



CORPORATE SOCIAL RESPONSIBILITY REPORT
2019



Disclaimer:

We have taken the greatest care in collecting and processing all data and information provided in this report. Nevertheless, errors cannot be completely ruled out. If this report contains statements on future developments or

expectations, these assumptions were made on the basis of the data and information available at the time of writing. Due to currently unforeseeable events, the statements made may therefore differ from actual events. We use gender-neutral terms such as "customers" and "employees" to refer to both women and men.

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Highlights 2019

19,092



Days of training

completed by employees

200,000 EURO

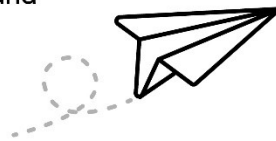
raised for

social projects in 

through www.crowdfunding.at-funding drives

„CSR-Milestone“

Introduction of ecological and social criteria in BAWAG Group product implementation process



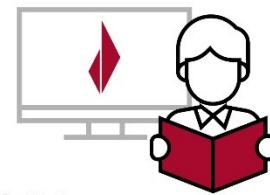
Start of

3

new

advanced training programs

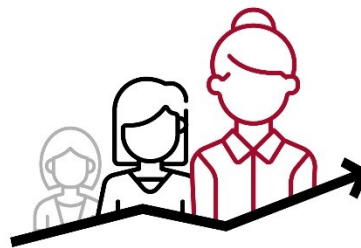
for employees



97%

share of **green electricity**

in total energy consumption 2019



34%

proportion of female managers

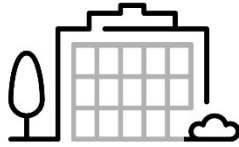
Share of BAWAG Group in Austria spending on

local suppliers



78%

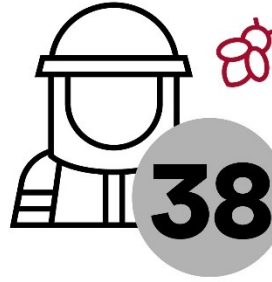
27



BAWAG P.S.K.

branches in new design
opened throughout

Austria in 2019



new beekeepers

have had their initial equipment
and bee colonies financed by the
www.crowdfunding.at community
since 2014

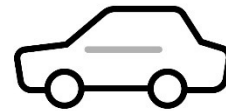
The proportion of
**sustainable
investments**
in the BAWAG P.S.K
portfolio has increased



4-fold

since 2018

25



**mobile
retail customer
advisors**

serve rural areas as of 2020

Over

170



**free customer education
events**

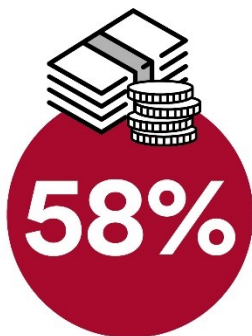
on the topic of digital banking

10



awards won

by BAWAG Group in 2019



of the total

lending volume has been extended in Austria

PREFACE



Ladies and Gentlemen,

The publication of a sustainability report provides me with the opportunity to update you on our sustainability initiatives and the progress we have made at BAWAG Group.

The past few years were defined by both organic and inorganic growth. Thus, it was important for us in 2019 to review our key sustainability as well as environmental, social and governance (ESG) topics and, more importantly, the impact of our actions. For BAWAG Group, acting sustainably means achieving and maintaining the right balance between economic, ecological and social objectives. Human rights, the 10 Principles of the UN Global Compact, the 7 UN Global Compact Women's Empowerment Principles and the 17 UN Sustainable Development Goals are among the fundamental cornerstones of our sustainability strategy.

Our employees and business partners are encouraged to use natural resources judiciously. We actively support measures aimed at protecting our natural surroundings and the environment. Our goal is to minimize any potential negative impacts resulting from our business activities. The preservation of the environment as the basis of life for future generations is one of the fundamental principles of our enterprise. BAWAG Group takes our role in society and our responsibility to act as a "good corporate citizen" very seriously. BAWAG Group has been a partner to a large number of non-profit and charitable organizations, which have been conducting their primary banking business with us for many years. In addition, we value the personal charitable involvement on the part of our employees, and support it through our "Volunteer Days" initiative at the Bank.

In 2019, we demonstrated the scope of our CSR engagement with the launch of various new initiatives – I would like to highlight just a few:

- ▶ At the beginning of the year, more than 1,200 of our employees moved into our headquarters at Vienna Central Station, where we wanted our new office concept to reflect our transformation. We invested a tremendous amount of effort into examining the daily work routine of our employees and considering their needs. In addition to employee-related aspects, environmental criteria were also an important consideration. The new location uses sustainable electricity supplied by easy green energy, a subsidiary of easybank. Our electricity is supplied entirely by hydropower from Austria. In addition, BAWAG Group has switched to green electricity not only at its

headquarters, but also at all BAWAG P.S.K. branch offices in Austria and our subsidiary in Switzerland.

- ▶ Our employees are the cornerstone of BAWAG Group's success. Our focus on diversity and equal opportunities is paramount to creating a meritocratic workplace. This is put into practice by our Human Resources team and is a focus area of the Managing Board and senior leadership. Team members from over 40 countries, from different age groups and from a wide range of ethnic and religious backgrounds work together at BAWAG Group. We reached an important milestone in 2019, as the percentage of women in leadership positions rose to 34%. We still have a ways to go, but I am proud of the progress we have made over the years.
- ▶ Within our sales teams, we became the first bank in Austria to build up a dedicated team of mobile advisory experts. This has generated a new physical channel for our advisors, enabling them to serve our customers at their homes. At the same time, we have increased our online offerings not only for retail customers, but also for SMEs.
- ▶ We have seen increased demand from our customers for investment products that take sustainability factors into account. We are pleased to offer such products from our partners Amundi and Savity through our various channels.

Understanding sustainability and ESG issues allows BAWAG Group to reduce risks and seize opportunities in underwriting and investment management. An even stronger focus on ESG issues over the coming years will support BAWAG Group's core business and CSR strategy. Our goal is to ensure that we live up to our corporate values, demonstrating responsibility in decision-making and developing a positive relationship with societal stakeholders. By scrutinizing as many aspects of our value chain as possible from an ESG perspective, BAWAG Group aims to extend its understanding of inherent risks while also capitalizing on potential business opportunities for the benefit of our customers, employees, shareholders and other stakeholders.

The Managing Board and senior leadership team is committed to embracing sustainability in our work methods and, more importantly, seeing to it that this is embedded in our culture throughout the Bank. We have set up an ESG

Committee at the Managing Board level, which monitors ESG-relevant KPIs, new initiatives and developments. We have also established a variety of cross-functional working groups with the aim of having team members discuss strategic priorities across the organization, thereby increasing the positive impact of BAWAG Group's efforts on corporate responsibility.

I would like to thank everyone whose commitment to sustainable and responsible business practices has allowed us to live up to our values over the years. We hope to build on the great work we did in 2019 and, more importantly, to

continue to serve as an ethically responsible corporate citizen in the many years ahead.

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

NOTES AND REPORT BOUNDARIES

NOTES

In implementation of EU Directive 2014/95/EU, the NaDiVeG (Sustainability and Diversity Improvement Act) expanded and specified the reporting obligations for non-financial information (environmental, social and employee concerns, respect for human rights and combating corruption) starting in the management report for the 2017 financial year. BAWAG Group will again make use of the option provided by section 267a (6) UGB in 2019 to prepare a separate consolidated non-financial report in the present form.

The CSR Report 2019 reports in accordance with the guidelines of the Global Reporting Initiative (GRI Standards,

application level "in accordance with core option", including sector-specific indicators for financial services) and was prepared in accordance with the principles of materiality, transparency and comparability.

This CSR report includes the GRI Index (from page 59) and the UN Global Compact Communication on Progress (from page 69). This report is published in an online version only, which can be accessed at

► <https://www.bawaggroup.com/CSR>

REPORT BOUNDARIES

This report describes our concepts, non-financial risks, due diligence processes and (ongoing) measures, as well as key performance indicators for handling and controlling our main areas of activities (from page 52). In this context, we also explain the new developments and progress made in the field of sustainability in 2019 and follows on from the CSR Report 2018. The internal process to harmonize the key figures presented in this report was implemented and initiated as announced in the CSR Report 2018 (see workstream 1, page 12). Unless otherwise indicated, this report therefore includes

the following companies of BAWAG Group: BAWAG P.S.K., easybank, easyleasing and start:bausparkasse in Austria, Südwestbank, BFL Leasing, Health Coevo AG and start:bausparkasse in Germany, and Zahnärztekasse in Switzerland. For the most part, the reported figures presented the years 2018 and 2019, but in exceptional cases also the year 2017 (environmental and HR figures). The CSR reports for recent years as well as the annual and corporate governance reports provide additional information on the CSR activities of BAWAG Group.

A PORTRAIT OF BAWAG GROUP

BAWAG Group AG is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria, along with easybank, easyleasing and start:bausparkasse, Südwestbank, BFL Leasing, Health Coevo and start:bausparkasse are located in Germany, with the Zahnärztekasse AG factoring business based in Switzerland. With 2.5 million customers, BAWAG P.S.K. is one of the largest banks in Austria and has a nationally recognized brand.

We pursue a simple and transparent business model that is geared to low risk, efficiency and, regionally, to Austria, Germany and developed markets. We serve retail, small business and corporate customers offering comprehensive

savings, payment, lending, leasing, investment, building society, factoring and insurance products and services through various online and offline sales channels.

Our business segments¹⁾ are Retail & SME, Corporates & Public and Treasury. The provision of simple, transparent and first-class products and services that meet the needs of our customers is at the heart of our strategy in all business areas.

The current ownership structure is available here:

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

STRATEGY

Growing in our core markets

- ▶ Our foundation is Austria with a focus on developed markets
- ▶ Focus markets ... DACH region, Western Europe and the United States
- ▶ Grow into current account market share entitlement of up to 20% in Austria across core retail products
- ▶ Growth drivers ... Partnerships & platforms, enhancing digital engagement, and pursuing earnings-accretive M&A meeting our Group RoTC targets >15%

Focus on customer centricity

- ▶ Build multi-channel and multi-brand franchise from branches-to-partners-to-brokers-to-platforms-to-digital products across the entire Retail & SME franchise
- ▶ Physical network focused on high-touch and high-quality advisory
- ▶ Leverage technology to simplify processes and reduce complexity
- ▶ Enhance analytical capabilities to improve customer experience
- ▶ New retail partnerships and lending platforms to provide 24/7 customer access

Drive efficiency through operational excellence

- ▶ Our DNA is to focus on the things we can control ... "self-help" approach of banking
- ▶ Simplify, standardize, and automate online and offline product offerings
- ▶ Create frictionless processes ... wing-to-wing digitization focus across the Bank
- ▶ Continuously optimize our processes, footprint, and technology infrastructure
- ▶ Embrace various forms of technological change ... will transform banking

Maintaining a safe and secure risk profile

- ▶ Maintaining strong capital position, stable retail deposits and low risk profiles
- ▶ Focus on mature, developed and sustainable markets
- ▶ Applying conservative and disciplined underwriting in markets we understand
- ▶ Maintain fortress balance sheet
- ▶ Proactively manage and mitigate non-financial risk

1) Further details on the individual business segments can be found in the Consolidated Annual Report 2019.

AWARDS AND RANKINGS

- ▶ In May 2019, easygreen energy, a subsidiary of easybank, became the best bidder in the VKI "Energy Cost Stop" campaign for the third time and took first place in all three categories (green electricity, Ecolabelled electricity and gas). easygreen energy's top position in all three categories has also already been confirmed for 2020.
- ▶ Also in May 2019, easybank received the coveted Recommender Award of the Austrian Financial Marketing Association for the ninth time in a row. According to this award, easybank customers are the most satisfied customers of direct, specialized and private banks in Austria and show the highest willingness to recommend easybank to others. Thus far, easybank is the only bank that has been able to maintain the top position in one of the categories for such a long period of time. In addition, easybank is delighted to have received the seal of approval for excellent customer orientation again in 2019.
- ▶ In September 2019, BAWAG P.S.K. (together with Erste Bank) won first place for transparency in the consumer test conducted by the Austrian Society for Consumer Studies (ÖGVS) in the category "Current Accounts (Branch Banks)". In addition to the terms and conditions, an analysis was made of the extent to which banks provide information about current accounts on their websites and how user-friendly the website is.
- ▶ In October 2019, BAWAG Group was named "Best Bank in Austria" for the third time in a row by *Global Finance*, a leading magazine for financial and capital market topics.
- ▶ In addition, BAWAG Group came in 54th in *Forbes Global* "The World's Best Employers 2019" ranking, in which employees of the 2,000 largest companies worldwide rate their current employer, making it the most highly listed company of Austria in October 2019. Among other things, the survey determines the likelihood of employees recommending their employer to friends or family members.
- ▶ Also in October 2019, easybank was named the best direct bank in Austria in the ServiceValue ranking and received the award "Service Champion 2019". easybank customers have given their bank the highest "Service Experience Score".
- ▶ November 2019: BAWAG P.S.K. again won the silver seal for Austria in the *Best Recruiters Ranking* in 2019. The ranking is the largest study in the DACH region on the quality of personnel recruitment by companies and institutions. BAWAG P.S.K. placed third in the industry ranking for Austria, thus demonstrating that it is right at the top in the "war for talents" among banks. BAWAG P.S.K. ranked 43rd in the overall analysis of more than 500 domestic employers.
- ▶ In addition, Südwestbank was voted among the "elite of asset managers in the German-speaking world" by the specialist magazine *Elite Report* and by *Handelsblatt* for the twelfth time in November. Südwestbank was the only financial institution in Baden-Württemberg to achieve the top score "summa cum laude".
- ▶ Also in November 2019, easybank took first place for the fifth time in a row in the *Börsianer* ranking as the "Best Direct Bank". A total of 13 overall and category winners from five sectors were chosen.
- ▶ In December, BAWAG P.S.K. took first place in the ÖGVS study on "Online Installment Loans 2019" in the categories "Transparency" and "Application and Comfort". Overall, the credit terms and customer services of eight providers in Austria were tested.

CSR STRATEGY

CSR ORGANIZATION AND KEY ISSUES

In BAWAG Group, CSR was managed by the CSR Committee as a company-wide issue under the responsibility of the Managing Board during the reporting period. The committee consists of representatives of major Group companies, business segments and specialist departments/units including Communications, Human Resources, Legal, Non-Financial Risk Management & Regulatory Compliance, Chief Data & Risk Control Office, Credit Risk Management, Operations, Central Purchasing & Real Estate Management, Marketing & Product Management, Digital & Development Office, Corporate Customer Sales, and Retail and Business Customer Sales. The committee refined and implemented the CSR strategy and the Sustainability Program 2019 on the basis of the Group strategy and reported to the Managing Board of BAWAG Group.

The members of the Committee hold senior positions within BAWAG Group. They are required to pass on to their teams the CSR issues agreed in the committee and relevant to their business or specialist area or department and to implement measures in their area. As key decision-makers, they were able to proactively drive forward the implementation of the CSR strategy at various points within the Group.

The CSR team, which is based in the Communications department and is responsible for CSR reporting, conducted the 2019 CSR Committee meetings and drove forward the operational development of the CSR strategy, for which workstreams (see the following section) were launched in the second quarter. Two committee meetings were held with division heads and the Chief Financial Officer.

In addition, the CSR structure in BAWAG Group was restructured in the fourth quarter. The CSR committee was merged with the existing Non Financial Risk Committee and replaced by a committee that meets every two months from Q4 2019 at the Managing Board level as the Non Financial Risk & ESG Committee (in short: NFR & ESGC) and reports progress at Managing Board level. The Chief Risk Officer is the head of this body. In addition, ESG officers have been appointed who have voting rights on the committee and are responsible for promoting sustainability issues within BAWAG Group.

In 2018, roughly 300 internal and external stakeholders of BAWAG Group were surveyed in 2018 on the topic of "Corporate Social Responsibility in BAWAG Group". The results provided a clear picture of which sustainability issues were important for our stakeholders and should be given greater consideration. An internal workshop of the CSR Committee was then held to present the survey results and to define the key CSR issues for the Group. The results of the materiality process also served as the basis for determining the key CSR issues that received greater focus in the Group in 2019. Further details can be found in the previous year's report on page 9.

Accordingly, the seven areas for action with their respective effects (page 13), which are closely related to the principles and goals of the UN Global Compact, the SDGs and the principles of the UN Global Compact Women's Empowerment Principles as well as to human rights, form the foundation of BAWAG Group's CSR strategy and the Sustainability Program measures derived from it (page 15).

FURTHER DEVELOPMENT OF THE CSR AGENDA

The changes in BAWAG Group caused by organic and inorganic growth, higher public awareness of corporate responsibility and the increased regulatory focus were the driving forces behind the further development of CSR activities in the Group in 2019. The previous measures were strategically refined and communicated. During the reporting period, the CSR team launched four CSR workstreams that were based on the Sustainability Program 2018 and the key issues of BAWAG Group:

- ▶ Workstream 1: Integration of the subsidiaries in Germany and Switzerland into the CSR reporting process and improvement of data quality
- ▶ Workstream 2: Further development of sustainable products in the core business and implementation of ESG criteria in the product implementation process
- ▶ Workstream 3: Evaluation of the implementation of ESG criteria in the investment strategy and risk analysis of BAWAG Group

- ▶ Workstream 4: Increased employee involvement in volunteer work and strengthened internal communication on sustainability

Workstream 1

In the course of the acquisition of start:bausparkasse Deutschland (September 2018), Zahnärztekasse AG (March 2019), BFL Leasing und Health Coevo AG (both in May 2019), it became necessary to integrate the new BAWAG Group subsidiaries into the CSR reporting. In addition, an internal process was designed to harmonize the key figures, as the figures of Südwestbank could not be fully presented in the CSR Report 2018. Alongside the exchange of information on CSR activities, the process also included the transfer of knowledge regarding data collection and processing by BAWAG P.S.K. experts to the subsidiaries (for example in the area of facility management).

