



CORPORATE SOCIAL RESPONSIBILITY REPORT
2017

Disclaimer:

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

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

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PREFACE



Ladies and Gentlemen,

The regular publication of a sustainability report is part of our continuous efforts to further strengthen sustainable action and thinking within BAWAG Group. With this in mind, I am pleased to present you our Corporate Social Responsibility (CSR) Report 2017. This is the first report since the Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz) went into effect and the first report at the BAWAG Group level following our successful IPO at the end of October 2017, which represents an important milestone in the 130-year history of our company.

For BAWAG Group, it is important to live up to our corporate social responsibility. It is crucial for companies to find the right balance between economic, ecological and social objectives. Examples such as the “New Chance” current account, the continuation of the Volunteer Days, measures in the course of the Women’s Promotion Program, initiatives focusing on education and social issues, and the crowdfunding platform (www.crowdfunding.at) help to improve BAWAG Group’s perception in the general public.

The GRI Index according to the Global Reporting Initiative and our annual progress reports (Communication on Progress, COP) as required by our membership in the UN Global Compact and the UN Global Compact Women’s

Empowerment Principles (WEP) are an integral part of this CSR Report.

BAWAG P.S.K. already joined the UN Global Compact in 2009 and the WEP in 2015, and has been committed to complying with the principles of these initiatives ever since. This membership has now been extended to BAWAG Group. With over 12,500 participants, the UN Global Compact is the world’s largest network for corporate social responsibility.

I would like to take the opportunity to thank everyone whose commitment to sustainable and responsible business practices allowed BAWAG Group to live up to its social responsibilities and further increase the awareness of these responsibilities in 2017. I count on your continued support in the future.

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

GENERAL INFORMATION AND REPORTING BOUNDARIES

GENERAL INFORMATION

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

As in the prior year, the CSR Report 2017 reports according to the guidelines of the Global Reporting Initiative (GRI G4), includes the GRI Index (from page 36) and UN

Global Compact progress reports (from page 44) and is only released in an online version available at <https://www.bawaggroup.com/csr>.

This CSR Report describes new developments that have occurred and the progress that has been made in the area of sustainability in 2017, and is tied to the CSR Report 2016. The reporting period for the data and indicators is the years 2015–2017.

The CSR reports from recent years, the annual reports, the corporate governance reports and Südwestbank's report on non-financial information for the financial year 2017 can be used as supplemental sources of information about BAWAG Group's CSR activities.

REPORTING BOUNDARIES

The CSR Report 2017 generally pertains to BAWAG Group as a whole with the following limitations:

- ▶ Deviations in the presentation of specific indicators and tables are explicitly stated.
- ▶ The German Südwestbank – which became part of BAWAG Group when the acquisition was closed on

7 December 2017 – will prepare a separate report on non-financial information for the 2017 financial year and will be included for the first time in the separate consolidated non-financial report of BAWAG Group pursuant to Section 267a UGB for the financial year 2018.

BAWAG GROUP AT A GLANCE

BAWAG Group AG, the holding company for BAWAG P.S.K. headquartered in Vienna, operates one of the largest and best capitalized banks in Austria with over 2.5 million customers and has a rich history going back more than 130 years. BAWAG P.S.K. provides its financial products and services under a omni-channel strategy, combining a centrally managed branch network with convenient digital offerings.

In Austria, BAWAG P.S.K. benefits from a well-recognized national brand and is an important provider in the direct banking market with *easybank* as well as its own online and mobile platforms. It provides retail customers, SMEs, and corporate customers across the country with a wide range of savings, payment, loan, leasing and investment products as well as building society and insurance solutions.

BAWAG Group's Austria-focused strategy is supplemented by its international presence in selected Western markets, particularly in the DACH region. In addition, BAWAG Group plans to use *easygroup* as a platform for the cross-border expansion of its retail business in Western Europe, especially in the DACH region.

In order to continue along its successful growth path, BAWAG Group takes advantage of opportunities for acquisitions on an ongoing basis. The success of its inorganic growth in the DACH region is marked by five acquisitions over the past two years (start:bausparkasse, IMMO-BANK, PayLife, Südwestbank, Deutscher Ring Bausparkasse).

The IPO of BAWAG Group AG at the end of October 2017 was an important milestone in the company's 130-year history and underlines our strong performance and prospects for the future.

The current shareholder structure can be viewed at <https://www.bawaggroup.com/shareholder-structure>.

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

STRATEGY

Growth in our core markets

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

Making our customers' lives easier

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

Efficiency is the key to winning

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

Safe and secure

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

2017 – A SUCCESSFUL FINANCIAL YEAR FOR BAWAG GROUP

BAWAG Group achieved a profit before tax of EUR 517 million, up 12% compared to 2016. The increase was mainly driven by higher operating income and reflects the continued business transformation, positive impacts of

prior-year acquisitions and continued focus on efficiency. The cost-income ratio was 41.6% in 2017 (adjusted for effects related to the initiation of a long-term incentive program).

Key figures at a glance

in EUR million	2015	2016	2017
Core revenues	908.2	925.1	1,008.2
Profit before tax	418.5	460.7	517.3
Net profit	394.4	473.4	466.6
Return on equity (@12% CET1)	14.4%	16.5%	15.3%
Return on tangible equity (@12% CET1)	16.3%	18.9%	17.9%
Cost-income ratio	48.4%	44.8%	41.6%
Risk costs / loans and receivables	0.17%	0.15%	0.18%
Total assets	35,708	39,761	46,071
Customer loans and receivables	24,713	28,498	30,804
Customer deposits and own issues	24,928	30,930	35,885
IFRS equity	2,956	3,123	3,609
Risk-weighted assets	17,454	19,044	21,491
Common Equity Tier 1 ratio (fully loaded)	12.3%	13.6%	13.5%
NPL ratio	1.9%	1.7%	2.0%

Ratings

In November 2016, BAWAG P.S.K. was rated by Fitch for the first time. The long-term issuer rating and the standalone rating were both set at A-. In February 2017, Fitch additionally assigned senior unsecured and subordinated debt ratings of A- and BBB+, respectively.

In April 2017, Moody's again announced several rating upgrades for BAWAG P.S.K. The long-term senior unsecured debt, issuer and deposit ratings were all raised by one notch to A2. At the same time, the standalone rating (baseline credit assessment) as well as the subordinate debt rating were also upgraded by one notch to baa1 and Baa2, respectively.

BAWAG P.S.K. has also been assigned sustainability ratings by major European agencies, including SUSTAINALYTICS (average) and oekom research (not prime). This is important because investors are increasingly considering ecological and social aspects in their investment decisions. We strive to continuously improve our existing sustainability ratings.

Numerous awards received

The Banker, an international industry magazine for banks published by the *Financial Times*, selected BAWAG Group as "Bank of the Year in Austria" for the third year in a row after honoring the company in 2015 and 2016. This distinguished award underlines BAWAG Group's successful strategic transformation in recent years.

Mid-2017, BAWAG P.S.K. received the newly created "Digitale Helden Zukunftspreis 2016" (Digital Heroes Future Award 2016) from Microsoft Austria in the "Services" category. Microsoft's jury decision emphasized the fact that BAWAG P.S.K. has taken on a leading role in the digitalization of Austria and is a pioneer in the use of customer data. BAWAG P.S.K. was the first Austrian bank to receive approval from the regulatory authorities to transition to the cloud, which will allow it to offer its customers an improved, innovative customer experience in the future.

BAWAG P.S.K. was named the best recruiter in its industry and awarded the title "Best Recruiter 2016/17" for the sixth time in total (see page 24 for additional details).

Four first-place rankings for *easybank*

easybank was selected as the best Austrian direct bank in 2017 by *DerBörsianer* in a three-pillar scoring model (peer group, key performance indicators, editors). A total of 140 financial institutions from five sectors were analyzed, including 54 banks. The scoring and data analysis were performed by the business and tax consultant BDO Austria.

The annual customer satisfaction survey of Finanz-Marketing Verband Österreich (FMVÖ), also known as the “Recommender Award”, asked 8,000 people about whether or not they would recommend Austria’s banks, insurance companies, and building societies. *easybank* took first place in the category of direct, special and private banks for the seventh time in a row in 2017 and also achieved the highest Net Promoter Score of all banks and insurance companies at 52%. This high recommendation

rate underlines the tremendous satisfaction of our customers.

For the fourth time in succession, *easybank* was the overall winner in the “Direktbanken Österreich 2017” (Austrian Direct Banks 2017) study conducted by the Society for Consumer Studies (ÖGVS). *easybank* outperformed ten competitors and fulfilled the defined criteria at a rate of 86.3%. The direct banking offerings in Austria were evaluated in the four categories of conditions, transparency and convenience, product offering and customer service.

easybank was named the winner of the Chamber of Labour’s salary account comparison for the eleventh time in a row in 2017. The test included 40 current accounts that include a credit card but not insurance coverage from 20 banks in Vienna.

CSR STRATEGY

CSR ORGANIZATION AT BAWAG GROUP

At BAWAG Group, corporate social responsibility is managed on an interdisciplinary basis under the responsibility of the Managing Board by the CSR Committee, which is made up of the following division heads: Human Resources; Legal and Corporate Office; Non-Financial Risk

Management & Regulatory Compliance; IT; Cost Optimization, Strategic Sourcing & Real Estate; Marketing & Products; Austrian Corporates & Public Sector and Investor Relations & Communications.

