

Disclosure under the CRR

ASSOCIATION OF VOLKSBANKS

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Qualitative information on environmental, social and governance risks (ESG risks)

In this document, the subheadings preceded by letters refer to the qualitative information contained in “ANNEX XXXIX – Prudential disclosures on ESG risks (Article 449a CRR)” to the EBA/ITS/2022/01 (Tables 1-3). The relevant context is provided, on the one hand, by the three risk categories of environmental risks, social risks and governance risks and, on the other hand, by the more detailed division per risk category contained in the annex by business strategy and processes, governance and risk management.

1. Business strategy and processes

CRR Art 449a in conjunction with Art 435

Qualitative information on environmental risks

Sustainability and regionality have been part of the business model of the Association of Volksbanks for more than 170 years. The Association of Volksbanks operates in line with cooperative principles and has been built up successfully and sustainably over many generations of members. Our cooperative identity and the sustainability values we go by are distinguishing features of the Association of Volksbanks. Our focus is on customers, partners and employees. The principles of the Association of Volksbanks are set down in a Code of Conduct and honoured by all employees within the scope of our corporate activities.

The Association of Volksbanks is a purely Austrian association of credit institutions and operates almost exclusively within its catchment area: the Austrian market. The Association has no foreign major shareholders, but a democratic cooperative decision-making and control structure through managing cooperatives. Austrian special interest groups are the owners of Österreichische Ärzte- und Apothekerbank. The main objective of the cooperatives is the development mission that determines the purpose of any cooperative, industrial and provident society. Right from the beginning, this objective has always been to maintain and strengthen the legal and economic independence of the cooperative facilities, resources and services, instead of profit maximisation. Ever since their formation, the Volksbanks have been representing the values of trust, regionality and customer focus. In the 21st century, these sustainable values are as important as ever. They still are the solid foundation of the customer concept of the Association of Volksbanks.

The company's business strategy is based on a combination of regional customer service know-how directly on location, on the one hand, and on the settlement and control services of a modern association of independent banks, on the other hand. This means that decisions relevant to customers are taken quickly and directly on the spot where the customers are. The independent primary banks are self-reliant in terms of sales management and accordingly able to act quickly and without red tape. The handling of administrative activities as well as control and management in compliance with banking law are mostly performed in centralised units of the Association. This cooperative division of labour enables the primary banks to focus on their marketing activities, while bundling activities that are not directly associated with retail business within centrally organised units. In this way, costs can be reduced, which in turn benefits our customers.

Focussing on Retail, SME and Real Estate business, the Association is geared to provide core banking services: lending, deposits and payment transactions. Other products and services are offered by competent partners. Therefore, cooperation agreements were concluded with reliable product partners. Our product partners also pursue sustainable business policies – which is of essential importance to the Association. Through considerable streamlining of processes and standardisation of the product range, transparency is increased for our customers due to a neat array of products. The core business segments with the highest impact on performance are the retail lending business and the deposit business.

The core of the Association of Volksbanks is its Austrian network of retail branches. The Volksbanks within the Association operate almost exclusively in their catchment area and on the Austrian market (a maximum of 5 % of the customer exposure is permitted to exist in neighbouring countries). The focus of the Volksbanks is on being the relationship bank for customers in the region. Accordingly, business activities have focussed on Austria in previous years, resulting in streamlined logistics and a comparatively lower burden on the environment than that of a global player. The Association of Volksbanks does not have any foreign participations, but only participations that directly relate to transacting the company's current business.

This business model, in combination with the focus on Austria, reduces the risk of negative effects on human rights and the environment, as well as any associated reputational risk for the Association of Volksbanks (legal framework applicable in Austria).

The Association of Volksbanks prepares, and regularly reviews, an analysis of the business environment with respect to environmental and climate factors. This analysis examines the way how environmental and climate factors influence the Association of Volksbanks through current and future economic and regulatory developments, and identifies the associated risks and rewards.

The most important insights gained from this analysis of the regional business environment are the following:

- The business model of the Association of Volksbanks is fully associated with Austria, and therefore business operations also depend, in particular, on the general and macroeconomic situation of Austria and on the challenges caused by environmental and climate factors.
- In terms of transformation, the initial situation in the Austrian market is generally good, with a strong base of political stability and high economic potential.
- However, at present, Austria's economy is under pressure showing a slight downturn, mainly driven by the energy-intensive manufacturing sector as well as high energy costs, which are due in part to transition-related climate risks.
- Austria has ambitious goals and has already made a lot of progress on its way towards a climate-neutral economy; but a significant gap remains: the existing level of the measures adopted is likely to be insufficient to achieve the defined goals, especially in certain critical sectors.
- Especially in the field of power generation, 90 % of which is based on renewable sources, the Austrian energy sector is on the right track towards climate neutrality; and renewable sources are of increasing importance, above the European average, within the entire energy mix. Increasing the competitiveness of the EU might open up a growth opportunity for European companies in the clean energy sector – and hence an opportunity for Austria.
- In the sphere of environmental health and ecosystem vitality, Austria presents a differentiated picture.

The business environment analysis thoroughly explores the core sectors of the Association of Volksbanks. The Real Estate sector, Construction and associated industries are key sectors for the Association, and sustainability is an important aspect within the Real Estate sector. Environmentally friendly construction methods and energy-efficient buildings are becoming increasingly important. Investments in modern technologies and sustainable materials are required to meet increasing demands. Complying with legal obligations regarding the environment and adapting to new regulatory requirements will be equally decisive for the long-term competitiveness of companies. Against the background of the challenges existing in the properties and housing sector, experts recommend to support sustainable construction methods, to adapt to regulatory requirements and to use innovative technologies in order to ensure competitiveness and to meet increasing demands. Volksbank has developed the "Refurbishment, Renovation and Modernisation" sales approach to support these challenges and to enable the realisation of sustainable projects. Climate change greatly affects the tourism industry in Austria, in particular winter tourism. A prolonged summer period and an increase in periods with comfortable temperatures may have positive effects on tourism at Austrian lakes and in alpine regions. Tourism needs to adapt to new legal frameworks,

including more stringent environmental requirements and emission reduction targets. In this context, investments in energy-efficient systems, renewable energies and sustainable infrastructures are required. Hotels and resorts can significantly reduce their energy consumption, and simultaneously their carbon emissions, by using energy-efficient technologies and practices. The use of renewable energies such as PV systems, wind power or biomass also offers considerable opportunities to sustainably cover the energy requirement of the facilities and to improve the ecological image of the destination. Volksbank is part of this development by providing funding for carbon reducing projects and by supporting sustainable offers in tourism, the adoption of new technologies and the diversification of tourist services to reduce the sector's dependence on seasonal fluctuations. The agriculture and forestry sector is less cyclical, but greatly influenced by commodity prices, agricultural policy and international competition as well as weather events, global warming and the associated pressure to adapt to changing conditions. The dependence on the weather constitutes a significant risk for the agricultural sector. Unforeseeable weather events like droughts, floods or storms can destroy harvests, considerably damaging output. Outdated technologies and price fluctuations are additional challenges. Opportunities exist in precision farming and sustainable cultivation methods. The use of renewable energy sources such as biogas and solar power equally offers great potential. The demand for organic produce is steadily increasing, and consumers increasingly appreciate the option to buy products directly from producers. Strategies to adapt to climate change and the diversification of production are decisive to increase resilience. The following fields of action have been identified for the Association of Volksbanks: putting a sales focus on modernisation and supporting farmers in using sustainable products (e.g. to increase biodiversity). In this context, the Volksbank provides know-how on subsidies and supports with funding the adaptation strategies of the farmers. The manufacturing sector is massively influenced by macroeconomic variables like commodity prices, energy prices and international competition. The sector is cyclical and sensitive to economic fluctuations. Increasing energy prices and the volatility of commodity markets, in particular, constitute considerable challenges. Against the background of climate and environmental risks, digitisation and automation constitute important aspects in manufacturing. Investments in modern technologies and automation solutions are required to remain competitive. Volksbank experts recommend to support investments in modern technologies, in adaptation to regulatory requirements and the use of innovative technologies in order to ensure competitiveness and to meet increasing demands. Volksbank is happy to serve as contact for funding the transformation. In the transport sector, the transport of goods is mainly driven by activities in industry and construction, while the transport of passengers is less cyclical, nevertheless correlating strongly with trade and tourism. A central risk in this sector are strict regulations and environmental requirements, such as the EU Regulation on the reduction of carbon emissions of vehicles and the emission trading system ETS 2. These provide for strict standards requiring substantial investments in environmentally friendly technologies and compliance measures. Companies need to invest in low-emission or zero-emission vehicles to comply with carbon limits, which may increase operating costs. Companies that invest in modern technologies and adapt to new regulatory requirements may increase their competitiveness, opening up new business opportunities. By focussing on these topics, the Association of Volksbanks can effectively support and lead the required transformation, thus ensuring long-term sustainability and competitive advantages on the Austrian market. Therefore, the Association of Volksbanks invests in subsidy and consultancy know-how, putting a great focus on climate and environmental factors and the associated transformation process also in terms of corporate strategy and governance. In this context, the relevant governance processes are predefined at the level of the Association, the bank and the branch. The goals and the resulting governance ratios (sustainable financing, proportion of sustainable securities within the total securities customer portfolio and emission intensity in g CO₂/euro of the total portfolio) are planned down to these regional levels and regularly reported on within the NAKO (Sustainability Committee) of the Association and the local NAKOs.

With respect to the effects of climate and environmental factors on products and portfolios of the Association of Volksbanks, we can see that the distribution of the risk from the geographical regions analysed (Austria and its federal provinces) as well as from the sectors of the economy varies and affects the products and portfolios of the Association of Volksbanks. It is evident that loans and credits granted to real economy sectors are affected by transition risks to a significant extent. Bonds, which mainly refer to the financial and public sectors, are also greatly affected. The portfolios of the Association of Volksbanks, in particular real estate portfolios and lending to small and medium-sized enterprises (SME), are also greatly

influenced by climate and environmental factors. Own assets mainly consist of bonds and equity instruments depending on Austria.