A "CSR Welcome Package" was also added to the M&A integration process in the reporting period. The document provides an overview of sustainability in the Group and the requirements of the CSR report.

Workstream 2

Two priorities were set to strengthen sustainability in the BAWAG Group's core business. In the future, the issue of sustainability will be integrated into the established product implementation process and anchored both in the product implementation policy and in the binding product implementation templates, which are an integral part of the product implementation process (page 23).

In addition, the existing range of sustainable products and services (from page 28) is to be expanded. An employee event on the topic of sustainable product innovations was held in November 2019 (page 29). Many of the ideas and approaches that are currently being evaluated for implementation or are being implemented serve as a basis for the product management team to expand and develop the sustainable product and service offerings.

Workstream 3

The goal of this workstream was to prepare for the medium- to long-term integration of ESG criteria into the risk and investment policies of BAWAG Group. Cross-divisional working groups were formed and the following topics were considered, taking into account best-in-class approaches: assessment of evaluation methods for sectors and countries, potential exclusion criteria, possibilities for implementing data anchoring processes, and possibilities for introducing new categories in data collection and entry. In addition to the potential consideration of ESG criteria in risk and investment policies, possible implications for future business opportunities that could arise from a business policy geared towards sustainability were discussed.

Workstream 4

In order to raise awareness for corporate responsibility in BAWAG Group, communication measures were strengthened in 2019, for example in the form of intranet articles, and a separate CSR logo was developed.

In addition, the CSR team organized a Volunteer Day at the "VinziDorf Wien" social institution, among other activities. These efforts resulted in a gratifying increase in the number of Volunteer Days completed by BAWAG P.S.K. employees in 2019.

CSR MISSION STATEMENT

BAWAG Group's CSR mission statement is based on the Group's CSR strategy, which is built on the seven areas for action. This has been translated into the measures of the sustainability program (page 15). A summary presentation of the individual areas for action with a risk and impact analysis as well as the Sustainable Development Goals

(SDGs), the principles and goals of the UN Global Compact, the principles of the UN Global Compact Women's Empowerment Principles, the guidelines of the Global Reporting Initiative (GRI Standards) and the concerns according to the NaDiVeG can be found in the Appendix starting on page 52.

Areas for action	What it means for BAWAG Group
Economic success	<p>... pursue our simple and transparent business model, which is based on low risk, efficiency and a regional focus on Austria, Germany and developed markets.</p> <p>... contribute to the success of our stakeholders by consistently implementing our strategy and driving forward strategic initiatives.</p>
Ethics and integrity	<p>... act according to the ethical values of the Code of Conduct, the ten principles of the UN Global Compact and the seven principles of the UN Global Compact Women's Empowerment Principles.</p> <p>... orient ourselves towards the 17 Sustainable Development Goals of the UN Global Compact as a framework for sustainable action.</p> <p>... ensure the basis for ethical and integrity-conscious behavior of all employees through appropriate policies and guidelines.</p> <p>... give the topics of anti-corruption and data protection a special status in compliance management.</p>
Responsibility towards customers	<p>... give our customers the opportunity to conduct their banking transactions according to their individual wishes, whenever and wherever they wish, through our digital and physical distribution channels.</p> <p>... conduct successful and long-term business relationships with satisfied customers across all sales channels and platforms.</p>
Sustainability in core business	<p>... promote the development of sustainable business areas and provide a diverse range of products and services that are oriented towards ecological, economic and social requirements.</p> <p>... be a reliable partner for companies and the regional economy and assume ecological and social responsibility.</p> <p>... support products and services with a sustainable focus and the financing of projects with added value for the regional economy.</p>
Social responsibility and personal commitment	<p>... promote civic engagement and the social commitment of our employees.</p>
Staff promotion and development, diversity and equal opportunities	<p>... offer employees a healthy and career-promoting working environment.</p> <p>... maintain an open, appreciative relationship with employees and promote their potential.</p> <p>... actively ensure equal opportunities and diversity in the Bank.</p>
Environmental and climate protection	<p>... keep the direct effects on the environment in day-to-day working life and the indirect effects through products and services as low as possible and thus ensure an environment worth living in for future generations.</p>

STATUS QUO SUSTAINABILITY PROGRAM

Area of action 1: CSR Strategy

Goal: Strengthening the CSR activities and the awareness of CSR	Status Quo
Improvement in our rankings from sustainability rating agencies	in progress

Area of action 2: Ethics and integrity

Goal: Ensuring compliance with all guidelines and policies	Status Quo
Focusing on data protection, on information and IT security as well as on fraud prevention	achieved

Area of action 3: Responsibility towards customers

Goal: Appropriate products and services for every life circumstance and every stage of life	Status Quo
Continuing with the “New Chance” account and with offering sustainable investments	ongoing

Area of action 4: Sustainability in our core business

Goal: Being a reliable financial partner for retail and commercial customers and for the regional economy	Time horizon
Introducing sustainability criteria in the product implementation process	achieved
Expanding the range of sustainable offerings in our core business	achieved

Area of action 5: Social responsibility and personal commitment

Goal: Strengthening the Volunteer Days and pushing the ES GEHT! Initiative	Status Quo
Expanding opportunity to spend volunteer days to all BAWAG Group employees	in progress
Screening, selecting and communicating of suitable ES GEHT! projects	achieved

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

Goal: Appreciation and advancement of employees	Status Quo
Increasing the ratio of women in management positions by implementing the Women’s Promotion Plan	achieved
Raising awareness for and establishing paternity leave, “daddy month” and special vacation for new fathers	ongoing
Supporting employees with changing working environment due to digitalization, agile way of working and the new headquarters	achieved

Area of action 7: Environmental and climate protection

Goal: Reducing our environmental impact so as not to endanger the basis of life for future generations	Status Quo
Relocating to new headquarters and switching to sustainable energy supplier easy green energy	achieved
Switching to sustainable energy supplier easy green energy at redesigned BAWAG P.S.K. branches	achieved
Continuing of measures to reduce paper consumption	ongoing

SUSTAINABILITY PROGRAM 2019

Area of action 1: CSR Strategy

Goal: Strengthening the CSR activities and the awareness of CSR	Time horizon
Improvement in our rankings from sustainability rating agencies	ongoing
Redefinition of the internal CSR organization and broadening of CSR responsibilities within the Group	ongoing

Area of action 2: Ethics and integrity

Goal: Ensuring compliance with all guidelines and policies	Time horizon
Expansion of the training program for employees on the subject of information security	Q1 2020

Area of action 3: Responsibility towards customers

Goal: Appropriate products and services for every life circumstance and every stage of life	Time horizon
Evaluation and implementation of measures to simplify processes for investment products	H1 2020

Area of action 4: Sustainability in core business

Goal: Being a reliable financial partner for retail and commercial customers and for the regional economy	Time horizon
Expansion of the sustainable range of products in BAWAG P.S.K.'s home-building and consumer lending business	H1 2020
Continuation of the "New Chance" account and expansion of the range of sustainable investments	ongoing

Area of action 5: Social responsibility and personal commitment

Goal: Continuation of the focus on Volunteer Days, ES GEHT! Initiative and measures to increase financial education and digital skills	Time horizon
Continuation of the commitment in the area of financial education and continuation of measures to increase digital skills among different age and social groups	ongoing
Raising awareness of volunteer work among BAWAG Group employees	ongoing
Support of ES GEHT! crowdfunding projects within the framework of the jö Bonus Club partnership	ongoing

Area of action 6: Employee promotion and development, diversity and equal opportunities

Goal: Appreciation and advancement of employees	Time horizon
Increasing the proportion of women in management positions by implementing the women's advancement plan	ongoing
Simplification of the job application process through the use of innovative recruiting technologies	H1 2020
Expansion of employee offerings for individualized learning through new online platforms	ongoing
Extension of the MbO process to employees of Südwestbank	H1 2020

Area of action 7: Environmental and climate protection

Goal: Reducing our environmental impact so as not to endanger the basis of life for future generations	Time horizon
Implementation of measures to optimize energy consumption during branch conversions in Austria (for example replacement of lighting with LED lamps and replacement of air conditioning and heating systems)	ongoing
Acquisition of electric cars for internal logistics	Q1 2020
Continuation of measures to reduce paper consumption	ongoing

ECONOMIC SUCCESS

Economic success is important for being able to take sustainable aspects into account when setting the course of business policy. The more successfully BAWAG Group operates, the better it can take into account the interests of various stakeholder such as customers, employees, shareholders, the public sector and society in general.

When it comes to economic success, creating value for stakeholders of BAWAG Group is the top priority. Shareholders benefit from the increase in the value of the company and capital distributions, and employees can be paid fairly in line with market conditions. Customers benefit from a comprehensive range of products and services, business partners and suppliers receive orders.

In addition to the extensive effects along the value chain, the economic success of our Group allows for a number of positive effects that have an indirect and sustainable impact on the economy.

As a bank, we have a great responsibility in maintaining the economic cycle. The more successful BAWAG Group is, the more new jobs are created directly (for example in the expansion and integration of new companies and markets) and indirectly (in cooperation with partners). In addition, as an attractive employer, we can offer our employees extensive training and continuing education, which confers

higher qualifications and thus fundamentally increases their chances not only in the company but also on the job market. Furthermore, the granting of loans for the purchase of homes in particular contributes to several positive effects including enabling social advancement (distribution of wealth) and lowering long-term living expenses while providing for higher financial well-being.

At the same time, BAWAG Group is exposed to substantial risks if no significant importance is assigned to economic success. A lack of economic success can lead to a loss of confidence among relevant stakeholders, cause the share price and the number of customers to decline, lead to increased staff cutbacks due to less and less room for maneuver, and consume capital reserves. If economic success fails to materialize in the long term, the company's scope for action would become increasingly limited, with potential direct negative effects on various stakeholders. Particularly against the background of our more than 130-year history and the difficult situation encountered in 2006, it is important for us to always build our economic success on a solid and secure business model. This includes our consistent efforts to ensure that our lending policy is geared towards risk-adjusted returns and to pursue business opportunities not solely on the basis of volume, which could be a natural consequence of focusing on growth considerations alone.

LATEST RESULTS

The year 2019 was another successful period for BAWAG Group. A strong pre-tax profit of €604 million was generated, representing an increase of 6% over 2018. The increase was mainly driven by higher core operating income and disciplined cost management.

The Group has achieved all of its objectives and will continue to work on its various operational and strategic initiatives. We will concentrate on what we can control while continuing to work on BAWAG Group of tomorrow.

Table: Consolidates key figures at a glance

in million €	2017	2018	2019
Operational core revenues	1,010.0	1,123.3	1,162.5
Profit for the year before taxes	500.4	572.7	604.3
Net profit	449.1	436.5	459.1
Return on common equity	13.6%	12.7%	13.5%
Return on tangible common equity	15.6%	14.8%	16.1%
Cost/income ratio	47.2%	44.2%	42.7%
Risk costs/interest-bearing assets	0.17%	0.12%	0.18%
Balance sheet total	46,056	44,698	45,662
Loans to customers	30,793	30,482	30,467
Customer deposits and own issues	36,611	34,620	35,827
Equity (excluding AT1 capital and accrued dividends)	3,518	3,491	3,297
Risk-weighted assets	21,494	20,465	20,385
Common equity tier 1 quote (fully loaded)	13.5%	14.5%	13.3%
NPL ratio	1.8%	1.7%	1.7%
NPE ratio	2.0%	1.9%	2.0%

RATINGS

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

Moody's Investors Service confirmed its ratings for BAWAG P.S.K. in January 2019. The long-term rating for senior unsecured debt and the issuer and deposit ratings of the Bank remain at "A2", the standalone rating (Baseline Credit Assessment) at "Baa1" and the rating for subordinated debt at "Baa2". The additional tier 1 capital of BAWAG Group AG is rated "Ba1".

BAWAG Group/BAWAG P.S.K. participated in sustainability rating processes of relevant European and international

agencies during the reporting period, including the ISS-oekom Corporate Rating, the WWF Retail Banking Rating, the Sustainalitics ESG Rating and the MSCI ESG Rating. The rating results were analyzed in detail in 2019 and numerous steps were taken to improve them. In this context, the present CSR Report 2019 has been supplemented with detailed descriptions of measures relating to anti-corruption, data protection and data security ("Ethics and integrity", page 19) and new indicators on human resources management have been included ("Employee development and promotion, diversity and equal opportunities", page 34). In addition, the ESG focus was refined by broadening internal responsibilities ("CSR Strategy", page 11).

RISK-AVERSE INVESTMENT STRATEGY

Liquidity from the core business of BAWAG Group is managed in securities portfolios including the liquidity reserve and certain hedging portfolios. The investment strategy focuses on secured and unsecured investment-grade bank bonds from Western Europe and the USA as well as on selected government bonds and high-quality CLOs for diversification purposes.

The majority of the securities portfolios are distributed among Western developed economic areas with stable legal systems: 86% of the securities portfolio consists of issues

from Western Europe and North America. As of 31 December 2019, BAWAG Group had no direct exposure to China, Russia, Hungary or Southeastern Europe.

As of 31 December 2019, BAWAG Group had no exposure to defense industries, nuclear energy or industries that extract coal or generate electricity from coal. Conversely, the Group finances companies and projects with a sustainable focus. These include businesses in the renewable energy sector and social enterprises such as public-sector day-care, nursing and health care facilities.

Table: Industry exposure of BAWAG Group

31.12.2019

	Percentage of total exposure of BAWAG Group
Defense industry	0%
Production and distribution of ABC weapons	0%
Production and distribution of conventional arms	0%
Production and sale of other military services	0%
Nuclear energy	0%
Generation of electricity in nuclear power plants	0%
Construction of and nuclear technologies for nuclear power plants	0%
Mining and trading of uranium	0%
Other ethical risks	<0.1%
Production of and trade in addictive substances (tobacco, alcohol > 20% by volume)	0%
Production, trade and application of green genetic engineering	0%
Operation of gambling and betting activities and related services/installations	0.05%
Fossil fuels	0.1%
Total fossil fuel sector ¹⁾	<0.1%
Coal extraction and electricity generation from coal	0%
Extraction of crude oil and natural gas by means of fracking or tar sand	<0.05%
Climate change	0.3%
Renewable energies	0.3%
Sustainable mobility	0%
Sustainable building	0%
Other ethical opportunities	2.8%
Socially oriented companies/projects	0.4%
Social housing	2.4%
Organic farming	0%

1) Filling stations are excluded in the fossil fuel sector figures.

ETHICS AND INTEGRITY

BAWAG Group's corporate culture is based on the following guidelines:

- ▶ Respect and teamwork
- ▶ Client focus and reputation
- ▶ Integrity and compliance

BAWAG Group strives for integrity by internalizing legal and company-specific regulations. Guidelines should not only be known but also followed in every situation – in collaboration within the Group and with external stakeholders, customers and other third parties.

We not only attach high importance to compliance with legal and other binding regulations by every employee and the executive officers, but are also committed to principles that go beyond this. We are committed to the Group-wide Code of Conduct, the ten principles of the UN Global Compact, the seven principles of the 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 are intended to provide guidelines for legally compliant, transparent and responsible actions

in day-to-day business for our divisions and departments and thus for each individual employee in BAWAG Group. Non-compliance with laws, internal guidelines or rules can result in a sustained loss of confidence on the part of customers and other stakeholder groups, as well as reputation damage, and corruption and liability risks for BAWAG Group. For this reason, the highest attention is paid to the communication of and training in all guidelines and the monitoring of compliance with them by all employees and officers.

Due to the growing complexity of information and communication technology (ICT) and the strengthening of data protection regulations in Europe, an increasing focus is being placed on the management of security and data risks.

The frequency of ICT and security-related incidents (including cyber incidents and attacks) is increasing in all sectors of the economy. These potentially significant risks threaten the operations of financial institutions and could even lead to systemic problems. In order to counter these threats, efficient and effective planning, careful implementation and the use of appropriate security measures are of crucial importance.

RISK CULTURE AND COMPLIANCE

Effective compliance and risk management is a crucial aspect of a bank's success. In addition to the traditional risk types, the management of non-financial risks is becoming increasingly important. Group-wide compliance and non-financial risk management sets the framework within which laws, requirements and standards are complied with and also aims to provide comprehensive protection for investors, customers, employees and the company.

In addition to the management of operational risks, key objectives here include the prevention of money laundering, the fight against the financing of terrorism, the monitoring of compliance with sanctions, fraud prevention, data protection, information security, securities compliance and the prevention of insider trading, market abuse and conflicts of interest.

The risk culture is the general guideline for employees in dealing with the risks in their area of responsibility. A healthy, Group-wide risk culture is the key to effective risk

management and enables employees not only to identify these risks but also to make well-informed decisions. At the core of our risk culture are internal rules and, above all, open communication among each other to ensure that all employees have a broad understanding of the risks to which BAWAG Group is exposed.

Further non-financial risks associated with the effects of business activities or business relationships (within the meaning of Section 267a (3) of the Austrian Commercial Code) are identified annually in the specialist divisions as part of the Risk Control Self Assessments (in short: RCSAs) and have been incorporated into several sections of this report. Within the framework of the RCSAs, all divisions and subsidiaries assess their guidelines and processes according to defined criteria. In operational risk, various sub-categories such as breaches of health and safety regulations, discrimination, breaches of guidelines and violations of privacy are identified and addressed. The divisions and subsidiaries must identify and assess their respective risks as

well as the effectiveness of controls and measures. In addition, an implemented whistleblowing tool is used to verify whether specific cases or increased risks have occurred. In addition to the RCSAs, further non-financial risks are identified and evaluated as part of an internal CSR reporting process. No material risks were identified in 2019.

