

Statement of continued support by the Chief Executive Officer

Statement of the company's chief executive (CEO or equivalent) expressing continued support for the Global Compact and renewing the company's ongoing commitment to the initiative and its principles.

**To our stakeholders:**

"I am pleased to confirm that the RZB Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In the current Annual Report of the RZB Group, we have highlighted our activities in the field of sustainability (strategy and measures) and reported on them in detail. On pages 40-47 of the strategy section of the report, there is a detailed description of what the RZB Group has achieved in terms of sustainability, including the 10 principles of the United Nations Global Compact.

In this annual Communication on Progress, we describe our initiative to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. In this way we have taken a first important step towards integrated reporting including stakeholder management and an exposition of our sustainability strategy. We also commit to share this information with our stakeholders using our primary channels of communication."

Sincerely yours,

Johannes Schuster,  
Member of RZB Managing Board,  
Responsible for RZB Group Corporate Responsibility

## Human Rights

Assessment, policy and goals

Description of the relevance of human rights for the company (i.e. human rights risk-assessment).  
Description of policies, public commitments and company goals on Human Rights.

The RZB Group has its own **Code of Conduct** (CoC). It is based on the fundamental Raiffeisen values and is orientated towards the specific requirements of everyday business at home and abroad. It even goes beyond the relevant legislative framework. The Code of Conduct provides our staff with clear orientation in their business, ethical and social actions. It is binding for all RZB Group staff and ensures that the highest standards of business and ethical behaviour are adhered to.

The RZB Group respects the opinions of others as well as their personal dignity, privacy and personal rights. RZB Group does not tolerate any kind of discrimination or harassment, for example, on account of a person's nationality, culture, religion, skin colour, sex, sexual orientation, age or physical handicap. The hiring, promotion and assessment of employees is based exclusively on performance based criteria, such as the achievement of agreed targets and/or professional experience.

The RZB Group will neither directly nor indirectly finance any transactions, projects or parties involving, or involved with the use of forced labour (including bonded labour or child labour) or

- violations of the European Convention on Human Rights;
- violations of the obligations under labour law and social law established by the respective country;
- violations of the applicable regulations issued by international organisations including without limitation the corresponding UN Conventions or
- violations of the rights of the local population or the indigenous peoples.

RZB Group is not involved in business where products can be used for abolition of demonstrations, political unrest or other violations of human rights. This applies in particular to countries where political unrest or military conflicts or other violations of human rights are on-going or expected.

## Human Rights

Implementation

Description of concrete actions to implement Human Rights policies, address Human Rights risks and respond to Human Rights violations.

The RZB Group constitutes several measures to raise awareness and train employees on Human Rights. The CoC is binding for all employees of the RZB Group, and it ensures that the highest standards are observed in our business and ethical behaviour. Employees are well informed and trained on this topic (e.g. online learning tool, regular updates on relevant topics) and obliged to comply with these principles. In addition, in June 2010 a whistleblower hotline was set up, which

offers all RZB Group employees worldwide the possibility to anonymously report breaches of the Code of Conduct. Breaches of the Code of Conduct are reported to Compliance.

## **Human Rights**

Measurement of outcomes

Description of how the company monitors and evaluates performance.

The RZB Group does not tolerate any Human Rights violations. If employees obtain knowledge of material breaches of the CoC, they must report the matter to the line manager, the Local Compliance Office or the Chief Compliance Office without delay. Employees can also opt to report breaches to the Compliance Officer anonymously. All reports are treated as confidential. The bank ensures that nobody will suffer any career disadvantage on account of reports made in good faith. Further steps are planned in the course of the new diversity strategy (release within business year 2012).

## Labour

### Assessment, policy and goals

Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.

The RZB Group respects the opinions of others as well as their personal dignity, privacy and personality rights. The banking group does not tolerate any kind of discrimination and harassment, for example on account of a person's nationality, culture, religion, skin colour, sex, sexual orientation, age or physical handicap.

The Group offers all staff equal opportunities for identical levels of performance ("performance management"). This principle applies from the recruitment stage onwards, and appropriate selection procedures are used to ensure that all applicants are evaluated against the same benchmarks.

