



CORPORATE SOCIAL RESPONSIBILITY REPORT
2018

Disclaimer:

We took the utmost care in the collection and preparation of the data provided in this report. Nevertheless, the document may contain errors. Any statements regarding future developments or expectations expressed in this report are assumptions that were made based on the data and information available at the time of preparation.

Thus, unforeseeable events could lead to deviations from the projections and expectations expressed in such statements. For us, it is a matter of course that gender-neutral terms such as “customer” or “employee” refer to both women and men, and they are used in order to improve the readability of this report.

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PREFACE

Ladies and Gentlemen,

The publication of a sustainability report is part of our continuous efforts to further strengthen sustainable action and thinking within BAWAG Group. With this in mind, I am pleased to present you our Corporate Social Responsibility (CSR) Report 2018.

As BAWAG Group, it is very important to live up to our corporate social responsibility. It is crucial for companies to find the right balance between economic, environmental and social objectives. In 2018, we proved this with the launch of various new initiatives. We expanded our customer feedback capabilities and accelerated improvement processes by establishing a “Customer Experience” division. Furthermore, we started an event series in the BAWAG P.S.K. branches, aiming to present digital topics and e-banking to our customers. In addition, by digitizing a range of processes, we have made our operations more efficient and more environmentally friendly. Our key internal topics in 2018 were the preparation for the relocation to our new headquarters, increasing digitization and the implementation of an agile way of working.

The past few years at BAWAG Group were characterized by organic and inorganic growth. Thus, it was important for us in 2018 to analyze and discuss our key CSR topics and the impact of our actions. Based on the results of a comprehensive stakeholder survey, we have developed a new CSR mission statement (see page 10), in which we have defined key areas that we will address in the future.

I would like to take the opportunity to thank everyone whose commitment to sustainable and responsible business practices allowed BAWAG Group to live up to its social responsibilities and further increase the awareness of these responsibilities in 2018. I count on your continued support in the future.

Anas Abuzaakouk
CEO and Chairman of the Managing Board of
BAWAG Group AG

GENERAL INFORMATION AND REPORTING BOUNDARIES

GENERAL INFORMATION

The Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz; NaDiVeG) implements EU Directive 2014/95/EU and expands and specifies the reporting obligation for non-financial information (environmental, social and employee issues, respect for human rights and anti-corruption) in the management report from the financial year 2017 onwards. Again in 2018, BAWAG Group is making use of the statutory option provided for in Section 267a Para 6 UGB to produce a separate consolidated non-financial report as presented in this document.

The CSR Report 2018 is based on the guidelines of the Global Reporting Initiative (GRI Standards, Core “In Accordance” option, including disclosures specified by the set of industry-specific indicators for financial services) and was prepared in line with the principles of materiality, transparency and comparability. Attached to the CSR Report are the GRI Index (from page 38) and the UN Global Compact progress reports (from page 47). The report is only released in an online version available at

► <https://www.bawaggroup.com/csr>

REPORTING BOUNDARIES

This CSR Report describes new developments that have occurred and the progress that has been made in the area of sustainability in 2018, and is tied to the CSR Report 2017. It also covers Südwestbank AG for the first time. The reporting period for the data and indicators is the years 2016–2018. The CSR reports from recent years, the annual reports, the corporate governance reports and Südwestbank’s report on non-financial information for the financial year 2017 can be used as supplemental sources of information about BAWAG Group’s CSR activities.

Because the acquisition of Deutscher Ring Bausparkasse AG was not concluded until 4 September 2018, this

company’s activities are not yet covered by this CSR Report. The data will be included in 2019’s report.

The environmental key figures of Südwestbank AG were not yet fully available in 2018. Therefore, the data of Südwestbank AG were not included in the table of environmental key figures. A table with the available environmental indicators of the Südwestbank can be found in the appendix (page 37). The internal process to harmonize the environmental key figures is ongoing and should be completed in 2019.

BAWAG GROUP AT A GLANCE

BAWAG Group AG is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria, with the main banking subsidiaries easybank and start:bausparkasse in Austria and Südwestbank and Deutscher Ring Bausparkasse (since January 2019 start:bausparkasse) in Germany. With more than 2.5 million customers, BAWAG P.S.K. is one of Austria's largest banks operating under a well-recognized national brand.

We apply a low-risk, efficient, simple and transparent business model focused on Austria, Germany and developed markets. We serve retail, small business and corporate customers offering comprehensive savings, payment, lending, leasing, investment, building society and

insurance products and services through various online and offline channels.

Our business segments¹⁾ are BAWAG P.S.K. Retail, easygroup, Südwestbank, DACH Corporates & Public Sector, International Business and Treasury Services & Markets. Delivering simple, transparent and best-in-class products and services that meet our customers' needs is our consistent strategy across all business units.

The current shareholder structure can be viewed at

► <https://www.bawaggroup.com/shareholder-structure>

STRATEGY

Growth in our core markets

Our aim is to grow our customer base and business in our core markets, namely Austria, Germany and developed markets with a focus on the DACH region.

Making our customers' lives easier

We offer our customers the best experience and convenience when banking through our various digital and physical channels to build and maintain successful long-term customer relationships.

Efficiency is the key to winning

Cost efficiency across all businesses and functions is critical to succeed in a more complex world with increased competition, higher regulatory requirements and new market entrants from outside the financial services industry.

Safe and secure

A strong capital position, stable deposits and a low risk profile are fundamental cornerstones for the execution of our strategy.

ECONOMIC SUCCESS

2018 marked yet another successful year for BAWAG Group, delivering a strong profit before tax of € 573 million, up 14% versus the prior year. The increase was primarily driven by higher core revenues as well as lower risk costs, the latter reflecting the benign credit environment and the focus on developed markets.

We outperformed all of our targets, focused on the things we control, and delivered on our promise of being good stewards of capital all while continuing to shape the BAWAG Group of tomorrow. Based on the strong business performance in 2018, we revised our targets upward.

Key figures at a glance

in € million	2016	2017	2018
Core revenues	925.1	1,010.0	1,123.3
Profit before tax	445.4	500.4	572.7
Net profit	458.1	449.1	436.5
Return on equity (@12% CET1)	16.2%	15.1%	14.3%
Return on tangible equity (@12% CET1)	18.5%	17.6%	17.1%
Cost-income ratio	45.5%	47.2%	44.2%
Risk costs / interest-bearing assets	0.14%	0.17%	0.12%
Total assets	39,746	46,056	44,698
Customer loans	28,485	30,793	30,482
Customer deposits and own issues	32,045	36,611	34,620
Common equity	3,108	3,576	3,706
Risk-weighted assets	19,047	21,494	20,465
Common Equity Tier 1 ratio (fully loaded)	13.6%	13.5%	14.5%
NPL ratio	1.7%	1.8%	1.7%

RATINGS

Fitch confirmed the ratings for BAWAG P.S.K. in February 2019. The long-term issuer rating, the standalone rating and the rating for senior unsecured debt remained unchanged at A-. Subordinated debt is rated BBB+.

Moody's Investors Service confirmed the ratings for BAWAG P.S.K. in January 2019. The long-term senior unsecured debt, issuer and deposit ratings remained unchanged at A2, the standalone rating (baseline credit assessment) at

baa1 and the subordinate debt rating at Baa2. The Additional Tier 1 (AT1) capital issued by BAWAG Group AG is rated Ba1.

BAWAG Group/BAWAG P.S.K. has also been assigned sustainability ratings by major European agencies, including SUSTAINALYTICS (average) and oekom research (not prime). We strive to continuously improve our existing sustainability ratings.

AWARDS

- ▶ In January 2018, easy green energy, a subsidiary of easybank, was named the best provider in the VKI initiative “Energiekosten-Stop” (Stop Energy Costs) for the second year in a row after receiving the honor in 2017 as well. easy green energy was selected as the best provider in both the “Green Electricity” and “Eco-label Electricity” categories.
- ▶ March 2018: For the second year in a row, *Global Finance*, a leading magazine covering financial and capital market topics, awarded BAWAG Group as “Best Bank in Austria” .
- ▶ In May 2018, easybank has received the coveted Recommender Award of Finanz-Marketing Verband Österreich with a Net Promoter Score of 52%. For the eighth year in a row, this confirmed that easybank’s customers are the most satisfied customers of any direct, special and private bank in Austria and also show the highest willingness to recommend the bank to others. In addition, easybank was awarded the quality seal for excellent customer orientation.
- ▶ July 2018: *Euromoney*, one of the world’s leading magazines for banking, financial and capital market topics, honored BAWAG Group with two awards: “Western Europe’s Best Bank Transformation” and “Austria’s Best Bank”. These distinguished awards recognize BAWAG Group’s successful strategic transformation in recent years.
- ▶ Also in July 2018, Südwestbank took first place at 14 locations in the largest and only bank test in Germany which is based on the DIN SPEC 77222 standard. The quality testing institution “Gesellschaft für Qualitätsprüfung” conducted the test at a total of roughly 200 locations.
- ▶ October 2018: BAWAG P.S.K. became the first Austrian bank to receive the distinguished Efma-Accenture Distribution & Marketing Innovation Award, taking first place in one of the highly sought-after categories. The internal event format “BAWAG P.S.K. TREND_LOUNGE,” in which employees develop and present ideas for the retail banking segment, won GOLD in the “Workforce Experience” category.
- ▶ Also in October 2018, Südwestbank received a certificate for competent and reliable investment advisory from TÜV Saarland. The TÜV reviewers assessed whether the processes are designed in a customer-oriented way and evaluated the workflows and the professional competence of the advisors, among other things. The advisory environment, communication tools, conditions and fees were also considered in the evaluation.
- ▶ November 2018: BAWAG P.S.K. received the silver award in the category “Best Recruiter 2018”.
- ▶ Also in November 2018, easybank and start:bausparkasse took first place in the *Börsianer* ranking. easybank was named “Best Direct Bank” for the fourth consecutive year. In addition, start:bausparkasse was named “Best Building Savings Association” for the first time. A total of 13 overall and category winners from five financial industries were selected for the awards.

RISIK-AVERSE INVESTMENT STRATEGY

BAWAG Group manages its liquidity from the core funding franchise in securities portfolios including the liquidity reserve as well as certain hedging portfolios. The applied investment strategy focuses on secured and unsecured bonds of Financials in Western Europe and the USA with investment grade ratings as well as on select sovereign bonds and high-quality CLOs for diversification purposes.

The majority of the securities portfolio is spread among Western developed economies with stable legal systems: 86% of the securities portfolio is located in Western Europe and North America. As of 31 December 2018, BAWAG Group had no direct exposure to China, Russia, Hungary or South Eastern Europe.

CSR STRATEGY

CSR ORGANIZATION

At BAWAG Group, corporate social responsibility is managed on an interdisciplinary basis under the responsibility of the Managing Board by the CSR Committee. The committee consists of representatives of major Group companies, business segments and divisions/departments, including Communications; Human Resources; Legal; Non-Financial Risk Management & Regulatory Compliance; Chief Performance Office; Credit Risk Management; Operations; Central Sourcing & Real Estate Management; Marketing & Product Management; Digital & Data Office; Corporate Sales; and Retail and Small Business Sales. The CSR strategy is developed in

the committee based on the Group strategy and reported to BAWAG Group's Managing Board.