MATERIALITY ANALYSIS AND SELECTION OF CONTENT FOR THE REPORT

The content of the CSR Report was prepared in accordance with the requirements of the Austrian Sustainability and Diversity Improvement Act and the guidelines of the Global Reporting Initiative (version G4, Core “In Accordance” option, including the Financial Services Sector Disclosures) and in line with the principles of materiality, transparency and comparability.

In 2013, BAWAG P.S.K. defined which sustainability topics and aspects are relevant for the Bank in a multi-stage process. First, external stakeholders (customers, Austrian Federal Economic Chamber, Chamber of Labour, sustainability rating agencies, sustainability and environmental protection NGOs, etc.) were asked to share their perspectives. The requirements of the GRI Sector Disclosures for financial services providers and the assessments of sustainability rating agencies were also taken into account and subsequently supplemented with internal points of emphasis that were developed during a workshop held by the members of the CSR Committee, who assessed the individual results for their relevant area of responsibility and their employees.

The results of this materiality analysis process, which was reassessed internally to consider subsidiaries, will be evaluated in 2018 (see CSR Outlook, page 11). They comprise six focuses of action (please refer to the GRI Index on page 36), which together with the ten principles of the UN Global Compact form the basis for the CSR mission statement, the CSR strategy, the measures of the sustainability program derived from this and the content presented in the CSR Report.

Focuses of action

- 1. Responsible action**
- 2. Dialogue with stakeholders**
- 3. Customer orientation**
- 4. Staff development and training**
- 5. Environmental protection**
- 6. Civic engagement and personal commitment**

CSR MISSION STATEMENT

With its six focuses of action, the CSR mission statement forms the overarching structure of BAWAG Group’s CSR

strategy and the underlying measures of the sustainability program.

Focuses of action	CSR topics	For BAWAG Group, CSR means
Responsible action	Fairness and respect for the rights of present and future generations	... acting in accordance with the ethical values of our Code of Conduct and the ten principles of the UN Global Compact. ... acting in accordance with the seven UN Global Compact Women’s Empowerment Principles. ... raising awareness for the 17 Sustainable Development Goals of the UN Global Compact as a framework for sustainable action. ... providing the basis for responsible action within BAWAG Group by creating policies and guidelines.
Dialogue with stakeholders	Strengthening relationships with stakeholders	... facing the expectations and requirements placed on us with respect, an open ear and a willingness to engage in dialogue. ... pursuing an open, transparent information policy internally and externally.
Customer orientation	Appropriate products and services for every life circumstance and every stage of life	... supporting society in urban and rural areas. ... providing omni-channel access to banking services for as many people as possible by actively combating social exclusion, based on a strong local presence, easy-to-understand financial products and barrier-free products and services. ... being a reliable partner for the business community.
Staff development and training	Appreciation and advancement of employees in every stage of life	... offering employees a healthy work environment in which they can advance their careers, appreciating employees and encouraging their potential and their personal commitment for the good of society.
Environmental protection	Reducing our environmental impact so as not to endanger the basis of life for future generations	... keeping the environmental impact of products, services and day-to-day operations as low as possible and reporting about our progress on a regular basis.
Civic engagement and personal commitment	Charity activities and volunteer work	... promoting the civic engagement of our employees, encouraging civic engagement among our customers and supporting their efforts in this area.

CSR OUTLOOK

Over the past few years, BAWAG Group has transformed itself into a modern, innovative, efficient and highly successful banking group through the consistent strategic realignment of its business model. The IPO at the end of October 2017 was an important milestone in the 130-year history of our company, underlines our strong performance in recent years and represents a turning point for us from private to public ownership.

Due to the fundamental changes in recent years driven by organic and inorganic growth, we plan to evaluate the

multi-stage materiality analysis process described in the section entitled “Materiality analysis and selection of content for the report” (see page 9) and the measures derived from this process in 2018, taking Südwestbank into account. The Code of Conduct, which is a binding guideline for the responsible action of all employees, will also be revised in 2018. During this process, BAWAG Group will also examine its contributions to achieving the UN Sustainable Development Goals (SDGs).

RESPONSIBLE ACTION

For BAWAG Group, responsible action means acting in accordance with the ethical values of our Code of Conduct, the ten principles of the UN Global Compact and the seven UN Global Compact Women's Empowerment Principles,

among other things, and making a contribution to achieving the 17 UN Sustainable Development Goals (SDGs). We have numerous policies and guidelines based on these principles that ensure responsible action by our employees.

COMPLIANCE

Effective compliance and risk management is a decisive aspect of a bank's success. In addition to the conventional risk types, the management of non-financial risks is becoming increasingly important. We responded to this development by establishing a Non-Financial Risk Management & Regulatory Compliance division in 2016. The compliance officer and the anti-money-laundering officer head up this division together with the goal of implementing a uniform, company-wide management approach for non-financial risk and compliance. The Group-wide compliance and non-financial risk management not only ensures that laws, requirements and standards are abided by, but also provides comprehensive protection for investors, customers, employees and the company itself. Along with the management of operational risk, the key responsibilities are preventing money laundering, combating terrorist financing, monitoring compliance with sanctions, fraud prevention, data protection, information security, securities compliance and the prevention of insider trading, market abuse and conflicts of interest. In addition to all relevant laws such as the Securities Supervision Act, all employees are also bound by a Code of Conduct that also contains guidelines for business conduct and customer service, for how conflicts of interest are to be handled and for preventing market abuse and money laundering. A detailed anti-corruption guideline governs the acceptance and awarding of gifts and keeps employees and management abreast of the anti-corruption regulations in place. The risk of violating anti-corruption regulations in day-to-day business dealings has risen significantly, also due to the amendment of the Austrian Anti-Corruption Act (Antikorruptionsgesetz). Violations of legal regulations and internal rules of conduct can lead to reputational risks and severe consequences

such as penalties, fines and restrictions on business activity for BAWAG Group. Individual employees involved in such violations could face fines or incarceration as well as disciplinary actions as defined in the employment laws, including dismissal. Therefore, all employees of BAWAG Group are strictly prohibited from accepting or making offers of bribery or making or permitting payments for the purposes of bribery or other forms of corruption. BAWAG Group expects its employees to act with transparency and integrity in all business activities in order to prevent the unpermitted acceptance of benefits or the appearance of questionable conduct on the part of employees or third parties with whom it does business.

All newly hired employees learn about the gift policy in the course of their orientation training. In addition, all employees – especially those who work in confidentiality areas – receive regular anti-corruption training as part of a compliance e-learning course that includes competence checks.

Corruption risk is monitored at all of BAWAG Group's business locations.

Participation in Transparency International

BAWAG P.S.K. has been a member of the Austrian chapter of Transparency International (TI-AC) since 2012. This non-profit organization seeks to increase general awareness of the need to combat corruption and increase transparency in Austria, and it works to facilitate the implementation of relevant measures and reforms.

CORPORATE GOVERNANCE AND GROUP-WIDE GUIDELINES

Corporate Governance

In 2006, BAWAG P.S.K. made a voluntary commitment to apply the Austrian Code of Corporate Governance. The Bank has published an annual Corporate Governance Report since 2009. Following its listing on the stock exchange in 2017, BAWAG Group AG declared its commitment to comply with the rules of the Code. Through this voluntary self-regulatory measure, BAWAG Group aims to further strengthen the confidence of customers, employees and the public.

The Consolidated Corporate Governance Report for the now listed BAWAG Group AG is being published for the first time for the 2017 financial year and is available at <https://www.bawaggroup.com/corporate-governance-reports>.

Guidelines and policies

Human Rights Matrix

BAWAG Group is primarily exposed to the risk of human rights violations indirectly in the area of financing and investments. We rely on the Human Rights Matrix and internal guidelines to identify and prevent these risks. Such a Human Rights Matrix was already created at BAWAG P.S.K. back in 2007. Together with "Human Rights Consulting Vienna", a list of BAWAG P.S.K.'s points of contact with all of its stakeholders related to human rights obligations was set up and used to create a matrix which also details the current and target status with regard to respecting human rights.

BAWAG Group's goal is to be conscious of human rights at all times and to do everything possible to consider them in every aspect of its daily operations. Basic principles and measures have been and continue to be taken into consideration in a variety of ways, for example through our participation in the UN Global Compact, the Code of Conduct and basic guidelines. The Human Rights Matrix will be taken into account in the evaluation process in 2018 (see page 11).

Code of Conduct

The Code of Conduct serves as the foundation and the basic binding guideline for the conduct and actions of our employees and is the framework for numerous policies at BAWAG Group together with international initiatives such as the UN Global Compact. In addition, the rules of conduct defined in the Code of Conduct supplement the applicable legal requirements such as the Austrian Banking Act (Bankwesengesetz) and data protection regulations as well as a number of detailed internal guidelines. Important Group-wide guidelines include the following:

- ▶ Anti-Fraud Policy
 - ▶ Anti-Corruption and Gift Policy
 - ▶ Complaint Management Policy
 - ▶ Conflict of Interest Policy
 - ▶ Corporate Procurement Policy
 - ▶ Corporate Travel Policy
 - ▶ Credit Policies
 - ▶ Entertainment Policy
 - ▶ Fit & Proper Policy
 - ▶ Information Policy
 - ▶ Internal Control System Policy
 - ▶ M&A and Integration Policy
 - ▶ Non Disclosure Agreement Policy
 - ▶ OpRisk Policy
 - ▶ Outsourcing Policy
 - ▶ Policy for New Employees
 - ▶ Product Implementation Process Policy
 - ▶ Recruitment Policy
 - ▶ Security Policy
 - ▶ Social Media Policy
 - ▶ Supplier Code of Conduct
 - ▶ Third Party Management Policy
-
- ▶ UN Global Compact Principles
 - ▶ UN Women's Empowerment Principles
-
- ▶ COBIT 4.0 Framework
 - ▶ ISAE3402/SSAE16 for the Outsourcing of IT Processes

DIALOGUE WITH STAKEHOLDERS

It is particularly important to BAWAG Group to face the expectations and requirements placed on it by internal and external stakeholders with respect and an open ear and to engage in dialogue with its various stakeholders. Internal stakeholders such as employees and the Works Council are treated equally to external stakeholders such as customers, product partners, shareholders, regulatory authorities,

consumer protection and consulting organizations, analysts, NGOs (including CSR organizations), sponsoring partners, suppliers, the media and press, non-customers, policymakers, the general public and competitors. These stakeholders will once again be included in the evaluation of the materiality analysis (see pages 9 and 11) planned for 2018.