Therefore, the Association of Volksbanks has taken extensive steps to integrate sustainability aspects into its core business and to further expand its sustainability management. The material topics forming the basis of the bank's sustainability management were worked out together with stakeholders. The topics were selected considering the ecological and social impact of the sustainability topics identified, as well as their relevance to stakeholders. The identification and impact assessment of sustainability topics are continuously monitored in workshops with employees and the Managing Board members of VOLKSBANK WIEN AG in its capacity as central organisation of the Association of Volksbanks. In 2021, a stakeholder survey was conducted for the first time, not only for VOLKSBANK WIEN AG but also for the entire Association of Volksbanks, followed by a double materiality analysis. To prepare for the CSRD (Corporate Sustainability Reporting Directive) and ESRS (European Sustainability Reporting Standards), the double materiality analysis was revised completely in 2023 and conducted again in 2025. Together with external sustainability experts, all sustainability aspects were assessed in terms of their potential and actual environmental and social impact in accordance with the ESRS. In addition to the inside-out perspective, an assessment of the risks and opportunities (outside-in perspective) and thus a financial analysis was carried out as well. Together with the assessment of sustainability aspects from the stakeholders' perspective, the dual materiality analysis forms the basis of reporting in accordance with the CSRD, which has been implemented since the 2024 financial year. The Managing Board of VOLKSBANK WIEN AG released the results of the double materiality analysis at the end of 2023, supplementing the same in subsequent months. A sustainability report in accordance with ESRS was prepared for VOLKSBANK WIEN AG in the 2024 business year for the first time. No sustainability report was prepared for the Association of Volksbanks in the 2024 business year, as there is no statutory obligation to do so.

In the spring of 2023, VOLKSBANK WIEN AG, representing the Association of Volksbanks, joined the TCFD to emphasise the importance of sustainability- and climate-related risks and opportunities. A TCFD GAP analysis was performed, involving all relevant specialist departments. Reporting in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) focuses on risks and opportunities arising from the consequences of climate change. Companies should describe these risks and opportunities and how to deal with them in more detail, thereby helping to strengthen the resilience of companies and financial market stability as a whole. In the reports and also in the present document, the missing information on the TCFD was and is continuously supplemented and disclosed.

Sustainability governance

a) General governance of the Association

In line with the governance principles of the Association of Volksbanks, the Managing Board of VOLKSBANK WIEN AG, in its function as central organisation (CO), bears overall responsibility for the Association with regard to the definition of the strategic corporate objectives, the governance framework and the corporate culture. Together with the CO Managing Board, the Supervisory Board of the CO evaluates the strategic objectives, the risk strategy and the internal principles of proper management and monitors their implementation within the Association. This ensures the effective and prudent management of the credit institution. The governance of the Association applies equally to all topics relating to sustainable effects, risks and rewards and their management for the following dimensions: environment, social matters and corporate strategy.

b) Sustainability governance of VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks

At European level, sustainability has already been regulated with binding effect by numerous regulations. The various regulations and guidelines emphasise the increasing regulatory importance of sustainability. The expectation of the supervisory authority is to integrate the topic of sustainability into all areas of the bank. This requirement, which according to

Section 30a of the Austrian Banking Act is the responsibility of VOLKSBANK WIEN AG as the central organisation of the Association, results in the management requirements for the entire Association of Volksbanks as defined by VOLKSBANK WIEN AG.

The “Sustainability Project” was launched in 2020 to further expand sustainability management. Following the successful integration of sustainability into all areas of the bank and its core business, this was completed on schedule in mid-2022. In order to accomplish the strategic goals and to ensure the requirements for ESG data, an ESG data project was set up with Risk Control acting as project manager – to continue and expand the topics addressed by the Sustainability Project. This was continued in 2023 and continuously adapted to future regulatory requirements. There are also initiatives regarding ESG databases for SMEs that cover all of Austria (ESG Data Hub).

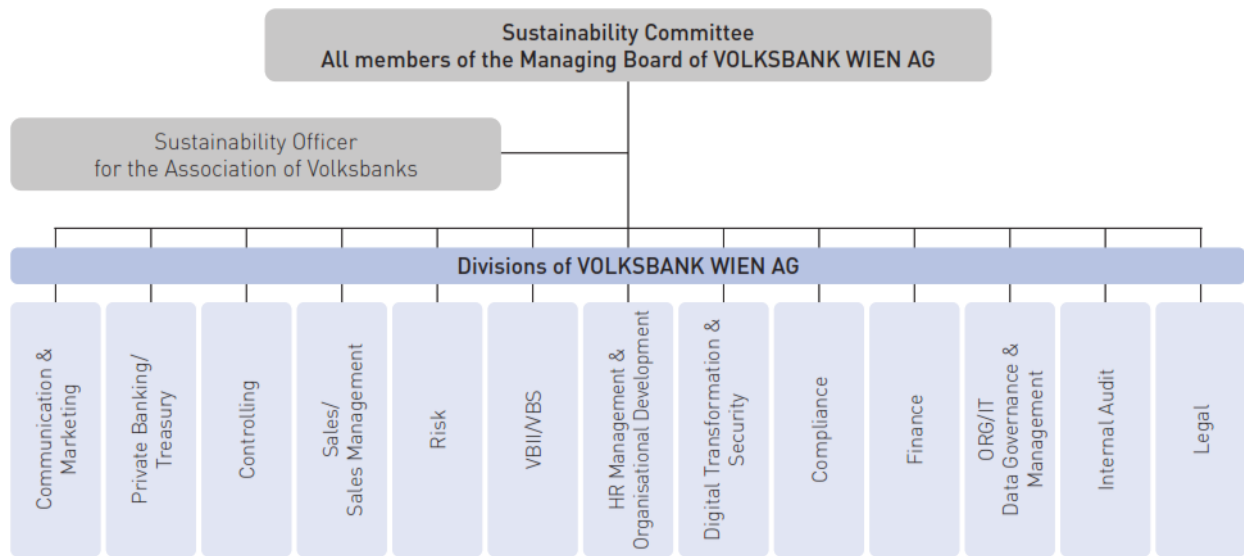
All divisions of VOLKSBANK WIEN AG (as central organisation) are involved in implementing measures regarding sustainability goals and have each appointed sustainability ambassadors to accompany internal communication on the topic of sustainability and to support the process of achieving their sustainability goals with forward-looking ideas. The Sustainability Report of VOLKSBANK WIEN AG, the first to be prepared in accordance with ESRS, contains all measures and goals implemented in 2024 as well as an outlook on further plans with regard to the key topics of VOLKSBANK WIEN AG.

www.volksbankwien.at/nachhaltigkeit

c) Sustainability Committee (NAKO)

A decision-making committee of the entire Managing Board on sustainability was established early in 2022: the Sustainability Committee (NAKO). According to the governance of the Association, this committee corresponds to the other committees within the Association, such as the Risk Committee, Asset Liability Committee, Credit Committee and Cost Committee. The NAKO is the central steering committee for sustainable risks and rewards (ESG risks) in the Association of Volksbanks. Management and control are the responsibility of the CO Managing Board. The NAKO manages the sustainable goals of the Association of Volksbanks (see heading Sustainability goals), adopts resolutions on sustainable effects, risks and rewards, reports on ESG aspects and explains new trends and innovations. Rules of procedure have been defined. Topics from the NAKO are reported to the Supervisory Board on a quarterly basis at each Supervisory Board meeting. Selected division managers serve as members of the Sustainability Committee; all divisions of the bank report to the Sustainability Committee on an ad hoc basis.

The management of and information on ESG aspects of the Association of Volksbanks takes place in the NAKO. Presentation of the composition of the NAKO:



Members of the Sustainability Committee¹⁾

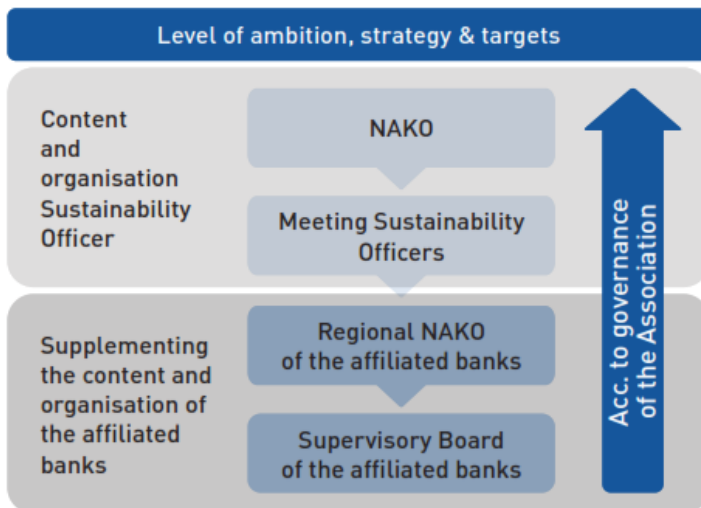
All members of the Managing Board of VOLKSBANK WIEN AG
 Sustainability Officer
 DM Communication & Marketing
 DM Private Banking/Treasury
 DM Controlling
 DM Product/Sales Management
 DM Risk Control
 DM Credit Risk Management, Restructuring & Workout
 DM HR Management & Organisational Development
 DM Facility Management
 DM Compliance
 DM Finance

1) DM = division management

d) Sustainability governance of the Association of Volksbanks

The banks of the Association are equally managed based on the sustainability goals and the Key Performance Indicators (KPIs) from the NAKO. Sustainability Officers (SO) have been appointed at the affiliated banks, who serve as multipliers and contribute ideas from the banks. A job description of the function of Sustainability Officer (SO) was prepared. They are responsible for ESG topics in the primary banks and support the managing boards of the primary banks in their efforts to manage the banks based on the sustainability goals. The Sustainability Officers in the Volksbanks regularly report to the supervisory boards of the affiliated banks as well.

The implementation of the sustainability strategy in the Association of Volksbanks and the management of risks and opportunities is taken care of by the Sustainability Committee in the Association.