All risk and compliance units of BAWAG Group report to the CRO. The separation between market and risk areas is strictly observed.

The entire Managing Board is informed monthly and proactively about the overall risk situation. Non-financial risks are also reported in the NFR Committee (since Q4 2019 at NFR & ESGC) and will be subject to mandatory assessment as part of the product implementation process in the future.

Quarterly risk and compliance reports are submitted to the respective committees of the Supervisory Board. The risk policy guidelines are continually reviewed in light of adjustments to the business strategy, changed regulatory requirements and evolving market conditions.

Violations of legal regulations and internal rules of conduct can lead to reputational risks and serious consequences such as fines, penalties and disadvantages for BAWAG Group. Individual employees who are involved in such violations may face fines or imprisonment and disciplinary action under labor law, up to and including dismissal. Any attempt to commit a financial crime is considered a serious violation of BAWAG Group's business principles and integrity will be investigated accordingly.

Code of Conduct

The Code of Conduct of BAWAG Group is designed to give all employees as well as third parties and customers of BAWAG Group an understanding of banking ethics and contains an important set of rules that represents the values that we in BAWAG Group consider to be absolutely worthy of protection: respect, trust, responsibility and our good reputation.

It is important that all employees internalize these rules and values, which is why the BAWAG Group employees must complete compliance training. Therefore, a mandatory Compliance & Conduct training course was held at BAWAG P.S.K. and easybank in 2019. The training is revised and

repeated every two years. As part of this program, employees are familiarized with aspects of business ethics and anti-corruption rules, all aspects of compliance and the general principles of conduct that apply in daily business. The Code of Conduct also applies to the Managing Board and the Supervisory Board. It is based on the belief that operational success is achieved through competence, correctness, trustworthiness and integrity. In addition, employees of Südwesbank are required to participate regularly in web-based training on fraud prevention and anti-corruption.

Our Code of Conduct is regularly reviewed by the Compliance Department to ensure that it is up-to-date and of high quality, and is published in German and English on BAWAG Group's website and intranet.

Know your customer – KYC

BAWAG Group takes measures to prevent money laundering and other illegal activities (including the financing of terrorism, tax fraud and other illegal tax and fraud activities). We support international and national authorities in the fight against such crimes. BAWAG Group has clear guidelines for its employees (AML/TF & Sanctions manual and the anti-fraud policy) and training courses in the form of a self-study program with a knowledge check. This training must be completed by every employee regardless of position and department at the beginning of the employment relationship and is repeated regularly.

Securities compliance

Group-wide guidelines govern the requirements for personal securities transactions by employees as well as the handling of compliance-relevant information and the avoidance of conflicts of interest. BAWAG Group's Compliance Office attaches great importance to employee training. All employees therefore were required to complete the "Compliance and Conduct" self-study program in 2019. Compliance with the directive is checked in so-called compliance audits in accordance with an annual plan, for example. This also includes audits in selected subsidiaries of BAWAG Group.

Anti-corruption

BAWAG Group does not tolerate financial crime. This includes any abuse of power, position or resources to gain a personal advantage or a advantage for third parties and to influence the recipient's behavior in a certain way. We therefore expressly prohibit any form of bribery or corruption.

BAWAG Group's anti-corruption guideline governs the acceptance and giving of gifts and complies with the applicable legal provisions. Any attempt at bribery or other unlawful advantage must be rejected and immediately reported to the Compliance Office and the relevant department informed. We take decisive action against attempts at corruption in all our business areas. Compliance with the directive is monitored in the context of the aforementioned compliance audits according to an annual plan, among other ways. The compliance with the guideline is monitored, for example, as part of the Compliance Audits and in 2019 as part of the Compliance and Conduct training sessions of BAWAG P.S.K. and easybank employees (see "Code of Conduct" paragraph), which occur at regular intervals. This program included all aspects of the Group-wide anti-corruption guideline, which was updated in 2019, such as relevant legal definitions and provisions on what constitutes acceptable behavior, particularly in connection with the acceptance or awarding of grants and the legally compliant treatment of public officials. In addition, all employees of Südwesbank are required to participate regularly in web-based training courses on fraud prevention and anti-corruption.

No cases of corruption were reported in 2019 at BAWAG Group.

BAWAG P.S.K. has been a member of the Austrian Chapter of Transparency International since 2012. An industry event on legal and ethical compliance was held in 2019. BAWAG P.S.K. is a member of one of the relevant working groups.

Data protection and information security

The Chief Information Security Officer of BAWAG Group strives to protect the valuable information, the ICT systems and the interests of employees, customers and other stakeholders in terms of confidentiality, integrity and availability.

BAWAG Group has introduced a series of security guidelines that cover both general and specific security issues such as

identification and access management. To achieve the required security level, the defined measures are implemented by certified security experts – both in the CISO office and in the IT Security Operations Team. A particular security focus was placed on the development, implementation, operation, use and maintenance of new ICT solutions in order to achieve compliance with new regulations such as the Payment Services Directive 2 (PSD2) and the EU General Data Protection Regulation.

In addition to special organizational security units, BAWAG Group has established interdisciplinary committees and working groups to ensure the comprehensive and consistent implementation of security measures, such as the Committee for Fraud and Information Security and the Cyber Crime Working Group.

BAWAG Group regularly conducts penetration tests (security tests) with the help of specific expert companies, especially for Internet-based systems (such as our digital banking solutions). Penetration tests are prescribed in BAWAG Group not only by financial market regulations, but also by the internal "Penetration Testing Standard" policy. The results of the penetration tests are used to further improve the security of the tested systems. For internal systems, BAWAG P.S.K. not only conducts specific penetration tests but also monthly scans to detect weaknesses in the internal IT landscape. Identified weaknesses are rectified in good time according to their criticality. In addition, organizational measures are implemented such as regular security awareness training for employees and security information blogs for employees and customers (on our public BAWAG P.S.K. security portal).

In order to validate our comprehensive cybersecurity approach, we commissioned an audit by a renowned cybersecurity rating service, which confirmed the comparably good cybersecurity position of BAWAG Group (including our international units). BAWAG Group has always been committed to high data protection standards, which was also reflected in the timely implementation of the General Data Protection Regulation and the Austrian Data Protection Act. The Group Data Protection Officer advises the relevant stakeholders within BAWAG Group. The Data Protection Department is integrated into the Non-Financial Risk & Regulatory Compliance department and reports to the CRO, when a particular occasion arises. In addition, data protection and information security issues are dealt with in the NFR & ESG as required.

A comprehensive privacy policy applies to all employees. For training purposes, a compulsory self-study program has been

introduced and is updated on an ongoing basis. All employees must complete this self-study program. In addition, contact persons within the Group help to raise awareness for the confidential treatment of the personal data of our customers and employees.

BAWAG Group is obligated to comply with the rights of its customers and employees to information about and access to their data as well as their rights to rectification, erasure, restriction of processing, data portability and their right to object. Customers are informed about the collection, use, transfer and storage of data (including the transfer of data to third parties). Third parties to whom data is to be disclosed must comply with the company's guidelines and conclude agreements on processing and confidentiality.

Data protection breaches are reported to the Data Protection Authority in accordance with the General Data Protection Regulation. An online inquiry form for customers and detailed information on data processing are available on the websites of the Group companies. Those affected are notified in good time of changes to the guidelines or data protection violations.

Issues relating to ICT and privacy risks are regularly discussed in the Non-Financial Risk & ESG Committee, a Managing Board committee.

BAWAG Group focused on the further implementation and establishment of a Group-wide data protection and information security compliance program in 2019.

Whistleblowing

An open dialogue between managers and employees is very important for us. Employees may at any time provide their managers with information about suspicious circumstances. If desired, employees can also submit such reports anonymously and confidentially via the whistleblowing system, because well-founded information helps us to improve ourselves as a company and as a team.

The whistleblowing policy lays down rules for the careful handling of reported cases and provides guidelines on how the reporting person can be protected against disadvantages and negative consequences. The whistleblowing process is part of the "Compliance and Conduct" self-study program, which was mandatory in 2019.

Detailed information on the process can be found in the Group-wide whistleblowing policy, which is easily accessible to employees in German and English. All whistleblower reports are handled according to a predefined matrix, documented in detail and reported anonymously to management.

CORPORATE GOVERNANCE

Code of Corporate Governance

The Code of Corporate Governance pursues the goal of responsible management and control of companies and groups of companies, geared towards sustainable and long-term value creation. BAWAG Group AG has undertaken to

comply with the Austrian Code of Corporate Governance. The latest available consolidated corporate governance report is available here:

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

RESPONSIBILITY TOWARDS CUSTOMERS

BAWAG Group has always pursued the approach of meeting the needs of its customers and providing access to banking services to as many people as possible. The needs of the customers have top priority. Their behavior and needs are constantly changing, partly due to the increasing digitalization of everyday life. Accordingly, customer expectations of a bank's products and services are changing rapidly. Our customers now carry out 90% of their transactions online or in self-service zones. At the same time, there is a desire to have a personal advisor in the bank for important financial decisions.

Improving our product range and deepening customer relationships across all sales channels is a high priority for us. In 2019, BAWAG Group therefore focused on restructuring BAWAG P.S.K. branch network, building a mobile team of advisors, launching retail partnerships and expanding the digital offerings for retail customers and SMEs. In addition, the possibilities for customer feedback

at BAWAG P.S.K. were expanded during the reporting period and targeted customer surveys were conducted to improve processes.

A lack of a sense of responsibility for the needs and wishes of customers could be disadvantageous for the customers of BAWAG Group in many ways: For example, banking services may not meet the expectations and information needs of customers. Product quality could decline due to a lack of customer orientation, thus impairing the competitiveness of the product range. This in turn could lead to damage to the reputation of BAWAG Group, loss of confidence on the part of customers and, as a consequence, to a loss of business for BAWAG Group. In addition, it is important to remember that inadequate access to banking services would have various consequences for our clients. The effects range from limited ability to conduct financial transactions to fewer opportunities to build up long-term wealth.

PRODUCT IMPLEMENTATION PROCESS

The product implementation policy plays a central role in the development of new markets, products and services as well as important changes to existing markets, products and services. All risks such as credit risk, strategic risk, compliance risk and operational risk must be taken into account during product development. For this reason, different areas are involved at an early stage.

In addition to this, our customers are extensively interviewed in advance when significant innovations are to be implemented. Pilot phases and comprehensive training courses are also used to familiarize our employees with innovations in order to ensure that each product launch is as smooth as possible.

BAWAG Group's product implementation process was expanded in 2019 to include the mandatory consideration of social and ecological concerns. In the future, when new product ideas are developed and during the subsequent mandatory product implementation process, product managers will have to state positive as well as potentially negative social and ecological effects of the

product launch. The defined stakeholders in the product implementation process will also have to evaluate these effects using a sustainability scorecard that will be integrated into the product implementation templates. As part of the assessment, the approval of individual stakeholders can be made subject to conditions if potential risks exist. In the event of deficiencies in the product implementation process, a four-stage escalation process is provided for, with the NFR & ESG Committee as the final stage.

In this context, ESG information was added to the product implementation policy. This is in line with our principle of offering products and services that have a particular social, environmental and real economic benefit and minimizing the range of products that pose risks to society or the environment or that are associated with negative impacts. Both the expansion of the product implementation process and the sustainability scorecard are in the final stages of implementation and will be launched in February 2020.

CUSTOMER ORIENTATION

Our products and individual advisory services are designed to support our clients in all financial matters. In doing so, we strive to achieve maximum customer satisfaction in all sales channels.

With 2.5 million customers, respectful dialog is one of the basic requirements of day-to-day work in BAWAG Group. We communicate proactively with our customers on the one hand, and we offer them the opportunity to make enquiries and provide feedback via various channels in line with our omni-channel approach on the other. In addition to the employees who work in customer service in the branches, customer service center and complaints office, the social media are important feedback platforms.

Implementation of an independent BAWAG P.S.K. branch network

Following the expiration of the sales cooperation agreement with Austrian Post, BAWAG P.S.K. began implementing its branch network with 88 independent, newly designed branches throughout Austria in 2018. The new concept offers more space for high-quality financial advice in a modern atmosphere. 27 independent branches with the new design were opened across Austria in 2019. The bank handles all financial services itself in the branches and focuses on individualized customer advice.

BAWAG P.S.K. is present in all Austrian provinces. The new branch network allows 77% of the Austrian resident population¹⁾ and 88% of BAWAG P.S.K. customers to reach a branch within a maximum distance of 25 km, while 83% of Austrians and 91% of customers need travel no farther than 30 km. We also offer the services of our mobile retail customer experts (page 25) from a driving distance of 25 km and thus achieve a very broad coverage of the demand for banking services in Austria.

Customer feedback also played a major role in the redesign of the branches. More than 50 interviews were conducted with customers who had received a consultation in one of the redesigned branches in 2019. More than 73% of those surveyed had a (very) good impression of the branch, 79% praised the design and visual appearance. Eight out of ten respondents rated the new concept as very positive and felt that they were in good hands. For 78%, the new branch concept conveyed an appreciative and welcome feeling.

Expansion and improvement of the digital customer experience

BAWAG P.S.K.'s new digital banking app "klar" was launched in 2019 with improved and additional functions. The basis for this was provided by 80 customer interviews that were conducted in the run-up to the "go live". The app functions are still being continuously expanded. Since the launch, 15 updates have already been offered with improvements and enhancements.

The following figures show that the new digital banking app is well received by customers (as of October 2019):

- ▶ On average, a transfer with "klar" is made every 10 seconds. Thus, 38% more mobile payments are made than with BAWAG P.S.K.'s previous digital banking app.
- ▶ On average, a customer logs in to the "klar" app every 1.5 seconds. The usage rate is 10% higher than for the previous version.

BAWAG P.S.K. also successfully launched its sales cooperation with MediaMarktSaturn Austria at its 52 sales outlets and online shops in 2019. The innovative design of the customer experience enables customers to process their financing more quickly and conveniently than before. All processes have been fully digitalized, saving more than 32 tons of paper in 2019.

BAWAG P.S.K. launched "Express Financing", which focuses on the needs of small and medium-sized enterprises in Austria for short-term and quickly available financing, in 2019. The fully digital loan application can be completed at any time and from anywhere. The development of the product was preceded by telephone surveys of more than 2,000 business customers. A simple and fully digital loan application process was perceived by the majority of those surveyed as making everyday business life easier.

"Express Financing" is also a core product of our cooperation with METRO Cash & Carry Austria, under which we offer new and innovative products to small and medium-sized companies – strengthening our commitment to this important pillar of the Austrian economy. Account and credit card products appropriate to the target group round out our range of products.

The acquisitions completed in 2019 (BFL Leasing, Health Coevo AG and Zahnärztekasse AG) strengthened the Group's SME business franchise. The companies have a leading role in their market segments (office equipment leasing, dental factoring) supporting SMEs, entrepreneurs, medical facilities and professionals in Germany and Switzerland. We target business growth in these niche business segments, driving value for our customers, offering best-in-class service to our customers and partners, while rolling out our new product, distribution and technology platform solutions.

easybank and BAWAG P.S.K. expanded their range of securities services in 2019 and, as part of their partnership with Savity Vermögensverwaltung, are offering customers access to digital, professional asset management starting at an investment of €10,000.

New customer service live chat function

Since May 2019, it has been possible for customers who fill out an online loan application on BAWAG P.S.K.'s website to contact customer service via live chat. Questions about the loan application can be answered directly and quickly.

Information events in the branches

The "Digital Hour" event series that was successfully launched in the previous year was further developed into the "see clearly" hour over the course of 2019. The aim was to enable as many customers as possible to participate in the digital revolution. More than 170 "see clearly" events were offered free of charge throughout Austria in 2019. At each of these, BAWAG P.S.K. bank advisors in the branches informed interested parties about the advantages of digital banking along with important issues such as security and the various functions.

Two information events with around 90 guests were held in cooperation with the Austrian women's magazine WOMAN in 2019 to specifically address the target group of female bank customers. The goal was to encourage women to exchange information on financial matters and to take their finances into their own hands in order to build up long-term wealth.

Access to banking services in rural areas

In restructuring its branch network, BAWAG P.S.K. placed a large focus on ensuring access to banking services in Austria's rural regions. As of 31.12.2019, 88 branches with self-service zones (24/7), 1,100 ATMs (outside the branches) and 25 mobile retail customer experts were available throughout Austria. Telephone customer services and online offers round out the service portfolio. In Carinthia, the province with the lowest population density (58.9 inhabitants per square kilometer; Austrian average: 106.1), 111 ATMs, six branches and three mobile retail customer experts were available for three regions¹⁾. 70 BAWAG P.S.K. sales employees were available to customers in Carinthia in 2018, the number was increased to 76 in 2019 (+9%).

The key focus in 2019 was building up a fleet of mobile retail banking experts to provide customers in 36 rural regions with access to banking advice and services²⁾. A further expansion of mobile retail banking experts is planned. They offer the usual banking services and act as a link between the branch and the region. Thanks to their flexibility in terms of time and location, they are also available as contact persons for customers in rural areas outside normal business hours and on Saturdays. The retail banking experts provide banking services at a location of the customer's choice.

BAWAG P.S.K. also offers the possibility of withdrawing cash when paying for purchases at BILLA, BIPA, Merkur and Penny cash registers throughout Austria.

Cash service

BAWAG P.S.K. customers who find it difficult to get to the nearest branch or ATM can have cash delivered to their homes on the day of their choice. Any customer residing in Austria can place a "domestic cash order" from their account.