Furthermore, RZB/RBI have a works council that promotes employee interests in its dealings with the managing board. Representatives of the works council are also members of the supervisory board.

## Labour

### Implementation

Description of concrete actions taken by the company to implement labour policies, address labour risks and respond to labour violations.

A short extract about the number of measures implemented in order to enhance work-related issues:

Regular **employee satisfaction surveys** are carried out to assess employees satisfaction and to use results for further improvements within the Group.

Research results indicate that problems at work, conflicts between colleagues and bullying strongly influence health and performance. It is important that companies develop a consciousness for these problems and take suitable measures to work against these. The success of a company, amongst other factors, depends upon the health and motivation of the staff. External business mediators introduce solutions as neutral intermediaries that often cannot be achieved when conflicts are dealt with on a purely internal level. Though, not all conflicts require external support. The following training sessions are offered by RZB Group (RZB/RBI) for different target groups by the company e.g.:

- Mediative conflict management (target group: professionals)
- Resolving conflict situations (target group: executives)
- Conflict management for executives (target group: leaders of organisations)

In 2011, one seminar "Resolving Conflict Situations" with 10 RZB/RBI Austria participants took place. The objective of this training was to know typical conflict patterns, to develop strategies to intervene or de-escalate, and to deal with conflicts in a constructive way. In 2012, the seminar "Mediative Conflict Management" was conducted with 8 participants from RZB/RBI Austria, and one more is planned in autumn this year, with the target to give an introduction into conflict mediation and to work with conflicts as a chance. Besides that, numerous employees also take the chance to attend external trainings on conflict management if there is a concrete need.

Work-life-balance is not only highly important to employees but it is also of strategic relevance to secure performance and motivation. Furthermore it is important to provide a state-of-the-art, innovative working infrastructure and environment.

## **Labour**

### Measurement of outcomes

Description of how the company monitors and evaluates performance.

The RZB Group increases frequency of training and development modules for all staff and ensures broad levels of qualification to improve staff employability. Due to the regional distribution of RBI, the e-learning tool is increasingly used. In 2011, 400.000 registrations thereof 2.700 in Austria for e-learning courses were registered.

It also extends staff appraisal system: goal-setting and assessment interviews with 90 per cent of staff, and development interviews with 80 per cent of staff.

In Austria, a number of occupational preventive health measures incl. burn-out prevention are established e.g. occupational physician, gymnastic courses, subsidies memberships for fitness studios, general information regarding stress and efficient workload management to name a few.

To facilitate work-life-balance, the Group offers a wide range of flexitime options, as well as a paid-for coaching to discuss with external experts private or business-related topics (Employee Assistance Service).

## Environment

### Assessment, policy and goals

Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.

RZB Group is committed to combating climate change. This represents a major environmental and financial challenge that will bring about rapid changes in the competitive and regulatory landscapes. Climate protection is an important priority in the environmental policy (release planned within the next months). It entails various material and reputational risks, but also presents a range of attractive opportunities. One of the Group's main priorities is developing products and services that promote sustainable development.

The Carbon Disclosure Project (CDP), launched in 2000, is aimed at increasing transparency in the reporting of greenhouse gas emissions. Since 2011, RBI as part of RZB Group has voluntarily provided information on its CO<sub>2</sub> emissions, business-related climate risks and reduction targets as part of this program. The published data is compiled in the so-called Carbon Disclosure Leadership Index, which consists of input from the 30 highest scoring companies based on the criterion of completeness of reporting. With a score of 85 out of a possible 100 points, RBI ranks 13<sup>th</sup> and is thus the best ATX company. All of the information is available at [www.cdproject.net](http://www.cdproject.net).

The RZB Group complies with all of the local, national and international environmental regulations that apply to its business activities and services. It is environmentally aware and constantly strives to improve its environmental performance.

## Environment

### Implementation

Description of concrete actions to implement environmental policies, address environmental risks and respond to environmental incidents.

The Group's environmental policy contains the following guiding principles: 1) RZB Group complies with all of the local, national and international environmental regulations that apply to its business activities and services. It is environmentally aware and constantly strives to improve its environmental performance. 2) The business policies of the RZB Group do not permit funding for and investments in businesses or projects which cause lasting damage to the environment. 3) Decision-making processes take into account the foreseeable effects on health, safety and the environment of processes, products and services throughout their life cycles. 4) Every RZB/RBI Group Head office has employees with specific mandates and the necessary resources to continuously improve environmental performance.