IN DIALOGUE WITH CUSTOMERS

With more than 2.5 million customers, engaging in dialogue as equals is among the basic requirements for BAWAG Group's day-to-day operations. Providing comprehensive, accompanying advice over the entire life cycle is one of the

cornerstones of customer communication. Along with the employees who work in customer service, the Complaint Desk and social networks serve as essential communication hubs.

INFORMATION ON CUSTOMER SATISFACTION

Customer satisfaction is a top priority

BAWAG P.S.K. invites its customers to provide feedback after consultations. This verifies the high level of customer satisfaction. In 2017, 92% of customers gave their consultation a rating of 1 or 2 (on a scale of 1 to 5, with 1 being the best).

Overall customer satisfaction 2017

Customer satisfaction remains at a high level. According to a study of multiple banks conducted by Integral Markt- und Meinungsforschung, three fourths of our retail customers are very satisfied or satisfied with BAWAG P.S.K. Among *easybank's* customers, an impressive 96% are very satisfied or satisfied.

For details about the "Recommender Award" received by *easybank* from the Finanz-Marketing Verband Österreich (FMVÖ), please refer to the information on page 8.

CUSTOMER ORIENTATION

BAWAG Group strives to provide access to banking services for as many people as possible by actively combating social exclusion based on a strong local presence, the expansion of its digital offerings and easy-to-understand and barrier-free financial products and services as well as to be a reliable partner for the business community.

In the coming quarters, we will continue to work towards the execution of our long-term strategy and develop further on an ongoing basis. Our products and tailored advisory services are aimed at supporting our customers in all of their financial matters. Our goal is to achieve the highest possible level of customer satisfaction in all of our distribution channels. We are well under way to creating a digitally integrated platform that encompasses all our distribution channels.

RESPONSIBLE CUSTOMER SERVICE

The responsible treatment of customers is stipulated in the Code of Conduct, put into execution in additional guidelines and supported through various measures and actions. In this regard, the Code of Conduct defines the following principles: The customers' needs are the primary focus for BAWAG Group. Competent, friendly and reputable employees ascertain the financial circumstances and needs of our customers so that they can offer them the right products and services. This means that we only offer products and services that are in line with our core brand values – easy to understand, fair, emotionally appealing, everywhere and anytime; do everything possible to provide services in the best interest of our customers and to make customers adequately aware of risks and strive to prevent potential conflicts of interest between BAWAG Group and its customers.

Once a year, our advisors conduct a comprehensive discussion with their customers about all their financial matters (including monitoring). The focus is on the overall

financial concept for the customer on the basis of all available information about him/her. This includes the basic financial security of the customer and his/her family – here we recommend a callable reserve in the amount of roughly two monthly salaries. In addition, the achievement of the customer's goals and wishes is covered in a second step.

The utilization of overdraft facilities on the part of our customers is monitored on an ongoing basis. If we see that a customer is approaching the upper limit of his/her overdraft facility and remains at that level over a longer period of time, we proactively contact the customer and offer him/her an alternative to overdrawing the account. This not only enables customers to save debit interest, but also gives them the possibility to reduce their debt in a clear and structured manner. In order to counteract long-term credit risk for customers, we offer special insurance packages for illness and unemployment when customers take out a loan.

LENDING GUIDELINES

When it comes to the sustainable development of business, lending guidelines play a key role along with responsible product development. For example, the lending guidelines for the retail and small business segment define so-called unpermitted industries, such as gaming and gambling companies or companies in the sex industry. In addition,

these guidelines explicitly require the front- and back-office units to ensure that loan applications comply with all applicable laws, which naturally include human rights and environmental regulations, and bank policies and that these transactions do not give rise to any reputational risk.

PRODUCT IMPLEMENTATION PROCESS

The Product Implementation Process Policy plays a key role in the development of new markets, products and services and in the case of significant changes to existing markets, products and services. All risks must be taken into consideration during product development, including credit risk, strategic risk, compliance risk and operational risk. The involvement of various divisions is intended to ensure that potential risks are identified and prevented or mitigated in a timely manner.

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

SUSTAINABLE PRODUCTS AND SERVICES

Sustainable investment funds

The total volume of assets managed by Amundi Austria, BAWAG P.S.K.'s asset management partner, in socially responsible investments (SRI funds) amounted to EUR 1.2 billion at year-end 2017. Investments in sustainable investment products – in the two retail funds “Amundi Öko Sozial Stock” and “Amundi Öko Sozial Rent” – have increased 2018 and totaled EUR 113 million and EUR 230 million, respectively, as of 31 December 2017. Both funds are certified with the EUROSIF Transparency Logo for SRI funds and were awarded the Austrian Eco-label for Sustainable Financial Products in 2016. The certification with the Austrian Eco-label was extended in 2017 after all of the relevant criteria were met. A total of around EUR 1 billion is invested in a further four special mandates, one of which is also certified with the Austrian Eco-label for Sustainable Financial Products.

Lending and environment

BAWAG P.S.K. also offers environmentally relevant added value in housing financing. When taking out a mortgage loan, borrowers are reimbursed for a portion of the costs of the energy performance certificate amounting to EUR 250.

“New Chance” current account

The use of the “New Chance” current account has been steadily growing for years, which confirms the necessity of

this socially minded service of BAWAG P.S.K., which is designed for people who otherwise would be excluded from electronic payment transactions. Neither the account number nor the bank routing code contain any indications that it is a non-credit account. This prevents customers from being directly or indirectly stigmatized when executing their financial transactions. The “basic payment account” for consumers was introduced in 2016, but BAWAG P.S.K. offers the “New Chance” current account to over 35,000 customers in addition to this standardized, EU-wide account.

Temporary assistance for unemployment after bankruptcies

BAWAG P.S.K. has provided interest-free temporary assistance to customers affected by corporate bankruptcies of their employers in several cases.

Barrier-free services

People with impairments often face major obstacles when conducting their day-to-day banking transactions. The user interface for the self-service devices in the branches is being completely revamped with a focus on barrier-free features in a step-by-step process that will be completed in spring 2018. Along with a modern and more intuitive design, a barrier-free mode will be implemented. The barrier-free mode features a high-contrast display as well as larger fonts and icons, and does not use animations.

BAWAG P.S.K. is also a project partner in the “bank4all” initiative, which was launched in 2014. The implemented website helps blind and visually impaired people to find banking machines all over Austria that are easier to use because they are equipped with new software (www.bank4all.at).

Electronic PIN delivery

The secure delivery of customers' debit card PIN to their electronic mailbox was gradually rolled out starting in February 2017 (eBanking) and April 2017 (mobile app).

This eliminates the printing, paper, filing and shipping required for roughly 200,000 PIN requests per year.

easybank WWF MasterCard

From 2014 to 2017, *easybank* offered the WWF MasterCard in cooperation with the WWF. Each year, EUR 20 of the card fee was donated to the WWF for the benefit of conservation projects around the world. The donation was tax deductible. In this way, the WWF and *easybank* customers helped to protect endangered species.

SUSTAINABLE CUSTOMER RELATIONS AND PROJECTS

BAWAG P.S.K. as a partner for non-profit organizations

The topic of social issues once again had a special place in BAWAG P.S.K.'s activities in 2017, as it has long been the main bank for many charitable organizations in Austria. Some 150 non-profit and non-governmental organizations are long-standing customers. Throughout the branch network it is possible to do cash transfers for NGOs with reduced fees. A reduced fee of EUR 0.55 per cash transfer has been charged for years.

Reliable partner for Austria's business community

Many companies, municipalities and public sector entities also place their trust in BAWAG P.S.K. The Bank often supports municipalities with the building and expansion of local infrastructure such as nurseries, schools or care institutions.

We also focus on initiatives in the social housing segment. Customers frequently realize sustainable residential development projects (passive buildings, low-energy properties).

We live up to our environmental responsibility on an ongoing basis. Projects that pose a risk of causing environmental damage are rejected or scrutinized. For example, we require appropriate environmental assessments for the financing of gas stations or landfills.

ES GEHT!

The conventional sponsoring concept was transformed into a modern mobilization concept, thus putting an end to the age-old practice of providing funds in exchange for a logo placement and a line thanking the sponsors for their kind support. Instead, BAWAG P.S.K. has been taking a different approach since 2014: ES GEHT! With the ES GEHT! initiative launched in 2014, BAWAG P.S.K. started a movement that promotes individual initiatives, brings people and communities together and encourages everyone to work together to do good things. BAWAG P.S.K. supports submitted projects with expertise, contacts and communication concepts through the online platform www.es-geht.at and the colleagues at our branches.