- a) Business strategy of the credit institution with a view to integrating environmental factors and risks, taking account of the impact of environmental factors and risks on the business environment, the business model, the strategy, and the financial planning of the institution

The Association of Volksbanks has established ESG aspects in all areas of the company and has formulated a sustainability strategy applicable across the Association. By defining sustainability principles, the sustainability strategy creates consistent framework conditions for a uniform approach to environmental, social and corporate governance issues. It is part of the business strategy of the Association and describes, among other things, how the Association of Volksbanks integrates ESG criteria into the organisation and the core business, how it takes ESG risks into account and exploits development potentials in connection with sustainability.

In 2021, a sustainability strategy was created for the Association of Volksbanks for the first time, and sustainability was included in all chapters of the strategy of the Association. This strategy defines the fundamental orientation of the Association. VOLKSBANK WIEN AG as the central organisation is responsible for defining the strategic guidelines and managing the Association, while operational implementation is the responsibility of the affiliated banks.

(i) Decarbonisation strategy

In 2023, a decarbonisation strategy for the company's operations was worked out, and the decarbonisation pathway Scope 1 + 2 was calculated using the SBTi methodology.

In 2023, "financed greenhouse gas emissions" (GHG emissions) Scope 3.15., so-called indirect and downstream emissions associated with the lending and investment activities of the Association of Volksbanks, were calculated using an ESG software. The Association of Volksbanks determines financed greenhouse gas emissions on the basis of the PCAF Standard (Partnership for Carbon Accounting Financials). A 2024 decarbonisation strategy with measurable goals was derived therefrom for the Association of Volksbanks. Work is going on continuously on developing the calculation methods and processes to determine GHG emissions.

(ii) Biodiversity and preservation of species in lending

A scoring system was established in the Association of Volksbanks for the assessment of credit risks associated with ESG factors. By assessing soft facts, the account managers evaluate risks of their customers within the scope of an ESG Score. In the sphere of the environment ("E"), these soft facts also include the topics of biodiversity and preservation of species. Moreover, ESG risks are analysed and reassessed as part of the risk inventory using ESG heat maps on a regular basis.

In the ESG heat map, various risk events, such as loss of biodiversity and preservation of species, are described and evaluated.

Biodiversity is the basis for life and enables adaptation to changing environmental conditions, such as the climate crisis. Nature provides us humans with food, medication, building materials and helps to improve our well-being, health and the economy. Therefore, the Association of Volksbanks incorporates the topics of loss of biodiversity and preservation of species into its processes.

b) Goals, requirements and upper limits for the short-, medium- and long-term assessment and management of environmental risks, as well as the measurement of performance based on these goals, requirements and upper limits, including the consideration of forward-looking information on shaping the company's business strategy and processes

The sustainability strategy formulates concrete measures and targets as well as ESG KPIs for the Association of Volksbanks in the sphere of the environment, of social affairs and corporate governance. ESG KPIs are classified by short-, medium- and long-term periods (short-term: up to 1y; medium-term: up to 5y, and long-term: up to 2030).

The Managing Board is fully involved in the strategy process and is responsible for approving the sustainability strategy. Opportunity and risk analyses were carried out to develop the sustainability strategy, and the findings were incorporated into the strategy. These analyses included, for example, a materiality analysis, a SWOT analysis, impacts of transition risks, and physical risks regarding the business model in the form of outside-in and inside-out risks. The sustainability strategy is constantly being developed and adapted to the evolving regulatory environment, new findings and innovations, e.g. upon joining the TCFD in 2023.

Since 2022, apart from the existing qualitative goals for the Association of Volksbanks, additional goals have been quantified and included in the planning for the individual areas. Within the Sustainability Committee, steering and control activities are carried out by the Managing Board based on sustainability goals, which also include the monitoring of ESG risks.

Based on the sustainability goals, ten management KPIs have been developed: five environmental KPIs, three social KPIs, and two governance KPIs. For the purpose of measuring the targets, KPIs were adopted that are reported on monthly – if available –, and which apply to the Association and its affiliated banks in each case. The short-, medium- and long-term management of environmental risks was taken into account in defining the management KPIs. For Scope 1 und 2 carbon emissions (in kg CO₂e for operations – climate strategy) targets were already submitted in 2023. A long-term target of 1 kg CO₂e was defined. In the medium term, a target of 1.1 kg CO₂e is meant to be achieved, with a short-term target (2025) of 1.5 kg CO₂e. Moreover, VOLKSBANK WIEN AG is striving to increase the share of sales of sustainable securities. This goal is determined in the KPI concerning the proportion of sustainable securities within the entire securities portfolio. In the long term, the intention is for the sale of sustainable securities to amount to 30 %. Here, the steering effect is in widening the product range. For Scope 3 emissions in g CO₂/euro of the overall portfolio, we are focussing on long-term strategic considerations and on improving the data basis in the short term; see also Chapter 3. Risk management. A target of 32.9 g CO₂/euro in the medium term and of 23.1 g CO₂/euro in the long term is expected to be achieved by reducing intensity in the Business Loans and Mortgages asset classes. The Association of Volksbanks introduced a system for marking sustainable credits in 2024. These sustainable credits correspond to the Taxonomy Regulation and to ICMA (International Capital Market Association) standards. The short-term goal is 15 %, the medium-term goal 18 %, and in the long term (2030) a value of 25 % of sustainable financing is meant to be achieved in new retail business. The social KPIs are geared to the customer relationship, employee satisfaction and diversity. Both short- and long-term goals are being set here, which are included in the definition of a target path. The governance KPIs refer to the structure, the processes and control mechanisms used by the company within its corporate governance. This is another step to integrate sustainability into the organisation. The indicators for measuring sustainability goals represent the current status, which is being continuously

developed and updated. The KPIs will be adapted to the requirements of the CSRD and ESRS in future. The 10 ESG sustainability goals of the Association of Volksbanks including KPIs and status of implementation:

	10 sustainability goals	KPI	Implementation status
E	"Low risk" rating from Sustainalytics	Maximum rating of 20 and classification as low risk	Achieved
	Taking into account ESG criteria in the credit process	Reduction of emission intensity in g CO ₂ /euro of the overall portfolio	In progress
	Increase share of ESG products	Share of sustainable financing in Retail Share of sustainable securities in total securities sales	In progress
	Decarbonisation of operations	Greenhouse gas neutrality of operations (Scope 1 + 2) of the Association of Volksbanks until 2030	In progress
	Development of a biodiversity strategy	tbd	Being prepared
S	Customer and employee satisfaction	Customer Net Promoter Score and Employee Net Promoter Score	In progress
	Proportion of women in management positions	Increase the proportion of female managers by 10 % every two years	In progress
	Cooperative dividend flow	tbd	Being prepared
G	Transparency on taxonomy, decarbonisation and governance and introduction of a premium system for ESG	Green Asset Ratio	Achieved
	Integration of ESG in the "three lines of defence"	tbd	Being prepared

Reporting structure: see Chapter 2. Corporate governance (i) 2 Reporting structure

The Sustainability Report contains all measures and goals implemented as well as an outlook on further plans with regard to the material topics of the Association of Volksbanks. In 2020, the implementation of the ESG measures defined in the investment strategy was started. The main content is the simultaneous pursuit of an active and a passive strategy.

VOLKSBANK WIEN AG will not enter into business relationships or financing with industry sectors or in business areas that fail to comply with environmental regulations. Moreover, we take care to protect the environment, and the Association of Volksbanks is committed to advance environmentally friendly technologies and projects. For this reason, we will not, for instance, enter into business relationships in the following branches of industry and areas of business: owning or operating nuclear or coal-fired power plants and/or radioactive waste repositories or the mining of uranium, soft and hard coal.

c) Current investment activities and (future) investment requirements with a view to environmental goals and EU taxonomy-compliant activities

VOLKSBANK WIEN AG is the only bank within the Association of Volksbanks that is subject to the NFRD. Implementing the Taxonomy Regulation, VOLKSBANK WIEN AG has reported financing and investment in taxonomy-eligible economic activities as a proportion of total assets from 2022. As of this year, the extent to which VOLKSBANK WIEN AG finances or invests in taxonomy-compliant economic activities must be disclosed.

This is the first time that the share of these exposures in total assets, the so-called Green Asset Ratio (GAR), including applicable reporting forms, is presented in the Sustainability Report. Disclosure was made voluntarily for the report of the Association until the 2023 business year. No report was prepared for the Association for the 2024 business year. The strategic orientation of the bank's portfolio in relation to Taxonomy will be developed in the future.

The business model of VOLKSBANK WIEN AG is to focus on the bank's core business and to enter into cooperations with strong product partners. In the area of investment funds, Union Investment is VOLKSBANK WIEN AG's product partner; it currently has 13 sustainable funds on its list of recommended funds for sale in Austria.

The Association of Volksbanks intends to intensify its activities on the green financial market. For VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks to be able to issue green, social and sustainability bonds, it has now published its Sustainability Bond Framework. This has created the basis for the Association of Volksbanks to finance ecological and/or socially sustainable investments on the capital market. The Framework was prepared taking account of the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines of the International Capital Market Association (ICMA). Sustainalytics GmbH has reviewed the Framework of VOLKSBANK WIEN AG and has confirmed compliance with ICMA Principles and Guidelines. VOLKSBANK WIEN AG issued a green bond for the first time in March 2023.

The aim is to continuously develop an ESG portfolio within the banking book. For this purpose, an amount of ESG bonds (which is taken into account in budgeting) is purchased annually. Currently, all green bonds, social bonds and sustainable bonds that are issued within a framework widely recognised in the market are considered to be ESG bonds.

New investments (tangible fixed assets) in the bank's operations were planned starting in 2024, and acquired in a controlled manner. The goal here is to make at least 15 % of investments with ESG aspects in mind.

Taking into account social and governance risks

Being climate risks, physical and transitory risks constitute the biggest block of ESG risks, but social and governance risks are considered as well. As opposed to climate risks, however, it is more difficult to identify these risks, and therefore they are considered in the overall context of the relevant company and/or the political / economic situation of a country.

Building an ESG bond portfolio within the banking book indirectly contributes to reducing these risks.

