

BAWAG GREEN FINANCE FRAMEWORK

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TABLE OF CONTENTS

Page	Topic
03	1. About BAWAG
03	2. BAWAG's Approach to Sustainability
07	3. Rationale for Revising the Green Bond Framework
07	4. BAWAG Green Finance Framework
08	5. Use of Proceeds
09	6. Process for Project Evaluation and Selection
09	7. Management of Proceeds
10	8. Reporting
11	9. External Review
11	10. Amendments to this Framework

1. ABOUT BAWAG

BAWAG Group (“the Bank”) is one of the largest banking groups in Austria and is active in other core markets with 2.1 million customers. Our business activities have a major influence on the local communities, the economy and the environment. Given our business, as well as the size of the financial services industry as a whole, we must be vigilant in addressing the many challenges facing the industry in the form of competition from Big-tech, FinTech, and overall changing customer behaviors, which have only accelerated the past three years with the onset of the pandemic. In addition, environmental and social aspects connect us locally and globally as citizens in a more interconnected and interdependent world. Therefore, it is critical for us to proactively address these challenges by continuously adjusting our business model and objectives, as well as integrating these growing challenges into our risk management framework.

Doing business sustainably is the key to long-term success for all of our stakeholders. We look to create value for all our stakeholders by being (i) an attractive and stable employer focused on development and opportunity, (ii) a consistent partner for our customers and local communities, (iii) a reliable tax payer across the jurisdictions we operate in and (iv) a consistent source of financial returns for our investors. To achieve these multi-fold objectives requires financial resilience and a mindset of continuous improvement. Building a franchise that delivers long-term sustainable value requires consistent execution of a sound business strategy, a focus on operational excellence and an understanding that we must fundamentally change the way we consume resources over time to reduce our ecological footprint. Therefore, sustainable value creation is at the core of our decision-making and reflected in how we run the Bank. We do not pursue a separate ESG strategy, as we view it as an integral part of our overall business strategy and it is embedded across the company and our strategic roadmap.

2. BAWAG’S APPROACH TO SUSTAINABILITY

Success and value creation are goals for every company. But for BAWAG Group, success does not mean doing business at the expense of an intact, peaceful and liveable 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.

The employees and business partners of BAWAG Group are required to use natural resources sparingly. We actively support measures to protect nature and the environment. The 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.

It is important to us to promote the development of sustainable, resource-saving and environmentally friendly business fields and technologies. Together with our partners, we want to provide our customers with a diverse range of products and services that are geared to contribute towards ecological, economic and social demands. We value dialogue with our stakeholders to identify where innovative and sustainable products are needed. Partnerships are an essential pillar of our retail strategy. Therefore, our cooperation partners, such as Amundi, Wüstenrot, BAWAG P.S.K. Versicherung, MediaMarkt Österreich, Metro Österreich, Generali Versicherung, as well as the largest Austrian customer loyalty club jö (led by REWE Group AG), are also committed to simple, transparent and best-in-class products and services as well as to responsible action.

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. In the future, we want to focus increasingly on products and services that create social, ecological and real economic benefits for society and the environment and minimise the range of products that pose risks or that are associated with negative impacts on society or the environment.

By focusing on the essential topic of “sustainability in core business”, we are responding to changing customer requirements, which increasingly emphasise the use of sustainable products and services. At the same time, BAWAG Group wants to live up to its responsibility for sustainability – as opposed to achieving its economic goals at the expense of ecology and social contributions.

BAWAG’s 2025 ESG targets as an organization

ESG is a thread that runs through our business strategy and a key part of any prudent risk management framework. Therefore, we have committed ourselves to tangible ESG targets, which we are embedding into our operating plans:

- **> 50% CO2 emissions (Scope 1 and 2)** – Reducing our CO2 footprint vs a baseline of approx. 3,200 tons in 2020
- **33% female leadership** – Growing a diverse and inclusive Supervisory Board and Senior Leadership Team with increased female representation
- **> EUR1.6bn green lending** – Increased green lending as we focus on long-term solutions to address long-term climate risks, doubling the volume in 2020; this Green Finance Framework is a core pillar of this strategic target

Sustainability Governance

¹https://www.bawagroup.com/BAWAGGROUP/IR/EN/Corporate_Governance/Code_Reports_Articles/443744/codeofconduct.html

BAWAG has a robust approach to how the internal organization embeds ESG and Sustainability Governance. There is a dedicated ESG Committee at Supervisory Board level which works closely with the Management Board and the ESG Officers to ensure that we continue to drive responsible, sustainable and profitable growth.