All members of the committee work in management positions within BAWAG Group. They are responsible to communicate the CSR topics agreed in the committee, which are relevant for their business segment or division/department, to their teams. Furthermore, they are responsible for implementing appropriate CSR measures in their area of responsibility. As key decision makers, they can proactively advance the implementation of the CSR strategy in various areas of the Group.

CSR STAKEHOLDER SURVEY AND MATERIALITY ANALYSIS PROCESS

Due to the changes that have occurred at BAWAG P.S.K. and BAWAG Group in recent years due to organic and inorganic growth as well as other factors, our CSR mission statement, CSR strategy and sustainability measures have been re-evaluated.

To this end, BAWAG Group sent questionnaires to approximately 300 stakeholders of the relevant Group companies mid-2018, including BAWAG P.S.K., easybank and Südwestbank, in order to evaluate their opinions on "Corporate Social Responsibility at BAWAG Group." The return rate was 46%. The survey reached representatives of relevant stakeholder groups, like investors, consumer protection organizations, customers, suppliers, the media, employees, NGOs (environmental, social and human rights organizations), product partners, rating agencies/analysts, policymakers and administrative officials. The survey polled the stakeholders about their awareness of individual CSR and sustainability activities of BAWAG Group and the relative importance of sustainability issues such as diversity, economic success, customer orientation and ethical practices.

The topics and questions were developed in cooperation with an external CSR expert team based on existing measures and the CSR strategy, taking into account current sustainability rating reports. The stakeholder surveys provided a clear picture of which sustainability issues are important to our target groups and should therefore be given greater consideration.

The results of the stakeholder survey were presented at a CSR Committee workshop in fall 2018 and discussed with external sustainability experts. Over 15 representatives of BAWAG Group's subsidiaries, business segments and divisions/departments discussed potential CSR and sustainability measures as well as focus areas in which there is a need for improvement. In addition, they analyzed the impact of these measures and defined the topics that should be in focus of the CSR strategy. The event helped to strengthen the awareness and the need to further develop the Group's CSR activities.

This materiality analysis process resulted in seven focuses of action (please refer to the GRI Index starting on page 38). Alongside the principles and goals of the UN Global Compact, these focuses of action form the basis for the CSR mission statement (page 10), the CSR strategy, the measures of the sustainability program (page 33) and the content of the CSR Report 2018.

Following the acquisition of Südwestbank by BAWAG P.S.K. in December 2017, Südwestbank was included in BAWAG Group's CSR reporting for the first time in 2018. Südwestbank's results from the stakeholder survey were covered in the workshop and discussed with a representative of the German bank at the Group level. Thus, Südwestbank's CSR strategy, which up to now was shaped by a CSR advisory board representing nearly every external stakeholder group, is incorporated into the Group CSR strategy.

CSR MISSION STATEMENT

With its seven key focuses of action derived from the materiality analysis process (page 9) in the fall of 2018, the CSR mission statement forms the overarching structure of

BAWAG Group's CSR strategy and the underlying measures of the sustainability program (page 33).

Focuses of action	For BAWAG Group, this means
Economic success	... pursuing our low-risk, efficient, simple and transparent business model focusing on Austria, Germany and developed markets. ... contributing to the success of our stakeholders through the consistent implementation of our strategy and the advancement of strategic initiatives.
Ethics and integrity	... acting in accordance with the ethical values of our Code of Conduct, the ten principles of the UN Global Compact and the seven UN Global Compact Women's Empowerment Principles. ... orienting ourselves towards the 17 Sustainable Development Goals of the UN Global Compact as a framework for sustainable action. ... securing the basis for honest and ethical action on the part of all employees with appropriate policies and guidelines. ... placing particular emphasis on the topics of anti-corruption and data protection in compliance management.
Responsibility towards customers	... giving our customers the possibility to execute their banking transactions according to their individual needs, whenever and wherever they want, through our digital and physical distribution channels. ... maintaining successful, long-term business relationships with satisfied customers across all distribution channels and platforms.
Sustainability in our core business	... promoting the development of sustainable fields of business and offering a diverse range of products and services that is oriented towards ecological, economic and social requirements. ... being a reliable partner for businesses and the regional economy and living up to our ecological and social responsibility. ... supporting products and services focused on sustainability and providing financing for projects with added value for the regional economy.
Social responsibility and personal commitment	... promoting the civic and social engagement of our employees.
Staff development and training, diversity and equal opportunity	... providing employees with a healthy work environment in which they can advance their careers. ... fostering an open, appreciative environment for employees and helping them realize their potential. ... focusing on equal opportunity and diversity within the company.
Environmental and climate protection	... keeping the direct environmental impact of day-to-day operations and the indirect impact of products and services as low as possible in order to ensure that future generations have a livable environment.

ETHICS AND INTEGRITY

BAWAG Group places strong emphasis on mutual respect, engagement and customer orientation. We strive to act with integrity by internalizing legal and internal regulations. We want to comply with requirements in every situation – in our interactions within the Group, with external stakeholders and with third parties.

Compliance with laws and binding legal regulations that apply to every employee, as well as the commitment to principles that go beyond are top priorities for us. We are

committed to the Group-wide Code of Conduct, the ten principles of the UN Global Compact, the seven UN Global Compact Women's Empowerment Principles and the 17 Sustainable Development Goals of the UN Global Compact.

Our values and principles are anchored in numerous policies and guidelines that represent the rules for legally compliant, transparent and responsible action in our day-to-day operations for our divisions, departments and thus every employee of BAWAG Group.

COMPLIANCE

“Compliance” describes our management system in the area of ethics and integrity. Effective compliance and risk management is a decisive aspect of a bank's success. In addition to the conventional risk types, the management of non-financial risks is becoming increasingly important. The Group-wide compliance and non-financial risk management sets the framework conditions that laws, requirements and standards are abided by, and also strives to insure comprehensive protection for investors, customers, employees and the company. Along with the management of operational risk, the responsibilities include preventing money laundering, combating terrorist financing, monitoring compliance with sanctions, fraud prevention, data protection, information security, securities compliance and the prevention of insider trading, market abuse and conflicts of interest. Further non-financial risks associated with business or business relationships (according to §267a (3) UGB) are identified in the respective departments or by the CSR Committee and are included in this report in several chapters. Our goal is to systematize the process in the future.

Violations of legal regulations and internal rules of conduct can lead to reputational risks and severe consequences such as penalties, fines and restrictions for BAWAG Group. Individual employees involved in such violations could face fines or incarceration as well as disciplinary actions as defined in the employment laws, which also includes dismissal. Any and every attempt to commit a financial crime is seen as a violation of BAWAG Group's business principles, integrity and employees that is to be taken seriously and is investigated accordingly.

In 2018, BAWAG Group's compliance management focused on the General Data Protection Regulation that went into force across the EU, the topics of anti-corruption, fit and proper guidelines and operational risk as well as the update of the Group-wide Code of Conduct.

Anti-corruption

BAWAG Group's anti-corruption policy governs the acceptance and awarding of gifts and keeps abreast of the regulations that are in place. Any attempts at bribery or other unlawful benefits must be rejected and reported immediately, and the department responsible must be notified. We take a decisive stance against attempts at corruption in all of our business segments.

For instance, compliance with the policy is monitored in the course of compliance audits according to a yearly plan. This also includes audits at BAWAG Group's subsidiaries. In addition, relevant employees are required to complete training programs on an ongoing basis, including in 2018. All employees of central functions were also required to pass the “Anti-Corruption” self-directed learning program this year. Furthermore, all employees of Südwestbank are required to participate in web-based trainings on fraud prevention and anti-corruption on a regular basis.

BAWAG P.S.K. has been a member of the Austrian chapter of Transparency International since 2012. An industry event on money laundering was held in 2018. BAWAG P.S.K. is a member of one of the working groups that is relevant in this context.

Data protection

The new European General Data Protection Regulation (GDPR) went into force in May 2018. The goal is to create a uniform level of data protection throughout Europe. It stipulates more stringent regulations in order to better protect customer data.

For BAWAG Group, it is extremely important to put data protection into practice in our daily work and apply it correctly. Customer information and data are subject to the banking secrecy provisions and European data protection regulations, and we must maintain its confidentiality. Beyond this, the Data Protection Office is legally obligated to provide employees with information and training regarding the new legal requirements in a timely manner. Therefore, all employees were required to pass the associated self-directed learning program in 2018.

Operational risk

Operational risk, or OpRisk, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It results, for example, from a processing error, the intentional disregard of policies or the system of authority and authorization, or incorrectly entered data. All employees of BAWAG Group are responsible for identifying OpRisk and acting in accordance with the guidelines.

With this in mind, the employees of BAWAG P.S.K. were required to pass the updated "Operational Risk and Internal Control System" self-directed learning program.

Code of Conduct

The BAWAG Group Code of Conduct was updated in 2018. It is an important set of rules that represents the values that we at BAWAG Group believe to be unconditionally worthy of protection: respect, trust, responsibility and our good reputation.

Additional policies and principles

There are currently more than 30 policies that provide BAWAG Group's employees with guidance for how to comply with the applicable legal requirements in their daily work and incorporate the standards that are important to the Group into their actions. Among other measures, online self-directed learning programs are offered for various topic areas in order to reinforce the content of the policies.

The policies in place at BAWAG Group include the Anti-Corruption and Gift Policy, the Anti-Fraud Policy, the Non-Disclosure Agreement Policy, the Recruitment Policy, the Product Implementation Process Policy and many others that cover important topics of day-to-day business life.

The Fit & Proper Policy was revised and updated in 2018. It is part of the documentation of BAWAG Group's corporate governance structure and, among other things, serves to ensure the prudent management of BAWAG Group and to increase the effectiveness of the risk management.

CORPORATE GOVERNANCE**Code of Corporate Governance**

The Code of Corporate Governance aims to ensure the responsible management and control of companies and corporate groups with an emphasis on sustainable, long-term value creation. BAWAG Group AG has committed to

complying with the Austrian Code of Corporate Governance. The most recent Consolidated Corporate Governance Report is available here:

- ▶ <https://www.bawaggroup.com/corporate-governance-reports>

RESPONSIBILITY TOWARDS CUSTOMERS

BAWAG Group has always strived to meet the needs of its customers and provide as many people as possible with access to banking services. The needs of the customers are given the highest priority. Their behavior and needs are constantly changing – due in part to the increasing digitalization of everyday life. Customers' expectations for the products and services of a bank are changing just as quickly: 90% of our customers now execute their transactions online or in self-service zones. At the same time, they want to be able to rely on a personal bank advisor for assistance with important financial decisions.

In 2018, BAWAG Group launched the restructuring of the BAWAG P.S.K. branch network, advanced the expansion of

digital offerings, worked to develop financial products that are even easier to understand and took additional steps in making its products and services barrier-free.

Improving our offerings and intensifying our customer relationships across all distribution channels are important to us. With this in mind, we established a "Customer Experience" division in 2018.