The financing of or participation in any transactions or projects which put the environment at risk of lasting effect, for example destruction of the rainforest, pollution of the environment and waters, etc., are not in accordance with the business policy of RZB Group.

The policy regarding business related to nuclear power was revised and became even stricter in 2011 as the recent experiences in Japan showed that the risks associated with nuclear power plants, both to the environment and human beings, are currently not manageable. RZB Group neither participates in the construction of nuclear power plants nor does it do business with nuclear power plants or their operators.

RZB Group does not participate in business connected to war material weapons and other military equipment (including equipment used for internal repression or aggression against foreign countries) with countries having on-going or expected military conflicts or political unrest.

RZB Group does not invest in companies producing military equipment and weapons.

The RBI network banks also received instructions regarding the sensitive business fields, they had trainings on these topics and policies and there were also presentations and discussions regarding the up-to-date policies at the Group Meeting 2011, an annual management meeting.

Enabling state-of-the-art education. The MSc Program Renewable energy in Central & Eastern Europe" is the first cross-border university course dealing with future issues of alternative energy production. The interdisciplinary part-time MSc Program is offered by the Vienna University of Technology, Austria, in cooperation with Energiepark Bruck/Leitha. Further contributions are made by various CEE universities e.g. University of West Hungary (Győr) or the Czech Technical University in Prague. So far, 121 students have successfully completed the program. Tailor-made country modules are offered to gain in-depth knowledge on energy markets in the CEE region. RBI is financially contributing to this international, post-graduate education.

Internal educational measures. Next steps will comprise the offer of a range of training and development programmes in environmental protection and environmental management. This expertise enables staff to identify and minimise the potential environmental impacts of business activities. Another important task on Group level refers to developing products and services that promote sustainable development.

Together against climate change. Global warming is creating major challenges for politics, society and the business world. Everyone agrees that sustainable energy policy is one of the key issues of the future. In order to coordinate the measures taken by the Raiffeisen organisations in the fields of climate protection, energy efficiency and renewable resources, the Raiffeisen Climate Protection Initiative (RKI) was created as a platform and a driving force in 2007. Its goal is to raise awareness of climate protection amongst a broad internal and external public, and to set up activities to provide information, especially in the areas of construction and renovation as well as mobility and transport. In addition, the RKI has a business strategy aspect: it is a platform which can be used to promote and press ahead with climate-friendly projects. The members of RKI are 24 Raiffeisen organisations, which in this way are taking on responsibility for the environment and making a substantial contribution to climate protection. In addition, RKI also aims to create partnerships with public and private institutions which are able and willing to contribute towards the achievement of climate protection targets.

Especially worth mentioning in this context are the following RKI members:

Raiffeisen Energy & Environment Unit (REE) was established as the bank centre of excellence for renewable energy investments. It is a division of the Raiffeisen Banking Group Austria, specialises in the acquisition, development, construction and operation of (renewable) energy projects. Making a sustainable contribution to improving the environmental situation and energy supply in the long-term is at the forefront of all REE endeavours. REE is a 100% subsidiary of the Raiffeisen-Leasing-Group thus benefiting from extremely competent employees with a proven track record in the energy sector. REE's strengths lie in technical know-how, in depth knowledge of the market, good contacts to manufacturers and expertise in tax, legal and financial issues. REE is interested in acquiring projects, or in any form of cooperation during the acquisition of projects, in all phases of project development. This applies to green-field projects, projects ready for construction, turnkey projects, or even projects which have already started. In each target country REE co-operates with local and international project developers, providing market expertise, legal and tax know-how and the technical experience of its team. Last but not least, if requested by partners, REE can also organise the debt capital necessary to finance the project through its contacts to local and international banks.