The following processes are actively applied to avoid such risks:

- Risk analysis within the scope of credit line requests
- Ad hoc evaluation in the event of a new purchase and brief documentation in the checklist

In the event of significant changes to the credit risk due to such risks, a statement will be made during the year within the scope of the rating process.

d) Strategies and processes for the direct and indirect cooperation with new or existing counterparties in relation to their strategies for mitigating and reducing environmental risks

A scoring system was established in the Association of Volksbanks for the assessment of credit risks associated with ESG factors. By assessing soft facts, the account managers evaluate risks of their customers within the scope of an ESG Score. During the relevant assessment, topics such as energy efficiency, air pollution, environmental damage and biodiversity are dealt with.

The assessment of the risks associated with ESG factors is considered within the scope of the credit decision. In this context, transitory and physical environmental risks and onerous or hazardous aspects in relation to the customer's earning power, financial situation and/or business model need to be assessed.

In accordance with the Code of Conduct, attention is paid to the protection of the environment within the scope of lending. Financed transactions must comply with environmental regulations. For this reason, no business is conducted in environmentally harmful sectors.

Moreover, in order to avoid physical and transitory risks, the following processes are applied to investments in the banking book:

- Risk analysis within the scope of credit line requests
- In the event of significant changes to the credit risk due to sustainability risks, a statement will be made during the holding period within the scope of the rating process.
- Ad hoc evaluation in the event of a new purchase, if possible

See also Chapter 1. Qualitative information on social risks, lit. c).

See Chapter 3. Risk management, Qualitative information on environmental risks, lit. l) and m).

Details of strategies and procedures relating to environmental factors of VOLKSBANK WIEN AG are contained in the Sustainability Report in Chapter ESRS 2 SBM-3.

Qualitative information on social risks

For more than 170 years, the cooperative development mission in the region and the special aspect that customers of the Volksbanks are also owners of the bank have been distinguishing features of the credit cooperatives. Within the Association of Volksbanks, this participation option is partly guaranteed indirectly via the holding cooperatives ("Beteiligungsgenossenschaften"). Cooperatives are sustainable because they think and operate with a long-term perspective, with a mission to benefit their members without being driven by short-term shareholder value. They support the reasonable dimensions and the diversity of regional economic structures (as opposed to monopolies). They are built on proximity and personal contact and usually very deeply rooted in the region and among the people who live there. Hence, they strengthen regional economic cycles – for example, when Volksbank finances local SMEs. Regionality and sustainable action are therefore firmly anchored in Volksbank's DNA.

The cooperative connects a wide variety of stakeholders in the region. In addition to its role as sponsor and financier, the regional bank is a hub, an enabler and a networker. According to the terminology of the EU Commission and the OECD, "social economy" also includes cooperatives. The ÖGV is therefore explicitly mentioned in the EU Commission's Country Report as a driver of the social economy (<https://beta.op.europa.eu/en/publication-detail/-/publication/b6f7a49d-67cd-11e9-9f05-01aa75ed71a1/language-en/format-PDF/quote>, page 56).

Sustainability from the cooperative's perspective:

Ecological sustainability manifests itself, for instance, in energy cooperatives that contribute to the achievement of climate targets, and regional independence from the commercial energy suppliers and uncontrollable electricity price increases. Social sustainability means the preservation of communal identity and also overcoming poverty (e.g. cooperatives supporting regional building projects, 'assistance cooperatives'), as well as supporting the target group in the healthcare sector through the professional bank of Austrian physicians and pharmacists.

As regards corporate governance, the special feature here is that customers are simultaneously owners of the cooperative and entitled to regional participation through the cooperative structure.

Economic sustainability means guaranteeing the livelihood of people in the region, providing for the sustainable existence of businesses, and enabling companies to have long-term business relationships.

a) Modification of the business strategy of the credit institution with a view to integrating social factors and risks, taking account of the impact of social risks on the business environment, business model, strategy, and financial planning

Actively exemplifying the values of VOLKSBANK WIEN AG and the commitment to modern compliance are the mandate of the Managing Board and part of the permanent management mission across all hierarchy levels. The topic of human rights also has a high priority at VOLKSBANK WIEN AG and is taken into account in the company's core business. The Code of Conduct was established by the Supervisory Board and documents the values of VOLKSBANK WIEN AG in its internal and external relations (publication on the intranet and internet).

The Code of Conduct is the introduction to the working instruction "Compliance Manual" and is the responsibility of the Compliance department. With regard to responsible corporate behaviour with a focus on human rights, VOLKSBANK WIEN AG has two further guidelines, the Data Protection Manual and the Diversity Policy. All policies are subject to an approval process, regular updating and are approved by the Managing Board.

The Code of Conduct explicitly states that VOLKSBANK WIEN AG respects human rights and opposes child labour. Furthermore, the Code of Conduct states that any form of discrimination will not be tolerated. Volksbank values the dignity of human beings, their rights and their privacy. Therefore, VOLKSBANK WIEN AG has joined the UN Global Compact and supports its ten principles in the area of human rights, among others. To ensure compliance with human rights in the company's core business, for example, industry sectors and business areas have been defined where the bank will not enter into business relationships. In addition, employee training events have been carried out, and care is taken to ensure that business partners comply with human rights. A policy statement by the Managing Board of VOLKSBANK WIEN AG and approved by the NAKO regarding the protection of human rights ("Human Rights Policy") underscores the existing position of Volksbank, emphasising the latter's corporate duty of care. It has been published on the bank's sustainability web page www.volksbank.at/nachhaltigkeit

See also Chapter 3. "Qualitative information on social risks". Chapter 1. Qualitative information on environmental risks lit. a) applies to ESG aspects.

b) Goals, requirements and upper limits for the short-, medium- and long-term assessment and management of social risks, as well as the measurement of performance based on these goals, requirements and upper limits, including the consideration of forward-looking information in shaping the company's business strategy and processes

The Association of Volksbanks will not enter into business relationships or financing transactions with industry sectors or in business areas that are in conflict with the fundamental values of the bank. This list of industry sectors and business areas includes, among others, business relationships associated with violations against, for instance, the ban on forced labour or child labour, against the European Convention on Human Rights or against obligations under labour and social law.

The social ESG targets and KPIs were defined and are reported on and controlled through the NAKO. They are geared to customer relationship, employee satisfaction and diversity.

Chapter 1. Qualitative information on environmental risks lit. (b) applies to ESG aspects.

c) Strategies and processes for the direct and indirect cooperation with new or existing counterparties in relation to their strategies for mitigating and reducing socially harmful activities

In general, it can be said that VOLKSBANK WIEN AG fulfils its cooperative mission in the region. As the central organisation of the Association of Volksbanks, VOLKSBANK WIEN AG, or more specifically, since November 2019, the newly established company VB Infrastruktur und Immobilien GmbH, is also in charge of central purchasing for all regional Volksbanks. In this context, the company sets great store by sustainable products, regional suppliers and, if possible, environmental certificates. Due to the fact that most suppliers are Austrian companies, the risk of human rights violations or other social issues is minimal.

Framework conditions for sustainable procurement were entered into a matrix and assessed positively in an Association-wide committee in April 2022. A supplier's sustainability is determined by means of indicators (company headquarters located in Austria, sustainable concepts or certificates of the supplier available, location of production checked, etc.). In May 2022, the rules and regulations included in the appropriate matrices were approved within the Association of Volksbanks. These rules and regulations describe the further procedure depending on the result of the evaluation according to the matrix. In the event that offers are available from equivalent suppliers, the more sustainable supplier will be commissioned. The procurement matrix was successfully applied in 2023.

Based on the guideline on the Risk Assessment of Outsourcing Activities, all outsourcing activities of VOLKSBANK WIEN AG are reviewed using a defined standard process. A sustainability check is part of this process. The investigation by sustainability risks covers a wide range of questions (e.g. sustainability principles).

In accordance with the Code of Conduct, in the context of lending, attention is paid to sustainability in the sphere of social concerns. For this reason, no business is conducted in socially harmful sectors (see also Chapter 1. Qualitative information on social risks, lit. b).

Moreover, in order to avoid social risks as well as governance risks, the following processes are applied to investments in the banking book:

- Risk analysis within the scope of credit line requests
- In the event of significant changes in credit risk due to these types of risk, a statement will be made during the holding period within the scope of the rating process.
- Ad hoc evaluation in the event of a new purchase, if possible

Details of strategies and procedures relating to customer relationships, employee satisfaction and diversity at VOLKSBANK WIEN AG are contained in the Sustainability Report in Chapter ESRS 2 SBM-3.

2. Corporate governance

CRR Art 449a in conjunction with Art 435

Qualitative information on environmental risks

e) Responsibilities of the management body with a view to defining the risk framework, the monitoring and control of target implementation, strategies and measures associated with environmental risk management in relation to relevant transmission channels

Based on the sustainability strategy, the Managing Board has overall responsibility for implementing ESG aspects in internal governance structures, in the risk management framework and in relevant guidelines of the Association of Volksbanks,

which are subject to regular review. The entire Managing Board is responsible for defining roles and competencies for managing sustainability risks within the three lines of defence of the business organisation and to ensure a clear assignment of tasks and duties. In this context, reporting lines and the responsibilities of individual functions must be clearly defined and delimited. The requirement of integrating sustainability topics into all areas falling within the sphere of competence of the CO under Section 30a of the Austrian Banking Act results in the necessity of control requirements being defined by the CO. As part of its monitoring of the entire Managing Board, the Supervisory Board of VOLKSBANK WIEN AG checks whether the latter takes comprehensive account of the principles of sustainability (ESG criteria) in managing the company. Topics from the NAKO are regularly reported to the Supervisory Board, and via the Sustainability Officers in the Volksbanks also to the supervisory boards of the primary banks.

The consideration of sustainability aspects was anchored in the rules of procedure of the Managing Board and the rules of procedure of the Supervisory Board. Members of the Supervisory Board and of the Managing Board regularly attend Fit & Proper training events that also deal with sustainability topics. Steering and control activities by the Managing Board are based on sustainability goals, which also include the monitoring of ESG risks. The Managing Board of VOLKSBANK WIEN AG (as the central organisation) has nominated a Sustainability Officer for the Association of Volksbanks whose task, in addition to managing, organising and determining the contents of the NAKO, is to prepare the sustainability strategy in coordination with the Managing Board and to prepare the sustainability reports.

