

Second-Party Opinion

BAWAG Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the BAWAG Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDG 9.



PROJECT EVALUATION AND SELECTION BAWAG Group's Green Finance Committee will be responsible for evaluating and selecting projects in accordance with the eligibility criteria under the BAWAG Green Finance Framework. As part of its transaction approval process, BAWAG Group will ensure compliance with its minimum environmental and social requirements and applicable national and international environmental and social laws and regulations for all project evaluation and selection decisions. Sustainalytics considers this process to be in line with market practice.

MANAGEMENT OF PROCEEDS BAWAG Group's Green Finance Committee will be responsible for management of proceeds on a portfolio basis and will track the allocation of proceeds through an internal information management system. Pending full allocation, unallocated proceeds will be held or invested in treasury liquidity portfolio in cash or other short-term liquid instruments. Additionally, the unallocated proceeds may also be used for payment of outstanding indebtedness or other capital management activities. This is in line with market practice.



REPORTING BAWAG Group will report on the allocation of proceeds and corresponding impact after one year from the issuance, which will be published on its website on an annual basis until full allocation. The allocation report will include the size of the loan portfolio, the total amount of allocated proceeds, the balance of the unallocated proceeds, the amount or share of financing versus refinancing, the amount or share of encumbered versus unencumbered loans, the geographical distribution of the assets at country level and the total volume of green finance instruments outstanding. Sustainalytics views BAWAG Group's allocation and impact reporting as aligned with market practice.

EU Taxonomy

Sustainalytics has assessed the BAWAG Green Finance Framework for alignment with the technical screening criteria for substantial contribution (SC) to the environmental objectives of the EU Taxonomy. The criteria defined in the Framework's use of proceeds category map to three activities in the EU Taxonomy. Sustainalytics is of the opinion that the Framework category is aligned with the applicable SC criteria. Sustainalytics is also of the opinion that the projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards. The Framework was not assessed for alignment with the do no significant harm (DNSH) criteria of the EU Taxonomy in this report.

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Introduction

BAWAG Group AG (“BAWAG” or the “Group”) is a publicly listed financial institution headquartered in Vienna, Austria. The Group serves retail, small business, corporate, real estate and public sector customers in Austria, Germany, Switzerland, the Netherlands and other markets. BAWAG operates under various brands and across multiple channels offering comprehensive savings, payment, lending, leasing, investment, building society, factoring and insurance products and services. As of 2022, the Group served 2.1 million customers with a net profit of EUR 509 million.

BAWAG Group has developed the BAWAG Green Finance Framework (the “Framework”) under which it intends to issue the following instruments in either public or private placement¹: covered bonds² including secured green standard bonds and secured green collateral bonds, registered bonds, promissory notes,³ RMBS, senior preferred and non-preferred notes and green subordinated tier 2 instruments limited to the instruments mentioned above. BAWAG intends to use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to deliver positive environmental outcomes. The Framework defines eligibility criteria in one area:

1. Green Buildings

BAWAG Group engaged Sustainalytics to review the BAWAG Green Finance Framework, dated August 2023, and provide a second-party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)⁴ and the Green Loan Principles 2023 (GLP).⁵ The Framework will be published in a separate document.⁶

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The use of proceeds criteria alignment with the technical screening criteria for substantial contribution to the environmental objectives of the EU Taxonomy 2021 Delegated Act and the Minimum Safeguards of the EU Taxonomy 2021 Delegated Act ; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BAWAG Group’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BAWAG’s representatives have confirmed that (1) they understand it is the sole responsibility of BAWAG to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all

¹ BAWAG has confirmed to Sustainalytics that private placement will be limited to debt private placement.

² BAWAG has confirmed to Sustainalytics that net proceeds from covered bonds will be directed toward eligible green assets and projects, as per the Framework, even if the eligible covered pool of assets is less than the bond proceeds.

³ BAWAG has confirmed to Sustainalytics that in case of multiple tranche loans or credit facilities to be issued under the Framework the proceeds from all tranches will be directed towards eligible green projects.