BAWAG monitors relevant parameters and initiatives in the Non-Financial Risk and ESG Committee, which is chaired by the CRO and attended by all other Management Board members and selected BAWAG senior staff (including BAWAG’s ESG Officers) as well. The Non-Financial Risk and ESG Committee, which meets on a quarterly basis, is responsible for the operational implementation of BAWAG Group’s sustainability program and Group-wide ESG strategy. The Non-Financial Risk and ESG Committee works with experts in various areas and departments to continuously advance BAWAG Group’s commitment to sustainability. BAWAG has also established other platforms where ESG Officers and specific working groups discuss strategic priorities with representatives of the organization’s divisions who also embed the topics within their teams.

Integrating ESG risks into 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 ESG risks and other material risk types is analyzed as part of the overarching risk materiality assessment. Scenarios have been defined as a starting point comprising both physical risks and transition risks, thus providing a holistic view of ESG risks impacting the Bank. ESG risk is integrated into our ICAAP and stress test framework following the ECB’s Guide on climate-related and environmental risks (November 2020)², allowing an integral steering across the different risk types.

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.

Financing Principles

By embedding responsible and profitable growth in consideration of ESG factors into our Group strategy, we ensure that the further development of our business activities is in line with environmental and social concerns. The work of the Regulatory Office ensures that EU-wide and national regulations and amendments are continuously monitored and forwarded to the relevant units for the adaptation of processes and guidelines. This also applies to statutory regulations relating to sustainable finance

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 ESG 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 ESG underpins sustainable, long-term profitability and capital growth as we look to grow organically in our core markets as well as through M&A. Our sustainability

² <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf>

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's policies and guidelines governing these key topics are available for reference on our website: <https://www.bawaggroup.com/en/esg>

In accordance with the risk-averse strategy of BAWAG Group, the majority of the loan portfolio is geared to Western economic areas with stable legal systems. As of 31 December 2022, the DACH/NL region comprises 73% of our customer business and is the foundation of the Group. The region benefits from a common culture and language family, with a stable legal system and credit environment. The region also benefits from low levels of consumer indebtedness, home ownership and digital penetration; all of which presents opportunities for future growth.

BAWAG Group has defined lending criteria for the Corporate segment 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.

Products and Services

BAWAG Group's corporate strategy provides for an increased focus on ESG issues in the coming years. 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.

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. Since the beginning of 2020, the assessment of ESG criteria in the product implementation process has been mandatory. In 2022, all newly launched products were reviewed for CSR/ESG aspects. 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 (CSR/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.

Corporates & Public Sector business

Many public sector entities place their trust in BAWAG with regard to financing and implementing key projects. Of the infrastructure projects 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. The individual facilities mostly ranged from € 0.5 million to € 5 million in 2022 and were used for the following projects:

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

It is particularly important for a bank to assume social and ecological responsibility with regard to investments. BAWAG predominantly distributes funds of other providers. Within the offered funds – Amundi Ethik Fonds, Amundi Ethik Fonds ausgewogen, Amundi Ethik Fonds Evolution, Amundi Öko Sozial Euro Short Term Bond, Amundi Öko Sozial Euro Aggregate Bond, Amundi Öko Sozial Dollar Bond, Öko Sozial Euro Corporate Bond, Öko Sozial Net Zero Ambition Bond, Öko Sozial Global High Yield Bond, Amundi Öko Sozial Stock and Amundi CPR Climate Action and eight Amundi ETFs from our cooperation partner Amundi Austria, as well as BGF ESG Multi-Asset, Candriam Sustainable Equity Emerging Market, Robeco Sustainable Global Stars Equities Fund, RobecoSAM Sustainable Water and Schroder ISF Global Climate Change from our cooperation partners within BAWAG Best In Class – BAWAG offers 16 mutual investment funds and eight ETFs that focus on ESG aspects. The individual securities and international issuers of funds are selected according to strict ethical and ecological exclusion criteria (decided by Amundi and the respective fund company) so that the sustainable, ecological and social orientation of the investment is ensured. All Amundi funds have been awarded the EUROSIF transparency logo for sustainability funds, and the Amundi funds from Austria have also been awarded the Austrian Ecolabel for sustainable financial products. BAWAG does not manufacture or issue funds. BAWAG has only a limited product offering for portfolio management under the Südwestbank and easybank brand.