The support provided by the initiative focuses on fundamental topics such as work, living space, education, health, culture and technology. As part of the ES GEHT! initiative, BAWAG P.S.K. was the first bank in Austria to give the topic of crowdfunding a professional presence with its crowdfunding platform (www.crowdfunding.at), which helps projects being realized by individuals or private organizations to obtain financial support. Since 2014, 29 projects have been financed through the platform. Crowdfunding is an alternative, modern form of financing in which many smaller contributions from individual people are collected in order to finance an idea worth supporting. In this way, the initiative has helped to raise more than EUR 300,000 (EUR 40,000 thereof in 2017) from the community for the community since its launch, money that has gone directly towards the realization of the various projects.

“Lerncafés” of Caritas Vienna

The learning cafés operated by Caritas Vienna are aimed at ensuring that young people with educational disadvantages are afforded equal opportunities when it comes to participating in education and training systems. To this end, particularly the learning café at Hebbelplatz 5 in Vienna’s tenth district offers assistance on all five weekdays. This offering is not only geared towards students at compulsory schools, but also towards 15- to 20-year-olds. The comprehensive range of services includes targeted group programs focusing on specific topics, computer workshops, specific language and personal development courses and advice on non-educational matters including referrals to relevant specialists (legal and social counseling, youth welfare services, etc.). Non-standard students who newly enter the school system during the year and thus complete the school year without a report card receive special assistance for learning the basic cultural skills (reading, writing and arithmetic) in order to enable them to move up to the next grade level.

Customer loyalty program DANKESCHÖN

As part of the customer loyalty program DANKESCHÖN, account holders of a new account box can use their collected points as donations for the benefit of various projects. In this way, they support projects with a local and social background in collaboration with the ES GEHT! platform.

Business continuity planning

Providing customers with optimal service is the top priority for BAWAG Group. This includes ensuring that service can be maintained without interruption in the event of an emergency. With this in mind, BAWAG Group has planned ahead and put together a special team responsible for business continuity management. The fundamental principle is that the critical business processes must be resumed within six hours after the onset of an emergency and must continue to run without any major problems. To this end, numerous tests together with partner companies were successfully completed in 2017.

COLLABORATION WITH PARTNERS WHO ACT SUSTAINABLY

The provision of simple, transparent and best-in-class products and services as well as sustainable action are also key factors for our cooperation partners.

Our partnership with the fund company Amundi, which has placed strong emphasis on environmental, social and governance criteria in its investment decisions for years, gives our customers access to a wide range of top-class investment products.

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

BAWAG P.S.K. Versicherung offers attractive, secure solutions in the areas of retirement savings, hedging and investment for BAWAG P.S.K. customers. BAWAG P.S.K. Versicherung is a subsidiary of Generali Group and is therefore subject to the group’s economic, social and environmental guidelines.

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

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

In the segment of building society savings and loan agreements, BAWAG P.S.K. works with its subsidiary start:bausparkasse as well as Bausparkasse Wüstenrot to offer its customers savings and loan agreements as a low-risk savings option and affordable financing opportunity for buying an apartment, fulfilling the dream of owning a home and renovating existing living space. In addition to obtaining building financing, customers can also invest for education or retirement needs.

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

A long-term sales agreement with Allianz Vorsorgekasse allows BAWAG P.S.K. to offer solutions for company pension schemes to corporate customers. The Austrian Society for Environment and Technology (ÖGUT) reviews the investment concept of Allianz Vorsorgekasse on an annual basis and evaluates its investments according to

ethical and ecological criteria. In addition, the company receives awards for sustainable investment every year.

► <https://www.allianzvkg.at/warum-allianz/nachhaltigkeit.html>

easy green energy

The Austrian power utility easy green energy was named the best provider in the VKI initiative “Energiekosten-Stop” (Stop Energy Costs) for the second year in a row in 2017.

easy green energy is a subsidiary of easybank that was founded in 2015. The company currently supplies electricity and natural gas to roughly 70,000 customers throughout Austria and regularly receives awards for the quality of its products and services. It has been offering electricity certified with the Austrian Eco-label since launch and in 2017 received the “Best Electricity Provider 2017” award from the Society for Consumer Studies (ÖGVS).

STAFF DEVELOPMENT AND TRAINING

For BAWAG Group, it is important to offer its employees a healthy work environment in which they can advance their careers as well as to appreciate its employees and encourage their potential and personal commitment for the good of society and the environment. Risks that arise for employees in connection with their daily work, unequal

treatment or workplace stress are analyzed and appropriate measures are put into place. Discrimination or unequal treatment based on gender, religion or other reasons could represent a reputational risk for BAWAG Group. This could also impact our attractiveness as an employer. Measures are taken to prevent this.

Development of the number of employees

Headcount	2015	2016	2017
Number of employees as of 31 December	2,992	2,758	3,520

Gender distribution

in %	2015	2016	2017
Women	54%	54%	57%
Men	46%	46%	43%
Share of women in management positions	27%	28%	27%

Additional indicators pertaining to employees can be found in the GRI Index starting on page 36 as well as in the Appendix starting on page 33.

WOMEN'S ADVANCEMENT

With the women's promotion program introduced in 2012 and as a signatory to the UN Global Compact Women's Empowerment Principles (WEP), BAWAG P.S.K. has taken another important step towards ensuring equality between women and men. The program focuses on fostering awareness of the importance of equality of opportunity – combined with clearly defined goals:

- ▶ Financial equality between women and men for equal performance
- ▶ Increasing the number of women in leadership and expert positions
- ▶ Promoting a better balance between career and family for women and men

The women's promotion plan was revised and renegotiated in 2017. A dashboard with indicators regarding women's advancement was created in order to raise awareness.

As part of the women's promotion program, female employees once again had the opportunity to take part in specific seminars and workshops such as "Self-Marketing for Women" and "Discovering, Strengthening and Applying Leadership Potential."

BAWAG P.S.K. Women's Initiative

The goal of the BAWAG P.S.K. Women's Initiative is to advance the equality of women at the Bank and facilitate the exchange of experiences and knowledge as well as networking inside and outside the company.

With the events and activities described below, the BAWAG P.S.K. Women's Initiative makes a significant contribution to raising awareness for numerous issues related to equality.

BAWAG P.S.K. Women Mentoring Program

The fourth round of the program, in which external top managers from the business community serve as mentors, was continued. In April, the mentees and mentors attended a presentation in the “Ganymed fe male” event series together with the BAWAG P.S.K. Women’s Initiative, along with other activities. In May, a networking evening was held on the topic of “The Language of Power: How to Utilize Results-Oriented and Relationship-Oriented Language for Your Success” with Christine Bauer-Jelinek, a distinguished psychotherapist, business coach and best-selling author.

The fifth run of the BAWAG P.S.K. Women Mentoring Program started at the end of 2017. Fifteen female mentees were once again provided with managers from BAWAG P.S.K. to serve as experienced mentors. During the one-year mentoring program, the participants take part in networking events, workshops and various business talks. The goal is to support the female mentees (59 women have taken part since the program was started) in their management or expert positions and to prepare them for the next step in their careers.

Fe-male Future Day

The BAWAG P.S.K. Women’s Initiative once again hosted the *Fe-male* Future Day in October 2017. Birgit Fenderl of the Austrian Broadcasting Corporation (ORF) moderated a podium discussion on the topic of “*Fe-male* Equality in Companies.” The participants included the recipient of the 2017 BAWAG P.S.K. Women’s Prize, Edeltraud Hanappi-Egger, rector of the Vienna University of Economics and Business; Klaus Schierhackl, CEO of ASFINAG and Isolde Seer, a representative of the BAWAG P.S.K. Women’s Initiative and an HR Business Partner.

BAWAG P.S.K. Women’s Prize

As part of *Fe-male* Future Day, BAWAG P.S.K. awarded the fifth BAWAG P.S.K. Women’s Prize for outstanding achievements and exceptional dedication on the part of women for society. The EUR 3,000 prize was presented to Edeltraud Hanappi-Egger by Tamara Kapeller, head of the Non-Financial Risk Management & Regulatory Compliance

division and a representative of the BAWAG P.S.K. Women’s Initiative. With this award, BAWAG P.S.K. honored Edeltraud Hanappi-Egger for her tireless and long-standing efforts in the area of gender and diversity in organizations.

The prize is awarded to women who set an outstanding example for other women on the basis of their achievements and commitment, especially in the areas of:

- ▶ science, journalism and art
- ▶ social commitment
- ▶ intercultural understanding
- ▶ promoting equality of opportunity between women and men, and
- ▶ creating awareness for the role of women in the professional world

Underrepresented gender in the Supervisory Board and Managing Board

In 2013, the Nomination Committee set a target ratio for the underrepresented gender in the Supervisory Board and Managing Board. The strategy for achieving this target was further developed and fleshed out over the course of 2017 together with the BAWAG P.S.K. Women’s Initiative and Human Resources. Points of emphasis include the advancement of women through the women’s promotion program, an external mentoring program for female managers and experts with mentors from various industries (BAWAG P.S.K. Women Mentoring^{Business}) and gender-specific seminars for the further development of women. Women were appointed to the executive boards (managing board and supervisory board) of the subsidiaries to a greater degree in 2017.

