, the Bank engages with local stakeholders to understand their perspectives on potential projects before deciding whether to provide funding to municipalities.</li> </ul>
Business ethics and predatory lending	<ul style="list-style-type: none"> <li>▶ BAWAG has implemented an Anti-Corruption and Business Ethics policy and an Anti-Money Laundering policy, applicable to all employees and executives across its global operations, outlining standards and procedures to prevent bribery, corruption, money laundering and terrorism financing.<sup>52,53</sup> All business units of the Bank are subject to regular bribery and corruption risk assessments that include preventive measures, such as frequent employee training and compliance audits, in areas with high-risk exposure.<sup>54</sup></li> <li>▶ Stakeholders can report suspected misconduct, including fraud, corruption and violations of legal, data protection, network and information security, anonymously through a whistleblower system.<sup>55</sup></li> <li>▶ To mitigate risks associated with lending decisions, BAWAG is committed to offering products and services in a responsible and fair manner by providing clear, transparent and objective information to enable borrowers to make an informed decision.<sup>56</sup> The Bank has also established a complaint-handling process to resolve issues related to customer incidents.<sup>57</sup></li> </ul>

<sup>52</sup> BAWAG, "Anti-Corruption Policy and Business Ethics", (2023), at: <https://www.bawaggroup.com/resource/blob/42110/4b1599dc38383df5e5b18c39b92771f4/bawag-group-anti-corruption-guidelines-data.pdf>

<sup>53</sup> BAWAG, "Anti-Money Laundering Policy", (2024), at: <https://www.bawaggroup.com/resource/blob/81736/f08730c7d16788baedf4b391a7900ea7/202405-bawag-group-aml-regulations-data.pdf>

<sup>54</sup> BAWAG, "Anti-Corruption Policy and Business Ethics", (2023), at: <https://www.bawaggroup.com/resource/blob/42110/4b1599dc38383df5e5b18c39b92771f4/bawag-group-anti-corruption-guidelines-data.pdf>

<sup>55</sup> Ibid.

<sup>56</sup> BAWAG, "Responsible Marketing and Sales Policy", (2020), at: <https://www.bawaggroup.com/resource/blob/40324/8aa297156be999822a39372975f6c205/responsible-marketing-and-sales-policy-data-data.pdf>

<sup>57</sup> BAWAG, "Beschwerdemanagement", at: <https://www.bawag.at/bawag/beschwerdemanagement>



## Annex 1: Assessment Framework Overview

The following is a brief overview of the [Assessment Framework](#) that we use to assess debt instruments and the frameworks that support them. Using this Assessment Framework, we provide two key signals in our Second Party Opinions: **Principles Alignment** and **Sustainability Contribution**.



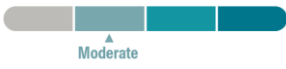

**Principles Alignment** indicates a framework's alignment with the requirements of applicable sustainable debt market Principles.<sup>58</sup> This assessment is structured according to the four components of the Principles: Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting. Principles Alignment is expressed at one of following levels:

- **Aligned:** Meets all requirements across the four components.
- **Partially Aligned:** Meets requirements on two or three of the four components.
- **Not Aligned:** Does not meet requirements on most or all of the four components.

In addition, we provide commentary on any shortcomings as well as best practices.

Sustainability Contribution provides a clear and comparable signal of the expected contribution of the use of proceeds to one or more environmental or social objectives. We assess each expenditure defined in a framework by looking at the activities, assets and projects that they finance. This assessment is carried out using a set of factors that we have identified as driving the expenditure's contribution to a primary objective as well as its avoidance of harm to other objectives. The assessment results in one of the four levels of Sustainability Contribution described in the table below.

We determine the average contribution of the expenditures within each use of proceeds category (as defined by the issuer) to produce an expected Sustainability Contribution for each category. We then aggregate across categories to determine the Sustainability Contribution of a framework overall. In most cases, weight is distributed equally across use of proceeds categories. However, we adjust the weighting if information regarding percentage allocation is provided by the issuer.

Level of Sustainability Contribution	Description
	The expenditure finances an activity that makes a strong contribution to an environmental or social objective. The activity is well aligned with credible standards; there are no significant lock-in risks; and the risk of negative impact to other sustainability objectives is low.
	The expenditure finances an activity that makes a significant positive contribution to an environmental or social objective while having minor shortcomings compared to a strong contribution. This is either because the activity falls somewhat short of credible standards; there is some risk of lock-in (in the case of some environmental activities); there is a risk of negative impact to other sustainability objectives; or there is some ambiguity in the criteria for the expenditure.
	The expenditure finances an activity that represents a step towards an environmental or social objective but has substantial shortcomings compared to expenditures that make a strong contribution. Although the activity will result in benefit over a relevant baseline, either it falls substantially short of credible standards; there is significant risk of lock-in; there is significant ambiguity in the criteria; or there is a risk of significant negative impact to other sustainability objectives.
	The expenditure finances an activity that entails no net positive contribution to environmental or social objectives. Even in cases where there is some positive contribution to an objective, this is offset by shortcomings in other areas. Alternatively, the eligibility criteria may be unclear to the extent that contribution cannot be determined.

<sup>58</sup> These primarily include the Green Bond Principles and the Social Bond Principles, published by the International Capital Market Association (ICMA); and the Green Loan Principles and the Social Loan Principles, published by the Loan Syndications and Trading Association, the Loan Market Association, the Asia Pacific Loan Market Association (LSTA-LMA-APLMA), and the Association of Southeast Asian Nations (ASEAN).



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## Scope of Work and Limitations

This Second Party Opinion provides a point-in-time independent opinion of the Framework as of the Evaluation Date. Our opinion may consider additional documentation and information that the Framework owner may have provided during the engagement, in addition to public and non-public information. The owner refers to the entity featuring as an issuer, borrower, special-purpose vehicle or any other entity as described in the Framework.

As part of this engagement, we communicated with representatives of the Framework owner, who acknowledge that: i) it is the sole responsibility of the Framework owner to ensure that the information provided is complete, accurate and up to date; ii) they have provided us with all of the relevant information; and iii) that all of the information has been provided in a timely manner.

This Second Party Opinion provides our opinion of the Framework and should be read in conjunction with that Framework. Any update of this Second Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Framework owner.

Our Second Party Opinion provides our opinion on the alignment of the Framework with current market standards and practice but provides no guarantee of alignment nor warrants alignment with future versions of any such standards. In addition, it does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided in this Second Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Framework owner may have made available to Sustainalytics for the purpose of this Second Party Opinion.

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