On the one hand, a lack of customer orientation can lead to a damage of a company's reputation or to a loss of business, on the other hand, it can – due to inappropriate products – turn out to be adverse for customers.

PRODUCT IMPLEMENTATION PROCESS

The Product Implementation Process Policy plays an essential role in the development of new markets, products and services and in the case of significant changes to existing markets, products and services. All risks must be taken into consideration during product development, including credit risk, strategic risk, compliance risk and operational risk. To this end, various divisions are involved from an early stage.

In addition, we conduct comprehensive surveys among our customers before significant changes are implemented. Our employees are also familiarized with changes through pilot phases and comprehensive training measures in order to ensure that the implementation of products is as smooth as possible.

CUSTOMER ORIENTATION

With our products and tailored advisory services we want to support our customers with all financial matters. Our goal is to achieve the highest possible level of customer satisfaction in all of our distribution channels.

With more than 2.5 million customers, engaging in dialogue as equals is among the basic requirements for BAWAG Group's day-to-day operations. Providing comprehensive, accompanying advice over the entire life cycle is key in our customer communication. Along with the employees who work in customer service, the Complaint Desk and social networks serve as important feedback platforms.

New BAWAG P.S.K. branch network

In 2018, BAWAG P.S.K. started rolling out a new, independent branch network in Austria. The dialogue with our customers was extremely important from the very beginning of the conceptual design process. Customers were incorporated into the development of the concept in the course of co-creation workshops. With the new branches, the Bank intends to increase the space for customer dialogue, best-in-class financial advisory and personal discussions. In the "community areas", trainings for customers are planned. Confidential discussions with customers will take place in private meeting rooms.

More than 46,000 customers were contacted by telephone to inform them of the new branch locations and invite them to explore the new branches.

“Digital Hour” event series

BAWAG P.S.K. introduced the “Digital Hour” event series in summer 2018 in order to enable many customers to take part in the digital transformation. At these free events, BAWAG P.S.K. employees provide training to customers who are interested in digital banking but not familiar with the features. The advisors at the branches present information about the advantages of digital banking and topics such as security and the features of digital banking and the digital banking app. The talks with customers have shown that there is a great interest and demand among customers to have a direct and familiar contact person for this topic. Over 1,000 customers have been shown digital banking step by step and have had their concerns allayed at a total of 262 “Digital Hour” events to date. This event series has been very well perceived by participants in all age groups.

Partnership with the Vienna University of Economics and Business

BAWAG P.S.K. launched a cooperation project with the Vienna University of Economics and Business in the 2018/19 winter semester. In this project, students from the Institute for Strategy, Technology and Organization are working on a problem that is interesting for our product management and are generating innovative ideas for the target group of students.

The goal of the project is to strengthen BAWAG P.S.K.'s profile among students and at the same time to better understand and meet the wants and needs of this target group.

Deployment of mobile advisor teams

In November 2018, BAWAG P.S.K. began deploying teams of mobile advisors who will provide customers in rural areas of Austria with banking advice and bank services.

CUSTOMER SATISFACTION

The satisfaction of our customers is our top priority and is highly dependent upon the quality of our products, services and processes. As customer satisfaction is very important for BAWAG Group as a whole, more activities were undertaken in 2018 to better analyze customer feedback and incorporate it into improvements in products and services. The continuous, broadly based monitoring and systematic analysis of customer needs were professionalized through the expansion of the possibilities for providing feedback and the establishment of a “Customer Experience” division in 2018.

Separate division for improving the customer experience

The “Customer Experience” division is exclusively dedicated to analyzing the feedback of our customers. In this way, BAWAG P.S.K. aims to give customer feedback an even stronger role in the improvement of its products and services. The Customer Experience team is tasked with

aggregating all of the customer feedback and identifying patterns. The resulting ideas for improving the customer experience are presented to the responsible member of BAWAG Group's Managing Board at regular meetings. In addition, the results of the analysis are discussed at quarterly meetings with division and department heads at BAWAG P.S.K.

Refining the digital customer experience

One of the customer-focused measures taken by BAWAG P.S.K. is the development of a new digital customer experience, including a new digital banking app. In order to optimally get the customers involved and cater to their needs, the development team for the app conducted interviews with customers in 2018. Nearly 90 people between the ages of 20 and 70 were asked about their preferences. The team used the feedback as the basis for the development of the features and design.

Expansion of customer feedback tools

The so-called touchpoint surveys were also expanded in 2018. Every time customers interact with an advisory or service point at BAWAG P.S.K., they are invited to give their

BAWAG P.S.K. was able to make improvements and achieve successes for customers already in 2018 thanks to the broad monitoring and systematic analysis of customer feedback. For example, the process when customers forget their cash at a self-service machine was improved.

Südwestbank also values customer feedback as a means to realizing improvements. For example, the bank

opinion on the quality and the level of satisfaction. This has already been common practice following consultations at BAWAG P.S.K. branches. However, in 2018 the service was expanded to customers who got contact with our customer service team.

commissioned a survey of its corporate customers in 2018. The results are a clear commendation of Südwestbank: 86% of the customers were very satisfied or satisfied with the quality of the bank's services. This confirms that Südwestbank's corporate customers have a higher-than-average level of customer satisfaction.

RESPONSIBLE CUSTOMER SERVICE

The responsible treatment of our customers is important to us and is stipulated in the Group-wide Code of Conduct. In addition, this approach is anchored in various policies, measures and activities of the Group. Compliance with extensive pre-contractual and contractual information obligations in relation to our customers, which are in place for almost all products, is indispensable. These information obligations are laid down, for example, in the Consumer Payment Account Act (VZKG) or the Mortgage and Real Estate Credit Act (HfKRG).

Based on continuous monitoring and analysis of customer feedback, we know that our customers value good service. At the same time, establishing a trust-based relationship with a competent personal advisor is essential. Our customers prefer products tailored to their needs. For us, this all comes together in the concept of "financial wellbeing."

BAWAG Group strives to continuously treat customers in a responsible way:

- ▶ Our marketing campaigns only proactively address the BAWAG P.S.K. customers whose financial situation allows them to take advantage of the advertised financial services product.
- ▶ The use of account overdraft facilities by BAWAG P.S.K. customers is monitored on an ongoing basis. If we see that a customer is approaching the upper limit of his/her overdraft facility and remains at that level over a longer period of time, we contact the customer and offer an alternative to overdrawing the account. This not only enables customers to save debit interest, but also gives them the possibility to reduce their debt in a clear and structured manner. This service goes beyond the legal requirements as the affected customers are proactively contacted and the criteria BAWAG P.S.K. uses to define the relevant customer group are more extensive as required by law.
- ▶ In order to counteract long-term credit risk for customers, we offer special insurance packages for illness and unemployment when customers take out a loan.

SUSTAINABILITY IN OUR CORE BUSINESS

It is important to us to promote the development of sustainable fields of business. Together with our partners, we want to offer a diverse range of products and services that is oriented towards ecological, economic and social requirements. We value the dialogue with our stakeholders as a means to identify where innovative and sustainable products are needed.

At BAWAG Group, we do not aim to make only selective improvements to individual areas but rather to find long-term solutions to ecological, economic and social problems. While the “New Chance” account is a highly successful showcase project in the area of social responsibility, easy green energy, a subsidiary of easybank, is a good example for a Group company that offers an environmentally friendly product.

FINANCING PRINCIPLES

BAWAG Group’s employees and business partners are required to use natural resources in a responsible and environmentally friendly manner. We actively support measures aimed at protecting our natural surroundings and the environment. BAWAG Group aims to minimize the negative effects of our business activities. Preserving a healthy environment as the basis of life for future generations is one of the fundamental principles of BAWAG Group. These aspects are anchored in the Group-wide Code of Conduct (page 12), which was revised in 2018 and serves as a code of ethics for all of BAWAG Group’s employees and business partners.

BAWAG Group is aware of the sensitive nature of specific business areas and takes potential negative impacts into consideration in its financing decisions. Projects that pose a risk of causing environmental damage are rejected or scrutinized. As an example, BAWAG P.S.K. requires appropriate environmental assessments for the financing of gas stations or landfills. In addition, BAWAG P.S.K. has lending guidelines for retail and small business customers, which define unpermitted industries. In addition, these guidelines explicitly require loan applications to comply with all applicable laws, which naturally include human rights and environmental regulations, and bank policies

and that these transactions do not give rise to any reputational risk.

In line with BAWAG Group’s risk-averse strategy, the majority of the credit portfolio is distributed among Western developed economies with stable legal systems. As at 31.12.2018, 72% of the customer loans are allocated to the DACH region. Based on the total customer loan volume, more than half (approximately 55%) come from Austria.

In addition, BAWAG Group does not provide financing to companies involved in the processing of nuclear fuels.

At Südwestbank, project financing in the agricultural sector is checked to see whether the client can provide sufficient evidence of the legal requirements in the environmental sector. Projects for the generation of energy such as biogas plants, which are based on renewable resources, are given special consideration and the use of public funding programs is supported.

Retail customers who want to finance a house are informed and advised about attractive public funding programs (including, in particular, the use of favorable financing options for low-energy houses).

PARTNERS WHO ACT SUSTAINABLY

Our partners are committed to providing simple, transparent and best-in-class products and services as well as to acting responsibly.

BAWAG P.S.K.'s partnership with the asset manager Amundi Austria, which has been committed to environmental, social and governance criteria in its investment decisions for many years, gives our customers access to high-quality investment products that are sustainable and responsible. In 2018, Amundi published an ambitious three-year action plan to strengthen its commitment to responsible investment. The asset manager strives to expand its analysis based on ESG criteria to all of its active and passive fund management activities in the coming years. Additional information can be found here:

- ▶ <http://about.amundi.com/A-committed-player/Developing-responsible-finance>

BAWAG P.S.K. Versicherung also offers attractive solutions in the areas of retirement savings, hedging and investment for BAWAG P.S.K. customers. BAWAG P.S.K. Versicherung is a subsidiary of Generali Group and is therefore subject to its economic, social and environmental guidelines. Additional information can be found here:

- ▶ <https://www.bawagpsk-versicherung.at/ueber-uns/nachhaltigkeit-soziale-verantwortung/>

- ▶ <https://www.generali.at/privatkunden/ueber-uns/nachhaltigkeit-csr/>
- ▶ <https://www.generali.com/our-responsibilities>

When it comes to building society savings and loan agreements, we work with Bausparkasse Wüstenrot – in addition to our own offering of start:bausparkasse – to offer our customers savings and loan agreements as a low-risk savings option and affordable financing opportunity for buying an apartment, fulfilling the dream of owning a home and renovating existing living space. In addition to obtaining building financing, customers can also invest for education or retirement needs.

- ▶ <https://www.wuestenrot.at/de/ueber-uns/konzern.html>

A long-term sales agreement with Allianz Vorsorgekasse allows BAWAG P.S.K. to offer solutions for company pension schemes to corporate customers. The Austrian Society for Environment and Technology reviews the investment concept of Allianz Vorsorgekasse on an annual basis and evaluates its investments according to ethical and ecological criteria. In addition, the company receives awards for sustainable investment every year.