⁴ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

⁵ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁶ The BAWAG Green Finance Framework is available on BAWAG Group’s website at: <https://www.bawaggroup.com/en/esg>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

relevant information and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BAWAG Group.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, BAWAG Group is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BAWAG Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BAWAG Green Finance Framework

Sustainalytics is of the opinion that the BAWAG Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of BAWAG's Framework:

- Use of Proceeds:
 - The eligible category, Green Buildings, is aligned with those recognized by the GBP and GLP.
 - Sustainalytics notes that BAWAG has not defined a look-back period and has confirmed to Sustainalytics that opex will be limited to zero or minimal under the Framework. Sustainalytics considers it good practice to define a look-back period of up to three years for refinancing opex.
 - Under the Green Buildings category, BAWAG may finance or refinance loans or investments for the construction, renovation and acquisition of public, residential and commercial buildings according to the following criteria:
 - Residential buildings built before 31 December 2020 that: i) have obtained energy performance certificate (EPC) rating A; or ii) belong to the top 15% of the most energy-efficient buildings at the national or regional level based on operational primary energy demand (PED).
 - Residential buildings built on or after 1 January 2021 with PED at least 10% lower than national nearly zero-energy building (NZEB) requirements.⁸ In addition, for buildings larger than 5,000 m², upon completion, the building should undergo testing for airtightness and thermal integrity or have in place verifiable quality control processes during the construction process.
 - Renovation of residential buildings that results in at least a 30% improvement in energy efficiency compared to pre-renovation levels.

⁸ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

- Commercial buildings that will achieve or have achieved at least one of the following minimum certification levels: LEED Gold,⁹ BREEAM Excellent¹⁰ or HQE Excellent.¹¹
- Sustainalytics considers investments under this category to be in line with market practice.
- Project Evaluation and Selection:
 - BAWAG’s Green Finance Committee (the “GFC”) will be responsible for evaluating and selecting projects in line with the Framework’s eligibility criteria. The GFC consists of representatives from BAWAG’s Treasury department and the Group’s ESG Officers.
 - The Group has defined minimum environmental and social requirements, and will ensure that all allocation decisions made under the Framework comply with these requirements along with applicable national environmental and social laws and regulations, as part of its transaction approval process.
 - Based on the established process for project evaluation and selection, and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice. For additional information, please refer to Section 2.
- Management of Proceeds:
 - The GFC will be responsible for the management of proceeds on a portfolio basis and will track the allocation of proceeds using an internal information management system.
 - BAWAG intends to allocate all proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be held or invested in BAWAG’s treasury liquidity portfolio in cash or other short-term liquid instruments; they may also be used for the payment of outstanding indebtedness or other capital management activities. BAWAG confirmed it will invest unallocated proceeds in line with the exclusionary criteria defined in the Framework, which excludes sectors such as fossil fuel energy generation, nuclear energy generation, weapons and defence, and mining businesses.¹²
 - Based on the presence of a proceeds tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - BAWAG intends to report on the allocation and impact of proceeds on its website after one year from issuance on an annual basis until full allocation.
 - Allocation reporting will include: i) the size of the loan portfolio; ii) the total amount of allocated proceeds; iii) the balance of unallocated proceeds; iv) the amount or share of financing versus refinancing; vi) the amount or share of encumbered loans versus unencumbered loans; vii) the geographical distribution of the assets at country level; and viii) the total volume of green finance instruments outstanding.
 - Where feasible, BAWAG may align its impact reporting with the ICMA Harmonised Framework for Impact Reporting.¹³ This may include impact indicators such as level of green building certification, level of energy performance certificate, estimated annual reduced or avoided emissions (in tCO₂e), estimated annual energy consumption (in kWh/m²).
 - Additionally, BAWAG has confirmed to Sustainalytics that should it originate revolving credit facilities (RCFs) under the Framework, the Group will keep updated records of the allocation of the RCFs’ proceeds until their maturity.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the BAWAG Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

⁹ LEED: <https://www.usgbc.org/leed>

¹⁰ BREEAM: <https://bregroup.com/products/breeam/>

¹¹ HQE: <https://www.qualitel.org/professionnels/certification/>

¹² In accordance with the IFC Exclusion List, production or trade in alcoholic beverages (except for beer and wine) is excluded. IFC, “IFC Exclusion List”, at: <https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/ifc-exclusion-list-2007>

¹³ ICMA, “Harmonised Framework for Impact Reporting”, (2022), at: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework’s eligible green use of proceeds criterion against the relevant technical screening criteria in the EU Taxonomy and determined their alignment with two of the Taxonomy’s three sets of requirements. The results of this assessment are as follows:

1. Substantial Contribution to an Environmental Objective of the EU Taxonomy
 - The criteria defined in the Framework category were mapped to three activities in the EU Taxonomy and were assessed as aligned with the applicable SC criteria of the EU Taxonomy.
2. Minimum Safeguards
 - Based on a consideration of the policies and management systems applicable to the Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
 - For Sustainalytics’ assessment of alignment with the Minimum Safeguard, see Section 2 below.