Career and family

In 2013, BAWAG P.S.K. committed to promoting a good balance between family and career under the framework of a structured audit process and was awarded a certificate as a family-friendly company, which was valid for three years. In the course of the reauditing in 2016, the certificate was successfully approved. Various measures are planned over the next two years to strengthen our status as a family-friendly company.

Information events for expectant parents

Again in 2017, Human Resources and the BAWAG P.S.K. Works Council provided information about the coordination of parental leave during the regular event series for expectant mothers and fathers. Twice a year, these events provide helpful information to facilitate a smooth return to the company.

Welcome back event

Human Resources and the BAWAG P.S.K. Works Council have been organizing the welcome back event since 2009. Employees returning from parental leave are invited to inform themselves about news and developments at BAWAG P.S.K. and have the opportunity to participate in a dialogue with internal managers and experts. The event provides a sound basis for a successful return to the company.

Flexibility in the workplace

The majority of the organizational units offer variable working hours within a set of defined operating hours. Telework agreements are facilitated to the extent possible based on operational needs and require employees to come into the office at least one day a week. Various time models can be agreed on an individual basis, and it is possible to arrange either reduced daily working hours or an accumulated number of hours spread out over several days per week. There are also partial retirement models, educational and medical care leave, and part-time medical care models that allow employees to optimally balance their private and personal needs with work. Since 2014, all fathers have received two so-called daddy days, which are two days of special leave following the birth of a child in addition to the two days of special leave stipulated by the collective bargaining agreement. This means that fathers have a total of four days to care for their child and their partner.

TRAINING AND EDUCATION

General information about employee training

Our training program supports employees in mastering the various everyday challenges they face in the banking business. It ensures that they have the necessary specialized knowledge and is also designed to help employees learn how to cope with various burdens resulting from time pressure and stress, for example. To this end, we offer specialized training courses, workshops in project management, stress management, time management and self-reliance as well as a wide range of IT, English and first aid courses. The e-learning offering was expanded to include additional self-directed learning programs and tutorials. The methods used in this context include blended learning on the basis of mixed courses with online and on-site elements as well as social learning, in which participants learn with and from one another. In 2017, a total of 10,079 seminar days (lasting eight hours each) were completed. Each employee in the central administrative units (including subsidiaries) completed an average of 1.9 days (women 1.8 / men 2.1) of training and education, employees in sales 5.4 days (women 5.2 / men 5.7) and managers 4.7 days (women 4.8 / men 4.7). In 2016, 8,043 seminar days were completed: employees in

the central administrative units (incl. subsidiaries) completed an average of 1.2 days (women 1.2 / men 1.1), employees in sales 4.4 days (women 3.8 / men 5.8) and managers 4.3 days (women 3.4 / men 4.8).

Apprentice training

BAWAG P.S.K. has been successfully training apprentices for years and has received numerous awards, for example the "Beste Lehrbetriebe – Fit for Future" state prize. Providing young people with goals and prospects for the future is a task that was once again taken very seriously in 2017. With its qualified banker apprenticeship program, the Bank provides high-quality training aimed at enabling the apprentices to be hired as qualified customer advisors at the end of their apprenticeship. Each year, young women and men complete their apprenticeships with tremendous success. In addition to the comprehensive training program, the Bank supports and encourages young people to complete an apprenticeship in combination with attaining a secondary school leaving certificate, thus earning a second qualification in addition to their vocational training.

Sales Academy

The new sales training program (the “Sales Academy”) combines three essential elements: specialized knowledge as the basis for success, sales in the form of motivating training courses in sales methods and the development of managers. At the start of the program, a new telephone training method was successfully introduced in which trainers provide coaching for specific questions by telephone.

Talent development; succession and career planning

The process for the identification and development of potential successors for key functions that was launched in 2014 was continued in 2017 and has been established as a standard process. At a meeting of the Managing Board, high-potential employees were discussed in a structured manner and approaches for dealing with succession risks were coordinated. This ensures that vacant positions can be quickly filled from the company’s own ranks (high-potential employees), thus enabling seamless business operations.

In 2012, Human Resources agreed to continuously work towards the equality of women and men in the women’s promotion plan. It was agreed that at least 50% of the participants in the various talent programs would be women in order to take women’s advancement into account to an appropriate extent on an ongoing basis.

The seventh iteration of the “Start & Move” graduate program started in September 2017. This one-year program provides support for trainees who join the Bank. The diverse range of offerings ensures that the graduates get off to a good start at BAWAG P.S.K. and provides them with the opportunity to network within the Bank. Nine of the 16 participants are women.

The sixth run of the “forTalents” development program for high-potential employees in the central administrative units started in October 2017. Like in the first runs of this program, participants were supported in their development and groomed for new management and expert positions. Ten of the 20 participants in the current group are women, and 45 of the 90 total participants thus far have been women, 22 of whom meanwhile have management responsibilities.

“TOP-TEAM Vertrieb”, the basic leadership program for potential branch managers in sales, ensures the development of future managers from within the Bank. The participants are all promising young employees with leadership potential who have been nominated as part of the Sales Talent Management succession planning process. They go through a challenging program of technical and personal development training to prepare them to manage a branch. The training course is concluded with an exam conducted by an examination board.

The goal of the Sales Talent Management process is to define the training needs in retail sales, find high-potential employees for defined positions, derive individual measures and thus be able to carry out targeted training and succession planning.

Management development

The training of managers at BAWAG P.S.K. encompasses a wide range of offerings with a clear focus on management, goal accountability and employee development.

For example, the development of managers in retail sales is based on a regular employee survey and a potential assessment which is supervised by external experts and aimed at identifying a manager’s personal strengths and development areas. The Bank offers a modular training program that is tailored based on the results of this assessment and strengthens the skills needed for day-to-day management tasks on a selective basis. The program focuses on a high level of practice-oriented learning, the targeted development of leadership skills, sharpening managers’ self-reflection skills and employee guidance and development.

In 2017, the “LEAD neue Führungskräfte” manager training program was once again completed in the central administrative divisions. The program provides support and guidance for new managers in the performance of their new function during the first year, with an emphasis on guided peer advice and learning from one another. The 19th group successfully completed the program at year-end 2017. Six of the 13 participants were women.

Experienced managers and managerial teams were once again supported in individual (management) coaching sessions and targeted change management measures.

The “After Work Führungskräfte Forum” was continued in 2017 – a series of network events with keynote speeches for all the Bank’s executives to familiarize them with new tendencies of leadership and to provide a platform for exchanging experiences.

MbO process (Management by Objectives)

The MbO process is an important management and leadership tool at BAWAG P.S.K. Managers conduct the associated MbO reviews with their employees twice a year in order to set new goals for the coming year and define development measures.

The supportive software HR ONE helps managers and employees to enter their goals online and to evaluate them.

Thus, HR ONE serves as a performance management and learning platform and provides support as a tracking tool for the Sales Talent Management process, for example. As a virtual learning portal, HR ONE also provides self-directed learning programs, competence checks and tutorials.

Awards

BAWAG P.S.K. was named the best recruiter in its industry and awarded as “Best Recruiter 2016/17” for the sixth time in total. In the annual analysis of over 500 Austrian companies performed by the communication agency GPK, the Bank showed once again that it competes at the front of the pack in the “war for talent” among banks. A total of 133 criteria were evaluated in the categories career homepage, social media, mobile recruiting, online job advertisements, online job exchanges, transparency, usability in the application process as well as response to the contact quality with applicants.

WORKPLACE HEALTH PROMOTION – OCCUPATIONAL PSYCHOLOGY SERVICES

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

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

The services offered also focus on preventative measures in order to recognize health risks that can be caused by work-related factors at an early stage and take appropriate countermeasures. This pertains not only to physical ailments such as posture problems, but also to psychological problems caused by stress or excess strain.

Occupational psychology services

Since 2010, BAWAG P.S.K. has offered its employees support and counseling in the area of occupational psychology as part of its workplace health promotion activities. Employees have utilized these offerings in the form of focus campaigns for stress management as well as in the course of individual counseling sessions.

Evaluation of psychological stress factors in the workplace

The prevention of work-related psychological stress factors remained a top priority and was expanded to include new areas. The results of the standardized online survey were analyzed by our external occupational psychologists from the occupational health service “Arbeitsmedizinischer Dienst” (AMD) and reported to the division heads. The survey results were discussed and possible solutions and improvements were developed with employees at the subsequent workshops, which were moderated by occupational psychologists. The division heads are responsible for the implementation of the measures

that were developed. Follow-up workshops were initiated in 2017.

Additional health benefits

In addition to the basic occupational health services, the Workplace Health Promotion Initiative offered to cover the costs for having a comprehensive preventive medical exam. The exam is performed at the company physician's offices and was extended due to the high demand.

The first "BAWAG P.S.K. Health Day" was held in November 2017. It showcased the Bank's wide range of workplace health promotion offerings and was well received.

Workshop "Fit & focused in the workplace"

With this workshop series organized in cooperation with the occupational health service "Arbeitsmedizinischer Dienst", BAWAG P.S.K. supports the initiative to keep employees fit and healthy.

ADDITIONAL EMPLOYER SERVICES

Along with the workplace health promotion benefits, BAWAG P.S.K. also provides a wide range of other benefits,

including support for families, lunch specials, bonuses for service anniversaries and the company daycare center.