- ▶ <https://www.allianzvka.at/warum-allianz/nachhaltigkeit.html>

PRODUCTS AND SERVICES

Financing with added value for rural areas

Many companies, municipalities and public sector entities trust BAWAG P.S.K. when it comes to financing and realizing their projects. The majority of the infrastructure undertakings the Bank has (co)financed in recent years have been projects that promoted the expansion and improvement of infrastructure in rural areas throughout Austria. In 2018, the individual financing volumes ranged from € 0.5 million to € 7 million and went to the following projects:

- ▶ Retirement homes, nursing homes
- ▶ Preschools
- ▶ Educational facilities such as elementary schools, music schools and training centers
- ▶ Local streets, bridges and forest roads

- ▶ Municipal housing construction projects
- ▶ Administrative buildings
- ▶ Swimming pools
- ▶ Aqueducts, water towers and fully biological wastewater treatment plants

The majority of the orders within the projects are passed to regional companies. This helps contribute to the creation of additional jobs in rural areas.

In addition, BAWAG P.S.K.'s corporate customers include companies that promote the expansion of alternative power generation systems, build important healthcare facilities, contribute to the preservation of plant and animal habitats in Austria, advance the progress of electromobility and provide training and education for people who are disabled or difficult to employ.

Sustainable investment funds

The total volume of assets managed by Amundi Austria, BAWAG P.S.K.'s asset management partner, in socially responsible investments (SRI funds) amounted to € 2.5 billion at year-end 2018. Investments in sustainable investment products – the three retail funds “Amundi Ethik Fonds”¹⁾, “Amundi Öko Sozial Rent” and “Amundi Öko Sozial Stock” – totaled € 454 million, € 231 million and € 108 million, respectively, as of 31 December 2018.

All three funds are certified with the EUROSIF Transparency Logo for SRI funds and were awarded the Austrian Eco-label for Sustainable Financial Products. A total of around € 1.7 billion is invested in a further nine special mandates, one of which is also certified with the Austrian Eco-label for Sustainable Financial Products.

easy green energy

The Austrian power and gas utility easy green energy is a subsidiary of easybank that was founded in 2015. The company supplies approximately 70,000 customers throughout Austria with green electricity and natural gas. The company's offerings have been certified with the Austrian Eco-label since the year it was founded. easy green energy is a model example of a company within BAWAG Group with a sustainable range of products that has won numerous awards.

0% car loan

The zero-interest loan promotion, which aimed at enabling private individuals to buy a new car, was repeated for the fourth time in spring 2018. Financing was provided without interest or fees for new cars that emit 136 grams of CO₂ per kilometer or less. In this way, BAWAG P.S.K. made a major contribution to replacing older, high-pollution vehicles with modern, low-emission cars.

“New Chance” account

The number of “New Chance” customers continued to increase in 2018. The BAWAG P.S.K. “New Chance” account is designed for people who otherwise would be excluded from electronic payment transactions. Neither the account number nor the bank routing code contain any indications that it is a non-credit account. This prevents customers from being directly or indirectly stigmatized when executing their financial transactions. At BAWAG P.S.K., a total of 36,000 customers have a “New Chance” account.

Barrier-free self-service machines

Along with the modern and intuitive design of the BAWAG P.S.K. branches that will be opened all over Austria as part of the restructuring of the branch network, all of the ATMs at BAWAG P.S.K.'s branches are barrier-free. This is being expanded to include all of the other self-service machines on an ongoing basis. The machines allow users to increase the level of contrast. These functions were implemented in accordance with the criteria of the Austrian Federation of the Blind and Partially Sighted. People with visual impairments can use the machines in a way that meets their needs and select a high-contrast display with larger fonts and no pictures or animations, for example. As in the past, customers can use the audio function to get assistance with checking their account balance, withdrawing money and managing their PIN. Südwestbank's self-service machines also meet these requirements.

Partner for non-profit organizations

BAWAG P.S.K. has been the main bank for many charitable organizations in Austria for decades. Some 150 non-profit and non-governmental organizations are long-standing customers.

BAWAG P.S.K. provides special conditions for transferring donations and has charged a reduced fee of € 0.55 per cash transfer for a wide range of charitable causes at its branches for years.

In addition, BAWAG P.S.K. regularly waives deposit fees for donations, for example for aid for the flooding in Carinthia in 2018.

SOCIAL RESPONSIBILITY AND PERSONAL COMMITMENT

At BAWAG Group, we want to live up to our social responsibility and do our part when it comes to socially relevant issues. By focusing on education, culture, social affairs and the crowdfunding platform (www.crowdfunding.at), BAWAG Group sharpens its perception profile. We see ourselves as a partner at eye level who plays an active role in creating partnerships and developing projects. It is important to us to support projects on a long-term basis and give our commitment to initiatives for many years. Therefore, many of our campaigns and measures have a long tradition.

BAWAG P.S.K.'s efforts on behalf of "Licht ins Dunkel", for the blood drives organized by the Austrian Red Cross and for the Caritas learning cafés have been key elements in the

Bank's social activities for years. Südwestbank awarded the "Südwestbank-Preis" for the 22nd time in 2018 and thereby extended its commitment to promoting science in its region.

We would like to emphasize the fact that many projects and initiatives would not be possible without the personal dedication of BAWAG Group's employees over many years. We are extremely proud to be able to count on the contributions of our employees.

At the same time, working together for the benefit of social projects has a positive effect on the sense of solidarity within the company and helps to raise awareness for social responsibility within the Group.

INITIATIVES AND MEASURES

ES GEHT! initiative and "Mitten im Leben-Preis"

With ES GEHT!, BAWAG P.S.K. launched a successful initiative in 2014 that supports individuals, brings people and communities together and encourages society to work together to do good things. Projects dealing with issues related to working, living, education, healthcare, culture and technology are promoted and highlighted via the online platform www.es-geht.at and by employees at the BAWAG P.S.K. branches.

A significant contribution to the initiative came from BAWAG P.S.K.'s DANKESCHÖN loyalty program, in which customers and employees receive one DANKE point with a value of € 1 when they make a cashless payment of € 100, for example. The DANKE points can be used to support projects on the crowdfunding platform.

BAWAG P.S.K. became the first bank in Austria to enable projects of individuals or private organizations to obtain financing through crowdfunding with the introduction of its crowdfunding platform (www.crowdfunding.at).

In June 2018, BAWAG P.S.K. awarded the "Mitten im Leben Preis" for outstanding humanitarian efforts. The prize went to the "Wissensraum" project of the association Verein ScienceCenter Netzwerk, which converts vacant business spaces in socially disadvantaged districts of Vienna into science centers for a period of a few months. Among other things, the initiative promotes access to education and the dialogue in the districts. The

"Wissensraum" project received the € 3,000 "Mitten im Leben Preis" as well as € 15,000 in contributions from the ES GEHT! crowdfunding platform. As a result, the project received assistance totaling over € 18,000 in 2018.

"Licht ins Dunkel" und volunteer days

BAWAG P.S.K. has been supporting the "Licht ins Dunkel" initiative, which provides assistance for families and children in Austria, for over 40 years. In 2018, BAWAG P.S.K. has donated € 50,000 for "Licht ins Dunkel" projects.

Every BAWAG P.S.K. employee has the opportunity to spend up to two working days per year volunteering for non-profit organizations and projects without having to use any vacation time. Established in 2011, this initiative promotes and rewards the personal commitment of our employees and highlights the value of volunteer work. For example, employees volunteered at an inclusive soccer game in Gumpoldskirchen in Lower Austria in 2018.

Blood drives and "Bike to Work" campaigns

In 2018, blood drives were again held for the Austrian Red Cross at BAWAG P.S.K.'s locations on Georg-Coch-Platz and Buchengasse. The bank has been successfully supporting these campaigns since 1959. At the 148 blood drives that have been held so far, nearly 13,000

units of blood have been donated by employees for sick and injured people who need blood.

Again in 2018, a lot of employees biked to work together all over Austria as part of the “Bike to Work” campaign in May, which has motivated thousands of employees to cycle to work since 2011.

Support for Pink Ribbon Day

In October 2018, all of the advisors at BAWAG P.S.K.'s branches were given a pink ribbon to wear in order to raise awareness for the importance of the early detection of cancer (and specifically breast cancer in this case) and to destigmatize the disease.

Donation campaign against child poverty

Before the relocation of BAWAG Group's headquarters, employees were given the opportunity to buy items from the former shop of the “WAGNER:WERK – Museum Postparkasse” in exchange for a voluntary donation. Donations in the amount of € 7,200 were received and used to support projects combating child poverty and families in difficult situations.

Measures to promote education

The “Südwestbank-Preis”, which honors outstanding scientific achievements in the field of economics at the University of Hohenheim, was awarded again in 2018. The bank also grants scholarships to students and supports scientific work at the Walter Eucken Institute in Freiburg.

In addition, Südwestbank is a partner of the “Bildungs-Chancen-Lotterie”, thereby supporting Germany's first social lottery, which focuses on the promotion of educational projects.

Support for artists

Since 1998, Südwestbank has been supporting artists primarily from the Baden-Württemberg region with one exhibition per year and giving them the opportunity to present their works to a broad audience at private viewings and evening events in its premises.

In addition, Südwestbank supports art institutions in Baden-Württemberg such as the Staatsgalerie Stuttgart, the Kunststiftung Baden-Württemberg and the Kunsthalle Riegel/messmer foundation. It is also the art partner of the Stuttgart city museum.

STAFF DEVELOPMENT AND TRAINING, DIVERSITY AND EQUAL OPPORTUNITY

At BAWAG Group, we believe that our employees are one of our most important stakeholder groups. Their dedication and high-quality work allow us to be one of the most successful banks in Europe. Therefore, it is important for us to offer our employees a healthy work environment in which they can advance their careers, to value their performance and to accompany them on the path of transformation and digitalization.

We strive to analyze the risks that employees are confronted with and to take measures to limit them. Guidelines such as the Anti-Fraud Policy help our internal stakeholders to proactively deal with legal and regulatory requirements in their day-to-day work. In this way, we aim to minimize the risk of financial crimes. In addition, the increasing level of digitalization and changes in working

methods and the working environment have an impact on our internal stakeholders, which we strive to proactively address through various forms of communication. Our Women's Mentoring Program and Management by Objectives process, which provides an individualized, structured system of employee development, are aimed at reducing the risk of unequal treatment to a minimum. We have also been working to counter health risks that arise in day-to-day operations for years with active workplace health promotion.

Employees from over 40 countries work side by side at BAWAG Group every day. In 2018, we once again promoted open dialogue and solidarity at the "BAWAG Group Summer Bash," where 1,500 employees of the Group and their families spent a relaxed summer afternoon together.

Development of the number of employees

Headcount	2016	2017	2018
Number of employees as of 31 December	2,758	3,520	4,046

The turnover rate in 2018 was 8% (2017: 6%)¹⁾.