Table 1 provides an overview of the alignment of Framework criteria with the applicable technical screening criteria for the environmental objectives in the EU Taxonomy.

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

EU Taxonomy Activities Corresponding to Framework Criteria	Alignment with SC criteria
Construction of new buildings	■
Renovation of existing buildings	■
Acquisition and ownership of buildings	■

Legend	
Aligned	■
Partially aligned	▣
Not aligned	☒

Section 2: Sustainability Strategy of BAWAG Group

Contribution to BAWAG Group’s sustainability strategy

Sustainalytics is of the opinion that BAWAG demonstrates a commitment to sustainability by embedding ESG-related topics in its operations, prioritizing sustainable lending and leveraging sustainability governance practices.¹⁴ In 2022, BAWAG identified key sustainability topics that are material to the Group through a materiality assessment, which includes “sustainability in core business” and “environmental and climate protection”.¹⁵

As part of its sustainable lending focus, the Group expanded its green assets portfolio to EUR 3 billion in 2023. The portfolio consists of residential buildings in Austria, Germany and the Netherlands and accounts for 67,000 tCO₂/year in CO₂ emissions avoidance and 463,000 MWh/year in energy savings.^{16,17,18} Additionally, the Group has set a target to increase its annual new green lending business to more than EUR 1.6 billion by 2025 and reduce scope 1 and 2 CO₂ emissions by more than 50% by 2025 compared to the 2020 baseline.¹⁹

¹⁴ BAWAG Group, “Non-Financial Report (Consolidated) – 2022”, at: <https://www.bawaggroup.com/resource/blob/55772/547210ed7dfa0e03dac57f1e3fbcf818/consolidated-non-financial-report-2022-website-data.pdf>

¹⁵ Ibid.

¹⁶ BAWAG Group, “Green Finance Portfolio Update (March 2022)”, at: <https://www.bawag.at/resource/blob/22786/52339465869ed559d40b225ad67e4ae1/202203-green-portfolio-update-data.pdf>

¹⁷ BAWAG Group, “Green Finance Impact Reporting for BAWAG Group (February 2023)”, at: <https://www.bawaggroup.com/resource/blob/45972/476573cd4fa5b4062be077f0ab10ebff/230302-bawag-impacts-summary-d-s-data.pdf>

¹⁸ BAWAG Group, “Green Finance Portfolio Update (March 2022)”, at: <https://www.bawag.at/resource/blob/22786/52339465869ed559d40b225ad67e4ae1/202203-green-portfolio-update-data.pdf>

¹⁹ Ibid.

Sustainalytics is of the opinion that the BAWAG Green Finance Framework is aligned with the Group's overall sustainability strategy and will further the Group's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving fair lending practices; land use and biodiversity issues associated with large-scale infrastructure development; emissions, effluents, and waste generated during construction; and occupational health and safety risks.

Sustainalytics is of the opinion that BAWAG is able to manage and mitigate potential risks by implementation of the following:

- To ensure fair lending practices, BAWAG follows lending criteria that prevent the Group from financing projects that have negative environmental and social impact. The Group excludes financing of oil and gas projects that are within (or impact) the Arctic National Wildlife Refuge²⁰ area or any similar Antarctic refuge, deforestation, burning down of tropical rainforest, fresh lending to palm oil plantation and associated activities, new or expansion of existing nuclear plants, and trading of endangered species for commercial purposes.²¹
- Regarding risks related to land use and biodiversity issues, emissions, effluents and waste associated with large-scale infrastructure development, projects financed under the Framework are expected to comply with the requirements of the EU directive on environmental impact assessments, Directive 2014/52/EU. This directive requires projects that are likely to have a significant impact on the environment to be adequately assessed before approval. It also requires that adequate measures be undertaken to avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats. For land-intensive projects, the directive requires land-use related impacts to be identified, described and assessed through an environmental impact assessment. For large-scale projects, this also includes limiting impact on land and soil, including organic matter, erosion, compaction and sealing.²²
- Regarding occupational health and safety, the EU Directive on Worker Health and Safety establishes minimum safety and health requirements throughout Europe. The directive requires employers to implement necessary measures to prevent occupational risks, improve working conditions, provide adequate instructions and training, among other health and safety provisions at the workplace.²³ In addition, BAWAG has developed a management system for occupational health and safety for all its employees in line with the EBA Guidelines,²⁴ Austria's Worker Protection Act²⁵ and OIB guidelines,²⁶ which sets requirements relating to environmental hazards, work-related hazards, fire protection, security technology, among others.²⁷ Moreover, the Group provides regular health and safety training for all its employees to raise awareness and adequately implement safety measures.²⁸
- BAWAG is a signatory to the UN Global Compact, indicating its commitment to the core values of human rights, labour rights, the environment and anti-corruption.²⁹ Additionally, projects financed under the Framework will be located in Austria, Germany and the Netherlands, which are recognized as Designated Countries under the Equator Principles, implying the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate common environment and social risks.³⁰