Barrier-free self-service zones

As of 31 December 2019, BAWAG P.S.K. had equipped 88 locations with self-service zones. All these self-service zones are barrier-free for the hearing and visually impaired. The necessary functions were implemented according to the requirements of the Austrian Association of

1) Source: Statista 2020

2) A region was defined by a driving distance of 25 km or more to the nearest BAWAG P.S.K. branch.

the Blind and Visually Impaired. Visually impaired users can operate the devices according to their needs, including increasing screen contrast, selecting larger fonts, and turning off images and animations. The audio function can be used for account balance queries, cash withdrawals and PIN management.

Barrier-free access to BAWAG P.S.K. branches with self-service zones is possible during opening hours in 95% of

the branches, and outside opening hours in 91% of the locations. Access to safes is barrier-free during opening hours in 59% of the branches. In 33% of the self-service zone, it is also possible for wheelchair users to drive under the ATMs, which makes the operation of the machine much easier for this customer group.

All Südwestbank branches offer wheelchair accessible facilities and 45% offer handicapped-accessible toilets.

CUSTOMER SATISFACTION

The satisfaction of our customers has the highest priority and depends strongly on the quality of our products, services and processes. The analysis of customer feedback across all channels makes it possible to identify improvement measures at an early stage. With the establishment of the "Customer Experience" department in 2018, an important step was taken in the professionalization of this discipline. Through ongoing monitoring and systematic analysis, customer feedback contributes to the long-term improvement of banking products and services. The refinement of measures in this area moved forward in 2019. Targeted customer surveys allowed us to make specific process improvements.

Expansion of customer satisfaction monitoring

The customer satisfaction monitoring system for our various "touchpoints" with customers was expanded further in 2019. In the case of customer complaints, the decision-makers (such as divisional managers or branch managers) for whom the complaint is relevant are informed.

In addition, the so-called "touchpoint surveys", which have been carried out after a consultation in branches and customer service center calls to customers, were extended to customer contacts at the transaction counter and self-service zone in 2019. After each contact between a customer and a BAWAG P.S.K. consulting or service center, the customer's opinion of the quality and satisfaction of the service is collected.

The results of the touchpoint surveys for 2019 show the high level of customer satisfaction: 92% were very satisfied to satisfied with a detailed consultation in a branch, and

76% were satisfied with a short consultation. After visiting a checkout and transaction area, 82% of those surveyed were very satisfied to satisfied with the service, while 79% were satisfied in the self-service area.

Improvement of customer processes

Measures were implemented in cross-divisional and cross-departmental cooperation throughout 2019 to improve the customer experience at BAWAG P.S.K. This includes the analysis of the housing loan application process from the customer's perspective as well as cross-departmental collaboration for the entry into force of PSD2 (Payment Service Directive) and the associated changes for customers' digital banking transactions.

The feedback from our customers through touchpoint surveys and the analysis of these are presented to the BAWAG Group Managing Board members responsible for these activities at regular meetings. In addition, quarterly meetings are held with BAWAG P.S.K. division and department heads to discuss the results of the analysis.

Reliable investment advice

In 2018, Südwestbank received the certificate for competent and reliable investment advice from TÜV Saarland. The TÜV assessors examined whether the processes are customer-oriented and tested specific aspects such as the procedures and the technical competence of the consultants. The consulting environment, means of communication, conditions and fees were also included in the evaluation. The certificate was reconfirmed in 2019.

RESPONSIBLE CUSTOMER SERVICE

Dealing responsibly with our customers is important to us and is described in the Group-wide Code of Conduct. Compliance with the extensive pre-contractual and contractual information obligations that apply in dealing with customers for nearly all products is indispensable in this context. These information requirements are laid down in the Consumer Payment Account Act (VZKG) and the Mortgage and Real Estate Credit Act (HKG), for example.

Through continuous monitoring and analysis of customer feedback, we know that our customers value good service. In addition, it is essential to establish a trusting relationship with a personal and competent consultant. Our customers want products that are tailored to their needs. For us, all this comes together in the concept of "financial well-being". In their daily work, consultants and the customer service and complaints management departments strive to find satisfactory solutions for the benefit of our customers.

BAWAG Group cultivates a responsible approach to customers:

- ▶ Only those BAWAG P.S.K. customers who we believe to be in a suitable financial situation to take out the advertised financial services product are proactively approached through marketing campaigns.
- ▶ The use of overdraft facilities by BAWAG P.S.K. customers is subject to ongoing monitoring. If we notice that a customer is approaching the upper limit of his or her facility and remains there for a longer period of time, we will contact him or her and offer an alternative to an overdraft, if necessary. In this way, customers can not only save on debit interest, but also have the opportunity for clear, structured debt reduction. This service goes beyond the legal requirements because eligible customers are addressed proactively and the criteria BAWAG P.S.K. uses to define the relevant customer group are more comprehensive than specified by law.
- ▶ To counteract long-term credit risk for customers, we offer special insurance packages in the event of illness or unemployment when taking out a loan. This service is not required by law, but is provided by BAWAG P.S.K. for the benefit of its customers.
- ▶ BAWAG P.S.K. customers are invited to an annual financial check in the branches, where they speak with a personal customer advisor and define their short-term and long-term financial goals. An individual financial plan is then drawn up on this basis. This goes beyond the provisions of the law.
- ▶ Depending on the account model, BAWAG P.S.K. proactively informs its current account customers of new fee schedules by monthly or quarterly e-mailbox message. In this way, the bank wants to ensure that customers are always kept up to date on conditions. This measure goes beyond the legal requirements, which only specify such customer notifications once per year.
- ▶ BAWAG P.S.K. is investing more time in the insurance training of its advisors to ensure a high quality of advice. Instead of the 15 hours the training comprises a total of 17 hours.
- ▶ As a reliable financial partner, BAWAG P.S.K. wants to provide its customers with transparent information about all relevant advantages and disadvantages. Since 2019, customer information that was previously shown in fine print in the footnotes has been printed in the same size as the rest of the text under the heading "Fair to know", particularly in the case of advertising material for investment products. This is intended to present important customer information in a more transparent manner.

SUSTAINABILITY IN CORE BUSINESS

It is important to us to promote the development of sustainable, resource-saving and environmentally friendly business fields and technologies. Together with our partners, we want to provide our customers with a diverse range of products and services that are geared to ecological, economic and social requirements. We value dialogue with our stakeholders to identify where innovative and sustainable products are needed. Partnerships are an essential pillar of our retail strategy. Therefore, our cooperation partners are also committed to simple, transparent and best-in-class products and services as well as to responsible action, such as Wüstenrot, BAWAG P.S.K. Versicherung, MediaMarktSaturn Österreich and Generali Versicherung.

The 2015 Paris Agreement marked a groundbreaking turning point in international climate policy. To counter the climate crisis, the Paris Agreement provides for international financial flows to be brought into line with climate targets – and thus away from CO₂-intensive investments. In addition to the physical risks that describe the direct consequences of climate change, the financial sector must address the associated transformation risks associated with political and regulatory measures.

It can therefore be assumed that the global switch to a climate-friendly energy system will lead to lower demand for fossil fuels. At the same time, climate protection measures also bring with them great potential for attractive investment opportunities and products. The EU Green Deal and the EU action plan for financing sustainable growth will play a decisive role for the financial sector in this transformation. With the proposed taxonomy, a uniform classification system for sustainable projects has been defined for the first time.

BAWAG Group also tries to take these developments and changes into account in its business models and products. In particular, investments and new financing and investment products on the sustainable projects defined by the EU taxonomy are of particular importance in future. As a matter of principle, we in BAWAG Group are not only

interested in making selective improvements in individual areas, but also in finding long-term solutions to ecological, economic and social problems. In terms of social issues, the "New Chance" account that was launched in 2009 is a showcase project that continues to be a great success. The easybank subsidiary easygreen energy is a good example of a Group company with an environmentally friendly product.

As a bank, we are in a unique position to shape sustainable and future-oriented development by granting loans, investing customer deposits and giving customers access to payment services. In the future, we therefore want to focus increasingly on products and services that create social, ecological and real economic benefits for society and the environment and minimize the range of products that pose risks or that are associated with negative impacts on society or the environment.

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

An exclusive focus on economic goals without taking ecological and social issues into account would mean, for example, that we finance CO₂ intensive projects without taking environmental criteria into account, that we do not take issues such as child labor into account when selecting our suppliers, or that we do not orient access to banking services to customer needs, which could exclude visually impaired or mobility-impaired people from active financial life, among other things. We may also make investment decisions that could benefit countries with human rights violations or industries and companies in controversial business fields, or that could have a negative impact on the climate or the environment.

FINANCING PRINCIPLES

The employees and business partners of BAWAG Group are required to use natural resources sparingly. We actively support measures to protect nature and the environment. The aim is to keep minimize the negative effects of our business activities to the greatest extent possible. The preservation of an intact environment as the basis of life for future generations is one of the fundamental principles of BAWAG Group. These requirements are anchored in the Group-wide Code of Conduct (page 20).

During the reporting period, BAWAG Group's strategy was updated and supplemented by an ESG approach. A stronger focus on ESG issues is planned for the coming years. By taking a broad view of the value chain from an ESG perspective, BAWAG Group aims to broaden its understanding of risk and exploit potential business opportunities for the benefit of its shareholders, customers and other stakeholders. In addition to the ESG risk management approach, BAWAG Group also sees certain ESG-related trends as business opportunities. We want to take

advantage of specific growth opportunities that are linked to ecological and social developments. Examples include the transition to a resource-friendly economy and the need for greater environmental protection and social inclusion.

BAWAG Group is aware of the sensitivity of specific business segments and takes into account possible negative effects in its financing decisions.

In accordance with the risk-averse strategy of BAWAG Group, the majority of the loan portfolio is geared to Western economic areas with stable legal systems. As of 31 December 2019, 74% of customer loans are in the DACH region, 78% of which are in Austria. In terms of total customer loans, 58% have been extended in Austria.

Retail customers who would like to finance a home are informed of adequate public subsidy programs (including in particular the use of favorable financing options for low-energy houses) and advised accordingly.

PRODUCTS AND SERVICES

Product development: Trend_Lounge on the subject of sustainability

The first Trend_Lounge on the topic of sustainability was held at the BAWAG Group headquarters in 2019. A total of 21 ideas were submitted in advance by employees for the internal innovation event format, 13 of which were presented. Each idea served the further development of services and products in the sense of sustainability. Each contribution was rated at the event by way of online voting. The ideas are currently being implemented or examined as possibilities for expanding the sustainable product and service offerings. With over 130 internal participants, this Trend_Lounge was one of the most successful to date, which illustrates the growing interest in CSR issues within the Group.

Lending with added value for the region

Numerous companies, municipalities and public sector entities place their trust in BAWAG P.S.K. when it comes to financing and implementing projects. Of the infrastructure projects that the Bank has (co-)financed in recent years, a

large number accelerated the expansion and improvement of infrastructure in rural areas throughout Austria. The individual loans extended in 2019 ranged between €0.5 million and €20 million and went to the following projects:

- ▶ Education: BAWAG P.S.K. finances many educational institutions in Austria. These include various facilities ranging from educational campuses to schools and daycare centers
- ▶ The second major area is water management, where both water supply and wastewater treatment (filtration systems, decarbonization) are financed.
- ▶ Health care: hospital financing and public and private care facilities
- ▶ Social infrastructure: sports halls, regional indoor swimming pool
- ▶ Social housing: contribution to securing affordable housing (largest project: refinancing of state loans in the amount of €50 million, with which the rent level for

some 1,000 – 1,200 apartments in Salzburg could be sustainably reduced)

- ▶ Public transport: working capital financing for the two major railway companies, financing of locomotives for a private-sector rail operator
- ▶ Wood processing
- ▶ Waste separation plants and recycling

BAWAG P.S.K.'s corporate customers also include companies that promote the expansion of alternative energy generation facilities, build important health care facilities, contribute to the preservation of Austria's flora and fauna, drive the progress of electromobility and provide continuing education and training for handicapped and hard-to-place people.

Sustainable investment funds

As a bank, it is important to assume social and ecological responsibility, especially with regard to investments. With the "Amundi Ethik Fonds", "Amundi Öko Sozial Rent" and "Amundi Öko Sozial Stock" from our cooperation partner Amundi Austria, BAWAG P.S.K. offers three investment funds that focus on ethical, ecological and social aspects. The selection of individual securities and international issuers in the funds is based on strict ethical and ecological exclusion criteria to ensure the sustainable, ecological and social orientation of the investments. All three funds bear the EUROSIF transparency logo for sustainability funds and have been awarded the Austrian Ecolabel for sustainable financial products.

Investments by BAWAG P.S.K. customers in the three retail funds "Amundi Ethik Fonds", "Amundi Öko Sozial Rent" and "Amundi Öko Sozial Stock" increased significantly in 2019. The three funds reached a total volume of €118 million (2018: €23 million) in 2019 and thus accounted for 4% of the overall fund portfolio (2018: 1%). The volume of the three sustainable investment funds in the retail segment already accounted for 12% of total fund sales in 2019. The notable increase in sustainable investment funds thus underlines the great interest of customers and the need for socially, ecologically and ethically sensible investment opportunities.

"Amundi Ethik Fonds" is one of the three funds with the highest sales in 2019, and the total volume of Amundi Austria in socially responsible investments (SRI funds) amounted to approximately €4.4 billion at the end of 2019. The investments in "Amundi Ethik Fonds", "Amundi Öko Sozial Rent", "Amundi Öko Sozial Stock" and "Amundi CPR Climate Action"¹⁾ reached the sums of €894 million, €260 million, €258 million and €45 million, respectively, as of 31 December 2019. A total of about €2.6 billion is invested in 20 special mandates, six of which also bear the Austrian Ecolabel for sustainable financial products.

Savity Green: green, digital asset strategy

Since 2019, BAWAG P.S.K. and easybank customers have been able to choose a digital and sustainable asset management product. By selecting the "Savity Green" investment strategy, they invest their money only in sustainable companies and sectors that take ESG principles into account. With the stocks in its portfolio, the product has significantly lower CO₂ emissions than conventional globally diversified equity portfolios without ESG filters: For "Savity Green", the figure for Q4 2019 was around 90 tons of CO₂/\$ million turnover, while this figure was around 144 tons of CO₂/\$ million turnover for typical globally diversified equity portfolios without an ESG filter. The shares in the "Savity Green" portfolio therefore generate 38% less CO₂ emissions.

As of 31 December 2019, more than half of those BAWAG P.S.K. and easybank customers who have chosen a Savity product have chosen the green investment strategy. About 51% of these BAWAG P.S.K. customers and about 50% of these easybank customers have opted for the "Savity Green" product.

easy green energy

The Austrian electricity and gas supplier easygreen energy is a subsidiary of easybank that was founded in 2015. The company supplies around 125,000 customers throughout Austria with green electricity and gas. The company's offerings have been certified by the Austrian Ecolabel since the year of its foundation. easygreen energy is a prime example of a Group company with a sustainable and award-winning product range.

In February 2019, employees of BAWAG Group again had the opportunity to receive an exclusive employee bonus when they switched their previous energy supplier to easy green energy.

"New Chance" account

The number of "New Chance" customers continued to rise slightly in 2019. BAWAG P.S.K.'s "New Chance" account is designed for people who would otherwise be excluded from payment transactions through a bank. Neither the account number nor the bank sort code indicate that this is a credit-based account. This prevents customers from being directly or indirectly stigmatized in the course of carrying out their financial transactions. Some 3.4% of all current accounts with BAWAG P.S.K. are "New Chance" accounts.

In addition, our VZKG account offers everyone low-cost access to a bank account. Especially needy persons receive this flat-rate account including an account card for €40 per year.

Mortgage loans

BAWAG P.S.K.'s "Förderlandkarte" funding map provides customers and interested parties with a simple overview of existing subsidy opportunities, including regional options. As a result, persons applying for construction permits are increasingly taking aspects such as multi-family buildings, the use of alternative energies, barrier-free designs and energy-saving measures into account. The "Förderlandkarte" is a fixed and indispensable component of financing advice. In addition, BAWAG P.S.K. will reimburse its customer for the costs of an energy certificate up to €250.

Environmental loans

start:bausparkasse offers a special "environmental loan" without entry in the land register for the thermal refurbishment of buildings. This loan can be granted quickly and unbureaucratically for optimal thermal insulation. Energy is therefore only used to the extent necessary and energy costs are reduced at the same time.

SOCIAL RESPONSIBILITY AND PERSONAL COMMITMENT

BAWAG Group strives to assume social responsibility and commit itself to addressing socio-politically relevant issues. Concentrating on the areas of education, culture and social affairs significantly enhances the positive reputation of BAWAG Group. We see ourselves as a respectful partner, actively shaping partnerships and projects. It is important to us to support projects and commit to initiatives over the long term. For this reason, many of our activities and measures have a long tradition.

BAWAG P.S.K.'s commitment to Licht ins Dunkel, the blood drives and its support for various social projects through www.crowdfunding.at have been fixed points in the Bank's social roadmap for years and were also pursued and further developed in 2019. BAWAG P.S.K. supported smaller associations and individual initiatives in 2019, as well. For it is precisely these that make a significant contribution to strong local and regional social cohesion in Austrian society. BAWAG P.S.K. donated a more than €103,000 to initiatives, institutions and projects in the social sector during the reporting period. Among them was Licht ins Dunkel with a contribution of €50,000.

It should be emphasized that many projects and initiatives would not be possible without the personal and long-

standing engagement of the employees of BAWAG Group. We are proud to be able to count on the commitment of our employees, which was reflected in their increased involvement in the form of Volunteer Days in 2019. We are convinced that working together on social projects boosts the sense of community in the company and helps to increase awareness for social responsibility.