Gender distribution

in %	2016	2017	2018
Women	54%	57%	57%
Men	46%	43%	43%
Share of women in management positions	28%	27%	28%

Additional indicators pertaining to employees can be found in the Appendix starting on page 34 as well as in the GRI Index starting on page 38.

1) Exits with regard to the social plan and retirements are not considered. The calculation is based on full-time equivalents.

CHANGING WORKING ENVIRONMENT

New headquarters

In February 2019, BAWAG Group moved into its new headquarters "THE ICON VIENNA" at Vienna Central Station. Transparent, proactive internal communication was essential to ensure a smooth move. With this in mind, a project team made up of 25 internal employees along with external consultants was formed that has been handling all of the communication related to the relocation since the beginning of 2018.

In addition, "ICON dialogues" were organized at which people were able to ask questions related to the relocation. Internal workshops were also held for the division and department heads in order to give them guidelines for working in the new environment. The employees were also involved in making decisions about office furniture.

Digitalization

The digital transformation of the banking industry was an important internal topic in 2018. With this in mind, the "Retail Transformation Blog" was launched on the intranet in 2017. So far, 55 entries have been published on topics such as agile working, digital banking and retail partnerships. The restructuring of BAWAG P.S.K.'s branch network was also one of the key topics of the communication measures.

Agile working

In order to create a more dynamic and active working environment for the Digital & Data Office team, an "agile working model" was introduced in 2018. Information about the new processes, concepts and agility in general was developed in various projects and presented to all employees of the Digital & Data Office in multiple training courses in order to get employees onboard with this change process.

"Ideenbörse"

BAWAG Group employees have been able to submit internal feedback and innovative ideas quickly and easily since January 2018. BAWAG Group introduced a digital submission form on the intranet in order to make it easier for employees to contribute to the development of the Group with their ideas.

Since the launch, 150 ideas on the following topics have been submitted:

- ▶ Health and social issues
- ▶ Working environment and safety
- ▶ Products and services
- ▶ Customer experience and customer satisfaction
- ▶ Efficiency and cost reduction
- ▶ Image and competitive strength

PROMOTING DIVERSITY AND EQUAL OPPORTUNITY

Women's Promotion Plan

Since 2012, BAWAG has had a women's promotion program, which was jointly evaluated by the BAWAG P.S.K. Women's Initiative and the works council in 2018 and was agreed in writing with BAWAG P.S.K.

It serves as a binding framework to promote equality and equal opportunities for women and men in the enterprise.

The women's promotion program is based on four principles and concrete measures:

- ▶ Awareness raising
- ▶ Same career opportunities
- ▶ Financial equality Promoting a better balance between career and family for women and men, especially the provision of targeted information for employees before, during and after parental leave

BAWAG P.S.K. Women's Mentoring Program

The fifth round of the BAWAG P.S.K. Women's Mentoring Program started successfully in March 2018 and is geared towards all female employees of BAWAG P.S.K. and its subsidiaries who are interested in bettering themselves professionally and personally. For the current group, 15 mentees – some who work in managerial positions and some who do not – were selected from various units after applying for the program at their own initiative. Each of them will have a mentor at their side for the duration of the program.

The participants take part in exciting networking events and workshops during the year-long mentoring program. In 2018, for example, they were invited to a stimulating networking evening with the motto "Get to the Point! How to Show Your Stance and Clearly Position Yourself," where an external coach for managers, politicians and scientists provided them with interesting insights and input. The program also included business talks with members of BAWAG Group's Managing Board as well as other special guests.

Awarding of the sixth BAWAG P.S.K. Women's Prize

The BAWAG P.S.K. Women's Prize, which honors innovative projects, was awarded for the sixth time in October 2018. This year, the € 5,000 prize went to Martina Mara, a professor of robot psychology at Johannes Kepler University Linz, whose groundbreaking research makes her both a role model and a pioneer.

Career and family

In 2013, BAWAG P.S.K. committed to promoting a good balance between family and career under the framework of

a structured audit process and was awarded a certification as a family-friendly company, which was valid for three years. This certification was successfully renewed in 2016.

Various measures are planned for the coming years to strengthen the Bank's status as a family-friendly company.

Since 2014, all fathers at BAWAG P.S.K. have received two so-called daddy days, which are two days of special leave following the birth of a child in addition to the two days of special leave stipulated by the collective bargaining agreement. This gives fathers an additional four days for their families in total.

Südwestbank also received the three-year certification for an excellent work-life balance at the company in 2016 as part of the Audit berufundfamilie. This certification confirms a family-friendly human resources policy.

Information events for expectant parents

Again in 2018, expectant mothers and fathers received useful information about returning to the company and coordinating parental leave at an event that is held twice a year.

Welcome-Back-Event

In addition, Human Resources and the BAWAG P.S.K. Works Council have been organizing the welcome back event since 2009. Employees returning from parental leave are invited to inform themselves about news and developments at the Group. In November 2018, a total of 30 participants took part in the event, which was held for the tenth time this year.

FLEXIBLE HOURS IN THE WORKPLACE

The majority of the organizational units offer variable working hours within a set of defined operating hours. Telework agreements are facilitated to the extent possible with regard to operational needs and require employees to come into the office at least one day a week. Various time models can be agreed on an individual basis, and it is

possible to arrange either reduced daily working hours or an accumulated number of hours spread out over several days per week. There are also partial retirement models, educational and medical care leave, and part-time medical care models that allow employees to balance their private and personal needs with work.

TRAINING AND EDUCATION

In order to ensure that the right employees are working in the right positions while having a structured career path, the main training focus in 2018 was again on planning career paths and human resource development. The focus was on keeping the staff up to date for new challenges as well as meeting all regulatory requirements – also supported by self-learning programs and respective quick checks.

We empower our employees to confront the challenges of their day-to-day work through professional and personal growth. This includes not only the expansion of their specialized knowledge, but also topics such as time and stress management. The training also includes various IT, English and first aid courses.

At BAWAG P.S.K., we use the HR ONE learning and performance management platform for training purposes. It provides support in the sales management process and is expanded with self-directed learning programs and tutorials on an ongoing basis. The methods used in this context include blended learning on the basis of mixed courses with online and on-site elements as well as social learning, in which participants learn with and from one another.

Employees at Südwesbank are also offered a wide range of internal and external seminars on various topics such as personal development, technology training, specialized knowledge and sales. After the courses, the employees' satisfaction with the training is evaluated

Südwesbank places particular emphasis on needs-based personnel development. The HR Development department plans measures aimed at ensuring the continuous, systematic development of the employees in close cooperation with the executive management team and the division heads. Support is also provided for employees' individual education in the form of bachelor's and master's degree programs.

In 2018, a total of 18,233 seminar days (lasting eight hours each) were completed within BAWAG Group. Each employee completed an average of 4.8 days of training and education. The female employees completed a total of 7,742 days, which translates to an average of 3.8 training days. The male employees took part in 10,491 training days in total, which results in an average of 5.8 days.

Finance Day

In 2018, the first-ever Finance Day was held with over 30 internal participants from various departments of BAWAG P.S.K. with a focus on finance. Along with presentations on strategy, M&A, accounting and controlling, a Q&A session with the CFO at BAWAG Group provided the participants a good overview of the interfaces within the company.

Apprentice training

BAWAG P.S.K. has been successfully training apprentices for years and has received numerous awards, for example the “Beste Lehrbetriebe – Fit for Future” state prize. Providing young people with goals and prospects for the future is a task that was once again taken very seriously in 2018. A total number of 39 training apprentices worked at BAWAG P.S.K. in 2018. With its qualified banker apprenticeship program, the Bank provides high-quality training aimed at enabling the apprentices to be hired as qualified customer advisors at the end of their apprenticeship. In 2018, 12 apprentices successfully completed their apprenticeships – half of them with honors. In addition to the comprehensive training program, the Bank supports and encourages young people to complete an apprenticeship in combination with attaining a secondary school leaving certificate, thus earning a second qualification in addition to their vocational training.

Numerous new apprentices began their training in Vienna, Linz, Salzburg and Graz in fall 2018.

BAWAG P.S.K. apprentice at Finanzguru competition

As part of a multi-bank project, all first-year apprentices took part in a competition organized by Finanzguru in cooperation with the Berufsschule Wien vocational school. Students and youths explain complex financial topics in creative videos on the website derFinanzguru.at. An independent jury of experts selected the best videos.

Sales Talent Management and Sales Academy

The “Sales Talent Management” and “Sales Academy” programs focus on BAWAG P.S.K. sales employees. The sales training offered in the “Sales Academy” combines three essential elements: specialized knowledge as the basis for success, sales in the form of motivating training courses in sales methods and the development of managers. This provides all sales employees with well-rounded training tailored to their needs and includes training units covering topics such as securities, insurance products, home loans, sales and small business customers.

“Leaders’ Basics” is the internal training program for potential branch managers in sales and ensures the

development of future managers from the Bank’s own ranks. The participants are nominated as part of the “Sales Talent Management” succession planning process. They go through a challenging program of technical and personal development training to prepare them to manage a branch. The training course is concluded with an exam conducted by an examination board.

The goal of these activities is to define the training needs in retail sales, find high-potential employees for defined positions, derive individual measures and thus facilitate targeted training and succession planning.

Talent development, succession and career planning

Talented and qualified employees who show commitment and engagement are a key success factor for BAWAG Group. The banking landscape is undergoing constant changes and therefore it is our ultimate goal to promote a high-performing work environment where we can strive together as a team for long-term success. We are promoting professional as well as personal development with targeted programs. There is a clearly defined process in place in order to identify high potentials and develop potential successors for key functions. At the end of every year, the Managing Board discusses all potential successors in the so called “Talent Review”. Additionally, it is aligned how to deal with potential succession risks.

In our central unit, we offer the “forTalents” program. This program is especially tailored to support the participants, who are groomed for new management and expert positions, in both professional and personal development. Furthermore, they can broaden their network as this program covers all different functions within the central unit. 13 of the 20 participants in the current group are women, and 55 of the 110 total participants thus far have been women, 29 of whom already have management responsibilities.

To attract young top talents from university, we offer the “Start & Move” traineeship. The one-year program provides the trainees with a detailed overview of the organization and allows them to develop their initial internal network. In the current program, there are seven female participants and eight male participants.

„Come & Learn": The 2018 internship program

In order to give students interesting and diversified insights into working life, BAWAG P.S.K. offered 24 students the opportunity to get to know the company and actively work on projects and tasks for up to six months. This allowed the interns to not only gain valuable on-the-job experience in various areas, but also to familiarize themselves with the workflows and processes at the Bank and thus potentially lay the foundation for a successful career in banking.

Leadership Development

Leadership is a constant development process. Accordingly, the leadership development program encompasses a wide range of offerings. The program focuses on a high level of practice-oriented learning, the targeted development of leadership skills, sharpening managers' self-reflection skills and employee guidance and development.

In retail sales, for example, the leadership development activities are based on a potential assessment that is supervised by external experts and aimed at identifying an individual's personal strengths and areas for development. On this basis, we offer a training program that addresses exactly the skills that are needed for leadership.