The main focus of RENERGIE Raiffeisen Managementgesellschaft für erneuerbare Energie GmbH., a 100 % subsidiary of Raiffeisen-Holding Niederösterreich-Wien reg. Gen. m.b.H., is the generation and marketing of renewable energy. RENERGIE offers support in financing and operation of energy generation facilities in the area of renewables. It develops projects for renewable power and heat and realized the appropriate production plants. The projects are implemented by equity investments in selected European markets. RENERGIE maintains its long-term commitment to the project during the operating phase, too and supports the marketing of products which are based on renewable energy.

Since its founding in the year 2003, Raiffeisen evolution has successfully completed real estate with more than 720,000 m<sup>2</sup> of floor space. More than one million square meter are either in development or already under construction. The current project volume is at 1,2 billion euros. In accordance with Guideline 6 issued by ÖIB (Austrian Institute of Construction Engineering), buildings are classified into efficiency categories by means of energy indicators. The ECO-BASE© projects fall into category A or B and hence meet the criteria of a low energy house. It consequently conforms with Raiffeisen evolution's strategy of implementing highly energy-efficient projects that contribute to the concept of sustainable living. "economy offices" is Raiffeisen evolution's brand for the development of office buildings in all its markets in Austria and CEE, where the symbiosis of ecology and economy is promoted actively. The concept offers efficient and prestigious office space to companies in various industries. Its ecological and economic operations reduce the running costs and ensure a pleasant working environment.

Raiffeisen Climate Protection Award: "Innovative Youth". As raising awareness among young target groups is a particular concern of RKI, it has supported the Innovative Youth competition for some years now, and also sponsors its own Climate Protection Award. The 25th round of the Innovative Youth Competition got under way in 2011/2012 with a new record of 539 projects submitted. The participating pupils and apprentices proved once again that innovation is by no means only a matter for adults. The winners of the Raiffeisen Climate Protection Award were the pupils of Wels Technical College for their project entitled Conservatory. The team of pupils developed a shading system for conservatories which enables ecologically responsible use of solar energy.



Raiffeisen Bio Card. Observing the market and a constant awareness of the bigger picture were key elements behind the innovative idea of the Raiffeisen Bio Card from Raiffeisen Bank International AG (RBI). This biodegradable bank card can help to save thousands of tonnes of plastic rubbish in the future. The first step in its implementation was the evaluation of possible raw materials for the production of the organic bank card. Solutions using renewable and biodegradable materials were explored which are already based on market-ready and standardised manufacturing processes. Ultimately, a production process based on polymers of potato and maize starch was selected. This future bank card made of natural raw materials is biodegradable and can be composted in seven to eight weeks. Expired cards can simply be put in the organic waste bin - they only turn into compost there of course, and not in your wallet or purse. After the process has been certified it can be used for all cards which were previously made of plastic.

## Environment

Measurement of outcomes

Description of how the company monitors and evaluates environmental performance.

The renovation measures financed by Raiffeisen in Austria in the past five years have led to savings of around 360,000 tonnes of CO<sub>2</sub>. RKI thus feels vindicated in its claim to be promoting climate protection and economic efficiency simultaneously.

A partner of klima:aktiv. In November 2011, RKI was awarded the title of klima:aktiv partner by the Ministry of Agriculture, Forestry, Environment and Water Management. The goal of klima:aktiv and its programmes is to promote climate-friendly technologies and services in order to increase energy efficiency. This aims at raising the market share of renewable energies and ultimately to achieve a reduction in the emissions that cause global warming.

The most important fields of activity are:

- The promotion of measures to improve quality assurance
- Information and marketing campaigns for specific target groups
- Efforts to harmonise and improve the legal framework
- Education measures for the relevant actors.

Raiffeisen Energy & Environment (REE) is the bank's renewable energy centre of excellence and has realized numerous projects in the field of Windenergie and PV across Europe. REE's realized portfolio consists of wind power plants with a total capacity of 130.5 MW and solar power plants with a total capacity of 11.8 MWp.

## Anti-Corruption

Assessment, policy and goals

Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment).  
Description of policies, public commitments and company goals on anti-corruption.

RZB Group is transparent with regard to its Corruption Prevention standing. The Group's Code of Conduct is published on each network unit internet site:

RZB Group does not tolerate any form of bribery or corruption. RZB Group does not accept or give any improper advantages (inducements) of any kind, irrespective of whether the person offering or demanding such advantage is working in the public or in the private sector.