Additional employer services¹⁾

in EUR thousand	31.12.2017	31.12.2016
Travel allowances	306	306
Pension fund contributions	6,640	6,578
Anniversary bonuses	2,272	2,444
Financial assistance (particularly for weddings / births / deaths / Vienna Employment Promotion Fund)	671	987
Accident insurance	38	44
Allowance for supplemental health insurance	172	157
Cafeteria (food / personnel / vouchers)	954	876
Company physician and health programs	112	118
Company daycare center	271	230
Employee events (particularly Christmas vouchers / Christmas dinner / excursions)	839	363
Funding provided to the Works Council (immunization campaigns, holiday lodging, sports club, etc.)	311	327
Total	12,586	12,430

1) This table reflects services for BAWAG P.S.K. employees only.

ENVIRONMENTAL PROTECTION

At BAWAG Group, environmental protection means keeping the environmental impact of our products, services and day-to-day operations as low as possible. The global climate change and the measures taken to counteract it can have a massive impact on individual sectors of the economy. In particular, the associated risks for BAWAG Group must be considered in the area of financing and investments, as this is where BAWAG Group's business activities have the greatest environmental impact. Although the direct

environmental impact of the office operations and travel activities appear to be relatively low, a wide range of measures are taken to keep these effects as low as possible.

Due to fundamental changes – particularly the acquisitions that have been completed such as the purchase of start:bausparkasse and the accelerated growth in the DACH region – the indicators cannot be compared directly with those for the previous years.

Key environmental figures

	Unit	2015	2016	2017
Paper				
Paper use	A4 pages	32,615,500	31,200,500	32,450,000
Account statement envelopes	Pieces	7,818,448	7,862,000	6,670,433
Electricity				
Buchengasse/Quellenstraße	kWh	6,564,480	6,119,480	5,966,880
Georg-Coch-Platz	kWh	3,472,800	3,427,320	3,260,320
Am Tabor	kWh	2,739,020	2,385,420	2,356,720
Branches	kWh	6,605,862	6,069,413	5,781,643
Total power consumption	kWh	19,382,162	18,001,633	17,365,563
Heating for central locations (district heat)				
Buchengasse/Quellenstraße	kWh	3,228,566	2,843,999	3,169,681
Georg-Coch-Platz	kWh	2,816,175	2,840,692	3,380,602
Am Tabor	kWh	252,874	254,601	297,580
Total heating for central locations	kWh	6,297,615	5,939,292	6,847,863
Heating for branches				
Gas	kWh	2,186,733	1,948,458	2,195,801
District heating	kWh	664,137	533,094	564,099
Heating for branches	kWh	2,850,870	2,481,552	2,759,900
Vehicle fleet / Mobility				
Gasoline fleet	km	53,890	37,480	227,561
Diesel fleet	km	1,125,915	518,055	3,080,021
Kilometers traveled by air	km	1,811,958	1,765,375	3,000,856
CO₂ emissions¹⁾				
Scope 1 – direct emissions				
Vehicle fleet	t CO ₂ -e	214	113	696
Heating (gas)	t CO ₂ -e	525	468	527
Subtotal Scope 1	t CO ₂ -e	739	580	1,223
Scope 2 – indirect emissions				
Electricity	t CO ₂ -e	5,427	5,040	5,244
District heat	t CO ₂ -e	1,330	1,165	1,416
Subtotal Scope 2	t CO ₂ -e	6,757	6,205	6,660
Scope 3 – other emissions				
Travels by air	t CO ₂ -e	519	697	1,200
Subtotal Scope 3	t CO ₂ -e	519	697	1,200
Total CO ₂ emissions (scope 1 – 3)	t CO ₂ -e	8,014	7,482	9,083
Waste				
Waste paper	t	518	345	490
General waste	t	182	174	175
Water				
Buchengasse/Quellenstraße	m ³	11,678	9,970	9,653
Georg-Coch-Platz (municipal water supply)	m ³	3,959	3,433	3,796
Georg-Coch-Platz (well)	m ³	9,555	10,951	10,540
Am Tabor	m ³	670	536	657
Total water consumption	m ³	25,862	24,890	24,646

1) Paper: 2017 incl. start:bausparkasse; Vehicle fleet: gasoline 2017 incl. *easyleasing*, diesel 2017 incl. *easyleasing* and start:bausparkasse; location Marxergasse – PayLife: no data included – lump-sum rent incl. electricity, heating, office supplies as well as facility & dispatch services.

ENVIRONMENTAL ACTIVITIES

Reduction of paper consumption

The efforts made in the previous years to increasingly transition customers to the electronic delivery of account statements and TAN lists were continued in 2017. This led to a more than 15% reduction of account statement envelopes, for example. The slight increase in the consumption of office paper in 2017 can be attributed primarily to the completed acquisitions such as start:bausparkasse. Only office paper that is certified with

the EU Ecolabel was used. The paper consumption is reported in pages due to different paper qualities. In 2018, this reporting will be changed to tons.

CO₂ neutral delivery initiative

In 2017, Österreichische Post AG again delivered all BAWAG P.S.K. postal items (letters, advertising materials and packages) CO₂ neutral.

OUTLOOK

THE ICON VIENNA – the new BAWAG Group headquarters

Over the past few years, BAWAG Group has transformed itself into a modern, innovative, efficient and highly successful banking group through the consistent strategic realignment of its business model. By moving into a building that is part of the stand-out construction project “THE ICON VIENNA” in 2018/2019 – the project developer plans to attain Leadership in Energy and Environmental Design (LEED) certification for this green building – BAWAG Group will benefit from a future-oriented headquarters in line with its successful business strategy. With

environmentally friendly infrastructure that reduces operating costs, THE ICON VIENNA will provide us with office space that offers state-of-the-art comfort and energy efficiency as well as an inspiring and effective work environment for our employees. Because the building is part of Quartier Belvedere, it features infrastructure that gives the location the highest level of working quality and quality of life – including optimal transport connections as well as local shopping, service and recreational facilities – and will contribute to ensuring a good work-life balance for our employees.

CIVIC ENGAGEMENT AND PERSONAL COMMITMENT

Civic engagement is an essential part of BAWAG Group's public relations. With the activities performed in this area, we also live up to our social responsibility by being a good corporate citizen. For example, BAWAG P.S.K.'s initiatives, including ES GEHT! (www.es-geht.at), also show that it is possible to combine the financial needs of its customers with civic engagement. The focus on education, arts and social issues as well as our crowdfunding platform (www.crowdfunding.at) help to improve the Bank's general profile.

BAWAG P.S.K. sees itself as being an equal partner who actively participates in shaping partnerships and projects. We aim to establish long-term collaborations to jointly implement sustainable projects.

Numerous sponsoring partnerships were continued with social and charity organizations in 2017. For example, the EUR 3,000 "MITTEN IM LEBEN" prize for services in the social sphere and outstanding humanitarian efforts was awarded to the "ich bin aktiv" association, which provides assistance to people with disabilities. The association was founded in order to offer young people with special needs alternatives and supplementary services in various areas. Its focus topics are inclusion in the areas of living/working and recreation, primarily in the form of chaperone services for planned recreation activities (including in the arts and education).

A few of the social and educational projects that were supported or presented with awards in 2017 are highlighted below:

- ▶ Licht ins Dunkel: Donation to support the emergency assistance fund and selected projects.
- ▶ Caritas: Support for the initiative "Für eine Zukunft ohne Hunger" (For a Future without Hunger) – Caritas provides assistance where it is needed most.
- ▶ SOS Mitmensch: Benefit auction for contemporary art in BAWAG P.S.K.'s historic main banking hall.
- ▶ In autumn 2017, BAWAG P.S.K. once again hosted the ICEP benefit auction to support ICEP's entrepreneurship promotion activities in Central America and East Africa.
- ▶ Mobile medical care for seriously ill children with MOMO: Children with serious diseases are taken care of at home, where they feel most comfortable. In the security of their families, Vienna's mobile "Kinderhospiz MOMO" accompanies seriously ill children, both medically and psychosocially.
- ▶ Make-A-Wish Foundation: The association realizes the wishes of seriously ill children. The "magic of a wish" and its fulfillment support the children's recovery. The goal is more than just to put a smile on the children's faces – the children should believe in the seemingly impossible and their own inner strength. Make-A-Wish gives the sick children joy, new courage and strength to overcome difficult times.
- ▶ A project supported by the ES GEHT! Initiative: "Lebenshilfe Oberösterreich" operates facilities for people with intellectual disabilities, including a partially supervised group home in Linz. The sanitary facilities are outdated and not barrier-free, so a renovation is urgently needed. It is important to meet the residents' individual needs, and barrier-free infrastructure is a top priority.
- ▶ *easybank* employees made donations to DEBRA Austria, which provides assistance for children suffering from epidermolysis bullosa. The donation amount was more than doubled by the company's management.
- ▶ The employees of *easybank* donated necessary items such as blankets, sleeping bags and non-perishable food to the "Gruff" homeless shelter.

PERSONAL COMMITMENT OF EMPLOYEES

Volunteer Days

Every BAWAG P.S.K. employee has the opportunity to spend up to two working days per year volunteering for non-profit organizations and projects without having to use any of his or her paid vacation time. Established in 2011, this initiative promotes and rewards the personal commitment of our employees and highlights the value of volunteer work.

In 2017, BAWAG P.S.K.'s trainees supported SOMA. Donated items (food and sanitary products) are offered at the SOMA social markets organized by "Wiener Hilfswerk". Anyone who resides in Vienna and has a maximum monthly net income that is below the poverty line according to Statistics Austria is eligible to shop at the markets. The social markets are a member of the association "SOMA

Österreich & Partner" and are thus part of a movement that now encompasses 35 social markets throughout Austria.