²⁰ US Fish & Wildlife Service, "Arctic National Wildlife Refuge", at: <https://www.fws.gov/refuge/arctic>

²¹ BAWAG Group, "Lending Criteria", at: <https://www.bawaggroup.com/resource/blob/40320/d7ced774bd475c3b029c15e7b355a5d0/lending-criteria-data-data.pdf>

²² European Commission, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052>

²³ European Commission, "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/PDF/?uri=CELEX:01989L0391-20081211&qid=1691606114488>

²⁴ European Banking Authority (EBA), "The EBA Methodological Guide", at: <https://www.eba.europa.eu/sites/default/documents/files/documents/10180/1380571/02c01596-5122-4d45-ac3e-23eb2f79f032/EBA%20Methodological%20Guide%20-%20Risk%20Indicators%20and%20DRAT.pdf?retry=1>

²⁵ ILO, "Worker Protection Act (ASchG)", at: https://www.ilo.org/dyn/natlex/natlex4.detail?p_isn=42245&p_lang=en

²⁶ Austrian Institute of Construction Engineering, "OIB Guidelines", at: <https://www.oib.or.at/en/oib-guidelines>

²⁷ BAWAG Group, "Non-Financial Report (Consolidated) – 2022", at: <https://www.bawaggroup.com/resource/blob/55772/547210ed7dfa0e03dac57f1e3fbcf818/consolidated-non-financial-report-2022-website-data.pdf>

²⁸ Ibid.

²⁹ BAWAG Group, "Human Rights Policy (Oct 2022)", at: <https://www.bawaggroup.com/resource/blob/40318/530f6d00de2575d79e69e48a034485e3/human-rights-policy-data-data.pdf>

³⁰ The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BAWAG Group has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should comply with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Human and Labour Rights

BAWAG has implemented the following policies and procedures regarding human and labour rights:

- BAWAG's Code of Conduct, which applies to all employees, members of its Management Board and Supervisory Board, highlights the Group's commitment to the UN Global Compact's Ten Principles and the seven UN Global Women's Empowerment Principles.³¹
- The Group has developed a Human Rights Policy in line with the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Under this policy, BAWAG commits to prohibit child and forced labour, comply with the labour law framework of the jurisdiction where the Group has operational presence, promote diversity and equal opportunities, guarantee the freedom of workers to form a union or association and the right to collective bargaining.³²
- BAWAG has also implemented a Grievance Policy that outlines objectives of grievance redressal and sets out a procedure for grievance reporting and a redress mechanism for all its employees.³³
- BAWAG has in place a Supplier Code of Conduct, which requires all its suppliers to adhere to all human rights and health and safety objectives laid out in the Code. This includes promoting equal treatment and opportunities; preventing discrimination based on skin colour, race, gender, age, nationality, social background, sexual orientation, etc.; prohibiting child labour and sexual harassment; and preventing accidents or occupational diseases.³⁴

Sustainalytics evaluated BAWAG's performance related to human and labour rights based on the work of its research services and its ESG Risk Rating assessment. Sustainalytics has not detected involvement in any relevant controversies that would suggest that the above policies and procedures are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

BAWAG has implemented the following anti-bribery and anti-corruption policies and procedures :

- BAWAG's has established an Anti-Corruption and Business Ethics policy that applies to all its employees and executives and ensures compliance with anti-bribery and corruption standards in all geographic areas where it operates.³⁵ Additionally, all business units within the Group are subject to regular bribery and corruption risk assessments and are monitored based on their size, function, operational risk and exposure to external risk factors. As part of this monitoring process, preventive measures including frequent training and compliance audits are implemented in units with high exposure to the risks. All new employees are provided with regular mandatory training on adhering to principles of business ethics and preventing incidents of corruption and bribery.³⁶

³¹ BAWAG Group, "Code of Conduct (2020)", at: <https://www.bawaggroup.com/resource/blob/42216/d19eec87be5bc747787e2ab13d1404d5/code-of-conduct-data.pdf>