Neglecting social responsibility as a company and a lack of support for the personal commitment of our employees can therefore lead to reputational risks for BAWAG Group as well as a loss of attractiveness as an employer for existing and potential employees.

If BAWAG Group did not fulfil its social responsibility, various social projects and initiatives that the Group has supported for years would have to look for new financing partners. This could delay the implementation of social projects. Society in general would also lack a partner who is willing to support social projects in various sectors, build prosperity and create social balance. In addition, a lack of support for voluntary work by the Group could reduce awareness of the importance of social commitment.

INITIATIVES AND MEASURES

www.crowdfunding.at becomes part of the jö Bonus Club

In 2014, BAWAG P.S.K. became the first bank in Austria to begin providing financial support for social projects of individuals and private organizations through crowdfunding with its platform www.crowdfunding.at. Since its launch, financing totaling €700,000 has been collected, with €200,000 being committed in 2019 alone. Social projects in the fields of work, housing, education, health, culture and technology are put in the spotlight and supported with financing.

BAWAG P.S.K. brought the [crowdfunding.at](http://www.crowdfunding.at) project into the partnership with the jö Bonus Club in 2019 and continues to manage the social projects. jö Bonus Club customers can invest the bonus points they collect in local social projects. In this way, BAWAG P.S.K. enables an even broader public to support social projects in Austria and wants to help raise awareness for social and personal commitment in the country.

The most successful project to date is "hectares of nectar". The project strives to stop the high bee mortality rate by bringing companies and beekeepers together. The initial equipment and bee colonies for 38 young beekeepers could be financed through www.crowdfunding.at, thus contributing to the growth of the bee population. The project also received BAWAG P.S.K.'s 2019 "Better Answers Award", which includes a €3,000 cash prize.

Volunteer Days

BAWAG P.S.K. employees can use up to two working days per year to volunteer for non-profit organizations and projects without having to take holiday leave. A team of nine employees helped in the "VinziDorf Wien", a facility for the homeless, in 2019. In addition, employees were involved in the charitable institution "'s Häferl" and GhostRun, the proceeds of which benefit children with pulmonary hypertension and their families.

Table: Volunteer work completed by employees for social projects

	2019	2018
Total hours	312	48

The expansion of Volunteer Days to include all BAWAG Group employees in Austria as part of the sustainability program (Status Quo Sustainability Program, page 14) is currently being implemented and is scheduled to be finalized in Q1 2020.

Blood drives

The blood drive of the Austrian Red Cross at two central locations of BAWAG Group was again a success in 2019. Employees donated a total of 76 blood units for sick and injured people.

Giving Tuesday dedicated to "a mobile school on the bus"

"Giving Tuesday" as a worldwide day of action at the BAWAG Group headquarters was dedicated to the "A mobile school in a bus" project. Employees were able to shop for Christmas and donate to the project at a pop-up Christmas store. The aim of the school project is to give children in the Chennai region of India access to education. Over €2,400 was donated.

Measures to promote education and the arts

The Südwestbank Prize for outstanding scientific achievements in the field of economics at the University of Hohenheim was awarded again in 2019. The bank also awards scholarships for students and supports scientific work at the Walter Eucken Institute in Freiburg.

Since 1988, Südwestbank has also supported one exhibition per year, mainly of artists from the region of Baden-Württemberg, and offers the opportunity to present works at vernissages and evening events on its premises. In addition, Südwestbank is a long-standing cooperation partner of the Stuttgart artist and gallery world. The bank supports important art institutions in Baden-Württemberg such as the Staatsgalerie Stuttgart or the Kunststiftung Baden-Württemberg. It is also an art partner of the Stadtmuseum Stuttgart.

Zoohackathon

BAWAG Group donated €1,500 to the "Zoohackathon" in 2019 and was at the event with mentors. The international event was held in Vienna for the first time and aims to develop technology solutions to curb the global wildlife trade. The event was organized by the U.S. Embassy in Vienna in cooperation with Schönbrunn Zoo and the Austrian Federal Ministry of Digital and Economic Affairs.

Employee projects for resource conservation

Health AG's sustainability project group organized internal initiatives to encourage employees to use resources more consciously in 2019. Action days were held on the subject of waste separation and food waste, and a clothes exchange was organized. In addition, Health Coevo AG took part in the Germany-wide "Cycle to Work" campaign and motivated employees to cycle to work, thus using a CO₂ neutral means of transport.

Vienna Children's University sponsorship

BAWAG Group donated €2,500 to the "Vienna Children's University" project in 2019, enabling 50 children from families living in poverty or at risk of poverty to take a day trip to the Vienna Children's University. In addition to the day tickets, the children received individual "university packages", which were packed by BAWAG Group employees and included personal greetings.

Partner for non-profit organizations

BAWAG P.S.K. has managed the main bank account of numerous charitable organizations in Austria for decades. Around 150 non-profit and non-governmental organizations are among its long-standing customers.

BAWAG P.S.K. offers special terms for the payment of donations. For years, the preferential fee for cash deposits at BAWAG P.S.K.'s branches for numerous donation purposes has been €0.55 per transaction.

EMPLOYEE PROMOTION AND DEVELOPMENT, DIVERSITY AND EQUAL OPPORTUNITIES

A key to the success of BAWAG Group is its dedicated and highly qualified employees. BAWAG Group places great importance on promoting the professional and personal training and advancement of employees through a work environment that is appreciative and promotes their careers, as well as through programs that are tailored to the needs of specific target groups and individual development measures.

A wide range of training and development opportunities offer employees extensive support for their individual skills. Cooperation between the human resources departments, especially HR Development, and the direct managers of the employees is particularly important in order to ensure that tailor-made programs and training courses are selected for each person. A variety of key figures is used to track the success of various training and continuing education measures. This includes for example the number of training days per year. It is gratifying that the number of training days completed in 2019 increased by around 3% compared with the previous year. Female employees even completed 10% more training days in the period under review than in 2018.

Diversity and equal opportunities for all employees are key success factors for BAWAG Group. These issues are therefore the responsibility of the Managing Board, are implemented operationally by Human Resources and are actively ensured by the Bank's managers and employees.

People from 4 different nations, age groups and faiths work together in BAWAG Group. Around 20% of the workforce was under 30 years of age and just less than 47% in the 30–50 age group in 2019. The group of people over 50 years of age was nearly 33%. The increase in the number of employees outside Austria (2018: 18%, 2019: 23%) is partly due to the inorganic growth measures in 2019.

BAWAG Group strives to offer its employees a working environment that fosters a sense of responsibility. For this reason, risks to employees are analyzed and measures are taken to minimize them. In order to avoid unequal treatment, a balanced distribution between women and men is taken into account in the selection of participants for the various programs and training opportunities. BAWAG P.S.K. women's mentoring is targeted specifically at the advancement of female employees. BAWAG Group firmly believes that actively ensuring diversity and equal opportunities has a positive impact on business processes and thus on the Group's economic success.

Increasing digitalization is leading to changes in working methods and the working environment. To support employees in this, a specific training program is available and is supported by targeted communication measures.

Various offers for parents are intended to help balance work and family more easily and counteract possible career disadvantages.

Defined processes for performance management such as management by objectives (MbO) and the sales talent management process are used to minimize the risk of unequal treatment.

Active workplace health promotion has been put into place to counter health risks arising from day-to-day work.

Neglecting measures in this area could reduce the attractiveness of BAWAG Group among active and potential employees. This would not only make it more difficult to recruit new, qualified employees, but a lack of motivation could have a negative impact on work processes and procedures.

Table: Development of the number of employees

Headcount	2017	2018	2019
Number of employees as of 31.12.	3,520	4,046	4,353

The fluctuation rate in 2019 was 8% (2018 also 8%)¹⁾.

Table: Extent of the employment relationship

	31.12.2019	31.12.2018
Full time	2,712	2,470
Women	1,266	1,144
Men	1,446	1,326
Part time	1,641	1,576
Women	1,221	1,147
Men	420	429

Table: Type of employment contract

	31.12.2019	31.12.2018
Permanent	4,244	3,739
Women	2,416	2,133
Men	1,828	1,606
Fixed-term	109	307
Women	71	158
Men	38	149

A breakdown of employment relationships (permanent and fixed-term) by country is given in the Appendix (page 58).

Table: Gender distribution

in % as of 31.12.	2017	2018	2019
Women	57%	57%	57%
Men	43%	43%	43%
Proportion of women in management positions	27%	28%	34%

1) Not including terminations by the employer and employee departures under the social plan and retirements. The calculation is based on full-time equivalents.

PROMOTING DIVERSITY AND EQUAL OPPORTUNITIES

BAWAG P.S.K. Women's Advancement Plan

The Women's Advancement Plan, which has been in place since 2012, serves as a binding framework for promoting equality and ensuring equal opportunities for women and men in the company. The success of the Women's Advancement Plan is evaluated by HR every two years. The plan is based on four principles and concrete measures stemming from them:

- ▶ Awareness-raising (measures include: publication of the Women's Advancement Plan on BAWAG P.S.K.'s intranet, information on the promotion of women and equal opportunities in BAWAG P.S.K.'s management handbook)
- ▶ Equal career opportunities (measures include: striving for a 50:50 ratio in the talent and trainee program, a balanced ratio [at least 40:60] for team assignments, open application requests for internal appointments to management positions at the group leader, team leader and branch manager level).
- ▶ Financial equality (one measure is the implementation of the monitoring of balanced salary measures by HR)
- ▶ Promotion of a better work-life balance for parents (measures include: organization of the welcome back event, targeted information for parents before, during and after parental leave)

BAWAG P.S.K. Women's Initiative

BAWAG P.S.K. Women's Initiative is a network of experts and female managers from all areas of the Bank and is supported by the Managing Board. The initiative aims to promote gender equality in the Bank. This involves achieving career goals in the form of management or expert positions and financial equality, as well as maintaining a healthy balance between family and career.

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

BAWAG P.S.K. Women's Mentoring Program was first implemented in 2013 and successfully launched a new round in October 2019. The program is designed to help participants develop their personalities and identify individual potential (for example by creating personality profiles

and through workshops and individual coaching). In addition, the exchange with experienced managers is to be promoted and the company's own network expanded (for example through internal mentoring and networking events).

In the 2019 round, Austrian top managers and female managers from various industries and institutions were available to 12 female managers and high-potential employees of BAWAG Group as mentors for one year. During the mentoring year, mentees participated in workshops and networking events such as the new three-day Business Academy. During these three days, participants had the opportunity to talk to internal experts on the topics of finance, risk and retail. Business talks, including with members of the BAWAG Group Managing Board, were also on the agenda again.

The success of these initiatives is illustrated by the increase in the proportion to 34% of female managers (gender distribution table, page 35). One participant (out of a total of 15) of the 2018/2019 program became a manager for the first time, and another participant was promoted from the position of group leader to department head.

Award of the seventh BAWAG P.S.K. Women's Prize

This year's BAWAG P.S.K. Women's Prize focused on education as the best investment in the future and was awarded by BAWAG P.S.K. Women's Initiative for the seventh time in October 2019. The award recognizes innovative projects in various fields that are headed by courageous and committed women.

Karoline Iber, managing director of the Children's Office at the University of Vienna and founder of the Vienna Children's University, received the BAWAG P.S.K. Women's Prize, which includes a grant of €5,000, for her work in the education sector. The Children's University Vienna offers innovative childcare and designs and implements projects in the fields of science communication and science education.

Tables: Workforce/executive officers by age group and gender

31.12.2019		Age group			Number
		<30	30-50	>50	
Men	Managing Board		6		6
	Division management / senior management		31	11	42
	Regional division or sales management / sales management / department management		66	34	100
	Branch management / group management / team management	12	114	43	169
	No managerial function	309	610	630	1,549
Total (men)		321	827	718	1,866
Women	Managing Board				
	Division management / senior management		6	1	7
	Regional division or sales management / sales management / department management	2	46	7	55
	Branch management / group management / team management	6	69	22	97
	No managerial function	560	1,087	681	2,328
Total (women)		568	1,208	711	2,487
Total		889	2,035	1,429	4,353

31.12.2018		Age group			Number
		<30	30-50	>50	
Men	Managing Board		6		6
	Division management / management		25	10	35
	Regional division or sales management / sales management / department management		73	25	98
	Branch management / group management / team management	12	120	43	175
	No managerial function	238	577	626	1,441
Total (men)		250	801	704	1,755
Women	Managing Board				
	Division management / management		4		4
	Regional division or sales management / sales management / department management	2	33	3	38
	Branch management / group management / team management	6	60	14	80
	No managerial function	480	1,026	663	2,169

31.12.2018	Age group			Number
	<30	30–50	>50	
Total (women)	488	1,123	680	2,291
Total	738	1,924	1,384	4,046

	31.12.2019	31.12.2018
Supervisory Board ¹⁾	6	9
thereof men	4	6
thereof women	2	3

1) Supervisory Board age groups 2019: 1 member female 30–50 years old (17%), 5 members male/female > 50 years old (83%); proportion of women on the Supervisory Board in 2019: 33%;

Tables: Workforce by nationality

31.12.2019	Austria	Germany	Other
Managing Board	1	1	4
Division management / senior management	28	13	8
Regional division or sales management / sales management / department management	105	37	13
Branch management / group management / team management	216	41	9
No managerial function	2,988	606	283
Total	3,338	698	317

31.12.2018	Austria	Germany	Other
Managing Board	1	1	4
Division management / management	25	5	9
Regional division or sales management / sales management / department management	108	20	8
Branch management / group management / team management	207	42	6
No managerial function	2,980	426	204
Total	3,321	494	231

Further key figures on departures and new hires in 2019 can be found in the Appendix starting on page 56.

JOB AND FAMILY

As a responsible employer, it is important to BAWAG Group that the different phases of the lives of its employees can be reconciled with their work in the Group and their families. BAWAG Group continually works on offering a flexible and family-friendly working environment.

At the employee's request, it is possible at BAWAG Group in Austria to remain marginally employed during parental leave. This model is intended to make it easier for people on parental leave to return to work. After parental leave, the Group offers employees flexible working time and

part-time models. This opportunity is also offered to executives depending on the management position. HR supports them in agreeing individual part-time models and clearly defined structures and responsibilities.

BAWAG P.S.K. committed itself to a healthy balance between work and family life in 2013 as part of a structured auditing process and received three-year certification as a family-friendly company. The certificate was confirmed in 2016 and is still valid.

"Daddy month" and special leave days

Since 2014, all fathers at BAWAG P.S.K. have been given two "daddy days". These are two special leave days immediately after the birth of their child in addition to the two special leave days to which the collective agreement entitles them. This gives fathers four days in total for their family.

Company daycare center at central locations

BAWAG Group offers parents childcare places for their children in the company daycare center at two central locations in Vienna. Part-time employees, single parents and employees with special working time arrangements are given preferential treatment in the allocation of childcare places.

The company daycare center at the Georg-Coch-Platz site was relocated to THE ICON VIENNA in 2019. The facility has around 750 m² of spacious and bright group rooms and child-friendly sanitary facilities. The children receive

fresh meals daily. In 2019, 38 children were enrolled at this site.

Information event for parents-to-be

All expectant mothers and fathers of BAWAG Group in Austria are invited to a biannual information event on the subject of parental leave management and re-entry into the company. A total of 31 employees participated in 2019.

Welcome back event

Human Resources and the BAWAG P.S.K. works council have been organizing a welcome back event since 2009. All employees of BAWAG Group in Austria who return from parental leave after the date of the last welcome back event up to and including 31 December of the following year are invited to inform themselves about changes and new developments in the Group. Fourteen employees took part in the information event in 2019.

Table: Parental leave

	31.12.2019
Total number of employees who took parental leave during the reporting period	265
Women	239
Men	26
Total number of employees who returned to work after parental leave during the reporting period	86
Women	69
Men	17
Total number of employees who returned after parental leave and were still employed 12 months later	89
Women	75
Men	14
Return rate¹⁾	
Women	82%
Men	81%

1) The return rate were calculated in accordance with the method specified in GRI Indicator 401-3. It is planned to report the retention rate in the CSR Report 2020.

FLEXIBLE WORKING TIME MODELS

Most organizational units offer variable working times with defined function times. Teleworking arrangements are encouraged taking into account the operational requirements and involve at least one day of office presence per week. Individual time models can be agreed upon, including the possibility of a reduced daily working time or a specific number of hours accumulated during a specific number of days per week.

BAWAG Group offers various models and options for employees who wish to take career breaks or reduce their working hours due to personal obligations. These include:

- ▶ Education leave for 2–12 months
- ▶ Part-time education leave for 4–24 months
- ▶ Sabbatical: a combination of a "savings phase", during which the employee receives only part of the usual monthly salary, and a leave phase.
- ▶ Part-time reintegration: reintegration on a part-time basis after a long period of sick leave for an agreed period of 1–6 months, with the possibility of an additional three-month extension
- ▶ Family hospice leave for three months with extension possibilities and special conditions for seriously ill children
- ▶ Nursing leave for one week per year, a second week for the necessary care of a sick child under 12 years of age
- ▶ Nursing leave/part-time nursing leave for 1–3 months

CHANGES IN EVERYDAY WORK

Successful headquarters relocation

In March 2019, BAWAG Group completed the relocation of more than 1,200 employees to the new BAWAG Group headquarters at Vienna Central Station. Spread over 28,000 m² and 17 floors, BAWAG Group has created a new open office concept with fixed workplaces for each employee. The good accessibility by public transport, the infrastructure with numerous shops with extended opening hours, food courts and a fitness studio contribute to the attractive and convenient working environment.