"New Chance" account

BAWAG's "New Chance" account, which was introduced in 2009, is designed for people who would otherwise be excluded from payment transactions. Neither the account number nor the sort code indicate that a customer has such an account. This prevents customers from being directly or indirectly stigmatized in the course of carrying out their financial transactions. In addition, our consumer payment account, which is in line with the Consumer Payment Account Act, offers all people very affordable access to a bank account. Especially people experiencing financial difficulties can benefit from this flat rate account including an account card for a nominal amount per year. Beihilfenkonten (budget accounts) enable specific target groups (such as asylum seekers) to participate in financial transactions. As of December 2022, around 5% of total current accounts were social inclusion accounts. Taking into account the allocation of social inclusion accounts, the split was 76% for "New Chance" accounts, 23% Beihilfenkonten (budget accounts) and below 0.1% for customer payment accounts.

Mortgage loans

BAWAG has implemented the data item from the energy performance certificate which has to be created for every new building and every existing property in case of sale (legal obligation). The data (which is included in the energy certificate) can be read out automatically. The energy performance certificate enables the customer to take measures on energy efficiency.

In the Netherlands, we offer access to state-guaranteed mortgages, thereby providing a broader range of customers' access to affordable mortgage loans.

Building society loans

start:bausparkasse is the only building society in Austria offering a building society loan for financing housing measures with a 30-year fixed interest rate.

Additional information on our products and services, the financing principles, and BAWAG's approach to sustainability can be found on our latest CSR reports available on our website.

3. RATIONALE FOR REVISING THE GREEN BOND FRAMEWORK

In our efforts to continue to align with the highest standards and regulations in the Green Bond market, BAWAG has revised its Framework to be more focused and ambitious. In addition to the latest ICMA Green Bond Principles and LMA Green Loan Principles, BAWAG also considers it a strategic objective to align activities under this framework with the EU Taxonomy, i.e.:

1. Activities financed under this framework will make a substantial contribution to Environmental Objective 1 (Climate change mitigation) of the EU Taxonomy
2. At an institutional level, BAWAG have in place the necessary controls to ensure that it does not violate social norms, including human and labour rights

BAWAG aspire to also incorporate the “Do No Significant Harm” requirements of the EU Taxonomy in future updates to this Framework. BAWAG considers this updated Framework as a key milestone in ultimately also aiming to align with the proposed European Green Bond Standard (“EuGB”) regulation when it is implemented.

Potential revisions of any of these guidelines as well as relevant future regulatory developments will be reflected in upcoming versions of the Framework on a best effort basis, whereby BAWAG are committed to either maintain or improve the current level of reporting and stringency when selecting eligible green assets for its portfolio.

4. BAWAG GREEN FINANCE FRAMEWORK

BAWAG’s Green Finance Framework is designed as an umbrella framework that will allow BAWAG Group and its subsidiaries, including BAWAG P.S.K., to issue green finance instruments to finance new and/or refinance existing loan instruments to its clients and projects with environmental benefits.

Green Finance Instruments can include the following instruments³ in either public or private placement format to finance and/or refinance eligible green projects that conform to the green finance principles as mentioned below:

- **Secured Green Standard Bond and/or Secured Green Collateral Bond:** Green Covered Bonds, registered bonds, promissory notes, and RMBS
- **Standard Green Use of Proceed Bond:** Green Senior Preferred Notes, Green Senior Non-Preferred Notes and Green Subordinated Tier 2 notes

The BAWAG Green Finance Framework is aligned with the ICMA Green Bond Principles (GBP) 2021⁴ edition and the LMA Green Loan Principles (GLP) 2023⁵ edition. Both GBP and GLP are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green instruments’ market.