In 2018, the "LEAD neue Führungskräfte" leadership curriculum was again held in our central units. The program provides support and guidance for new members of the management team during their first year in their new function and serves as a platform to discuss day-to-day leadership challenges. The 21st group started the program in October 2018.

Experienced leaders and management teams were supported through individual (management) coaching and targeted change management measures again in 2018. The focus was on individual advice and optimal assistance for the managers (and their teams) from HR Development and selected consultants.

The "After Work Führungskräfte Forum" was successfully continued in 2018. This initiative is a platform where our managers can learn more about new developments in management and leadership and also exchange professional knowledge and experiences. The high interest in this event is a testament to its success.

Management by Objectives process

BAWAG Group's remuneration policy is balanced in rewarding the performance, the competence and level of responsibility of the employees. Our "Management by Objectives" (MbO) approach remains a key management tool for supporting our business strategy. Setting targets in the yearly MbO process is important for the development of the bank and the performance of the employees. The performance evaluation reflects the employee's professional and social competence and the achievements of the individual as well as Group targets. The MbO dialogues are held on a top down basis to guarantee that the overall bank targets are spread across each level. Two dialogues are part of the yearly MbO process, while based on a flat hierarchy within the bank, the regular dialogue between employees and the respective superior is given.

Recruiting award

BAWAG P.S.K. was awarded the silver medal in the "Best Recruiter 2018" ranking and was named the best recruiter in its industry for the seventh time in total. In the annual analysis of over 500 Austrian companies, the Bank showed once again that it competes at the front of the pack in the "war for talent" among banks. A total of 133 criteria were evaluated in the categories career homepage, social media, mobile recruiting, online job advertisements, online job exchanges, transparency, usability in the application process as well as response to contacts by applicants.

WORKING HEALTH PROMOTION

One of the cornerstones of our workplace health promotion activities is the range of services offered by the company physician's offices, which includes the following:

- ▶ Occupational health examinations and assessments
- ▶ Treatment of acute illnesses
- ▶ Vaccination campaigns
- ▶ First aid measures
- ▶ Free annual checkups
- ▶ Massage therapist at the locations of the company physician's offices

The measures implemented in this area in 2018 included the second "BAWAG P.S.K. Health Day," the workshop series "Fit & Focused in the Workplace," eye exams for employees at the central locations, the "Workshop for Healthy Eyes" and the "Healthy Fall" mental coaching session, which included tips for how to quit smoking.

In addition, BAWAG P.S.K. has offered its employees support and counseling in the area of occupational psychology since 2010. Employees can take advantage of these offerings in the form of individual counseling sessions, among other options.

Evaluation of psychological stress factors in the workplace

The prevention of work-related psychological stress factors was expanded to include new areas. The results of the online survey were analyzed by our external occupational psychologists from the occupational health service "Arbeitsmedizinischer Dienst" and reported to the division heads. The survey results were discussed, and possible solutions and improvements were developed with employees at the subsequent workshops. The division heads are responsible for the implementation of the measures that were developed.

ENVIRONMENTAL AND CLIMATE PROTECTION

Even though the direct environmental impact of banks is very limited, BAWAG Group consistently supports the reduction of the consumption of natural resources. In addition, BAWAG Group is aware of its indirect responsibility and pays attention to possible environmental hazards arising from its financing business.

BAWAG Group sets itself the goal to keep the environmental impact caused by products, services and the day-to-day work activities of all employees as low as possible. In 2018, our efforts to improve the Group's ecological footprint and contribute to environmental and climate protection were particularly reflected in the restructuring of the BAWAG P.S.K. branch network and the Group-wide digitalization of processes in order to reduce paper consumption.

We will continue to focus on the environmental impact of our office and branch operations and our travel activities, for example. We intend to take continuous measures to keep the effects to a minimum.

Our actions are oriented towards the basic approach of wanting to do our part to minimize the impact of climate change on ourselves and other sectors of the economy through our long-term, incremental measures. To this end, BAWAG Group is pursuing the development of the EU Action Plan. Within this framework, a uniform concept is to be established in the financial sector in order to uniformly evaluate sustainable investments.

Key environmental figures¹⁾

	Unit	2016	2017	2018
Material consumption				
Paper use	kg	31,200,500 ²⁾	162,446	161,847
Account statement envelopes	Pieces	7,862,000	6,670,433	7,034,210
Energy consumption³⁾				
Electricity				
Buchengasse/Quellenstraße	kWh	6,119,480	5,966,880	5,697,040
Georg-Coch-Platz	kWh	3,427,320	3,260,320	3,368,520
Am Tabor	kWh	2,385,420	2,356,720	2,076,760
Branches ⁴⁾	kWh	6,069,413	5,781,643	5,424,091
Total power consumption	kWh	18,001,633	17,365,563	16,566,411
Heating for central locations (district heat)				
Buchengasse/Quellenstraße	kWh	2,843,999	3,169,681	2,978,350
Georg-Coch-Platz	kWh	2,840,692	3,380,602	3,147,946
Am Tabor	kWh	254,601	297,580	268,200
Heating for central locations	kWh	5,939,292	6,847,863	6,394,496
Heating for branches ⁴⁾				
Gas	kWh	1,948,458	2,195,801	2,264,344
District heating	kWh	533,094	564,099	547,665
Space heating for branches	kWh	2,481,552	2,759,900	2,812,009
Vehicle fleet / Mobility ⁵⁾				
Gasoline fleet	kWh	38,979	236,663	167,044
Diesel fleet	kWh	481,791	2,864,420	889,966
Travels by air	kWh	1,147,494	1,950,556	2,473,922
Total energy consumption	kWh	28,090,741	32,024,965	29,303,848
CO₂ emissions⁶⁾				
Scope 1 – direct emissions				
Vehicle fleet	t CO ₂ -e	113	696	275
Heating (gas)	t CO ₂ -e	468	527	614
Subtotal Scope 1	t CO ₂ -e	580	1,223	889
Scope 2 – indirect emissions				
Electricity	t CO ₂ -e	5,040	5,244	4,108
District heating	t CO ₂ -e	1,165	1,416	1,409
Subtotal Scope 2	t CO ₂ -e	6,205	6,660	5,518
Scope 3 – other emissions				
Travels by air	t CO ₂ -e	697	1,200	1,718
Subtotal Scope 3	t CO ₂ -e	697	1,200	1,718
Total CO ₂ emissions (scope 1 – 3)	t CO ₂ -e	7,482	9,083	8,124

1) The environmental key figures of Südwestbank AG were not fully available in 2018 and were therefore not included. A table with the available environmental figures of Südwestbank AG can be found in the appendix (page 37).

2) For 2016, the figures are presented in A4 pages.

3) The energy consumption data is presented based on current billing information. Due to varying billing periods, the presentation of data on one single cut-off date is not possible.

4) In the numbers, own branches are presented (excluding rented branches).

5) The conversion of vehicle kilometers or passenger kilometers into kilowatt hours was performed in accordance with the currently published factors of the Federal Environmental Agency.

6) Slight deviations may occur due to rounding of the decimal places. The method of calculating the CO₂ balance is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and refers each year to the currently published emission factors of the Austrian Federal Environment Agency. In addition to CO₂, all other gases with GHG potential – u. a. Methane, nitrous oxide – are taken into account according to their climatic impact. Scope 2 emissions are based on the "Location Based" method.

ENVIRONMENTAL ACTIVITIES

Suppliers

The “Supplier Code of Conduct” defines our expectations of suppliers with regard to environmental protection. In addition, we oblige our suppliers to respect fundamental rights, health and safety of their employees and refer to anti-corruption regulations. In the course of supplier evaluation, commercial, technical/technical, legal and general parameters relating to future cooperation are comprehensively examined and evaluated.

Digitalization of processes

Numerous BAWAG Group companies digitalized processes in 2018 and thereby helped to reduce the consumption of paper:

- ▶ BAWAG P.S.K. began sending amendments to the general terms and conditions electronically to customers' digital banking mailboxes in 2018. This allowed the Bank to eliminate over 500,000 letters and save the associated paper.
- ▶ By providing the fee schedule for payment accounts in electronic form, BAWAG P.S.K. will be able to avoid printing up to 4.5 million fee schedules.
- ▶ Paper will be saved in various places at BAWAG P.S.K.'s new branches in line with the goal of creating “paperless branches.” For example, documents will not be printed out unless customers explicitly request it, and will instead be delivered electronically. Contracts will also be signed electronically. This will allow the consumption of paper to be significantly reduced.
- ▶ easybank expanded its digitalization measures in order to reduce the quantity of paper that is printed out. Documents were digitalized in 2018 and the employees of the direct bank were encouraged to work digitally.
- ▶ In addition, easybank laid the foundation for a fully digitalized application process with the relaunch of its website. Customers no longer have to print out product applications in order to sign them. In this way, the direct bank also intends to motivate its customers to use less paper.

Clean energy for locations

Two of the up to 26 new BAWAG P.S.K. branches are already being supplied with electricity by easy green energy, which is certified with the UZ 46 environmental seal.

Südwestbank's locations use “GENO Strom NATUR” from GENO Energie GmbH. The “GENO Strom NATUR” product supplies certified green electricity to households, companies and agricultural enterprises in Germany. The energy needs at Südwestbank's headquarters are covered with renewable hydroelectric power that is generated with no emissions.

Optimization measures have been implemented at Südwestbank's headquarters on an ongoing basis since 2009 in order save resources, cut costs and reduce emissions. This includes improvements to systems and more efficiently designed operating methods. A new lighting system featuring intelligent light control based on the level of natural light was installed in 2017. In addition, high-insulation, energy saving glass was installed in all of the windows.

Employee clean energy campaign

In 2018, employees of BAWAG Group had the opportunity to receive an exclusive employee bonus by switching from their previous energy supplier to easy green energy.

Green mail and courier deliveries

In 2018, Österreichische Post AG again delivered all BAWAG P.S.K. postal items on a carbon-neutral basis.

Südwestbank has been sending letters and packages on a carbon-neutral basis with GOGREEN since 2013. The CO₂ emissions of all items sent is calculated precisely using an independent measurement system. The greenhouse gases are neutralized by providing support for various climate protection projects. In addition, Südwestbank uses an electric car for intracity courier deliveries.

New energy-efficient headquarters

THE ICON VIENNA has been BAWAG Group's new headquarters since February 2019. The new offices boast modern amenities and maximum energy efficiency and provide an inspiring and effective working environment for our employees.

As the building is integrated into Vienna Central Station, it features infrastructure that gives the location the highest level of working quality and quality of life – including optimal transport connections as well as local shopping,

service and recreational facilities – and will contribute to ensuring a good work-life balance for our employees.

THE ICON VIENNA will be supplied with clean electricity from easy green energy in the future. As a result, the majority of BAWAG Group's locations in Austria – including all of the redesigned BAWAG P.S.K. branches and the headquarters – will use electricity from renewable sources.

The building strives to achieve the highest Leadership in Energy and Environmental Design certification of Platinum.