³² BAWAG Group, "Human Rights Policy (Oct 2022)", at: <https://www.bawaggroup.com/resource/blob/40318/530f6d00de2575d79e69e48a034485e3/human-rights-policy-data-data.pdf>

³³ BAWAG Group, "Grievance Procedure Principles", at: <https://www.bawaggroup.com/resource/blob/40316/53a89bfa8498b04f6be6280501475ec9/grievance-policy-principles-data-data.pdf>

³⁴ BAWAG Group, "BAWAG P.S.K. Supplier Code of Conduct", at: <https://www.bawaggroup.com/resource/blob/45010/a698f350a2969d1a460b4f56e861814a/coc-englisch-2023-data.pdf>

³⁵ BAWAG Group, "Anti-Corruption Policy and Business Ethics", at: <https://www.bawaggroup.com/resource/blob/42110/8189d0a55dbcffe81c2a093d631e4f6b/bawag-group-anti-corruption-guidelines-data.pdf>

³⁶ Ibid.

Sustainalytics has evaluated BAWAG's performance in the area of anti-bribery and anti-corruption rights, based on the work of its research services and its ESG Risk Rating assessment, and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BAWAG Group policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing green buildings in Austria, Germany and the Netherlands

In 2020, the buildings sector accounted for 36% of total GHG emissions and approximately 40% of energy consumption in the EU, making it the largest energy consuming sector in the bloc.³⁷ Approximately 85% of buildings in the EU were built before 2001 and 75% of the building stock was energy inefficient in 2022.³⁸ The EU has committed to reduce emissions by 55% by 2030 compared to 1990 levels and achieve climate neutrality by 2050 under its 2030 Climate Target Plan.³⁹ To achieve these goals, the EU needs to reduce GHG emissions from buildings by 60%, final energy consumption by 14%, and energy consumption from heating and cooling by 18% by 2030 compared to 2015 levels.^{40,41} In March 2023, the European Parliament adopted a revised Energy Performance of Buildings Directive that aims to strengthen the targets on buildings' energy performance.⁴²

Following the EU targets, Austria aims to reduce its greenhouse gas emissions in non-ETS⁴³ sectors by 36% by 2030 compared to 2005 levels and to achieve carbon neutrality by 2040.⁴⁴ In 2020, the buildings sector accounted for 14% of total energy-related GHG emissions in Austria.⁴⁵ In order to achieve its climate goal, the Austrian government has set a target for the buildings sector to reduce 3 to 5 million tonnes of CO₂ equivalents over the 2020-2030 period.⁴⁶ The Austrian implementation of the NZEB standards requires a comprehensive renovation plan with specific steps to the achievement of higher thermal and energy standards by 2050.⁴⁷ The government aims to increase the renovation rate of residential units from 1% to 2% between 2020 and 2030.⁴⁸

Germany accounts for 24% of net GHG emissions in the EU with buildings contributing to 20% of Germany's emissions.^{49,50} Heating in buildings alone accounted for 35% of total final energy consumption of the country

³⁷ European Council for an Energy Efficient Economy, "EU to start measuring 'embodied' carbon emissions from buildings", (2021), at: <https://www.eceee.org/all-news/news/eu-to-start-measuring-embodied-carbon-emissions-from-buildings/>

³⁸ European Climate Pact, "Every building can be green – here is how", (2022), at: https://climate-pact.europa.eu/news/every-building-can-be-green-heres-how-2022-03-11_en

³⁹ European Commission, "2030 Climate Target Plan", at: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en

⁴⁰ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-energy>

⁴¹ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: https://eurlex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

⁴² European Parliament, "Amendments by the European Parliament to the Commission proposal" at: https://www.europarl.europa.eu/doceo/document/TA-9-2023-0068_EN.pdf

⁴³ European Council, "Infographic - Non-ETS emissions by sector", at: <https://www.consilium.europa.eu/en/infographics/non-ets-emissions-by-sector/>

⁴⁴ Federal Ministry Republic of Austria Sustainability and Tourism, "Integrated National Energy and Climate Plan for Austria", (2019), at: https://energy.ec.europa.eu/system/files/2020-03/at_final_necp_main_en_0.pdf

⁴⁵ Climate Watch, "Global. Historical Emissions", at: https://www.climatewatchdata.org/ghg-emissions?breakBy=sector&end_year=2020®ions=AUT§ors=energy%2Cbuilding%2Celectricity-heat%2Cfugitive-emissions%2Cmanufacturing-construction%2Cothers-fuel-combustion%2Ctransportation&start_year=1990