In alignment with these principles, BAWAG’s Green Finance Framework is based on the following key pillars:

1. Use of Proceeds
2. Process for Loan Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

BAWAG’s eligible project category has been aligned with the relevant Sustainable Development Goals and EU environmental objectives. The Framework also takes into consideration, where possible, the European Green Bond Standard, EU Taxonomy Regulation⁶ (the “EU Taxonomy”) and the EU Taxonomy Delegated Acts⁷ on Climate Change Mitigation and Adaptation adopted in June 2021.

³ in accordance with the definitions included in Appendix I (June 2022) of the ICMA Green Bond Principles

⁴ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁵ <https://www.lsta.org/content/green-loan-principles/>

⁶ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

⁷ EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in June 2021

5. USE OF PROCEEDS

An amount equivalent to the net proceeds of the Green Finance Instrument issuances (“the Net Proceeds”) will be exclusively used to finance and/or refinance loan instruments of BAWAG with environmental (and social) benefits:

- Eligible Green Loans (“Green Loans”): loans and investments dedicated to the financing of Eligible Green Projects as defined in Section 3 with a positive environmental (and social) impact.
- Eligible Loan Portfolio (“Loan Portfolio”): is comprised entirely of Green Loans.

Green Eligibility Criteria

ICMA / LMA Green Eligible Category	Definition of Green Eligible Category	Alignment with EU Taxonomy activity ⁸	Eligibility Criteria	UN SDG specific target(s) ⁹
Green Buildings	<ul style="list-style-type: none"> • Loans and/or investments to (re)finance new, existing or refurbished <i>public, commercial and residential</i> buildings 	Climate Change Mitigation <ul style="list-style-type: none"> • 7.1 Construction of new buildings • 7.2 Renovation of existing buildings • 7.7 Acquisition and ownership of buildings in Austria] 	Investments and financing towards Residential Green Buildings: <ol style="list-style-type: none"> 1. Residential properties built prior to 31 December 2020: <ul style="list-style-type: none"> ○ Existing residential buildings with Energy Performance Certificate (EPC) Class A. Alternatively, buildings that belongs 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 certification. 2. Residential properties built on or after 1 January 2021: <ul style="list-style-type: none"> ○ New or existing residential buildings that have a primary energy demand (PED), which defines the energy performance of a building after construction, is at least 10% below the national threshold for nearly zero energy buildings (NZEB)⁹ and verified by an Energy Performance Certificate (EPC). ○ For residential buildings over 5,000 m² : Testing for air tightness and thermal integrity upon completion or, alternatively, verifiable quality control processes during the construction process 3. Renovations to residential properties <ul style="list-style-type: none"> ○ Buildings that have undergone refurbishments resulting in an increase in energy of efficiency 	<ul style="list-style-type: none"> • Target 7.3: By 2030, double the global rate of improvement in energy efficiency

⁸ https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

⁹ 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: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds06-2019-100619.pdf>

⁸ 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

⁹ 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

ICMA / LMA Green Eligible Category	Definition of Green Eligible Category	Alignment with EU Taxonomy activity ⁸	Eligibility Criteria	UN SDG specific target(s) ⁹
			<p>of at least 30% against a baseline</p> <p>Green Buildings Certifications</p> <ol style="list-style-type: none"> 1. New, existing or refurbished commercial buildings which received at least one or more of the following classifications: LEED “Gold“, BREEAM “Excellent“, HQE “Excellent” or higher level of certification 	

Exclusionary Criteria

Green Finance Instruments under this Framework will not be used to finance loans linked to fossil energy generation, nuclear energy generation, weapons and defence, mining, gambling, alcohol¹⁰ or tobacco.

6. PROCESS FOR LOAN EVALUATION AND SELECTION

A dedicated Green Finance Committee (“GFC”) has been established to manage this Green Finance Framework. BAWAG’s GFC is formed by members of Treasury and ESG Officers. Green Loans (re)financed through Green Finance Instruments are evaluated and selected by the GFC based on compliance with the Green Eligibility Criteria above. The GFC will manage any future updates to the Framework, including amendments to the list of Eligible Green Categories, and oversee its implementation and meet at least once a year. The Green Finance Framework will be evaluated according to the Principles and Guidelines mentioned under “4. BAWAG Green Finance Framework”.