11 March 2019



Anas Abuzaakouk
Chief Executive Officer



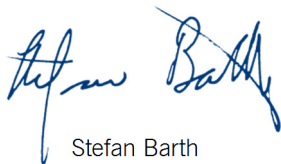
David O'Leary
Member of the Managing Board



Enver Sirucic
Member of the Managing Board



Andrew Wise
Member of the Managing Board



Stefan Barth
Member of the Managing Board



Sat Shah
Member of the Managing Board

SUSTAINABILITY PROGRAM

CSR strategy

Goal: Strengthening the CSR activities and the awareness of CSR

Improving in rankings of sustainability rating agencies

Time horizon

Ongoing

Ethics and integrity

Goal: Ensuring compliance with all guidelines and policies

Focusing on data protection, on information and IT security as well as on fraud prevention

Time horizon

Ongoing

Responsibility towards customers

Goal: Appropriate products and services for every life circumstance and every stage of life

Continuing with the “New Chance” account and with offering sustainable investments

Time horizon

Ongoing

Sustainability in our core business

Goal: Being a reliable financial partner for retail and commercial customers and for the regional economy

Introducing sustainability criteria in the product implementation process

Expanding the range of sustainable offerings in our core business

Time horizon

H1 2019

H2 2019

Social responsibility and personal commitment

Goal: Strengthening the Volunteer Days and pushing the ES GEHT! initiative

Expanding opportunity to spend volunteer days to all BAWAG Group employees

Screening, selecting and communicating of suitable ES GEHT! projects

Time horizon

H1 2019

Ongoing

Staff development and training, diversity and equal opportunity

Goal: Appreciation and advancement of employees

Increasing the ratio of women in management positions by implementing the Women’s Promotion Plan

Raising awareness for and establishing paternity leave, “daddy month” and special vacation for new fathers

Supporting employees with changing working environment due to digitalization, agile way of working and the new headquarters

Time horizon

Ongoing

Ongoing

Ongoing

Environmental and climate protection

Goal: Reducing our environmental impact so as not to endanger the basis of life for future generations

Relocating to new headquarters and switching to sustainable energy supplier easy green energy

Switching to sustainable energy supplier easy green energy at redesigned BAWAG P.S.K. branches

Continuing of measures to reduce paper consumption

Time horizon

Q1 2019

Q4 2020

Ongoing

APPENDIX

Table 1: Composition of workforce / governance bodies by age group and gender

		Age group			Total
		<30	30-50	>50	
31.12.2018					
Men	Managing Board		6		6
	Division managers / senior managers		25	10	35
	Regional division and sales managers / sales managers / department managers		73	25	98
	Branch managers / group managers / team managers	12	120	43	175
	Non-management functions	238	577	626	1,441
Total (men)		250	801	704	1,755
Women	Managing Board				0
	Division managers / senior managers		4		4
	Regional division and sales managers / sales managers / department managers	2	33	3	38
	Branch managers / group managers / team managers	6	60	14	80
	Non-management functions	480	1,026	663	2,169
Total (women)		488	1,123	680	2,291
Total		738	1,924	1,384	4,046
31.12.2017					
Men	Managing Board		6		6
	Division managers / senior managers		20	8	28
	Regional division and sales managers / sales managers / department managers		57	14	71
	Branch managers / group managers / team managers	10	108	28	146
	Non-management functions	152	492	601	1,245
Total (men)		162	683	651	1,496
Women	Managing Board				
	Division managers / senior managers		1		1
	Regional division and sales managers / sales managers / department managers	1	24	3	28
	Branch managers / group managers / team managers	7	44	14	65
	Non-management functions	372	956	602	1,930
Total (women)		380	1,025	619	2,024
Total		542	1,708	1,270	3,520

	31.12.2018	31.12.2017
Supervisory Board ¹⁾	9	9
thereof men	6	6
thereof women	3	3

1) Age group Supervisory Board 2017: 1 female member and 1 male member 30 - 50 years, 7 members male/female > 50 years;
Age group Supervisory Board 2018: 1 female member 30 - 50 years, 8 Supervisory Board members male / female > 50 years

Table 2: Workforce by nationality

31.12.2018	Austria	Germany	Others
Managing Board	1	1	4
Division managers / senior managers	25	5	9
Regional division and sales managers / sales managers / department managers	108	20	8
Branch managers / group managers / team managers	207	42	6
Non-management functions	2,980	426	204
Total	3,321	494	231

31.12.2017	Austria	Germany	Others
Managing Board	1	1	4
Division managers / senior managers	20	2	7
Regional division and sales managers / sales managers / department managers	95	1	3
Branch managers / group managers / team managers	202	4	5
Non-management functions	3,007	48	120
Total	3,325	56	139

Table 3: Employees leaving (headcount)

	31.12.2018	31.12.2017
By country		
Austria	449	423
Germany	251	
Others	2	
By age group		
<30	185	104
30–50	300	200
>50	217	119
By gender		
Women	360	201
Men	342	222

Table 4: Employees leaving (in percentages)

	31.12.2018	31.12.2017
By age group		
<30	26%	25%
30–50	43%	47%
>50	31%	28%
By gender		
Women	51%	52%
Men	49%	48%

Table 5: New hires (headcount)

	31.12.2018	31.12.2017
By country		
Austria	581	393
Germany	22	1
Others	10	7
By age group		
<30	374	204
30–50	198	174
>50	41	23
By gender		
Women	331	252
Men	282	149

Table 6: Education days according to position

	Total days	Average days
Managers		
Women	915	6.7
Men	2,540	7.6
Employees sales		
Women	4,493	6.9
Men	5,731	10.2
Employees central locations		
Women	2,334	1.9
Men	2,220	2.4

Table 7: Degree of employment arrangement

	31.12.2018	31.12.2017
Full-time	2,470	2,107
Women	1,144	994
Men	1,326	1,113
Part-time	1,576	1,413
Women	1,147	1,030
Men	429	383

Table 8: Term of employment

	31.12.2018	31.12.2017
Indefinite	3,739	3,286
Women	2,133	1,906
Men	1,606	1,380
Temporary	307	234
Women	158	118
Men	149	116

Table 9: Key environmental figures Südwestbank¹⁾

	Unit	2018
Electricity		
Rotebühlstraße	kWh	2,318,105
Schwabstraße	kWh	91,470
Branches	kWh	729,871
Total power consumption	kWh	3,202,446
Heating for central locations (district heat)		
Rotebühlstraße	kWh	1,087,657
Schwabstraße	kWh	23,456
Heating for central locations	kWh	1,111,113
Heating for branches²⁾		
Gas	kWh	1,009,585
District heating	kWh	85,557
Space heating for branches	kWh	1,095,142
CO₂ emissions³⁾		
Scope 2 – indirect emissions		
Electricity	t CO ₂ -e	1,566
District heating	t CO ₂ -e	372
Subtotal Scope 2	t CO ₂ -e	1,938

1) The key environmental figures of Südwestbank AG for Paper (Paper use, Account statement envelopes) and Vehicle fleet / mobility (Gasoline fleet, Diesel fleet, Kilometers traveled by air) were not yet fully available in 2018. Therefore, they are not shown in this table. As a consequence, the figures for CO₂ emissions „Scope 1 – direct emissions“ and „Scope 3 – other indirect emissions“ are not presented.

2) Heating oil is not included (in the period 2017–2018, around 27,000 liters of heating oil were purchased).

3) The calculation method of the CO₂ balance is based on the "Greenhouse Protocol Corporate Accounting and Reporting" standard and refers to the published emission factors of the German Federal Environment Agency.

GRI INDEX

This GRI Index was prepared in accordance with the current guidelines of the Global Reporting Initiative (GRI Standards, Core “In Accordance” option, including disclosures specified by the set of industry-specific indicators for financial services). All data refer to the year 2018 or 31 December 2018, unless otherwise stated.

The key focuses of action were identified by BAWAG Group in the course of the materiality analysis process. These were assigned to the individual GRI topics. The following table provides an overview of the material topics and the corresponding GRI indicators according to the GRI Standards.

Focuses of action	GRI topics (codes)
Economic success	201
Ethics and integrity	205, 206, 415, 418, 419
Responsibility towards customers	417
Sustainability in our core business	203, 204, 412, FS7, FS8, FS11
Social responsibility and personal commitment	413, FS14
Staff development and training, diversity and equal opportunity	401, 404, 405, 406
Environmental and climate protection	205, 301, 302

GENERAL DISCLOSURES

GRI code	Content according to GRI Standards (Core)	Reference/Comments	
	102-1	Name of the organization	p. 49
	102-2	Activities, brands, products, and services	p. 6
	102-3	Location of headquarters	p. 49
	102-4	Location of operations	https://www.bawaggroup.com
	102-5	Ownership and legal form	p. 6
	102-6	Markets served	p. 6
	102-7	Scale of the organization	p. 7 (BAWAG P.S.K. and Südwestbank 156 branch offices, 4 central locations, 5 other locations)
	102-8	Information on employees and other workers	p. 21 (no significant share of not employed workers)
Organizational profile	102-9	Supply chain	p. 17, 30; BAWAG Group is supplied by around 30 suppliers, most of whom are regional (Austrian and German), with office equipment (including hardware), office supplies and marketing materials
	102-10	Significant changes to the organization and its supply chain	p. 17
	102-11	Precautionary Principle or approach	p. 11–12
	102-12	External initiatives	p. 11–12
	102-13	Membership of associations	Transparency International (Austrian Chapter), UN Global Compact, UN Global Compact WEP
Strategy	102-14	Statement from senior decision-maker	p. 4
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	p. 11–12
Governance	102-18	Governance structure	p. 6, 12; Corporate Governance Report 2018 (p. 4–7)
	102-40	List of stakeholder groups	p. 9
Stakeholder engagement	102-41	Collective bargaining agreements	93% of BAWAG P.S.K. employees are covered by collective bargaining agreements
	102-42	Identifying and selecting stakeholders	p. 9
	102-43	Approach to stakeholder engagement	p. 9
	102-44	Key topics and concerns raised	p. 9
	102-45	Entities included in the consolidated financial statements	p. 5; Consolidated Annual Report 2018 (Note 47), available at https://www.bawaggroup.com/financial-results
Reporting practice	102-46	Defining report content and topic Boundaries	p. 5
	102-47	List of material topics	p. 10
	102-48	Restatements of information	p. 5
	102-49	Changes in reporting	p. 5
	102-50	Reporting period	p. 5

GRI code	Content according to GRI Standards (Core)	Reference/Comments	
Reporting practice	102-51	Date of most recent report	March 2018
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	p. 49
	102-54	Claims of reporting in accordance with the GRI Standards	p. 5, 38
	102-55	GRI content index	p. 38
	102-56	External assurance	p. 45–46

MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

Focus of action 1: Economic success

GRI code	Content according to GRI Standards (Core)	Reference/Comments	
Management Approach	103-1	Explanation of the material topic and its boundary	p. 6–8
	103-2	The management approach and its components	p. 6–8
	103-3	Evaluation of the management approach	p. 6–8
Economic Performance	201-1	Direct economic value generated and distributed	p. 7; Consolidated Annual Report 2018 (p. 3–4), available at https://www.bawaggroup.com/financial-results
	201-4	Financial assistance received from government	None