⁴⁶ Federal Ministry Republic of Austria Sustainability and Tourism, "Integrated National Energy and Climate Plan for Austria", (2019), at: https://energy.ec.europa.eu/system/files/2020-03/at_final_necp_main_en_0.pdf

⁴⁷ Federal Ministry Republic of Austria Sustainability and Tourism, "Long-Term Strategy 2050 - Austria", (2019), at: https://unfccc.int/sites/default/files/resource/LTS1_Austria.pdf

⁴⁸ Federal Ministry Republic of Austria Sustainability and Tourism, "Long-Term Strategy 2050 - Austria", (2019), at: https://unfccc.int/sites/default/files/resource/LTS1_Austria.pdf

⁴⁹ European Parliament, "Climate action in Germany", (2021), at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690661/EPRS_BRI\(2021\)690661_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690661/EPRS_BRI(2021)690661_EN.pdf)

⁵⁰ Climate Transparency, "Country Profile, Germany", (2021), at: https://www.germanwatch.org/sites/default/files/ct_report_2021_-_country_profile_germany.pdf

in 2021.⁵¹ In order to reduce GHG emissions from the buildings sector, the German government aims to achieve a virtually climate-neutral building stock by 2050.⁵² As part of its strategy, the government has defined an interim target of 67% emissions reduction in the building sector by 2030 compared to 1990 levels, and has committed to achieving a share of renewables of 24-32% in the buildings sector by 2030.^{53,54}

The Netherlands has set targets to reduce national GHG emissions by 49% and 95% by 2030 and 2050 respectively, compared to 1990 levels.⁵⁵ To achieve these targets, the Netherlands has established a National Climate Agreement, under which it has formed sector-specific emissions reduction commitments. Regarding buildings, the agreement aims to enable the transition of eight million homes and buildings from using natural gas for heating to using renewable sources for heating by 2050.⁵⁶ The Dutch government has also introduced legislation towards making buildings more energy efficient and has established a national goal of improving EPC labels of existing and new office buildings to have an EPC level A by 2030.⁵⁷

Based on the above, Sustainalytics is of the opinion that BAWAG Group’s financing of green buildings in Austria, Germany and the Netherlands is expected to reduce the environmental footprint of the buildings sector in each country and will more broadly support the EU in achieving its GHG emissions reduction targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the BAWAG Green Finance Framework are expected to help advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

BAWAG has developed the BAWAG Green Finance Framework, under which it intends to issue covered bonds, including secured green standard bonds and secured green collateral bonds, registered bonds, promissory notes, RMBS, senior preferred and non-preferred notes and green subordinated tier 2 instruments limited to the instruments mentioned above, in either public or private placement, and use of proceeds to finance and refinance green buildings projects. Sustainalytics considers that the projects funded with proceeds from the green instruments are expected to deliver positive environmental impact.

The BAWAG Green Finance Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for BAWAG Group to report on their allocation and impact. Sustainalytics believes that the BAWAG Green Finance Framework is aligned with the overall sustainability strategy of the Group and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 9. Additionally, Sustainalytics is of the opinion that BAWAG has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Sustainalytics has assessed the BAWAG Green Finance Framework for alignment with the technical screening criteria for substantial contribution to the environmental objectives of the EU Taxonomy. The Framework’s

⁵¹ German Federal Ministry for Economic Affairs and Climate Action, “Enhancing energy efficiency in buildings”, at: <https://www.bmwk.de/Redaktion/EN/Dossier/enhancing-energy-efficiency-in-buildings.html>

⁵² German Federal Ministry for Economic Affairs and Climate Action, “Enhancing energy efficiency in buildings”, at: <https://www.bmwk.de/Redaktion/EN/Dossier/enhancing-energy-efficiency-in-buildings.html>

⁵³ German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, “Climate Action Plan 2050”, (2016), at: https://www.bmu.de/fileadmin/Daten_BMU/Pool/Broschueren/klimaschutzplan_2050_en_bf.pdf

⁵⁴ 63 Government of Germany, “Integrated National Energy and Climate Plan”, (2020), at: https://energy.ec.europa.eu/system/files/2022-08/de_final_necp_main_en.pdf

⁵⁵ Government of the Netherlands, “Climate policy” at: <https://www.government.nl/topics/climate-change/climate-policy>