BAWAG P.S.K. bikes to work

As in the past several years, the initiative "Österreich radelt zur Arbeit" (Austria Bikes to Work) was actively supported by our employees in 2017.

Blood drive

In spring and in autumn 2017, blood drives were once again held at BAWAG P.S.K.'s headquarters. As in previous years, many employees participated in the blood drive.

7 March 2018



Anas Abuzaakouk
Chief Executive Officer



David O'Leary
Member of the Managing Board



Enver Sirucic
Member of the Managing Board



Andrew Wise
Member of the Managing Board



Stefan Barth
Member of the Managing Board



Sat Shah
Member of the Managing Board

SUSTAINABILITY PROGRAM

CSR strategy

Goal: Strengthening the CSR activities

Improvement in the rankings of sustainability rating agencies

Time horizon

Ongoing

Responsible action

Goal: Fairness and respect for the rights of present and future generations

Compliance with guidelines and policies, i.e. the Code of Conduct

Time horizon

Ongoing

Raising awareness for the seven UN Global Compact Women's Empowerment Principles

Ongoing

Raising awareness for the 17 Sustainable Development Goals of the UN Global Compact

Ongoing

Group-wide excellent non-financial risk management

Ongoing

Dialogue with stakeholders

Goal: Strengthening relationships with stakeholders

Improving communication with stakeholders through events and discussion groups

Time horizon

Ongoing

Customer orientation

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

Continuing with the "New Chance" current account and offering sustainable investments

Time horizon

Ongoing

Consideration of sustainability criteria in the product development process

Ongoing

Staff development and training

Goal: Appreciation and advancement of employees in every stage of life

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

Time horizon

Ongoing

Raise awareness for and establish the paternity leave, "daddy month" and the special vacation for new daddies

Ongoing

Environmental protection

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

Further increasing the energy efficiency of the headquarters

Time horizon

Ongoing

Increasing energy efficiency in the branches through advanced analysis of consumption data collected, identifying energy savings potential and developing recommendations for improvements

Ongoing

Civic engagement and personal commitment

Goal: Charity activities and volunteer work

Screening, selection and communication of suitable projects

Time horizon

Ongoing

Encouraging employees to make use of volunteer days by promoting past social activities and evaluating the activities performed in the past

Ongoing

Raising awareness of the need for lasting civic engagement and sustainability in day-to-day operations

Ongoing

APPENDIX¹⁾**Table1: Composition of workforce / governance bodies by age group and gender**

		Age group			Total
		<30	30-50	>50	
31.12.2017					
Men	Managing Board		6		6
	Division managers / senior managers		20	8	28
	Regional marketing managers / sales managers / department managers		57	14	71
	Branch managers / group managers / team managers	10	108	28	146
	Non-management functions	152	492	601	1,245
	Total (men)	162	683	651	1,496
Women	Managing Board				
	Division managers / senior managers		1		1
	Regional marketing managers / sales managers / department managers	1	24	3	28
	Branch managers / group managers / team managers	7	44	14	65
	Non-management functions	372	956	602	1,930
	Total (women)	380	1,025	619	2,024
Total	542	1,708	1,270	3,520	
31.12.2016					
Men	Managing Board		5		5
	Division managers / senior managers		18	5	23
	Regional marketing managers / sales managers / department managers		51	10	61
	Branch managers / group managers / team managers	12	100	27	139
	Non-management functions	128	373	533	1,034
	Total (men)	140	547	575	1,262
Women	Managing Board				
	Division managers / senior managers		3	1	4
	Regional marketing managers / sales managers / department managers	3	16	3	22
	Branch managers / group managers / team managers	2	42	17	61
	Non-management functions	221	694	494	1,409
	Total (women)	226	755	515	1,496
Total	366	1,302	1,090	2,758	

1) The figures in the appendix presented for 31.12.2016 relate to BAWAG P.S.K.

	31.12.2017	31.12.2016
Supervisory Board	9	12
thereof men	6	9
thereof women	3	3

Table 2: Workforce by nationality

31.12.2017	Austria	Other
Managing Board	1	5
Division managers / senior managers	20	9
Regional marketing managers / sales managers / department managers	95	4
Branch managers / group managers / team managers	202	9
Non-management functions	3,007	168
Total	3,325	195

31.12.2016	Austria	Other
Managing Board		5
Division managers / senior managers	20	7
Regional marketing managers / sales managers / department managers	78	5
Branch managers / group managers / team managers	196	4
Non-management functions	2,331	112
Total	2,625	133

Table 3: Workforce by province

	31.12.2017	31.12.2016
Vienna	2,740	1,973
Styria	138	192
Lower Austria	32	147
Upper Austria	185	122
Carinthia	124	97
Salzburg	74	74
Tyrol	99	67
Burgenland	69	37
Vorarlberg	26	33
Abroad	33	16
Total	3,520	2,758

Table 4: Employees leaving

	31.12.2017	31.12.2016
By region		
Vienna	346	197
Other	77	98
By age group		
<30	104	56
30–50	200	135
>50	119	104
By gender		
Women	201	143
Men	222	152

Table 5: New hires

	31.12.2017	31.12.2016
By region		
Vienna	379	110
Other	22	11
By age group		
<30	204	80
30–50	174	37
>50	23	4
By gender		
Women	252	59
Men	149	62

GRI INDEX

The present GRI Index was prepared in accordance with the guidelines of the Global Reporting Initiative, version 4.0, and the Core “In Accordance” option and also contains disclosures specified by the set of industry-

specific indicators for financial services. All data refer to the year 2017 or 31 December 2017, unless otherwise stated

GENERAL STANDARD DISCLOSURES

G4 code	Content according to G4 (Core)	Reference/Comments
Strategy and analysis		
1	Statement from the most senior decision-maker	p. 4
Organizational profile		
3	Name of the organization	p. 6
4	Primary brands, products, and services	p. 6
5	Location of the organization’s headquarters	p. 6,
6	Countries where the organization operates	p. 6, https://www.bawaggroup.com/financial-results
7	Nature of ownership and legal form	p. 6
8	Markets	https://www.bawaggroup.com/financial-results
9	Scale of the organization	p. 7, https://www.bawaggroup.com/financial-results
10	Figures and information regarding total workforce	p. 20; No material portion of the organization’s activities is performed by employees who are legally classified as freelancers or by persons who are not employees or staff bound by instructions, including the employees and staff bound by instructions of contract partners.
11	Employees covered by collective bargaining agreements	100% of the employees are covered by collective bargaining agreements.
12	Supply chain	p. 6, p. 18–19
13	Significant changes in the organization’s size, structure, or ownership	p. 6
14	Precautionary principle	p. 12–13
15	External agreements, principles, or initiatives	p. 12–13
16	Memberships	Transparency International (Austrian Chapter), UN Global Compact, UN Global Compact WEP
Identified material aspects and boundaries		
17	Description of the reporting boundaries	p. 5
18	Process for defining the report content and the aspect boundaries	p. 9
19	Identified material aspects and topics	p. 9
20	Aspect boundary for each material aspect within the organization	The aspect boundaries for the individual aspects are described in the corresponding sections.
21	Aspect boundary for each material aspect outside the organization	The aspect boundaries for the individual aspects are described in the corresponding sections.
22	Restatement of information provided in previous reports	p. 5
23	Changes in the scope and aspect boundaries	p. 5
Stakeholder engagement		
24	List of stakeholder groups engaged by the organization	p. 9, p. 14

G4 code	Content according to G4 (Core)	Reference/Comments
25	Selection of stakeholder groups	p. 9, p. 14
26	Approach to stakeholder engagement	p. 9, p. 14
27	Key topics and concerns of stakeholder groups	p. 9, p. 14
Report profile		
28	Reporting period	p. 5
29	Publication of most recent previous report	July 2017
30	Reporting cycle	Annual
31	Points of contact	p. 46
32	GRI Index	p. 36
33	External assurance for the report or for report contents	p. 42–43
Governance		
34	Governance structure of the organization	https://www.bawaggroup.com/corporate-governance-reports
Ethics and integrity		
56	Corporate values, principles, and codes of conduct	p. 13

SPECIFIC STANDARD DISCLOSURES

Economic indicators (Focuses of action: responsible action, dialogue with stakeholders, customer orientation)

Identified material aspects	G4 indicators (Core)	Reference/Comments
Economic performance	DMA	Economic performance
	EC1	Direct economic value generated and distributed
Product portfolio	DMA	Policies with specific environmental and social components applied to business lines
	DMA	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions
	DMA	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines
	DMA	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities
	FS7	Products with a significant social benefit
	FS8	Products with a significant environmental benefit
Active ownership	DMA	Active ownership approach / sustainable asset management
	FS11	Percentage of assets managed according to sustainability criteria

Environmental indicators (Focus of action: environmental protection)

Identified material aspects	G4 indicators (Core)		Reference/Comments
Material	DMA	Material	p. 27–28
	EN1	Consumption of paper	p. 27–28
Energy	DMA	Energy	p. 26
	EN3	Energy consumption within the organization (Scope 1 and 2)	p. 27
	EN4	Energy consumption outside of the organization (Scope 3)	p. 27
Emissions	DMA	Emissions	p. 26
	EN15	Direct greenhouse gas emissions (Scope 1)	p. 27
	EN16	Indirect energy-related greenhouse gas emissions (Scope 2)	p. 27
	EN17	All other indirect greenhouse gas emissions generated outside of the organization (Scope 3)	p. 27