Focus of action 2: Ethics and integrity

GRI code	Content according to GRI Standards (Core)	Reference/Comments	
Management Approach	103-1	Explanation of the material topic and its boundary	p. 11–12, 19–20
	103-2	The management approach and its components	p. 11–12, 19–20
	103-3	Evaluation of the management approach	p. 11–12, 19–20
Anti-corruption	205-1	Operations assessed for risks related to corruption	The risk of fraud is assessed for each audit topic in the internal audits. This includes corruption. All locations are assessed in a multi-year audit cycle. In 2018, easygroup, the E2E business and the Südwestbank were audited.
	205-2	Communication and training about anti-corruption policies and procedures	p. 11; 100% of the Supervisory and Managing Board, as well as 95% of BAWAG P.S.K. employees in central locations were trained in 2018. The indicator is partially reported (this indicator is not required for correspondence with the Core reporting option).
	205-3	Confirmed incidents of corruption and actions taken	No incidents in the reporting period
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No incidents in the reporting period
Public Policy	415-1	Political contributions	No contributions in the reporting period
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	10 complaints by third parties that were deemed to be substantiated; 1 complaint by the supervisory authorities; 6 incidents of data leaks, data theft and data loss in connection with customer data. Measures for process improvements were derived.
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents in the reporting period

Focus of action 3: Responsibility towards customers

GRI code	Content according to GRI Standards (Core)	Reference/Comments	
Management Approach	103-1	Explanation of the material topic and its boundary	p. 13–15
	103-2	The management approach and its components	p. 13–15
	103-3	Evaluation of the management approach	p. 13–15
Marketing and Labeling	417-1	Requirements for product and service information and labeling	p. 16–18
	417-2	Incidents related to product and service information and labeling	3 warnings from a consumer protection organization, which were immediately taken into account
	417-3	Incidents of non-compliance concerning marketing communications	3 warnings from a consumer protection organization, which were immediately taken into account

Focus of action 4: Sustainability in our core business

GRI code	Content according to GRI Standards (Core)	Reference/Comments	
Management Approach	103-1	Explanation of the material topic and its boundary	p. 16–18
	103-2	The management approach and its components	p. 16–18
	103-3	Evaluation of the management approach	p. 16–18
Sector Disclosures: Product Portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	p. 16–18; The proportion of the total value is not shown because there is no uniform concept for valuation and no corresponding reporting is set up.
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	p. 16–18; The proportion of the total value is not shown because there is no uniform concept for valuation and no corresponding reporting is set up.
Sector Disclosures: Active Ownership	FS11	Percentage of assets subject to positive and negative environmental or social screening	p. 16; The proportion of the total value is not shown because there is no uniform concept for valuation and no corresponding reporting is set up.
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	p. 16–18
Human Rights Assessment	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	The Code of Conduct defines the standards for respecting human rights, which are mandatory for all business activities. This includes the conclusion of contracts. Beyond this, there are no human rights clauses in investment agreements/contracts.

Focus of action 5: Social responsibility and personal commitment

GRI code		Content according to GRI Standards (Core)	Reference/Comments
Management Approach	103-1	Explanation of the material topic and its boundary	p. 19–20
	103-2	The management approach and its components	p. 19–20
	103-3	Evaluation of the management approach	p. 19–20
Local Communities	FS14	Initiatives to improve access to financial services for disadvantaged people	p. 14, 18

Focus of action 6: Staff development and training, diversity and equal opportunity

GRI code		Content according to GRI Standards (Core)	Reference/Comments
Management Approach	103-1	Explanation of the material topic and its boundary	p. 21–27
	103-2	The management approach and its components	p. 21–27
	103-3	Evaluation of the management approach	p. 21–27
Employment	401-1	New employee hires and employee turnover	p. 21, 36
	404-1	Average hours of training per year per employee	p. 24, 36
Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	p. 26; In principle, all employees have annual performance reviews. In 2018, 93% of all BAWAG P.S.K.'s employees had their feedback interviews
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	p. 34–35 (Specification in absolute values)
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents in the reporting period

Focus of action 7: Environmental and climate protection

GRI code		Content according to GRI Standards (Core)	Reference/Comments
Management Approach	103-1	Explanation of the material topic and its boundary	p. 28
	103-2	The management approach and its components	p. 28
	103-3	Evaluation of the management approach	p. 28
Materials	301-1	Materials used by weight or volume	p. 29; The indicator is partially reported (paper use)
Energy	302-1	Energy consumption within the organization	p. 29
	302-2	Energy consumption outside of the organization	p. 29
Emissions	305-1	Direct (Scope 1) GHG emissions	p. 29
	305-2	Energy indirect (Scope 2) GHG emissions	p. 29
	305-3	Other indirect (Scope 3) GHG emissions	p. 29

INDEPENDENT ASSURANCE REPORT

We have performed an independent assurance on the consolidated non-financial report" ("NFI-report") for the financial year 2018 of

BAWAG Group AG,

("the Company").

Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI-Report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, Option "Core") as reporting criteria and publishes the NFI-report as "BAWAG Group Corporate Social Responsibility Report 2018

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for non-financial reporting (especially the selection of material topics) as well as the use of assumptions and estimates for individual non-financial disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems, processes and internal controls relevant for the preparation of the sustainability reporting in a way that is free of – intended or unintended – material misstatements.

Auditors' Responsibility and Scope of the Engagement

Our responsibility is to state whether, based on our procedures performed, anything has come to our attention that causes us to believe that the NFI-Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards), Option "Core", in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and

to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance, thus providing reduced assurance. In spite of conscientious planning and execution of the engagement it cannot be ruled out that material mistakes, unlawful acts or irregularities within the non-financial reporting will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

- ▶ Inquiries of personnel on corporate level, which are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of the Company;
- ▶ Conduct of a media analysis on relevant information concerning the sustainability performance of the Company in the reporting period;
- ▶ Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the disclosures on environmental, social- and employees matters, respect for human rights and anti-corruption and bribery, including the consolidation of the data;
- ▶ Inquiries of personnel on corporate level responsible for providing and consolidating and for carrying out internal control procedures concerning the disclosures on concepts, risks, due diligence processes, results and performance indicators;
- ▶ Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- ▶ Inquiry of employees as part of site visits at Stuttgart (Südwestbank AG) to assess local data collection and reporting processes and the reliability of the reported data;

- ▶ Analytical evaluation of the data and trend explanations of quantitative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all sites for consolidation at corporate level;
- ▶ Evaluation of the consistency of the for the Company applicable requirements of the Austrian Sustainability and Diversity Improvement Act (§267a UGB) and the GRI Standards, Option “Core” with disclosures and indicators of the NFI-report
- ▶ Evaluation of the overall presentation of the disclosures by critical reading of the NFI-report.

The procedures that we performed do not constitute an audit or a review in accordance with Austrian professional guidelines, International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE). Our engagement did not focus on revealing and clarifying of illegal acts such as fraud, nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to review future-related disclosures, figures from previous periods and statements from external information sources and expert opinions. Disclosures which were audited within the scope of the Annual Financial Statement were assessed for correct presentation (no substantial testing).

This assurance report is issued based on the assurance agreement concluded with the Company. Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions. The respective latest version of the AAB is accessible at <http://www.kpmg.at/aab>.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFI-Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§267a UGB) and the GRI Standards, Option “Core” in all material respects.

Vienna, 11 March 2019

KPMG Austria GmbH

Mag. Peter Ertl
Austrian Chartered Accountant

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)

COMMUNICATION ON PROGRESS (COP)

As a signatory to the UN Global Compact, BAWAG Group is committed to complying with its ten principles, which focus on labor standards, human rights, environmental protection and anti-corruption, and as a signatory to the UN Global Compact Women's Empowerment Principles (WEP) since

2015, BAWAG Group is committed to complying with the seven WEP. The CSR Report 2018 is also an annual Communication on Progress (COP). Examples are provided of how each principle has been and is being implemented within BAWAG Group.

THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT AND EXAMPLES OF THEIR IMPLEMENTATION

The 10 principles	Examples of their implementation
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights (COP 1)	p. 11–12 General/Principles/Guidelines: Code of Conduct
Principle 2: Businesses should make sure that they are not complicit in human rights abuses (COP 2)	p. 11–12 General/Principles/Guidelines: Code of Conduct, Supplier Code of Conduct
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining (COP 3)	General/Principles/Guidelines: Freedom of association and the authorization of labor unions are protected by law in Austria. There is an ongoing exchange of information between management and the Works Council, and new works council agreements are concluded on a regular basis.
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor (COP 4)	p. 11–12, 30 General/Principles/Guidelines: Supplier Code of Conduct; the majority of our suppliers are located in Austria or Germany. The topics of freedom of negotiation, compulsory labor, working hours and wages are covered in the Supplier Code of Conduct under item 3 "Respect for the basic rights, health and safety of employees."
Principle 5: Businesses should uphold the effective abolition of child labor (COP 5)	p. 11–12 General/Principles/Guidelines: Supplier Code of Conduct
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation (COP 6)	p. 11–12, 22–26 General/Principles/Guidelines: Code of Conduct, Recruiting Policies Measures/Results in 2018: Revision of the women's promotion plan, launch of the Women's Mentoring Program
Principle 7: Businesses should support a precautionary approach to environmental challenges (COP 7)	p. 28–31
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility (COP 8)	p. 28–31
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies (COP 9)	p. 28–31
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery (COP 10)	p. 11–12 General/Principles/Guidelines: Code of Conduct, Anti-Corruption and Gift Policy, Conflict of Interest Policy. The division Non-Financial Risk Management & Regulatory Compliance monitors compliance with the rules and regulations. All new hires must successfully complete training courses on the prevention of money laundering.

THE 7 UN GLOBAL COMPACT WOMEN'S EMPOWERMENT PRINCIPLES AND EXAMPLES OF THEIR IMPLEMENTATION

The 7 principles	Examples of their implementation
Principle 1: Establish high-level corporate leadership for gender equality	p. 22–24 Defined target ratio for the underrepresented gender in the Managing Board and Supervisory Board, Women's Promotion Program, Women's Mentoring Program, flexible working time models, point of emphasis in management development programs
Principle 2: Treat all women and men fairly at work – respect and support human rights and non-discrimination	p. 22–24, 26 Recruitment Policy, Women's Promotion Program For further indicators, see: 405-1, 406-1
Principle 3: Ensure the health, safety, and well-being of all women and men workers	p. 22–27 Career and Family Audit, generation management, information events for expectant parents, welcome back events for parents returning from parental leave, company daycare centers at two locations
Principle 4: Promote education, training, and professional development for women	p. 22–26 Women's Promotion Plan, Women's Mentoring Program, specific seminars focusing on the further development of women
Principle 5: Implement enterprise development, supply chain, and marketing practices that empower women	p. 23 Women's Prize
Principle 6: Promote equality through community initiatives and advocacy	p. 22–24 Women's Prize, Women's Initiative
Principle 7: Measure and publicly report on progress to achieve gender equality	Report on measures, objectives and achievements in the annual CSR Report and the Communication on Progress (COP)

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