⁵⁶ Klimaatakkoord, “National Climate Agreement - The Netherlands”, at: <https://www.klimaatakkoord.nl/documenten/publicaties/2019/06/28/national-climate-agreement-the-netherlands>

⁵⁷ Klimaatakkoord, “National Climate Agreement - The Netherlands”, at: <https://www.klimaatakkoord.nl/documenten/publicaties/2019/06/28/national-climate-agreement-the-netherlands>

use of proceeds criteria map to three activities in the EU Taxonomy and were assessed as aligned with the applicable SC criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that BAWAG Group is well positioned to issue covered bonds, including secured green standard bonds and secured green collateral bonds, registered bonds, promissory notes, RMBS, senior preferred and non-preferred notes and green subordinated tier 2 instruments, and that the BAWAG Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed the criteria in the Framework against the technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy that apply to each corresponding activity in the EU Taxonomy.⁵⁸ This appendix describes Sustainalytics’ process and presents the outcome of its assessment on the alignment of the criteria in the Framework with the EU Taxonomy’s applicable technical screening criteria. Sustainalytics’ assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics’ assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy because some economic activities are not yet covered by the EU Taxonomy. In other cases, categories of activities which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria in this report.

Table 2 below displays Sustainalytics’ mapping process for this report.

2. Determining Alignment with the EU Taxonomy Technical Screening Criteria

The second step in Sustainalytics’ process is to determine the alignment of each criterion in the Framework with the relevant technical screening criteria for substantial contribution to an environmental objective for the corresponding activity in the EU Taxonomy. Alignment with the SC criteria is usually based on the specific criteria defined in the Framework, and may in many cases also be based on management systems, processes or regulatory compliance. To assess alignment with the EU Taxonomy’s Minimum Safeguards, Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2 above.)

The EU Taxonomy only provides SC criteria for activities intended to contribute to the environmental objectives of climate mitigation and climate adaptation.

Sustainalytics’ detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
Green Buildings	Buildings with PED at least 10% lower than the threshold for Nearly Zero-Energy Buildings requirements	7.1. Construction of new buildings	F41.1 F41.2 F 43	Mitigation	Table 3
	Buildings over 5,000 m ² that undertake testing for air tightness and thermal integrity upon completion or verifiable quality control processes during the construction process				

⁵⁸ The EU Taxonomy establishes a list of “environmentally sustainable economic activities” which, where possible, follows the classification of economic activities laid down in the NACE system of economic activities (established by Regulation EC 1893/2006).

	Building refurbishments resulting in at least 30% energy efficiency improvement	7.2. Renovation of existing buildings	F41 F43	Mitigation	Table 4
	Buildings with EPC label A	7.7. Acquisition and ownership of buildings	L68	Mitigation	Table 5
	Buildings belonging to the top 15% of energy efficient buildings at the national or regional level based on PED				

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution (SC) to an environmental objective for each relevant EU Taxonomy activity.

Table 3

Framework Activity assessed		Buildings with PED at least 10% lower than the threshold for Nearly Zero-Energy Buildings requirements	
		Buildings over 5,000 m ² that undertake testing for air tightness and thermal integrity upon completion or verifiable quality control processes during the construction process	
EU Taxonomy Activity		7.1. Construction of new buildings	
Corresponding NACE Code		F41.1, F41.2 and F43	
SC Criteria of the EU Taxonomy		Alignment	
Mitigation	<p>Constructions of new buildings for which:</p> <ol style="list-style-type: none"> 1. The Primary Energy Demand (PED),⁵⁹ defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.⁶⁰ The energy performance is certified using an as built Energy Performance Certificate (EPC). 2. For buildings larger than 5,000 m²,⁶¹ upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity,⁶² and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. 3. For buildings larger than 5000 m²,⁶³ the life-cycle Global Warming Potential (GWP)⁶⁴ of the building resulting from the construction has 	<p>The Framework includes financing of residential buildings built after 1 January 2021 with PED at least 10% lower than the threshold set for national NZEB requirements. This is aligned with criteria 1.</p> <p>Sustainalytics notes that BAWAG may rely on green building certifications including LEED Gold and BREEAM Excellent and HQE Excellent for financing of commercial buildings, however the Group has confirmed that commercial buildings will also meet criteria 1.</p> <p>Regarding criteria 2 and 3, BAWAG stated that it currently has no plans to finance buildings larger than 5,000 m². However, for potential future financing of such buildings, BAWAG has confirmed that it will ensure the fulfilment of criteria 2 and 3.</p>	Aligned

⁵⁹ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁶⁰ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

⁶¹ For residential buildings, the testing is made for a representative set of dwelling/apartment types.