A total of 45 nationalities work together every day in the modern office tower of BAWAG Group. A specially created intranet section called "ICON Corner" provides employees with current information on relevant topics.

Employee communication

The employees of BAWAG Group receive news from the Group through various channels. In addition to BAWAG P.S.K. intranet, which can be accessed by all subsidiaries in Austria and BFL Leasing, this also includes the BAWAG P.S.K. sales platforms for retail and corporate employees and the easycorner for easybank and PayLife employees.

Newsletters are also sent out regularly to internal target groups ranging from Group-wide communications (the CEO newsletter) to Managing Board-related information (for example the risk newsletter) and division-specific newsletters (for example the COO newsletter).

Ideas exchange

BAWAG Group employees have the opportunity to communicate internal feedback and innovative ideas quickly and easily. For example, employees can contribute to the further development of the Group by a digital submission form on the intranet.

So far, some 230 ideas have been submitted on the following topics:

- ▶ Health and social affairs
- ▶ Working environment and safety
- ▶ Products and services
- ▶ Customer experience and satisfaction
- ▶ Efficiency and cost reduction
- ▶ Image and competitiveness

TRAINING AND CONTINUING EDUCATION, TALENT PROMOTION, SUCCESSION AND CAREER PLANNING

In order to deploy employees according to their qualifications and strengths and offer them structured development opportunities, the focus in 2019 was again on target group-oriented training and continuing education. Particular attention was paid to training to meet regulatory requirements – with specially developed self-study programs and corresponding "quick checks".

BAWAG Group help its employees master the challenges of their daily work through targeted training that enables them to grow on a professional and personal level. This includes not only the expansion of specialist knowledge but also topics such as time and stress management. Various project management, IT, English, German and first aid courses are also offered.

BAWAG P.S.K. also makes use of "HR ONE". This training and performance management platform supports the sales talent management process and is continuously expanded with self-study programs and tutorials. Blended learning as a combination of online and face-to-face training is used here

methodically in combination with social learning (learning with and from each other).

In coordination between the relevant divisional management and HR, high potentials are supported in their professional development including participation in national and international conferences and training courses, external education to deepen their professional expertise (for example for internationally recognized certification), and in part for master's and MBA programs.

In Südwesbank, employees are able to take advantage of internal and external seminars on various topics such as personality training, technical training and specialist and sales training. After the courses, satisfaction with the respective training measure is evaluated. Südwesbank attaches great importance to needs-oriented personnel development. The personnel development department plans measures for the continuous and systematic building of employee skills in close cooperation with management and the department heads.

Tables: Training days by gender

31.12.2019¹⁾	Total days	Average days
Women	8,850	4.4
Men	10,242	6.5
Total	19,092	5.4

1) The figures include the number of training days of active employees of BAWAG P.S.K., easybank, start:bausparkassen Austria, Südwesbank, start:bausparkasse Deutschland, BFL Leasing and Health Coevo AG. The figures for Zahnärztekasse were not surveyed in the reporting period. The presentation of the missing data is planned for the CSR Report 2020.

31.12.2018	Total days	Average days
Women	7,742	3.8
Men	10,491	5.8
Total	18,233	4.8

Tables: Training days by position

31.12.2019¹⁾	Total days	Average days
Management		
Women	830	6.8
Men	1,707	5.4
Sales representatives		
Women	5,301	8.4
Men	6,403	14.2
Employees in central departments		
Women	2,719	2.2
Men	2,132	2.6

1) The figures include the number of training days of active employees of BAWAG P.S.K., easybank, start:bausparkassen Austria, Südwestbank, start:bausparkasse Deutschland, BFL Leasing and Health Coevo AG. The figures for Zahnärztekasse were not surveyed in the reporting period. The presentation of the missing data is planned for the CSR Report 2020.

31.12.2018	Total days	Average days
Management		
Women	915	6.7
Men	2,540	7.6
Sales representatives		
Women	4,493	6.9
Men	5,731	10.2
Employees in central departments		
Women	2,334	1.9
Men	2,220	2.4

The key to the success of BAWAG Group is its committed and highly qualified employees, who are constantly refining their skills.

Facilitating the professional and personal training and advancement of employees through an appreciative and career-promoting working environment as well as through target group-oriented programs and individual development measures is a high priority in BAWAG Group.

High potentials and potential successors for key functions are identified in a defined, annual potential assessment process.

High potentials are promoted in a structured manner within the framework of constructive HR programs and discussed at all functional levels: We start with so-called personal development meetings. For each unit, division managers and department heads as well as team and

group leaders discuss high potentials at employee level together with experts from the HR department. Based on this, potential assessments are carried out in which all department heads and other direct managers in each division are discussed by division managers and experts from Human Resources.

Finally, the results are discussed with the members of the Managing Board in the talent reviews, and career opportunities and paths for potential successors for key functions are formulated in the context of strategic succession planning.

The management role is a permanent development process. Accordingly, the training of managers comprises a diverse range of topic-specific courses. The focus here is on a high level of practical relevance, targeted development of management and leadership skills, sharpening of self-reflection, and employee support and development.

Employee feedback process

BAWAG Group remuneration policy is designed to strike a balance between remuneration for services rendered, competence and the degree of responsibility. The management by objectives (MbO) process remains an important management tool for supporting the business strategy. With the start of the annual performance review process, company objectives that are important for the development of the Bank and each individual employee are defined. The assessment of each employee's performance reflects the professional and social competence of the individual as well as the achievement of personal and defined Group goals. The MbO meetings are conducted from the top down, which ensures that all set goals are consistently discussed at all functional levels. Two MbO meetings are the cornerstones of the process, but the flat hierarchy allows for ongoing coordination meetings between employees and their immediate supervisors.

The MbO process currently applies to all subsidiaries of BAWAG Group in Austria and is to be expanded to include employees of Südwesbank in 2020. In addition, an expansion to further subsidiaries in Germany is being evaluated.

Training and continuing education programs for employees in the central departments

Holiday work placements

A total of 149 secondary school and university students made optimal use of their time in the summer months of 2019 and gained their first professional experience in BAWAG Group. For up to three months, they supported colleagues in the branches and in the central departments and got to know day-to-day work and processes in a bank.

The "Come & Learn" internship program

To give students interesting and varied insights into working life, BAWAG P.S.K. offered 37 students the opportunity to get to know the company for up to six months and to actively participate in projects and tasks. In this way, the interns not only gained valuable practical experience in

various subject areas, but also became familiar with the Bank's procedures and processes, thus laying the foundation for a possible successful career in the Group later on.

The "Start & Move" trainee program

The "Start & Move" trainee program is offered to attract young, academically trained talent to the Group. During the one-year program, the trainees gain comprehensive insight into the company and can build up their first internal network. There were eight female and eight male participants in the 2019 program.

The "forTalents" junior management program

The one-year "forTalents" talent program was launched in 2012 to build up the next generation of managers and experts. The focus is on the enhancement of social, technical and methodological competencies. The participants are supported in their professional and personal development and the network within the Bank is expanded further.

Thirteen of the 23 participants in the current course are female. Of the 139 participants so far, 67 were women, 36 of whom had management responsibilities.

The "forTalents Alumni Day" was also held for the first time in 2019. A total of 44 participants attended the one-day workshop for all former and current participants in the program.

The "LEAD" management program

The "LEAD" program is designed to help new managers in the central divisions to develop their skills after gaining initial experience in their new function and lasts a total of six months. In addition to tools to support them in their new tasks, measures for self-reflection are taught. A focus is also placed on dealing with possible leadership challenges. Participation includes a potential analysis of one's own communication behavior, individual coaching with external coaches, mentoring units and exchange with sparing partners in the Bank. There were ten male and nine female participants in the LEAD program in 2019.

Special training programs for employees in the central departments

Finance Days

The "Finance Day" was held twice in 2019 with 38 internal participants from various departments of BAWAG P.S.K. In addition to presentations on strategy, M&A, accounting and controlling, a Q&A session with the CFO of BAWAG Group gave the participants a good overview of the interfaces within the company. Selected employees of Südwestbank are also invited to the "Finance Day".

Risk Day

The "Risk Day" was organized for the first time in 2019 and had 26 internal participants from various departments that deal materially with risk. The focus was on risk governance, cooperation sales and risk, key risk ratios, IT systems and risk applications and information security. The event, which will take place regularly in the future, served to give participants a good overview of BAWAG P.S.K.'s strategy, the associated risk strategy and the interfaces within the company. Selected employees of Südwestbank are also invited to the "Risk Day".

Launch of the "Digital Academy"

BAWAG Group launched the "Digital Academy" in cooperation with University of Applied Sciences Technikum Wien in 2019. Employees have the opportunity to acquire certificates in the fields of business analysis, development, user experience and quality management. Since its inception, more than 50 BAWAG P.S.K. employees have completed the first of three levels in this training program.

Continuing education measures for the Customer Service Center

All employees of the Inbound and Outbound Customer Service Center completed various training measures during the reporting period to provide them with appropriate support in their professional activities. The training program was designed to cover a wide range of topics from the basics of communication on the phone to challenging conversations and live, on-the-job coaching.

Risk Center of Excellence

Within the risk area, the new "Risk Center of Excellence" program supports high potentials and junior staff in their development under the guidance of mentors and prepares them for broader future tasks in BAWAG Group. The program includes job rotations, an internal knowledge academy, regular meetings with senior management and the supervision of a risk project.

Training and continuing education programs for BAWAG P.S.K. sales staff

The goal of the training and continuing education program for sales staff at BAWAG P.S.K. is to define the training needs in retail sales, find potential employees for specific functions, filter out individual measures and thus to enable targeted training and succession planning.

Sales Talent Management

The "Sales Talent Management" process is a structured competence assessment method for all employees and managers in BAWAG P.S.K.'s retail sales department. The implementation takes place via the online tool HR ONE. Once a calendar year, an assessment of the sales criteria is carried out for sales employees along a predefined requirement profile along with potential assessments with regard to further training opportunities for an expert or management position. Each employee and his or her manager independently assess the abilities and potential of the employee and document this in HR ONE. The assessments are discussed in a subsequent meeting. Based on this, development measures are worked out individually for each employee.

The aim of this process is to promote the discussion of sales and personal skills between managers and employees, to agree on concrete development measures and to create the basis for structured succession planning in branch sales.

Sales Academy

The measures agreed between sales staff and managers during the "Sales Talent Management" process can also include the completion of training courses at the

BAWAG P.S.K. "Sales Academy". The training program for sales staff is based on three main pillars:

- ▶ Specialist knowledge: well-founded specialist training, for example in the topics of securities, insurance and housing loans
- ▶ Sales: continuing education in the area of sales training
- ▶ Leadership: training of managers and prospective managers, targeted training offers specific to the management role and management experience (for example: Leader's Basics or Leader's Premium)

Apprenticeship training

BAWAG P.S.K. has been training apprentices for many years and has received numerous awards for this work throughout the past. This includes the "Staatspreis Beste Lehrbetriebe – Fit for Future" certificate. Giving young people goals and prospects for the future was a task that was again taken very seriously in 2019. BAWAG P.S.K. had 37 apprentices during the year. The Bank's apprenticeship program provides high-quality training with the goal of being taken on as a qualified customer advisor at the end of the apprenticeship. Through a well-structured training plan, course work at vocational school and support in the branches, apprentices are optimally prepared for the demands they will face later. Nine apprentices successfully completed their apprenticeship in 2019, five of them with honors. In addition to this extensive training, the bank supports and promotes the optional apprenticeship program that confers not only vocational qualifications, but also university entrance qualifications. In autumn 2019, several new apprentices started their training in Vienna, Linz, Salzburg and Graz.

As part of a cross-bank project, all first-year apprentices also took part in the 2019 Finance Guru competition in cooperation with the Vienna Vocational School. A BAWAG P.S.K. apprentice won first place in the competition in 2018. The closing event in 2019 took place at the BAWAG Group headquarters with about 90 guests. Young people explain complex financial topics with creative videos on the website www.finanzguru.at.

As of 31 December 2019, there were four apprentices at Südwestbank, three of whom were male and one female. Two were trained as bank clerks and the other two studied

at the Stuttgart Cooperative State University with the aim of obtaining a bachelor of arts degree in business administration and banking. The dual study program lasts six semesters and is divided into a theoretical phase at the Stuttgart Cooperative State University and a practical phase in branches and departments of Südwestbank. Students can thus put theoretical curriculum content directly into practice.

The "Leader's Basics" junior management program

The "Leader's Basics" program facilitates the development of future managers in sales and allows for the rapid and targeted internal filling of management positions. During the course, the candidates develop leadership skills and learn to use sales management instruments and recognize interrelationships. The main focus is on imparting practical skills with the help of the direct supervisors. The course is concluded with an examination by a commission. There were nine male and four female participants in 2019, and all successfully completed the course.

A new run with seven female and five male candidates will start in 2020. Since 2018, a meeting has also been held once a year to which the participants in the last three courses are invited. This workshop focuses on a current leadership topic.

The "Leader's Premium" management program

Sales managers at BAWAG P.S.K. are offered a wide range of opportunities for personal development, leadership and specialist topics. This is intended to provide them with the necessary tools to lead their teams to success. Sales managers are offered elective modules on the topics of leadership and personality development. With the elective modules, each manager can independently choose the optimal further training measure in order to be well equipped for day-to-day management. The latest offerings can be accessed through the HR ONE training platform.

The Bank also offers the "Leader's Premium" course. This program promotes a collegial learning atmosphere and provides the opportunity to expand one's own network and reflect on one's own leadership behavior. In the four modules, particular emphasis is placed on a balanced mix of different learning methods. "Leader's Premium" was first offered in 2018. The 2019 course was attended by ten

male and four female branch managers. Especially networking at the management level represents a great added value for the participants.

The "After Work Management Forum" was successfully continued in 2019 with networking events for all managers in spring and autumn, offering a platform for exchange. The participants were familiarized with new leadership trends.

WORKPLACE HEALTH PROMOTION

An essential cornerstone of workplace health promotion is the services offered by the company health offices, which provide the following services:

- ▶ Examinations and assessments by a company doctor
- ▶ Treatment of acute illnesses
- ▶ Vaccination campaigns
- ▶ Medical first-aid services
- ▶ Free annual medical check-ups
- ▶ Occupational psychologist
- ▶ Massage therapist at the company health offices

Measures in 2019 included the third "BAWAG P.S.K. Health Day", the "Fit & Focused at Work" workshop series, eye examinations for employees in central departments, workshops on quitting smoking and subsequent "Healthy into Autumn" mental coaching with concrete tips on how to quit smoking.

BAWAG P.S.K. has also offered its employees support and advice in the area of occupational psychology since 2010. This offer can also be used in the form of individual consultations.

Evaluation of mental stress at the workplace

The prevention of work-related mental stress is carried out separately for each subsidiary or division. An online survey by the external occupational psychologist of the occupational medical service did not take place in 2019 due to the relocation to the new Group headquarters. In 2020, the survey of employees is to include the new space concept in THE ICON VIENNA.

The most recent survey took place in 2018 at easybank, in which possible negative impacts were defined in the areas of "social and organizational climate", "working environment and work equipment" and "work processes and work organization". Among other things, potential for improvement was identified in the areas of continuing education and advancement opportunities.

Other company social benefits

In addition to the benefits provided by the company health promotion program, BAWAG Group offers numerous other

services at its Austrian locations including support for families, lunch, recognition of employment anniversaries and the company daycare center.

Table: Other company social benefits¹⁾

in € thousand	31.12.2019
Travel allowances	424
Pension fund contributions	7,903
Anniversary bonuses	2,812
Allowances (especially for marriage / birth / death, WAFF)	201
Accident insurance	230
Supplementary health insurance allowance	235
Company cafeteria (meals / personnel / vouchers)	1,143
Company doctor and health programs	167
Company daycare center	350
Staff events (especially Christmas vouchers / Christmas dinner / excursions)	373
Subsidy for the works council (vaccination campaigns, holiday rooms, sports club etc.)	300
Total	14,138

1) The figures shown include benefits for employees of BAWAG P.S.K., easybank, start:bausparkasse in Austria, Südwestbank and Zahnärztekasse AG. No figures were available for Health Coevo AG, start:bausparkasse in Germany and BFL Leasing for the reporting period. The presentation of the missing data is planned for the CSR Report 2020. All social benefits listed apply to full-time, part-time and temporary employees, with the exception of allowances (only full-time and part-time employees) and pension fund contributions (from 1 year of employment). Rounding of decimal places may cause minor deviations.

ENVIRONMENTAL AND CLIMATE PROTECTION

Even though the direct environmental impact caused by banks is very limited, BAWAG Group is aware of its indirect responsibility and carefully considers the potential risks to the environment arising from its financing business. Climate risks not only have a direct impact on our business activities as BAWAG Group, but also pose risks to the business models and profitability of our customers.

BAWAG Group wants to minimize negative environmental impacts from products and services and the daily work of all employees. Regular monitoring and optimization of energy consumption and the most sparing use of energy possible are to contribute to reducing environmental impacts so as not to endanger the basis of life for future generations.

Our consistent efforts to improve the Group's ecological footprint and to contribute to environmental and climate protection were demonstrated in 2019 by the successful switch to green energy and gas suppliers at all sites in Austria and two sites in Germany. With the relocation of the Group headquarters to an energy-efficient and modern office building in 2019, BAWAG Group also took a decisive step towards reducing its CO₂ footprint in Austria. Energy efficiency measures were also implemented in the central offices and branches.