The Sustainability Report contains all measures and goals implemented as well as an outlook on further plans with regard to the material topics of the Association of Volksbanks. Since the 2024 financial year, VOLKSBANK WIEN AG has been reporting on strategies, measures and targets as well as KPIs under the Corporate Sustainability Reporting Directive (CSRD).

f) Consideration of the short-, medium- and long-term effects of environmental factors and risks by the management body, organisational structure both within the divisions and within the internal control functions

The Association of Volksbanks aims to make its sustainability strategy measurable and controllable and to take account of major sustainability risks by using divisional goals, KPIs and KRIs. The Association of Volksbanks has determined a set of KPIs that cover the three ESG aspects and are relevant for controlling the ESG goals of the credit institution group. These KPIs are being implemented at present and will then be reported on in the NAKO on a current basis; the latter is also responsible for steering these efforts (see Chapter 1.b Targets, requirements and upper limits).

Within the Association of Volksbanks, sustainability risks are not considered as a separate risk type, but are mapped within the existing risk types and accordingly are embedded in the existing organisational structure as an integral part of bank management and of the risk framework.

See also Chapter 2. Qualitative information on environmental risks, lit. e).

g) Integration of measures to manage environmental factors and risks into the internal governance rules, including the role of the committees, the allocation of tasks and responsibilities, and the feedback loop from Risk Management to the management body that covers the relevant transmission channels

The steering, coordination and monitoring of key sustainability issues is carried out by the bi-monthly Sustainability Committee (NAKO). The NAKO is a decision-making body of the entire Managing Board and serves to advise on and monitor all sustainability-related issues, ensuring that decisions are in line with the sustainability strategy and sustainability goals. The NAKO provides the Managing Board with a holistic view of sustainability-related topics for the Association of

Volksbanks. The responsibilities include both subject areas of VOLKSBANK WIEN AG as a single institution and matters concerning the entire Association of Volksbanks. Members of the NAKO include, among others, the internal control functions Compliance and Risk Control.

According to the governance of the Association, the entire Managing Board of VOLKSBANK WIEN AG has ultimate responsibility, within the scope of its function, for implementing sustainability aspects in internal governance structures, in the risk management framework and in relevant guidelines, which are reviewed regularly. The Supervisory Board is committed to sustainability in all areas of the company and, as part of its monitoring of the entire Managing Board, checks whether the latter takes comprehensive account of the principles of sustainability in its management of the company.

The consideration of sustainability aspects is anchored in the rules of procedure of the Managing Board and the Supervisory Board. Members of the Supervisory Board and the Managing Board regularly attend Fit & Proper training events on sustainability to make sure they have sufficient technical knowledge and skills to manage sustainability aspects. The training courses cover the current regulatory requirements on sustainability and their implementation within the Association of Volksbanks. The Sustainability Officer is the contact person for sustainability in the Association of Volksbanks and coordinates cross-divisional implementation as well as regulatory requirements.

See also Chapter 2. Qualitative information on environmental risks, lit. e).

h) Reporting lines and frequency of reporting in relation to environmental risks

As ESG risks are mapped within existing risk types, reporting in connection with ESG risks takes place in the Risk Committee. For details regarding risk reporting, please refer to Chapter 2. Risk management and governance (in the CRR Disclosure as at 31 December 2024).

See also the information on the NAKO and on internal reporting, Chapter 2. Qualitative information on environmental risks, lit. e)

i) Alignment of the remuneration policy with the goals of the institution in connection with environmental risks

The remuneration policy of the Association of Volksbanks and its incentive systems rely on profitability, sustainability and other drivers of sustainable business, taking special account of risk, capital cost, and efficiency. They are geared to the future and designed to be in line with the performance outcomes of the Association and of the respective credit institution. The incentive systems take into account the sustainability goals of the Association, they are compatible with the risk strategy and with the Risk Appetite Framework, and they do not provide any incentives for taking excessive risks, incl. environmental risks.

1) Integration of sustainability in performance management

The remuneration policy of the Association of Volksbanks is designed to encourage sustainable and risk-conscious corporate governance. In keeping with regulatory requirements and with the business strategy, sustainability goals are integrated in performance management. Integration was resolved upon by the Remuneration Committee within the scope of General Instruction 15.0 in March 2025 and will be implemented until 30 June 2025.

The integration of sustainability goals in the performance management of managing board members and senior management within the Association of Volksbanks is decisive to ensure that sustainability is implemented as a central component of the business strategy. In this way, we can make sure that the strategic orientation of the Association of Volksbanks will result in sustainable development.

The performance management of managing board members and senior management supplements the existing model of employee profit sharing, which applies to all employees of the Association, except for managing board members. The disbursement of the profit share is linked to the achievement of corporate goals, including specific sustainability goals (see working instruction on remuneration policy at Association level). Senior management members are included, while managing board members do not participate in the employee profit-sharing scheme.

2) Strategic embedding of sustainability and integration in business development

The overriding mission and vision of the Association of Volksbanks are based on sustainability as a central pillar of its long-term business strategy. Moreover, sustainability goals are an integral part of business development, decisively influencing the product strategy and market positioning of the Association of Volksbanks. Sustainability goals are linked to business development on several levels:

- Product development: developing a sustainable product range.
- Customer strategy: use of the sustainability position to strengthen the company's market presence, to support the acquisition of new customer groups and to improve customer loyalty.
- Partnerships & innovation: cooperation with external partners in developing innovative solutions for sustainable financing.

Specific targets are derived from the business strategy that contribute to advancing sustainability in the financial sector:

- Advancing sustainable financing and a sustainable investment strategy by developing and offering ESG products.
- Minimising environmental effects by reducing carbon emissions and improving energy efficiency.
- Preserving and protecting biodiversity through the bank's strategic orientation.
- Increasing customer orientation through optimised customer service and a range of targeted financing products and consultancy.
- Increasing employee satisfaction and loyalty.
- Encouraging diversity and inclusivity, especially increasing the share of female executives.
- Facilitating the cooperative flow of dividends by supporting business projects and connecting sustainable activities in the region.

These strategic goals form the basis for sustainability-related performance indicators that are recorded in the course of performance management for managing board members and senior management of the Association of Volksbanks. The current sustainability goals are documented by the business strategy of the Association and the sustainability strategy of the Association, and managed in the Sustainability Committee.

2) Reporting structure

Based on the business strategy, specific sustainability goals were defined that are measurable and verifiable (see information on targets/goals above).

The achievement of the sustainability goals is systematically reported on in various boards to ensure transparency and regular control:

Committee	Frequency	Topics
Sustainability Committee (Nachhaltigkeitskomitee, NAKO)	Every 2 months	ESG KPIs, progress in achieving sustainability goals
Supervisory Board	Every meeting	Mandatory ESG KPIs, sustainability topics (one focus topic per meeting) and sustainability reporting
General Meeting	Annually	Sustainability report including sustainability goals
Regional NAKOs and regional Supervisory Board meetings	Regularly according to rules of procedure	ESG KPIs and sustainability goals at the regional level
Meetings with sustainability officers of the Volksbanks	Every 2 months	Progress of ESG KPIs and sustainability goals at the Association level
Meetings with "sustainability ambassadors" of all departments of Volksbank Wien	Monthly	Progress of ESG KPIs and sustainability goals
Risk Committee	Monthly	ESG heatmaps and ESG scoring, quantification, decarbonization

3) Linking up sustainability goals with performance management

The achievement of the sustainability goals is systematically integrated in performance management. Each managing board member and each executive at senior management level is given clearly defined sustainability goals that are documented as an integral part of annual performance measurement. The performance of managing board members is measured by the supervisory board of the respective Volksbank, that of senior management by the responsible managing board member.

This is done in the following way:

- a) **Objective and responsibility:** Each managing board member is given individual sustainability goals in line with the strategic priorities of the Association and/or the respective Volksbank.
- b) **Regular reporting:** Regular evaluation of progress through internal reports to the Sustainability Committee and the supervisory board.
- c) **Documentation in the performance management tool or similar:** All relevant KPIs and measures are systematically entered in the SAP performance management tool (Goals & Objectives) or any comparable in-house system, and documented for each responsible person.
- d) **Feedback and improvement process:** Based on the KPI results, annual target discussions are held to analyse the progress made and to adjust the measures with a view to target achievement if necessary.

4) Accountability for achieving the sustainability goals

Even without variable remuneration, accountability for the achievement of sustainability goals is ensured through clear control mechanisms, regular reporting and by embedding the goals within the strategy.

- a) **Integration in performance assessment**
 - Sustainability goals are an integral part of the annual performance assessment of managing board members and senior management.
 - Senior management members are evaluated in the course of appraisal interviews, while managing board members discuss their achievements in the annual financial statements and subsequent meetings.
 - The results are documented transparently in the Annual Reports.

- b) **Supervision by the Supervisory Board:** The Supervisory Board of VOLKSBANK WIEN AG and of the Volksbanks monitors the implementation of the sustainability goals, requesting regular progress reports. If required, measures to ensure target achievement will be initiated.
- c) **Transparency and public reporting:** The progress towards the sustainability goals is published annually in the sustainability report to transparently present successes and challenges for stakeholders.
- d) **Stakeholder engagement:** Through regular discussions with investors, customers and other stakeholders, the bank wants to ensure that sustainability goals are actively taken into account in the business strategy and that evidence of the progress made is provided.
- e) **Embedding of goals in the company's long-term strategy:** The sustainability goals are an integral part of our long-term business strategy, influencing the performance, reputation and market position of the Association of Volksbanks.
- f) **Mandatory regular reporting:** Managing board members are obliged to regularly report to the supervisory board and to internal committees, aiming to make the progress and the challenges achieved or met in implementing sustainability goals transparent and to encourage a corporate culture of sustainability.

These measures provide for effective control and monitoring of sustainability goals within the Association of Volksbanks.

As the central organisation, VOLKSBANK WIEN AG develops and implements strategies that have a long-term positive impact on the economy, the environment and on society. By integrating sustainability indicators in the remuneration and performance management system of managing board members and senior management, and through the close link between remuneration and these goals and the relevant performance, the company makes sure that the Association of Volksbanks strives to make a positive contribution to overcoming global challenges and promoting sustainable development.