## Anti-Corruption

Implementation

Description of concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents.

RZB Group sets particular store by the careful and meticulous selection of our business brokers, advisors, intermediaries and all other third parties supporting us in doing business or acting on behalf of the RZB Group. It is also ensured that such third parties do not pay or accept bribes or facilitation payments within the scope of their business relationship with the RZB Group.

Neither employees nor other persons working for the RZB Group make facilitation payments.

Contributions in the form of expenses, donations, charitable contributions and sponsoring may not be used in order to circumvent guidelines concerning the acceptance and provision of gifts, bribes, slush money payments, contributions to political parties and politically exposed persons.

Furthermore, RBI Group Compliance assessed in 2010-2011 the status of the whole network's implementation of the Group Code of Conduct and the Group Compliance Manual with focus on Corruption Prevention measures and the Compliance organization. The review was done following the current best practice standard available globally, the Guidance about commercial organisations preventing bribery under Section 9 of the UK Bribery Act 2010 - UK Ministry of Justice, "Guidance about commercial organizations preventing bribery (section 9 of the Bribery Act 2010)" from October 2010.

However, banking in general is not the typical high risk industry and the specific risk exposure that the management and employees of our banks have to manage was carefully mapped to determine the specific adequate risk mitigation measures and understand whether the awareness of problem areas and the intensity of prevention measures were adequate for the specific entity within the specific country.

Therefore, special measures have been taken in areas like:

## 1. Procurement

In procurement, corruption exposure is deemed inherent, as this might be one of the ways to channel bribes via the bank's expenses.

RBI Group has installed a strong Procurement process where centralisation of group wide procurement at RBI level is continuously strengthening developed and state of the art measures are implemented all over the Group. All network banks have a strong Procurement unit and are very aware of the risks, strongly and pro-actively managing this area for full transparency, compliance and cost savings.

This ensures a highly transparent, criteria based purchasing process involving a specialised neutral party, i.e. Procurement. This is a strong asset in corruption prevention. Close cooperation with Compliance is in place in all reviewed banks. Fine-tuning continues, especially to identify and transparently accompany all vulnerable mandates of the bank. Vulnerable mandates are defined as services that are seen, based on international experience, as vulnerable to corruption. Such mandates include, without limitation, obtaining permits, approvals and licenses as well as services performed for opening up new markets in general and new business opportunities in particular and are typically lawyers, consultants and other intermediaries and many service providers. New types are developing based on shifting habits of inappropriate practices in various markets.

According to the Group Procurement Directive in particular the engagement of legal, consultancy and human resources services should be channelled through the centralised procurement system with transparent selection criteria for consistency and proper control purposes. Any exceptions to this usual process have to be made transparent and be thoroughly documented. This process is already up and running and controls are implemented in the network banks.

## 2. Conflicts of interest

Throughout the Group it is ensured that conflicts of interest are treated in the correct manner. A written statement that a potential conflict of interest exists needs to be signed and contains the actions to be taken to minimise the risk. Compliance is involved in organisational changes (restructurings, shift of staff) as they can lead to conflicts of interest. Based on this, a good conflict of interest management is in place in the reviewed banks, and Compliance is involved very pro-actively to appropriately assess all possibilities of undue influence taking and abuse of position. Compliance is raising awareness and procedures and handling cases to cover all sensitive areas.

The topic of Corruption Prevention was one of the main topics at the two Compliance Group Meetings that took place in 2011.

## Anti-Corruption

Measurement of outcomes

Description of how the company monitors and evaluates anti-corruption performance.

The compliance department continually monitors the activities of RZB and RBI in Vienna as well as all 15 network banks and their branches, via enquiries, assessments, updates and feedback. This ensures that the management of the RZB Group is always informed of steps that may need to be taken with regard to compliance in good time, and that effective measures can be implemented.

If employees obtain knowledge of material breaches of the CoC, they must report the matter to the line manager, the Local Compliance Office or the Chief Compliance Office without delay. In addition, in June 2010 a whistleblower hotline was set up, which offers all RZB Group employees worldwide the possibility to anonymously report breaches of the CoC.