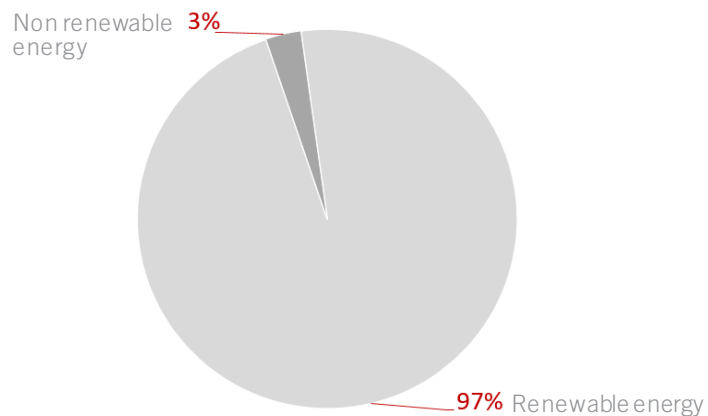
If we did not take environmental and climate protection into account, we could endanger the foundations of future generations due to natural resources not being used sustainably. Rising temperatures and more hot days could

have a negative impact on the performance of employees, and the energy required for air conditioning at our sites could increase. In addition, company sites could be directly threatened by changing environmental conditions such as more frequent extreme weather events.

Altered conditions in the wake of climate change can also pose risks to our clients' business activities, which can impact their profitability. In the case of customers in the agricultural sector, increased dry periods can lead to crop failures and thus to a loss of business. In the case of mortgage collateral, climate changes could lead to a shift in the hazard zone map (for example due to flooding or mudslides) and thus have a negative impact on the value of collateral. BAWAG Group could also be indirectly affected by climate risks in its business activities, for example through the scarcity of necessary materials and through delivery delays. For these and other reasons, we consider a proactive approach to these issues to be important and implement resource-saving measures.

In order to keep transport distances short and thus reduce CO₂ emissions, BAWAG Group also relies on cooperation with local suppliers and service providers in the DACH region. If BAWAG Group did not promote cooperation at the local level, this could lead to a reduction in orders and sources of revenue for businesses in the region. This could then lead to less willingness to invest on the part of local companies, which in turn could mean reduced demand for financing from BAWAG Group.

Chart: Share of green electricity in total electricity consumption in 2019 (in %)¹⁾



¹⁾ Total consumption in 2019: 16,413,990 kWh; Renewable energy consumption in 2019: 15,970,421 kWh; This figure includes the consumption of the BAWAG Group headquarters (including easybank and start:bausparkasse in Austria), another central location, Südwestbank, Zahnärztekasse AG and Health Coevo AG and 77 per cent of the BAWAG P.S.K. branch locations.

Table: Environmental indicators¹⁾

	Unit	2017	2018 ²⁾	2019
Material consumption				
Paper consumption	kg	162,446	161,847	840,643
Bank statement envelopes	piece	6,670,433	7,034,210	11,008,672
Energy consumption				
Total electricity consumption ³⁾	kWh	17,365,563	19,768,857	16,413,990
Heating⁴⁾				
Gas	kWh	2,195,801	3,273,929	2,487,469
District heating	kWh	7,411,962	8,138,831	6,275,751
Total heating	kWh	9,607,763	11,412,760	8,763,220
District cooling ⁵⁾	kWh			968,059
Vehicle fleet/mobility				
Vehicle fleet gasoline	kWh	236,663	167,044	381,316
Vehicle fleet diesel	kWh	2,864,420	889,966	1,906,333
Air travel	kWh	1,950,556	2,473,922	4,410,288
Total energy consumption	kWh	32,024,965	29,303,848	32,843,206
CO₂ emissions⁶⁾				
Scope 1 – direct emissions				
Vehicle fleet	t CO ₂ -e	696	275	731
Heating (gas)	t CO ₂ -e	527	614	674
Subtotal Scope 1	t CO ₂ -e	1,223	889	1,405
Scope 2 – indirect emissions from energy procurement⁷⁾				
Electricity	t CO ₂ -e	5,244	5,674	332
District heating/District cooling	t CO ₂ -e	1,416	1,781	1,320
Subtotal Scope 2	t CO ₂ -e	6,660	7,456	1,652
Scope 3 – other indirect emissions				
Air travel	t CO ₂ -e	1,200	1,718	3,086
Subtotal Scope 3	t CO ₂ -e	1,200	1,718	3,086
Total CO ₂ emissions (Scope 1–3)	t CO ₂ -e	9,083	10,063	6,143

- 1) The energy consumption data is shown on the basis of current billing information. It is not possible to show figures as of the balance sheet date due to different settlement periods. The figures presented for 2017 and 2018 cannot be directly compared with the figures of 2019, as the companies included are different.
- 2) The environmental indicators for 2018 relate to BAWAG P.S.K., easybank and start:bausparkasse in Austria. Electricity consumption, heat consumption and Scope 2 were also supplemented with data from Südwestbank.
- 2) Electricity consumption: Due to a relocation, the electricity consumption of start:bausparkasse in Germany and BFL Leasing could not be included this year. 23% of the BAWAG P.S.K. branches are also not included in the calculation, because they were opened during the year and no data was available. It is planned to expand the data basis in the CSR Report 2020 and to include the missing data.
- 3) Heating consumption: Due to a relocation, the heating consumption of start:bausparkasse in Germany and BFL Leasing could not be included this year. Furthermore, the data of Zahnärztekasse AG and Südwestbank's branch in Reichenau are not included either. Newly opened BAWAG P.S.K. branches and branches whose consumption is charged in the operating costs are also not included (coverage rate: 39% of all branches). It is planned to expand the data basis in the CSR Report 2020 and to include the missing data.
- 5) District cooling consumption applied exclusively to BAWAG Group headquarters and is reported for this reporting period the first time.
- 6) Rounding of decimal places may cause minor deviations. The calculation method for 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, myclimate.de and the electricity labels of different electricity suppliers. When balancing greenhouse gases (GHG), not only CO₂ but also all other gases with GHG potential including methane and nitrous oxide are considered according to their climate impact.
- 7) The Scope 2 emissions are calculated using the market-based method.

ENVIRONMENTAL ACTIVITIES

Suppliers

The "Supplier Code of Conduct" defines our expectations of suppliers with regard to environmental protection. The guidelines must be signed by every supplier of BAWAG P.S.K. before a business relationship can be started. In this way, we obligate our suppliers to respect the fundamental rights, health and safety of their employees and make reference to anti-corruption regulations. In the course of supplier evaluations, commercial, professional/technical, legal and general parameters relating to future cooperation are comprehensively examined and evaluated. The harmonization process to ensure a uniform approach in all other BAWAG Group subsidiaries is currently under way.

"Procurement Governance" is also addressed at all employees of the Group and is a guideline for procurement processes. In the award of contracts for all external services, it stipulates that sustainable companies with the same price/performance ratio are given preference in invitations to tender.

In general, about 78% of all spending by the main banking subsidiaries of BAWAG Group in Austria (BAWAG P.S.K. and easybank) in 2019 went to local suppliers¹⁾. The primary goods and services procured are in the areas of software and information services, marketing, rental and insurance.

BAWAG Group worked with local suppliers and service providers in the DACH region throughout 2019 in the procurement of office equipment and for renovation, repair and maintenance work (including for the fixtures and furnishings of the new BAWAG Group headquarters and another Vienna location and the redesign of the BAWAG P.S.K. branch network).

In addition, all BAWAG Group locations in Austria were successfully converted to easygreen energy, a subsidiary of easybank, as of 1 January 2019. This includes all BAWAG P.S.K. branches and all central locations of BAWAG Group in Austria. The electricity is certified with the Ecolabel UZ46, is produced in Austria and comes entirely from hydropower and renewable energy sources. As of 1 May 2019, the gas supply contracts were also bundled with the provider easygreen energy, which means that all locations of BAWAG Group in Austria that are heated with gas are supplied with certified and climate-neutral natural gas.

The commitment to green energy suppliers is also evident in our subsidiaries in Germany and Switzerland. Zahnärz-

tekasse AG in Switzerland has been powering its site completely with green energy since 2014. Health Coevo AG and start:bausparkasse Deutschland have also been powering their offices with sustainable electricity since January 2020. The headquarters of Südwestbank also run entirely on emission-free and renewable electricity from hydropower plants in the Alps. This accounts for about 81% of the total electricity consumption of Südwestbank.

Digitization of processes

Several BAWAG Group companies digitalized processes in 2019 and continued to reduce their paper consumption:

- ▶ BAWAG P.S.K. encouraged its customers to switch to digital current account statements in 2019 with advertising campaigns and a bonus, thereby contributing to the sparing use of natural resources. More than 9,000 customers have switched. This number of customers would consume more than 443,000 pages of A4 paper-based account statements per month. These can thus be saved in the future.
- ▶ The implementation of the "paperless branch" project in the redesigned BAWAG P.S.K. branches led to savings of more than 76,000 payment transaction receipts and over 130,000 A4 pages in product transactions in 2019. Unless customers expressly request it, documents are not printed out but transmitted electronically. Contracts are also signed electronically.
- ▶ start:bausparkasse Österreich eliminated paper-based building society contracts in 2019 and completely digitalized the process. This means that approximately 395,400 pages of A4 paper can be saved annually.
- ▶ Since the relaunch of the easybank website in 2018, customers have been able to process product applications completely digitally and no longer need to print out documents. This saved over 62,500 A4 pages in 2019.
- ▶ Südwestbank completely digitalized the internal documentation of its credit transactions in 2019. This means that about 120 A4 pages can be saved per file in the future.

Efforts to digitalize processes and the sparing use of materials helped BAWAG Group in Austria to reduce its paper

consumption by about 24,000 kg (14%) in 2019 as compared with 2018.

Green postal and courier services

Austrian Post delivered all BAWAG P.S.K. mail items in 2019 in a CO₂-neutral manner. Südwestbank also uses an electric vehicle for courier travel within the city.

Südwestbank sent all letters and parcels in a climate-neutral manner with GOGREEN in 2019. With the help of an independent measuring system, the CO₂ emissions of all shipments are precisely measured. Greenhouse gases are neutralized by supporting various climate protection projects.

New energy-efficient headquarters

The new offices in THE ICON VIENNA offer modern comfort, improved energy efficiency and a contemporary working environment for our employees. All workplaces at the new BAWAG Group headquarters, at another location in Vienna, and the newly designed BAWAG P.S.K. branches in Austria were created using sustainable production methods that meet international environmental, quality and ergonomic standards.

The move also represents a milestone for heating consumption. In the new, energy-efficient building, heating energy consumption in 2019 was around 89% lower than at the old location in 2018.

THE ICON VIENNA building continues to strive for the highest "Leadership in Energy and Environmental Design" certification "Platinum" and the "Building Research Establishment Environmental Assessment Method" certification "Excellent". The application process for the confirmation of these certifications continued in 2019.

Energy efficiency measures at the sites

At the central location in Buchengasse Vienna, the refurbishment measures to increase energy efficiency that were started in 2018 were completed in 2019. The measures included replacing all ceiling lights in the offices and corridors with the latest generation of LED lights. The emergency lighting was also converted to LED. In addition, the installation of reed contacts in the windows was implemented so that when a window is open, both the air conditioning and the heating are switched off in the room. The lights in the offices and corridors are also switched on and off automatically by means of occupancy sensors. The replacement of manual radiator regulators with electric regulators that work in concert with room thermostats results in fully automatic individual room control. This should not only optimize operating costs (electricity, heating, air conditioning) over the long term, but also minimize the ecological footprint of this building.

BAWAG Group also uses energy-efficient and resource-saving equipment for its IT infrastructure. The around 2,500 laptop and desktop computers, tablets and workstations in BAWAG Group in Austria are EnergyStar certified and are therefore more energy efficient than standard devices.

APPENDIX

Key issues / areas of action of BAWAG Group

This section gives a presentation of individual key areas of activity of BAWAG Group, including a risk and impact analysis as well as the Sustainable Development Goals (SDGs), the principles and goals of the UN Global Compact, the principles of the UN Global Compact Women's

Empowerment Principles, the guidelines of the Global Reporting Initiative (GRI standards) and the requirements of the NaDiVeG. The information provided is exemplary and there is no claim for completeness.

Tables: Key issues of BAWAG Group

Area for action 1: Economic success	
Significant effects	...creating value for stakeholders: shareholders (dividends), employees (remuneration in line with market conditions), suppliers and business partners, customers, public authorities (taxes and duties) ...indirect economic effects: financial sector stability, functioning economy, jobs, prosperity, distribution effects
Potential risks for BAWAG Group	Economic risk
Approach /significance for BAWAG Group	... pursue our simple and transparent business model, which is based on low risk, efficiency and regional focus on Austria, Germany and developed markets. ...contribute to the success of our stakeholders by consistently implementing our strategy and driving forward strategic initiatives.
Due diligence processes (ongoing measures) and review	Controlling, Auditing
SDGs	SDG 1, SDG 4, SDG 5, SDG 8
UN Global Compact	No reference
UN Global Compact Women's Empowerment Principles	No reference
GRI	201-1, 201-4, 202-2
NaDiVeG reference	No reference

Area for action 2: Ethics and integrity	
Significant effects	<p>...creating a positive environment for lawful conduct inside and outside the company</p> <p>...strengthening the trust of stakeholder groups (customers, employees, business partners, investors)</p> <p>...increasing self-responsibility among employees and business partners</p> <p>...indirect economic effects: prevention of corruption, fair competition, stability of the financial sector, functioning economy</p>
Potential risks for BAWAG Group	Reputation risk, corruption risk, liability risk
Approach /significance for BAWAG Group	<p>...act according to the ethical values of the Code of Conduct, the ten principles of the UN Global Compact and the seven principles of the UN Global Women's Empowerment Programme</p> <p>... orient towards the 17 SDGs of the UN Global Compact as a framework for sustainable action</p> <p>... ensure the basis for ethical and integrity-oriented action by all employees through appropriate policies and guidelines</p> <p>...give special priority to anti-corruption and data protection in compliance management</p>
Due diligence processes (ongoing measures) and review	Code of Conduct, Supplier Code of Conduct, compliance and data protection organization, employee and supervisory body training, whistleblower hotline, data protection and corruption incidents
SDGs	SDG 8, SDG 9, SDG 16
UN Global Compact	Principles 1–6, principle 10
UN Global Compact Women's Empowerment Principles	Principles 1–7
GRI	205-1, 205-2, 205-3, 206-1, 415-1, 418-1, 419-1
NaDiVeG reference	Respect for human rights, fight against corruption and bribery

Area for action 3: Responsibility towards customers	
Significant effects	<p>...improved customer information and competence (for example regarding risks associated with products)</p> <p>...increased transparency and security for customers</p> <p>...increased understanding of and competence with financial products (including risks)</p> <p>...better understanding of the concerns and wishes of the customers (know your customer)</p> <p>...fostering greater confidence among customers</p> <p>...larger customer base increases economic success and indirect economic effects (see area for action above)</p>
Potential risks for BAWAG Group	Loss of trust and customers, loss of market share, economic and financial risk
Approach /significance for BAWAG Group	<p>...give customers the opportunity to conduct their banking transactions according to their individual wishes, whenever and wherever they want, via digital and physical distribution channels</p> <p>...conduct successful and long-term business relationships with satisfied customers across all sales channels and platforms</p>
Due diligence processes (ongoing measures) and review	Customer feedback, customer surveys, market shares, customer base, product implementation process
SDGs	SDG 8
UN Global Compact	Principle 8
UN Global Compact Women's Empowerment Principles	No reference
GRI	417-1, 417-2, 417-3
NaDiVeG reference	No reference

Area for action 4: Sustainability in core business	
Significant effects	<p>...redirection of financial flows (allocation of capital) towards more relevance for sustainability</p> <p>...increasing sustainability orientation of financial products</p> <p>...stability of the financial sector</p> <p>...impetus for sustainable business approaches and activities</p> <p>...value creation and prosperity without negative effects on the environment or society</p>
Potential risks for BAWAG Group	Reputational risk, economic risk (new business areas), risks caused by climate change
Approach /significance for BAWAG Group	<p>...promote the development of sustainable business areas and provide a diverse range of products and services that are oriented towards ecological, economic and social requirements</p> <p>...be a reliable partner for companies and the regional economy and assume ecological and social responsibility</p> <p>...support products and services with a sustainable focus and finance projects with added value for the regional economy</p>
Due diligence processes (ongoing measures) and review	Sustainability ratings, product implementation process, expansion of the range of sustainable products, sustainable investments
SDGs	SDG 4, SDG 7-9, SDG 13
UN Global Compact	Principle 1, principles 4-5, principles 7-9
UN Global Compact Women's Empowerment Principles	No reference
GRI	FS 7, FS 8, FS 10, FS 11, 203-1, 204-1, 412-3
NaDiVeG reference	Environmental and social concerns, respect for human rights

Area for action 5: Social responsibility and personal commitment	
Significant effects	...increased awareness of social issues ...promotion/maintenance of positive social values ...reduced inequality and poverty ...strengthened civil society ...strengthened regional economic cycles and social structures
Potential risks for BAWAG Group	Reputation risk, loss of confidence
Approach / significance for BAWAG Group	...promote the civic and social engagement of employees
Due diligence processes (ongoing measures) and review	Sustainability ratings, employee volunteer activities in the context of volunteer days
SDGs	SDG 1, SDG 4–5, SDG 8, SDG 16
UN Global Compact	Principle 1
UN Global Compact Women's Empowerment Principles	No reference
GRI	FS 13, FS 14
NaDiVeG reference	Social concerns