Qualitative information on social risks

- d) *Responsibilities of the management body with a view to defining the risk framework, the monitoring and control of target implementation, strategies and measures associated with the management of social risks in relation to the approaches of the counterparties in the following areas:*

The information on responsibilities, goal setting, monitoring, administration, strategy, and risk management contained in Chapters 1. and 2. Qualitative information on environmental risks, lit. e) applies to all ESG aspects.

(i) Activities oriented towards society and the community

Assuming responsibility and making a contribution to the common welfare is an integral part of the vision of the Association of Volksbanks due to its cooperative structure. The mission of the cooperative is to advance the welfare of its members. Social and arts facilities as well as sports associations are supported in a spirit of partnership. The focus here is on long-term, integral concepts and mutual learning from each other. The basic criteria for determining whether a cooperation is suitable and relevant for the Association of Volksbanks are precisely defined and were laid down in guidelines for regional and sustainable sponsorships. One essential aspect of the sustainability policy of the Association of Volksbanks is to support sports, cultural and social/charitable activities, thus making an important contribution to society at large. Sports and athletics play an extremely important role within society. The Association of Volksbanks focuses on providing children and young people with opportunities to do sports. The targeted promotion of Austrian sports activities and the associated enhanced presence of such activities in the population may lead to increased sports enthusiasm and hence improved physical and mental fitness in the long run. In 2021, the Association of Volksbanks established guidelines on the topic of sustainable sponsorships, which describe sponsorship and promotion principles across the Association to support the regional approach.

(ii) Employer/employee relations and labour standards

The Association of Volksbanks builds on a relationship based on trust – because when it comes to banking, mutual trust has been a bond with customers for many years. The same is also very important to the Association of Volksbanks as an employer in the relationship with its employees. That is why the Association relies on mutual trust through partnership.

As a central element of the HR strategy, a promise to employees was formulated by the managing boards of the banks of the Association, which is supported by the employer values and the strategic HR guiding principles, addressing the challenges and opportunities arising from the current environment: “As a modern and customer-oriented regional bank, we promise you performance-based remuneration with flexible working models in a corporate culture based on trust. Within the scope of our sustainable business model, we offer meaningful work that we support through top-level training and development opportunities.”

Employees represent and combine the company’s authentic employer values – encounters at eye level, the courage to get involved, and making the company ‘fit for the future through flexibility’ – by working together. Behind all three employer values is a value commitment that the individual affiliated banks make vis-à-vis their employees. This value commitment has become an integral part of the value framework practiced within the Association of Volksbanks, helping the affiliated banks to improve as employers. As part of the organisation’s positioning as an attractive employer, great importance is attached to training and education, flexible working hours, equal rights, recognition, innovation, and self-fulfilment. The Association of Volksbanks is building on this, because this is how Volksbank will remain fit for the future and sustainably successful.

For years, the Association of Volksbanks has been committed to a fair and positive working environment for all employees, with a strong focus on diversity and inclusion. First and foremost, all employees are valued and treated equally. The aim of “living diversity” is to create an organisational culture where no one is disadvantaged and everyone is able to develop and unfold their potentials. This increases productivity, motivation and social skills and brings sustainable success to the company and all employees. In the Code of Conduct, to which all employees are bound, the Association of Volksbanks states that it expressly respects human rights and rejects any form of discrimination.

For the Association of Volksbanks, further training is an essential component of HR development and employee retention in order to ensure and develop the knowledge and skills of the employees required to implement the “relationship bank of the future” strategy throughout the Association. In this context, the services of Volksbank’s own academy (Volksbank Akademie) are used, which provides needs-based training courses with optimal coordination between executives, technical experts and HR management.

The Association of Volksbanks relies on mutual trust through partnership. This includes listening to, and systematically using, employee feedback to develop the organisation and executives. This is operationalised in the form of employee surveys and appraisal interviews.

The Association of Volksbanks is proud of its executives and employees, who contribute a high degree of professionalism as well as technical, interdisciplinary and social skills. In order to be able to guarantee and develop these resources in the long term, an annual appraisal interview is held between supervisors and employees. The aim is to look back on the past period, to reflect on the joint successes, learnings and areas of development, and to define and plan further joint goals.

In order to ensure equal rights, the Association of Volksbanks primarily implements measures for the advancement of women with a view to equal opportunities. The overriding goal of cross-company measures for the advancement of women is to reduce or prevent the underrepresentation of women in senior positions. The proportion of women in managerial positions is meant to increase steadily to achieve equal participation in decision-making and responsibility.

The Association of Volksbanks is convinced that the compatibility of professional and private life is decisive for the quality of life and the health of its employees. HR management sets itself the strategic goal of making this possible. A healthy and successful work-life balance is meant to be facilitated by flexible working hours and workplace models.

Within the framework of operational safety, a working instruction has been drawn up that contains the main tasks and obligations arising from the Austrian Industrial Safety Act (ArbeitnehmerInnenschutzgesetz; ASchG) for the Association of Volksbanks. According to the ASchG, employers are obliged to ensure the safety and health of employees with regard to all work-related aspects. Employees are obliged to comply with applicable protective measures and to follow the employer's instructions. The implementation of the ASchG within the Association of Volksbanks as well as compliance with or observance of the provisions of other laws such as the Austrian Workplace Ordinance (AStV) are described in an internal working instruction. Furthermore, all required documents must be made available digitally at every workplace. Each retail branch is responsible for updating these documents, and at the headquarters, this is done by the safety officer.

Details of VOLKSBANK WIEN AG are also provided in the Sustainability Report in Chapter S1 "Employees". www.volksbank.at/nachhaltigkeit

(iii) Protection of customers and product responsibility

Following the introduction of the sustainability preference query in 2022, account managers are obliged to ask their customers about their wishes in terms of sustainability during their personal consultations. Based on the customers' goals and wishes regarding sustainability, account managers must not recommend any product unless it is in line with the customers' sustainability preferences. A committee of experienced investment specialists from the Association of Volksbanks develops and decides on product proposals from the area of investment funds and certificates. The product proposals are reviewed in the course of the investment process with regard to sales approval, tax transparency and MiFID regulations, as every MiFID-II-relevant product actively offered to a customer in the Association of Volksbanks has to pass a product approval procedure to be documented in advance. However, a successfully tested product may only be included in the product range (Volksbank master list) if it is in line with the business strategy of the Association of Volksbanks.

As regards responsible corporate behaviour with a focus on human rights, a number of guidelines have been established across the Association. Throughout the Association of Volksbanks, the "Data Protection Manual" on data protection (a human right) applies as a uniform guideline and was approved by the Managing Board. Additionally, data protection management has been implemented in all banks of the Association.

Details regarding the protection of customers and product responsibility at VOLKSBANK WIEN AG are contained in the Sustainability Report in Chapter S4.

Financial Literacy

With the support of cooperative associations – including the ÖGV – the first student cooperatives were launched in 2021. The idea behind this: The young generation should get to know the successful model of cooperative business in a practical way. Along the way, important skills such as self-initiative, creativity and team spirit are conveyed as well.

Moreover, the Association of Volksbanks supports other financial literacy initiatives like "Schoolgames", where students can score with scientific knowledge in a playful way.

(iv) Human rights

The Code of Conduct explicitly states that the Association of Volksbanks respects human rights and opposes child labour. This commitment is supplemented by the "Policy Statement of the Managing Board of VOLKSBANK WIEN AG on the

Protection of Human Rights", which is published on the homepage of VOLKSBANK WIEN AG. Furthermore, the Code of Conduct states that any form of discrimination will not be tolerated. Volksbank values the dignity of human beings, their rights and their privacy. Therefore, VOLKSBANK WIEN AG has joined the UN Global Compact and supports its ten principles in the area of human rights, among others. To ensure compliance with human rights in the company's core business, for example, industry sectors and business areas have been defined where the bank will not enter into business relationships. In addition, employee training events have been carried out, and care is taken to ensure that business partners comply with human rights.

See also the policy statement on the protection of human rights ("Human Rights Policy") of VOLKSBANK WIEN AG: www.volksbank.at/nachhaltigkeit.

- e) Integration of measures to manage social factors and risks into the internal governance rules, including the role of the committees, the allocation of tasks and responsibilities, and the feed-back loop from Risk Management to the management body

See Chapter 1. Qualitative information on environmental risks as well as Chapter 2. Qualitative information on environmental risks, lit. e) and g); the information applies to ESG aspects.

- f) Reporting lines and frequency of reporting in relation to social risks

See Chapter 2. Qualitative information on environmental risks, lit. h); the information applies to ESG aspects.

- g) Alignment of the remuneration policy with the goals of the institution in connection with social risks

Within the scope of aligning our remuneration policy with the goals of the Association of Volksbanks, especially with a view to social risks, we consider a fair and balanced remuneration to be very important. This includes both a reasonable fixed and also variable remuneration that is in line with our sustainable cooperative business model. Additionally, various sustainability factors are taken into account to achieve sustainable goals and to promote long-term value creation within the Association of Volksbanks. These sustainability factors include the following:

Compliance with labour law standards: We are committed to strictly comply with all applicable labour law provisions, thus ensuring the protection of our employees' rights.

Occupational health and safety: The protection of the health and safety of our employees is a top priority for us. We strive to provide a safe working environment and take initiatives to promote the well-being of our employees.

Appropriate remuneration: Our remuneration policy provides for both fixed and variable remuneration components matching the sustainable cooperative business model and promoting the long-term stability of the credit institution.

Fair working conditions, diversity, as well as training and further education: We lay great store by fair working conditions, and we actively promote diversity among our staff. Additionally, we support our employees on their career journey by offering targeted education and further training.

Fighting inequality: We are committed to oppose any form of inequality, and we promote equal opportunities within our association.

Encouraging social cohesion: Strengthening social cohesion among employees and beyond is one of the central concerns of our remuneration policy.

These factors essentially contribute to supporting the sustainability goals and to creating added value within the Association of Volksbanks in the long term.