Social indicators

Identified material aspects	G4 indicators (Core)		Reference/Comments
Labor practices and decent work (Focus of action: staff development and training)			
Employment	DMA	Employment	p. 20–25
	LA1	New employee hires and employee turnover	p. 35
	LA2	Benefits provided to full-time employees	p. 25
Occupational health and safety	DMA	Occupational health and safety	p. 24–25
	LA6	Injuries, occupational diseases, lost days, absenteeism and fatalities	Currently, only the number of accidents reported to AUVA is disclosed – we strive to report this indicator in compliance with the requirements in 2018. Number of accidents reported to AUVA (Austrian Workers' Compensation Board) and BVA (Austrian Social Insurance Authority for Civil and Public Servants): 19 in 2015, 15 in 2016 and 11 in 2017 (3 workplace accidents and 8 commuting accidents).
Training and education	DMA	Training and education	p. 22–24
	LA9	Number of training hours	p. 22
	LA11	Feedback for employees regarding their performance and career development	p. 24
Diversity and equal opportunity	DMA	Diversity and equal opportunity	p. 20–21
	LA12	Composition of governance bodies and breakdown of employees according to gender, age group, and minority group membership	p. 20; please refer to table 1 in the appendix; figures are reported in absolute numbers
Human rights (Focus of action: responsible action)			
Investment	DMA	Investments	p. 12–13

Identified material aspects	G4 indicators (Core)	Reference/Comments
Non-discrimination	HR1	Inclusion of humans rights aspects in significant investment agreements The Code of Conduct defines fundamental standards for respecting human rights. The Code of Conduct is mandatory for all business activities, i.e. also for the conclusion of contracts. Currently, no other human rights clauses are included in investment agreements/contracts.
	DMA	Non-discrimination p. 12–13
	HR3	Incidents of discrimination and corrective actions taken There were two complaints related to discrimination (lending decision and update of customer data). In the first case we reached a settlement, in the second case the Equal Treatment Commission found that no discrimination had occurred.
Society (Focuses of action: responsible action, dialogue with stakeholders, civic engagement and personal commitment)		
Local communities	FS14	Initiatives to improve access to financial services for disadvantaged people p. 15–17
	DMA	Anti-corruption p. 12–13
Anti-corruption	SO3	Assessment of operations for risks related to corruption p. 12–13 The business units were examined for risks related to corruption within the scope of money laundering examinations Since 2010, BAWAG P.S.K. has had a gift policy covering the acceptance and giving of gifts and invitations. This policy is regularly checked and adapted if necessary.
	SO4	Communication and training on anti-corruption The policy is presented to all new hires during their Welcome Days. In addition, all employees, especially those working in a confidentiality area, must successfully complete training courses on the prevention of money laundering. BAWAG P.S.K. has been a member of Transparency International (Austrian Chapter) since 2012.
	SO5	Incidents of corruption and actions taken No incidents of corruption identified in 2017
Anti-competitive behavior	DMA	Anti-competitive behavior p. 12–13
	SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices No incidents in the reporting period
Compliance	DMA	Compliance with legal regulations p. 12–13
	SO8	Fines and sanctions for non-compliance with legal regulations In April 2017, the Austrian Financial Market Authority imposed administrative penalties pertaining to the Austrian Consumer Payment Account Act (Verbraucherzahlungskontogesetz). These administrative penalties were appealed in June 2017. The penalties are not yet enforceable.
Product responsibility (Focus of action: customer orientation)		
Product and service labeling	DMA	Product and service labeling p. 15–17
	PR4	Incidents of non-compliance with obligations concerning product and service information and labeling No incidents in the reporting period

Identified material aspects	G4 indicators (Core)		Reference/Comments
	PR5	Results of surveys measuring customer satisfaction	p. 14
	DMA	Customer privacy	p. 11–12, p. 15
Customer privacy	PR8	Complaints regarding breaches of customer privacy and losses of customer data	There was one complaint to the Austrian Data Protection Authority. The proceedings were closed as the bank had already changed its settlement processes.

INDEPENDENT ASSURANCE REPORT

We have performed an independent assurance engagement in connection with the consolidated non-financial report 2017 (the “NFI-report”) 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 G4, Option “Core”) as reporting criteria. The NFI-report is a separate report published under the title “Corporate Social Responsibility Report 2017“.

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

Auditors’ responsibility

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 G4, Option “Core”) in all material respects.

Our engagement was conducted in conformity with Austrian Standards for independent assurance engagements (KFS/PG 13) and in accordance 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.

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;
- ▶ 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;
- ▶ -Analytical evaluation of the data and trend explanations of quantitative disclosures, 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 guidelines GRI G4 (Option “Core”) with disclosures and indicators in the report;

- ▶ Evaluation of the overall presentation of the disclosures.

The procedures that we performed do not constitute an audit or a review. 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 and statements from external information sources and expert opinions.

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 8 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 sustainability reporting guidelines of the Global Reporting Initiative (GRI G4, Option “Core”) in all material respects.

Vienna, 7 March 2018

KPMG Advisory GmbH

Peter Ertl
Austrian Chartered Accountant

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)

COMMUNICATION ON PROGRESS (COP)

As a signatory to the UN Global Compact, BAWAG Group is committed to complying with its ten principles, which focus on labor standards, human rights, environmental protection and anti-corruption, and as a signatory to the UN Global Compact Women’s Empowerment Principles in 2015,

BAWAG Group is committed to complying with the seven WEP. The CSR Report 2017 is also an annual Communication on Progress (COP). Examples are provided of how each principle has been and is being implemented at BAWAG Group.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT AND EXAMPLES OF THEIR IMPLEMENTATION AT BAWAG GROUP

The ten principles	Examples of their implementation
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights (COP 1)	p. 12–13 General/Principles/Guidelines: Code of Conduct, Human Rights Matrix
Principle 2: Businesses should make sure that they are not complicit in human rights abuses (COP 2)	p. 12–13 General/Principles/Guidelines: Code of Conduct, Supplier Code of Conduct, Human Rights Matrix
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining (COP 3)	General/Principles/Guidelines: Freedom of association and the authorization of labor unions are protected by law in Austria. All employees are covered by collective bargaining agreements. There is an ongoing exchange of information between management and the Works Council, and new works council agreements are concluded on a regular basis.
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor (COP 4)	p. 12–13 General/Principles/Guidelines: Supplier Code of Conduct; about 90% of our suppliers are located in Austria. Before new contracts are concluded, customers are subjected to media screening to look for possible violations. The topics of freedom of negotiation, compulsory labor, working hours and wages are covered in the Code of Conduct for Suppliers under item 3 “Respect for the basic rights, health and safety of employees.”
Principle 5: Businesses should uphold the effective abolition of child labor (COP 5)	p. 12–13 General/Principles/Guidelines: Supplier Code of Conduct
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation (COP 6)	p. 11–13, p. 20 General/Principles/Guidelines: Code of Conduct, Recruiting Policies Measures/Results 2017: Continuation of the Women’s Promotion Plan aimed at promoting the equality of women and men at BAWAG Group.
Principle 7: Businesses should support a precautionary approach to environmental challenges (COP 7)	p. 10, 26–28
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility (COP 8)	p. 26–28
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies (COP 9)	p. 26–28 The photovoltaic system on the facade of the building on Buchengasse/Quellenstraße has been in operation since 2012. In addition, energy efficiency is promoted in the area of IT infrastructure.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery (COP 10)	p. 12–13 General/Principles/Guidelines: Code of Conduct, Anti-Corruption and Gift Acceptance Guidelines, Conflict of Interest Policy. The division Non-Financial Risk Management & Regulatory Compliance monitors compliance with the rules and regulations. All new hires must successfully complete training courses on the prevention of money laundering.
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THE SEVEN UN GLOBAL COMPACT WOMEN'S EMPOWERMENT PRINCIPLES AND EXAMPLES OF THEIR IMPLEMENTATION AT BAWAG GROUP

The seven principles	Examples of their implementation
Principle 1: Establish high-level corporate leadership for gender equality	p. 20–23 Defined target ratio for the underrepresented gender in the Managing Board and Supervisory Board, Women's Promotion Program, Women's Mentoring Program, flexible working time models, point of emphasis in management development programs
Principle 2: Treat all women and men fairly at work – respect and support human rights and nondiscrimination	p. 12–13, p. 20 Human Rights Matrix, Recruiting Policies, Women's Promotion Program For further indicators, see: G4-LA1, G4-LA12
Principle 3: Ensure the health, safety, and well-being of all women and men workers	p. 21–22 Career and Family Audit, information events for expectant parents, welcome back events for parents returning from parental leave, company daycare centers at two locations For further indicators, see: G4-HR3, G4-LA6
Principle 4: Promote education, training, and professional development for women	p. 20–21 Women's Promotion Plan, Women's Mentoring Program, specific seminars focusing on the further development of women For further indicators, see: G4-LA9, G4-LA11
Principle 5: Implement enterprise development, supply chain, and marketing practices that empower women	p. 21 Women's Prize
Principle 6: Promote equality through community initiatives and advocacy	p. 20–21 Women's Prize, <i>Fe-male</i> Future Day, Women's Initiative
Principle 7: Measure and publicly report on progress to achieve gender equality	Report on measures, objectives and achievements in the annual CSR Report and the Communication on Progress (COP).

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