Area for action 6: Employee promotion and development, diversity and equal opportunities	
Significant effects	...employee satisfaction ...motivation and sense of meaning ...physical and mental health ...influence on diversity (especially gender equality) ...opportunities from higher level of education ...job creation ...increased economic success and indirect economic impacts (see area for action above)
Potential risks for BAWAG Group	High fluctuation rate, increased sick leave, loss of confidence, lack of skilled workers, recruiting, problems conducting business
Approach / significance for BAWAG Group	...offer employees a healthy and career-promoting working environment ...cultivate open, respectful interaction with employees and promote their potential ...actively implement equal opportunities and diversity in the company
Due diligence processes (ongoing measures) and review	Employee feedback and surveys, evaluation platforms, sustainability ratings, talent and training programs, MbO process, women's advancement plan
SDGs	SDG 1, SDG 4–5, SDG 8
UN Global Compact	Principles 3–4, principle 6
UN Global Compact Women's Empowerment Principles	Principles 1–7
GRI	401-1, 401-2, 401-3, 404-1, 404-3, 405-1, 406-1
NaDiVeG reference	Social and labor concerns, respect for human rights

Area for action 7: Environmental and climate protection	
Significant effects	...setting an example for employees and other companies ...preservation of the natural basis of human life ...promoting an intact environment and nature ...mitigating climate change, contributing to the Paris objectives ...promoting the recycling economy
Potential risks for BAWAG Group	Risks due to climate change, financial risks, reputation risks
Approach /significance for BAWAG Group	...reduce the negative direct effects on the environment in day-to-day work and the negative indirect effects through products and services as much as possible and thus ensure an environment worth living in for future generations
Due diligence processes (ongoing measures) and review	Environmental and resource management, sustainability ratings, supplier assessments
SDGs	SDG 7, SDG 13
UN Global Compact	Principles 7–9
UN Global Compact Women's Empowerment Principles	No reference
GRI	301-1, 302-1, 302-2, 302-4, 305-1, 305-2, 305-3, 305-5
NaDiVeG reference	Environmental issues

Additional tables to “Employee promotion and development, diversity and equal opportunities”

Table: Departures (number of employees)

	31.12.2019	31.12.2018
By country		
Austria	305	449
Germany	127	251
Other	16	2
By age group		
<30	170	185
30–50	233	300
>50	45	217
By gender		
Women	224	360
Men	224	342

Table: Departures (in %)

	31.12.2019	31.12.2018
By country		
Austria	68%	64%
Germany	28%	35%
Other	4%	1%
By age group		
<30	38%	26%
30–50	52%	43%
>50	10%	31%
By gender		
Women	50%	51%
Men	50%	49%

Table: New hires (number of employees)

	31.12.2019	31.12.2018
By country		
Austria	543	581
Germany	77	22
Other	15	10
By age group		
<30	380	374
30–50	219	198
>50	36	41
By gender		
Women	312	331
Men	323	282

Table: New hires (in %)

	31.12.2019	31.12.2018
By country		
Austria	86%	95%
Germany	12%	4%
Other	2%	1%
By age group		
<30	60%	61%
30–50	34%	32%
>50	6%	7%
By gender		
Women	49%	54%
Men	51%	46%

Table: Type of employment contract by country (number of employees)

	31.12.2019
Permanent	
Austria	3,575
Germany	626
Other	34
Fixed-term	
Austria	97
Germany	21
Other	

Table: Performance assessment by position and gender (in %)

	31.12.2019
Management	
Women	87%
Men	82%
Sales representatives	
Women	95%
Men	95%
Employees in central departments	
Women	87%
Men	89%

GRI INDEX

This GRI Index was compiled in accordance with the guidelines of the Global Reporting Initiative 2016 (GRI Standards, application level "in accordance with core option", sector-specific set of indicators for financial services). All data refer to the year 2019 or 31 December 2019 unless otherwise stated.

In the course of the materiality process, BAWAG Group identified the main areas for action. These were assigned to the individual GRI topics. The following table provides an overview of the main topics and the corresponding GRI indicators according to the GRI Standards.

Areas for action	GRI topics (codes)
Economic success	201-1, 201-4, 202-2
Ethics and integrity	205-1, 205-2, 205-3, 206-1, 415-1, 418-1, 419-1
Responsibility towards customers	417-1, 417-2, 417-3
Sustainability in core business	203-1, 204-1, 412-3, FS7, FS8, FS11
Social responsibility and personal commitment	FS13, FS14
Employee promotion and development, diversity and equal opportunities	401-1, 401-2, 401-3, 404-1, 404-3, 405-1, 406-1
Environmental and climate protection	301-1, 302-1, 302-2, 305-1, 305-2, 305-3

GENERAL DISCLOSURES

GRI code	Content according to GRI Standards (core)	Reference/remarks	
Organizational profile	102-1	Name of the organization	p. 71
	102-2	Activities, brands, products, and services	p. 9
	102-3	Location of headquarters	p. 71
	102-4	Location of operations	https://www.bawaggroup.com
	102-5	Ownership and legal form	p. 9
	102-6	Markets serves	p. 9
	102-7	Scale of the organization	As of 31 December 2019, BAWAG Group had one central location, six other locations and 97 branches in the DACH region.
	102-8	Information on employees and other workers	p. 34ff, 56f (no significant proportion of non-salaried employees)
	102-9	Supply chain	p. 50
	102-10	Significant changes to the organization and its supply chain	No significant changes during the reporting period
	102-11	Precautionary Principle or approach	p. 19ff
	102-12	External initiatives	p. 19ff

GRI code		Content according to GRI Standards (core)	Reference/remarks
Organizational profile	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. 6f
Ethics and integrity	102-16	Values, principles, standards, and norms of behaviour	p. 19ff
Governance	102-18	Governance structure	https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG ; Consolidated Annual Report 2019 (p. 24–35)
Stakeholder engagement	102-40	List of stakeholder groups	CSR Report 2018, p. 9
	102-41	Collective bargaining agreements	92% of BAWAG Group employees are covered by collective bargaining agreements
	102-42	Identifying and selecting stakeholders	12 stakeholder groups were defined through an analysis by the CSR team and external consultants (CSR Report 2018, p. 9) in 2018 in the course of the materiality process. This selection was also used for discussions in the reporting period.
	102-43	Approach to stakeholder engagement	CSR Report 2018, p. 9
	102-44	Key topics and concerns raised	In the 2018 materiality analysis, the stakeholder groups of BAWAG Group rated data protection, anti-corruption/compliance and economic success as the three most important topics. Accordingly, these were taken into account as significant issues in the discussion process and have been included in the materiality analysis.
Reporting practice	102-45	Entities included in the consolidated financial statements	p. 8; Group Management Report 2019 (Note 48), available at https://www.bawaggroup.com/Financial-Results
	102-46	Defining report content and topic boundaries	p. 8, 11ff
	102-47	List of material topics	p. 13
	102-48	Restatements of information	p. 8
	102-49	Changes in reporting	p. 8
	102-50	Reporting period	p. 8
	102-51	Date of most recent report	March 2019
	102-52	Reporting cycle	Annually

GRI code	Content according to GRI Standards (core)	Reference/remarks	
	102-53	Contact point for questions regarding the report	p. 71
	102-54	Claims of reporting in accordance with the GRI Standards	p. 8, 59
	102-55	GRI content Index	p. 59
	102-56	External assurance	p. 67f

MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

Area for action 1: Economic success

GRI code	Content according to GRI Standards (core)	Reference/remarks	
Management approach	103-1	Explanation of the material topic and its boundary	p. 16ff
	103-2	The management approach and its components	p. 16
	103-3	Evaluation of the management approach	p. 16ff
Economic performance	201-1	Direct economic value generated and distributed	p. 17; Group Management Report 2019 (p. 40–42), available at https://www.bawaggroup.com/Financial-Results
	201-4	Financial assistance received from government	None
Market presence	202-2	Proportion of senior managers hired from the local community	94% of the employees with managerial functions in BAWAG Group (table "Staff by nationality" p. 38) were recruited from the countries in which BAWAG Group has its main business locations (Austria, Germany and Switzerland).

Area for action 2: Ethics and integrity

GRI code	Content according to GRI Standards (core)	Reference/remarks	
Management approach	103-1	Explanation of the material topic and its Boundary	p. 19ff
	103-2	The management approach and its components	p. 19
	103-3	Evaluation of the management approach	p. 19ff
Anti-corruption	205-1	Operations assessed for risks related to corruption	Compliance with the anti-corruption guidelines is checked in compliance audits for example, which include the topic of anti-corruption. In 2019, 10 audits were conducted at divisions of BAWAG Group in Austria.

GRI code		Content according to GRI Standards (core)	Reference/remarks
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	p. 20f; 100% of the supervisory body and 97% of BAWAG P.S.K. and easybank employees in the central departments were informed and trained in 2019. The fraud prevention manual is available in the information portal for all employees of Südwestbank. In addition, regular training courses are held. For example, the web-based fraud prevention training must be completed by all employees every three years (including the Managing Board). The three members of the Managing Board and 182 employees of Südwestbank completed the web-based fraud prevention training course. The "Supplier Code of Conduct" includes anti-corruption provisions. This must be signed by all BAWAG P.S.K. suppliers before entering into a business relationship.
	205-3	Confirmed incidents of corruption and action 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 during the reporting period
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints classified as justified in the reporting period, but 4 inquiries from supervisory authorities and 20 cases of data leaks, data theft and data loss at BAWAG P.S.K. and easybank with 4 reports to authorities. Measures to improve processes were derived from this.
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents in the reporting period

Area for action 3: Responsibility towards customers

GRI code		Content according to GRI Standards (core)	Reference/remarks
Management approach	103-1	Explanation of the material topic and its Boundary	p. 23ff
	103-2	The management approach and its components	p. 23
	103-3	Evaluation of the management approach	P. 23ff
Marketing and labeling	417-1	Requirements for product and service information and labelling	p. 27
	417-2	Incidents of non-compliance concerning product and service information and labeling	2 court rulings on proceedings by employee and consumer protection organizations against BAWAG P.S.K. and easybank (PayLife); BAWAG P.S.K.'s lack of product information on new account models and easybank's existing clauses in the general terms and conditions of PayLife were declared illegal. The rulings were immediately taken into account and solution for the affected customers were implemented together with the organizations.
	417-3	Incidents of non-compliance concerning marketing communications	No incidents in the reporting period; see GRI code 417-2

Area for action 4: Sustainability in core business

GRI code		Content according to GRI Standards (core)	Reference/remarks
Management approach	103-1	Explanation of the material topic and its boundary	p. 28ff
	103-2	The management approach and its components	p. 28
	103-3	Evaluation of the management approach	p. 28ff
Sector-specific 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	The percentage of the total value is shown for specific products ("New Chance" account) in the report on p. 31.
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	The percentage of the total value is shown for specific investment products (Amundi funds, SavityGreen) in the report on p. 30. Financing products with an environmental bonus will be presented in the reporting year 2020.
Sector-specific disclosures: active ownership approach	FS11	Percentage of assets subject to positive and negative environmental or social screening	The information is not available in the reporting period. Upon the implementation of the new product implementation process (February 2020), all new products and services will be assessed for environmental and social aspects.
Indirect economic impacts	203-1	Infrastructure investments and services supported	p. 29f

GRI code		Content according to GRI Standards (core)	Reference/remarks
Procurement practices	204-1	Proportion of spending on local suppliers	p. 50
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 sets out the standards for compliance with human rights that are mandatory for all business activities. This also includes the conclusion of contracts. Aside from this, there are currently no human rights clauses in investment agreements/contracts. The Supplier Code of Conduct, which is mandatory for suppliers, covers human rights aspects such as equal treatment, child labor, forced labor, etc.

Area for action 5: Social responsibility and personal commitment

GRI code		Content according to GRI Standards (core)	Reference/remarks
Management approach	103-1	Explanation of the material topic and its Boundary	p. 32ff
	103-2	The management approach and its components	p. 32
	103-3	Evaluation of the management approach	p. 32ff
Local communities	FS 13	Access points in low-populated or economically disadvantaged areas by type	p. 24f
	FS 14	Initiatives to improve access to financial services for disadvantaged people	p. 25
		Hours completed for volunteer work by employees	p. 33

Area for action 6: Employee promotion and development, diversity and equal opportunities

GRI code		Content according to GRI Standards (core)	Reference/remarks
Management approach	103-1	Explanation of the material topic and its Boundary	p. 34ff
	103-2	The management approach and its components	p. 34
	103-3	Evaluation of the management approach	p. 34ff
Employment	401-1	New employee hires and employee turnover	p. 35, 56f
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 47
	401-3	Parental leave	p. 39
	404-1	Average hours of training per year per employee	p. 41f

GRI code		Content according to GRI Standards (core)	Reference/remarks
Training and education	404-3	Percentage of employees receiving regular performance and career development reviews	89% of employees in BAWAG Group received a performance review in 2019. A presentation of the performance assessment by position and gender is given in the Appendix (p. 58).
Diversity and equal opportunities	405-1	Diversity of governance bodies and employees	p. 35, 37f
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents in the reporting period

Area for action 7: Environmental and climate protection

GRI code		Content according to GRI Standards (core)	Reference/remarks
Management approach	103-1	Explanation of the material topic and its Boundary	p. 48ff
	103-2	The management approach and its components	p. 48
	103-3	Evaluation of the management approach	P. 48ff
Energy	302-1	Energy consumption within the organization	p. 49
	302-2	Energy consumption outside of the organization	p. 49
Emissions	305-1	Direct (Scope 1) GHG emissions	p. 49
	305-2	Energy indirect (Scope 2) GHG emissions	p. 49; The calculation of indirect GHG emissions according to the "location-based" method is planned for the CSR Report 2020.
	305-3	Other indirect (Scope 3) GHG emissions	p. 49

13 March 2020



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



Afwan Bhatti
Member of the Managing Board



Sat Shah
Member of the Managing Board

INDEPENDENT ASSURANCE REPORT

We have performed an independent limited assurance engagement on the consolidated non-financial report” (“NFI-report”) for the financial year 2019 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 2019”.

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;
- ▶ A risk assessment, including 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, statements from external information sources and expert opinions and references to additional external reporting sources of the company. 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, 13 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)

COMMUNICATION ON PROGRESS (COP)

As a signatory to the UN Global Compact, BAWAG Group is committed to adhering to the ten principles with a focus on labor rights, human rights, environmental protection and anti-corruption, and has been committed to adhering to the seven WEP since signing the UN Global Compact Women's

Empowerment Principles (WEP) in 2015. The present CSR Report 2019 is therefore also a report in the sense of the annual "Communication on Progress" (COP). For each principle, examples have been given of how they were and are being implemented in BAWAG Group.

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

The 10 principles	Examples of implementation
Principle 1: Businesses should support and respect the protection of international human rights within their sphere of influence (COP 1)	p. 19ff General/principles/guidelines: Code of Conduct, Supplier Code of Conduct
Principle 2: Businesses should ensure that they are not complicit in human rights abuses (COP 2)	p. 19ff 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 assembly and the authorization of trade unions are enshrined in law in Austria, Germany and Switzerland. There is an ongoing exchange of information between management and the works council, and new works agreements are concluded regularly.
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor (COP 4)	p. 19ff, 50 General/principles/guidelines: Supplier Code of Conduct; the majority of our suppliers come from the DACH region. The topics of freedom of negotiation, forced labor, working hours and salaries are part of the Supplier Code of Conduct in item 3 "Respect for fundamental rights, health and safety of employees".
Principle 5: Businesses should uphold the effective elimination of child labor (COP 5)	p. 19ff 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. 19ff, 34ff General/principles/guidelines: Code of Conduct, Supplier Code of Conduct, Recruiting policies, Women's Advancement Plan, Women's Mentoring Program
Principle 7: Businesses should support a precautionary approach to environmental challenges (COP 7)	p. 28ff, 48ff
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility (COP 8)	p. 48ff Energy-efficient locations, paperless branches, digitalization of processes, expansion of online services, promotion of paperless bank statements
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies (COP 9)	p. 28ff Financing of sustainable projects

<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery (COP 10)</p>	<p>p. 19ff General/principles/guidelines: Code of Conduct, Supplier Code of Conduct, anti-corruption and gift acceptance policy, conflict of interest policy. The Non-Financial Risk Management & Regulatory Compliance unit ensures compliance with the regulations. All new hires must successfully complete training in the prevention of money laundering. All employees must complete regular training courses.</p>
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THE 7 UN GLOBAL COMPACT WOMEN'S EMPOWERMENT PRINCIPLES AND EXAMPLES OF IMPLEMENTATION

The 7 principles	Examples of implementation
<p>Principle 1: Establish high-level corporate leadership for gender equality.</p>	<p>p. 36ff Women's Advancement Plan, Women's Mentoring Program, flexible working time models, key topic in management programs</p>
<p>Principle 2: Treat all women and men fairly at work – respect and support human rights and nondiscrimination.</p>	<p>p. 36ff Recruiting policy, Code of Conduct, flexible working models, Supplier Code of Conduct, Women's Advancement Plan, parental leave, daddy month For further indicators, see: 405-1, 406-1</p>
<p>Principle 3: Ensure the health, safety and well-being of all women and men workers.</p>	<p>p. 36ff Career and family audit, information events for parents-to-be, welcome back events for parents returning from parental leave, company daycare centers at two locations, company health promotion</p>
<p>Principle 4: Promote education, training and professional development for women.</p>	<p>p. 36ff Women's Advancement Plan, Women's Mentoring Program, specific seminars for the further development of women</p>
<p>Principle 5: Implement enterprise development, supply chain and marketing practices that empower women.</p>	<p>p. 36 Women's Prize</p>
<p>Principle 6: Promote equality through community initiatives and advocacy.</p>	<p>p. 36ff Women's Prize, Women's Initiative</p>
<p>Principle 7: Measure and publicly report on progress to achieve gender equality.</p>	<p>p. 69 Report on measures, objectives and goal achievement in the context of the annual CSR report and the Communication on Progress (COP)</p>

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