Qualitative information on governance risks

- a) Integration of the efficiency of counterparties in corporate governance terms into the governance rules of the institution, including the committees of the top management body and the committees responsible for making decisions in economic, environmental and social matters

Significant counterparties in the value chain of the Association of Volksbanks are suppliers and customers. Based on exclusion criteria, the Association of Volksbanks has defined undesirable industry sectors where the bank will not enter into any business relationships, and in retail banking the company takes account of governance risks in the form of a Soft Facts ESG Score. The efficiency of the counterparty in corporate governance terms (decision-making, monitoring and steering process of the counterparty at all levels) is not considered directly, but exclusion criteria may nevertheless result in a business relationship being terminated or not even started.

- b) Integration of the role of the top management body of the counterparty into the reporting of the institution on non-financial information

The role of the top management body or the materiality analysis of the counterparty are not directly taken account of in the reporting of the institution on non-financial information.

- c) Integration of the efficiency of counterparties in corporate governance terms into the governance rules of the institution, including the following aspects:

- (i) *Ethical considerations*

The Code of Conduct documents the values of VOLKSBANK WIEN AG in its internal and external relations (publication on the intranet and internet). To implement the principles anchored therein and to support the bank's employees in avoiding mistakes and in strengthening the trust of customers and business partners in VOLKSBANK WIEN AG, accompanying measures have been implemented, among others:

- a clear organisational structure with defined responsibilities,
- structured written rules,
- target group-oriented training with practical examples,
- annual appraisal interviews,
- specialised staff in the Compliance function,
- a stringent complaints procedure, and
- transparent and consistent sanction processes.

VOLKSBANK WIEN AG reserves the right not to enter into business relationships or financing transactions with industry sectors or in business areas that contradict the bank's fundamental values. This list of industry sectors and business areas includes, among others, business relationships related to the following topics:

- Forced labour or child labour
- Violations against the European Convention on Human Rights, or of obligations under social and labour law
- Corruption
- Violations against environmental protection in general (environmental hazards, intentional violation of environmental protection regulations, increased contamination, etc.)
- Animal testing
- Ownership and operation of nuclear power plants or operation of final disposal sites for nuclear waste
- Mining of coal or operation of coal-fired power plants

- Arms deals
- Particularly controversial forms of gambling

Undesired industry sectors and business areas are evaluated continuously and adjusted if necessary.

(ii) *Strategy and risk management*

Based on the General Instruction on the Risk Assessment of Outsourcing Activities, all outsourcing activities of the Association of Volksbanks are reviewed using a defined standard process. A sustainability check is part of this process. Checking for sustainability risks covers a wide range of issues, e.g. whether the service provider endangers the environment and/or biodiversity, is heavily dependent on resources such as coal, gas, oil, water, etc. or has established sustainability principles.

The Association of Volksbanks has comprehensively integrated ESG risks into its risk framework and created corresponding framework conditions (*for details see Chapter 3. Risk management*).

(iii) *Inclusivity*

Based on the General Instruction on the Risk Assessment of Outsourcing Activities, all outsourcing activities of the Association of Volksbanks are reviewed using a defined standard process. A sustainability check is part of this process. The investigation by sustainability risks covers a wide range of questions, e.g. whether the service provider has established sustainability principles.

Within the scope of the lending process, the soft facts of the ESG Score include aspects regarding employees and consumers as well as ethical standards (ESG, supply chain). See the information on the ESG score (*Chapter 3. Qualitative information on environmental risks, lit. I), Risk identification*).

(iv) *Transparency*

The soft facts of the ESG Score comprise all three risk aspects (Environmental, Social and Governance). Moreover, certain aspects regarding corporate governance are taken into account in the soft facts of the rating models applied. This creates transparency.

The General Instruction on the Risk Assessment of Outsourcing Activities creates transparency.

(v) *Management of conflicts of interest*

The Supervisory Board has implemented the Code of Conduct, which stipulates that the bank ensures that conflicts of interest are identified and mitigated. In operational terms, this requirement is implemented in the General Instruction on Compliance and in the corresponding working instruction of the Association. In addition, the executive bodies have their own "Policy for dealing with conflicts of interest". Conflicts of interest are reported in regular compliance reports; the Supervisory Board, which includes representatives of the works council, also receives these reports. Reports are submitted to the Supervisory Board at least once a year and to the Managing Board on a quarterly basis.

(vi) *Internal communication regarding critical matters*

Based on the General Instruction on the Risk Assessment of Outsourcing Activities, all outsourcing activities of the Association of Volksbanks are reviewed using a defined standard process. A sustainability check is part of this process. The investigation by sustainability risks covers a wide range of questions, e.g. whether the service provider has established sustainability principles.

The soft facts questionnaire includes aspects regarding ethical standards (ESG, supply chain and internal governance).

See the information on the ESG score (Chapter 3. Qualitative information on environmental risks, lit. I), Risk identification).

The main product partners of the Association are domiciled in Austria and Germany and hence are subject to the strict requirements applicable to companies under EU regulations.

See also Chapter 1. Qualitative information on social risks, lit. c).

3. Risk management

CRR Art 449a taking account of Art 435 CRR

Qualitative information on environmental risks

j) Integration of short-, medium- and long-term effects of environmental factors and risks into the risk framework

The Association of Volksbanks has comprehensively integrated ESG risks into its risk framework and created corresponding framework conditions. For example, the Risk Appetite Framework (RAF) for the Association of Volksbanks has been developed further and explicitly takes ESG risks into account in its specifications.

- Central control of ESG risks by the Risk Management function
- Involvement of the Managing Board with a view to identifying and managing ESG risks
- Quarterly reporting to the Supervisory Board about progress in terms of integrating ESG risks
- Application of high regulatory standards as an ECB-audited institution
- Standardised identification of ESG risks within the scope of the risk inventory process
- Calculation of ESG-related scenarios in the internal stress test
- Evaluation of ESG aspects in the course of the new product process
- Assessment of outsourcing risks extended by ESG aspects
- Reflection of the findings from the internal stress test and risk inventory in the risk strategy of the Association
- Quantification of ESG risks for certain risk types in the risk-bearing capacity calculation
- Consideration of ESG risks within the scope of regular risk reporting

On the one hand, the risk strategy of the Association maps ESG risks via a specially formulated sub-risk strategy; on the other hand, important findings from the risk identification and assessment process are described in the sub-risk strategies for existing risk types. The sub-risk strategy for ESG risks was determined at the level of the Association and is applied to all affiliated banks as part of the local risk strategies.

Details on the RAF and the risk strategy are included in Chapter 2. Risk management and governance (in the CRR Disclosure as at 31 December 2024).

k) Definitions, methods and international standards that the framework for environmental risk management is based on

Environmental, social and governance risks (ESG risks) refer to operational risk events or conditions affecting the climate, the environment, social affairs or corporate governance, the occurrence of which could have an actual or potential negative impact on the value of assets or on the net assets, financial position and results of operations, as well as the reputation of the Association of Volksbanks. ESG risks arise because climate, environmental, social and governance matters (ESG factors) may affect counterparties, customers and other contractual partners of the Association of Volksbanks. ESG risks comprise the following sub-risk categories:

Climate and environmental risks are the risks arising from exposures of the Association of Volksbanks to counterparties, customers and other contractual partners that may contribute to or be affected by climate change or other forms of environmental degradation. Climate and environmental risks can manifest themselves in physical risks or transitory risks. Physical risks arise as a result of changing climatic and/or environmental conditions. Transitory risks arise as a result of the adjustment process toward a lower-carbon and more environmentally sustainable economy.

Social risks are risks arising from exposures of the Association of Volksbanks to counterparties, customers and other contractual partners that are negatively impacted by the neglect of social aspects.

Risks in the area of corporate governance are risks arising from exposures of the Association of Volksbanks to counterparties, customers and other contractual partners that are negatively impacted by the neglect of appropriate corporate governance.

Within the Association of Volksbanks, ESG risks are not considered as a separate risk type, but are mapped within the existing risk types.

In the spring of 2023, VOLKSBANK WIEN AG, representing the Association of Volksbanks, joined the TCFD to emphasise the importance of sustainability- and climate-related risks and opportunities. A TCFD GAP analysis was performed, involving all relevant specialist departments. Reporting in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) focuses on risks and opportunities arising from the consequences of climate change. Companies should describe these risks and opportunities and how to deal with them in more detail, thereby helping to strengthen the resilience of companies and financial market stability as a whole. In the reports and also in the present document, the missing information on the TCFD was and is continuously supplemented and disclosed.

As regards the requirements of various stakeholders in terms of transparency and disclosure (supervisory authority, rating agencies, auditors, customers, etc.), we are in the process of joining the following initiatives and standards, in particular:

- PCAF (= Partnership for Carbon Accounting Financials): standardised method to measure carbon emissions (= basis for managing climate risks)
- SBTi (= Science Based Targets Initiative): initiative aiming at the definition of scientifically sound climate targets

1) Process for identifying, measuring and monitoring activities and exposures (and collaterals, if any) susceptible to environmental risks, including relevant transmission channels

Risk identification

The Association of Volksbanks basically considers ESG risks as material. Therefore, ESG risks are regularly analysed and reassessed as part of the risk inventory by means of an ESG Materiality Assessment and using ESG heat maps. The ESG Materiality Assessment and the ESG heat maps are tools to identify, analyse and assess the materiality of ESG risks and/or their risk drivers.

In the 2nd half of 2024, the ESG Materiality Assessment for the customer loan portfolio was introduced and resolved upon within the scope of the 2025 risk strategy of the Association. In the Materiality Assessment, different scenarios as well as the following time horizons are considered:

- the short-term horizon is one year,
- the medium-term horizon extends from one to five years, and
- the long-term horizon extends beyond five years, covering ten years as a minimum.

The new process takes effect upon the 2025 risk strategy of the Association being adopted and is going to be refined and developed for the remaining risk types in 2025. Regulatory requirements and more specific information are considered in the processes.

At present, 17 different risk events (e.g. increased costs due to CO₂ taxes, extreme weather events, loss of biodiversity, water stress, land use, etc.) are described and evaluated in the ESG heat maps for all other risk types. These risk events are derived from the United Nations Sustainable Development Goals (SDGs). The assessment of the impact of risk events is based on a medium- to long-term horizon of five to ten years. The underlying economic conditions in the assessment are those of an orderly transition to a lower-carbon economy. The application of ESG heat maps enables ESG risks to be systematically recorded across risk factors and risk drivers and allows those risk events to be identified that have the greatest impact from the perspective of the Association of Volksbanks.