In identifying Green Loans and their non-financial impacts BAWAG may rely on external consultants and their data sources.

The loans selection is based on the “Green Eligibility Criteria” defined in the section above (Use of Proceeds). BAWAG ensures that all Green Loans comply with official national and international environmental and social laws and regulations and any standards 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 Green 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.

7. MANAGEMENT OF PROCEEDS

The Net Proceeds of the Green Finance Instruments issued under this Green Finance Framework will be managed by BAWAG’s Green Finance Committee using a portfolio approach. BAWAG intends to allocate the proceeds from the Green Finance Instruments to a portfolio of loans that meet the Use of Proceeds Green Eligibility Criteria and in accordance with the evaluation and selection process presented above. BAWAG’s core banking system features a dedicated flag for issued bonds under this programme as well as a dedicated flag for all eligible projects allowing for a readily available tracking process of the allocation of use of proceeds.

BAWAG entities will strive, over time, to achieve a level of allocation of the Loan Portfolio which matches or exceeds the balance of Net Proceeds from its outstanding Green Finance Instruments. Additional Green Loans will be added to the Loan Portfolio to the extent required.

¹⁰ 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: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

BAWAG aims to allocate the full amount of proceeds from each Green Finance Instrument within 24 months of the issuance of that Green Finance Instrument.

Whilst any Green 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 Loan Portfolio. BAWAG will ensure that the unallocated funds will be invested in line with the exclusionary criteria set out in this framework.

Pending the allocation of the net proceeds of any Green Finance Instrument to the Loan Portfolio, all or a portion of the net proceeds may be used for the payment of outstanding indebtedness or other capital management activities.

8. REPORTING

BAWAG will make and keep readily available reporting on the allocation of Net Proceeds to the Loan Portfolio on a nominal equivalence basis one year from the issuance of the applicable Green Finance Instruments, to be renewed annually until full allocation.

BAWAG intends to issue reports on the allocation of the Use of Proceeds to the Loan Portfolio on an aggregated (portfolio) basis for all Green Finance Instruments issued by BAWAG.

BAWAG intends to align, on a best effort basis, the impact reporting with the portfolio approach described in "Handbook - Harmonized Framework for Impact Reporting (June 2022)"¹¹.

In any case, BAWAG will not double count the financing of any Green Loans.

Allocation reporting

The allocation report will provide, on an aggregated basis, indicators such as:

- the size of the Loan Portfolio;
- the total amount of proceeds allocated to the Loan Portfolio;
- the balance (if any) of unallocated proceeds;
- the amount or the percentage of new financing and refinancing;
- the amount or the percentage of encumbered and non-encumbered loans;
- the geographical distribution of the assets (at country level);
- the total volume of Green Finance Instruments outstanding

Impact reporting

Where feasible, BAWAG intends to report on the environmental impacts of the projects funded with the Green Finance Instruments' proceeds or refer to existing sustainability reporting of BAWAG. A list of potential indicators is presented below.

ICMA / LMA Green Eligible Category	Potential output and impact reporting indicators at category level
Green buildings	<ul style="list-style-type: none"> • Level of certification, if applicable • Level of Energy Performance Certificate (EPC), if applicable • Estimated annual reduced and / or avoided emissions (in tCO₂eq.) • Estimated annual energy consumption (in kWh/m²)

Both the allocation report and the impact report will be made available on BAWAG's website.

¹¹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf

9. EXTERNAL REVIEW

Pre-issuance verification: Second Party Opinion

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

In addition, the SPO also provides a detailed assessment of the alignment of BAWAG's Framework criteria with the EU Taxonomy's TSC criteria for the relevant NACE activity as well as BAWAG's alignment with Minimum Social Safeguards.

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

Post-issuance verification: Verification on the allocation of proceeds

BAWAG may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the Green Finance Instruments proceeds to the Loan Portfolio, provided by its external auditor or reputable verifier.

10. AMENDMENTS TO THIS FRAMEWORK

The GFC will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Company and Second Party Opinion provider. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

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