⁶² The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings – Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurisation method) or equivalent standards accepted by the respective building control body where the building is located.

⁶³ For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

⁶⁴ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO₂e/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental

	been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.		
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Table 4

Framework Activity assessed	Building refurbishments resulting in at least 30% energy efficiency improvement		
EU Taxonomy Activity	7.2. Renovation of existing buildings		
Corresponding NACE Code	F41 and F43		
SC Criteria of the EU Taxonomy		Alignment	
Mitigation	The building renovation complies with the applicable requirements for major renovations. ⁶⁵ Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%. ⁶⁶	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned

Table 5

Framework Activity assessed	Buildings with EPC label A Buildings belonging to the top 15% of energy efficient buildings at the national or regional level based on PED		
EU Taxonomy Activity	7.7. Acquisition and ownership of buildings		
Corresponding NACE Code	L68		
SC Criteria of the EU Taxonomy		Alignment	
Mitigation	1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.	The Framework includes financing of residential buildings built before 31 December 2020 which have an EPC label A or which belong to the top 15% of the most energy efficient buildings at the national or regional level based on PED. This is aligned with criteria 1. Sustainalytics notes that BAWAG may rely on green building certifications including LEED Gold and BREEAM Excellent and HQE Excellent for financing of commercial buildings, however the Group has confirmed that commercial buildings will also meet criteria 1.	Aligned

performance of buildings. Calculation method). The scope of building elements and technical equipment is as defined in the Level(s) common EU framework for indicator 1.2. Where a national calculation tool exists, or is required for making disclosures or for obtaining building permits, the respective tool may be used to provide the required disclosure. Other calculation tools may be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework (version of [adoption date]: <https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents>), see indicator 1.2 user manual.

⁶⁵ As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

⁶⁶ The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an Energy Performance Certificate. The 30% improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account), and can be achieved through a succession of measures within a maximum of three years.

	<p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of the Annex I of the Climate Delegated Act that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, airconditioning systems or systems for combined airconditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.⁶⁷</p>	<p>BAWAG has confirmed that for the acquisition of buildings built after 31 December 2020, the buildings will have A PED at least 10% lower than the national NZEB threshold for the. For buildings larger than 5,000 m², the Group currently has no such financing plans but has confirmed that they will ensure fulfilment of these criteria for future financing. This is aligned with criteria 2</p> <p>For criteria 3, BAWAG has confirmed that they will not finance large non-residential buildings under the Framework.</p>	
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⁶⁷ This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

Appendix 3: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	BAWAG Group AG
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	BAWAG Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 30, 2023
Publication date of review publication: Original publication date <i>[please fill this out for updates]</i> :	Update to the BAWAG Green Finance Framework Second-Party Opinion published on April 8, 2021

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Process for Project Evaluation and Selection
 - Management of Proceeds
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones: Assessed the alignment with the EU Taxonomy's Technical Screening Criteria and Minimum Safeguards.

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

Does the review include a sustainability quality score?

- Of the issuer
- Of the project
- Of the Framework
- Other (please specify):
- No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?

- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed review

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDG 9.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones. *Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards.*
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?

- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

BAWAG Group's Green Finance Committee will be responsible for evaluating and selecting projects in accordance with the eligibility criteria under the BAWAG Green Finance Framework. As part of its transaction approval process, BAWAG Group will ensure compliance with its minimum environmental and social requirements and applicable national and international environmental and social laws and regulations for all project evaluation and selection decisions. Sustainalytics considers this process to be in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

BAWAG Group's Green Finance Committee will be responsible for management of proceeds on a portfolio basis and will track the allocation of proceeds through an internal information management system. Pending full allocation, unallocated proceeds will be held or invested in treasury liquidity portfolio in cash or other short-term and liquid instruments. Additionally, the unallocated proceeds may also be used for payment of outstanding indebtedness or other capital management activities. This is in line with market practice.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

BAWAG Group will report on the allocation of proceeds and corresponding impact after one year from the issuance, which will be published on its website on an annual basis until full allocation. The allocation report will include the size of the loan portfolio, the total amount of allocated proceeds, the balance of the unallocated proceeds, the amount or share of financing versus refinancing, the amount or share of encumbered versus unencumbered loans, the geographical distribution of the assets at country level and the total volume of green finance instruments outstanding. Sustainalytics views BAWAG Group's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