Within the scope of the regular revision, risk events, risk drivers and assumptions are made plausible and/or verified based on the results available. The risk events are assessed and re-evaluated along qualitative classification criteria by the respective risk owner. This is based on the existing ESG heat maps in each case; reclassifications will take place whenever they can be justified on the basis of new insights or extended expertise. The classifications obtained in the course of the heat map process will be aligned within the scope of the risk inventory process as a final step and resolved upon in the Risk Committee. Subsequently, the results will be integrated into the risk strategy of the Association, with any measures being derived therefrom if required.

A separate scoring system was developed for assessing the risks associated with ESG factors at the level of the individual borrower, which is applied to Corporate and Real Estate customers depending on credit exposure. By means of the assessment of soft facts by account managers, the risks associated with ESG factors as well as the risk-mitigating measures taken by the customers are evaluated in the context of an ESG Score. The soft facts, which are tailored to the customer segments, cover all three risk aspects (environmental, social and governance). Apart from the ESG factors, sustainability criteria equally inform the customer rating in the course of the rating process, by way of evaluating additional parameters (e.g. regarding a sustainable business model, management quality, short- and medium-term investment needs, or regarding dependencies on external factors).

The ESG Score is designed to take into account both industry risks (results from the ESG heat map) and customer awareness and actions in relation to ESG factors. In quantitative terms, the additional assessment of customer-specific soft facts (evaluation of qualitative information), in addition to industry-specific ones, results in an ESG Score, which can subsequently be used to classify ESG risks. The lending decision is not directly based on the ESG Score itself; rather, individual risks will be considered for the individual customer in assessing their repayment ability or within the scope of a sensitivity analysis (e.g. improvements to reduce carbon emissions or developments with a view to circular economy).

An assessment of the risks associated with ESG factors takes place within the scope of the lending and monitoring processes. The assessment of the borrower's ability to service the debt is generally made taking into account the borrower's current and future financial circumstances, with risks to the future financial and liquidity position having to be included in the consideration. The credit decision must therefore also take into account transitory and physical environmental risks. The manufacturing, energy supply, sewage management, waste management, and transport sectors in particular are currently undergoing a major transformation process with regard to the reduction of carbon emissions. For customers in these sectors, the front office statement should therefore address – in addition to the ESG Score – the extent to which costs/efforts for high CO₂ emissions or for the transformation towards low-carbon economic activities are incurred by the customer. In doing so, onerous or hazardous aspects in relation to the customer's earning power and business model need to be assessed.

Furthermore, the statement must address if a financed property is located in a hazard zone (e.g. flood, avalanche danger, landslides). As it may be assumed that there is insufficient insurance cover for properties in hazard zones, an assessment must be made as to whether there are reserves in the customer's financial position to cover any losses.

Climate and environmental risks are examined as part of the valuation of commercial and residential properties. This is done by examining environmental impacts (noise, flooding, hazard zones), energy efficiency, and use of fossil fuels. For this purpose, climate and environmental influences (noise, flooding, hazard zones), energy efficiency (energy certificate, year of construction, year of refurbishment) and the use of fossil fuels (oil, gas) are documented and incorporated into the assessment. If a real property is located within the sphere of any climate or environmental hazard, the assessment must indicate if this fact is relevant in terms of value and if a corresponding impairment must be recognised.

Risk assessment

Within the Association of Volksbanks, ESG risks are mapped in existing risk types (e.g. credit, market and operational risk). The management of ESG risks is therefore carried out using existing risk types and is being driven forward by successively expanding the quantification methods and the related data basis and enriching them with new findings.

Quantification of ESG risks through credit risk

The assumptions regarding expected losses are still considered to be reasonable. However, overall economic uncertainties arising from ESG risks (e.g. CO₂ pricing, increasing physical risks, compliance costs) may systematically influence the economic valuation and hence are measured as part of unexpected losses.

For the purpose of quantifying ESG risks, an ESG credit spread premium (exceeding the currently used credit spreads) per rating level and maturity is calibrated. The derivation is based on the difference in GDP development in the NGFS scenarios "Orderly Transition" and "Disorderly Transition Front Loaded".

Application in the loan portfolio model

- Simulation of impairments for the unsecured portions of the performing exposures of Corporates.
- For Private Customers and for other positions, no ESG risk is currently provided for.

Quantification of ESG risks in operational risk

Within the scope of the annual analysis of operational risk, various negative scenarios are considered. These scenarios are classified in terms of any relation to ESG risks, for longer-term ESG risk trends to be subsequently derived therefrom.

Risk monitoring

The ESG Score is updated once a year within the scope of the annual credit review. Any climate-related transitory and physical risks are taken into account as part of the lending and monitoring process in assessing the creditworthiness of the customer. For instance, when checking the customer's repayment ability, the way in which climate change (e.g. transformation costs) will impact on the customer's business is critically analysed. Aspects that burden or jeopardise the customer's sustainable profitability, their assets and/or their business model must be reported and taken into account when assessing the customer's creditworthiness.

In the course of a regular industry analysis based on external, macroeconomic as well as internal (within the Association) and ESG factors, branches of industry associated with higher risks are identified, and measures are taken if necessary.

For the purpose of identifying those sectors and economic activities that have a greater negative impact on the financed emissions of the Association of Volksbanks due to higher GHG emission intensities, a 2024 decarbonisation strategy was adopted that includes measurable goals. For instance, investments in energy-efficient buildings or the redistribution of the loan portfolio through investments that cause less carbon emissions are monitored internally for measurement purposes.

If the goal for the reduction of emissions is not reached, corresponding measures for new business in carbon-intensive sectors must be defined to counter that trend.

m) Activities, obligations and exposures that contribute to the mitigation of environmental risks

The Association of Volksbanks is committed to conducting lending operations in a sustainable and responsible manner. For this reason, we do not enter into business relationships in sensitive areas that conflict with this claim. Business relationships or financing transactions are not possible for traders in ethically questionable sectors and business areas, or are only possible in accordance with the rules of conduct specified by Compliance. In the context of lending, accordingly, attention is paid to the protection of the environment. Financed transactions must comply with environmental regulations. For this reason, no business is conducted in environmentally harmful sectors. In case of doubt, the matter needs to be discussed with Compliance in the course of assessing the business relationship or within the scope of granting credit lines. Defining undesirable branches of industry and business areas reduces the reputational risk of the individual primary banks and of the Association of Volksbanks.

As regards risk mitigation within the lending and monitoring process, reference is made to item l) Risk identification and risk monitoring, and the information on the ESG Score.

The new product process ensures that new products, markets, services and service providers are in line with the understanding of sustainability of the Association of Volksbanks, and that ESG risks can be identified and mitigated at an early stage. Based on the General Instruction on the Risk Assessment of Outsourcing Activities, all outsourcing activities of the Association of Volksbanks are reviewed using a defined standard process. A sustainability check is part of this process. Checking for sustainability risks covers a wide range of issues, e.g. whether the service provider endangers the environment and/or biodiversity, is heavily dependent on resources such as coal, gas, oil, water, etc. or has established sustainability principles.

n) Introduction of tools to identify, measure and manage environmental risks

In addition to the new product process, risk identification and assessment for ESG risks is carried out via the ESG Materiality Assessment and the internal stress test. As part of the internal stress test, ESG-related scenarios are simulated that reflect both physical and transitory risks as well as risk events from the social and/or governance categories. For example, the effects of extreme weather events as well as the rapid implementation of stricter requirements in connection with climate and environmental standards on the portfolio of the Association of Volksbanks are simulated. The scenarios are designed with respect to the portfolio composition of the Association of Volksbanks and also take into account the key assumptions of the NGFS (Network for Greening the Financial System). The time horizon for the scenario analysis of the internal stress test is 3 years. In addition to the internal stress test, an adverse scenario for a long-term horizon of up to 10 years is analysed for selected portfolios. In this longer-term climate scenario, the effects on relevant macroeconomic factors are derived on the basis of long-term NGFS scenarios, consolidated within the 10-year period of review, and the effects on the income statement of the Association of Volksbanks (in particular, the expected losses) are determined.

“Financed greenhouse gas emissions” (GHG emissions), so-called indirect and downstream emissions associated with the lending and investment activities of the Association of Volksbanks, are calculated using an ESG software. The Association of Volksbanks determines financed greenhouse gas emissions on the basis of the PCAF Standard (Partnership for Carbon Accounting Financials).

Investments (e.g. in renewable energies, in optimising supply chain and circular business management as well as in sustainable technologies and innovations) will compensate or reduce the emission intensity of carbon-intensive sectors continuously. To achieve the reduction of GHG emissions, various political and legal measures have been taken in Austria

(such as subsidies for renewable energy and sustainable means of transport, laws to increase energy efficiency, waiver of fossil fuels). By improving the emission intensities in the real economy, the Association of Volksbanks expects to achieve a reduction of GHG emissions in the loan portfolio when credit liabilities in more carbon-intensive sectors are paid back with simultaneous credit growth in sectors with lower carbon emissions. Taking into account the effect from investments in the energy transition, a 2024 decarbonisation strategy with measurable goals was adopted for the Association of Volksbanks. For instance, investments in energy-efficient buildings or the redistribution of the loan portfolio through investments that cause less carbon emissions are monitored internally for measurement purposes. If the goal for the reduction of emissions is not reached, corresponding measures for new business in carbon-intensive sectors must be defined to counter that trend.

o) Results of the risk tools used and estimated effects of environmental risk on the risk profile with a view to capital and liquidity

The results of the scenario analyses within the internal stress test show that the internal hurdle rates are complied with throughout the stress test horizon. The effects of the longer-term climate scenario on the expected default rates of the loan portfolio are manageable. The analyses show that the Association of Volksbanks can maintain all regulatory capital ratios and adequate liquidity levels even if potential ESG risks materialise, and that the resilience of the business model is not jeopardised over the simulated period due to ESG risks.

For the effects of climate and environmental risks to be mapped appropriately using the risk assessment tools also in future, the latter are continuously being developed and adjusted to the current situation (environment, politics, regulations). Previous analyses have shown manageable effects in terms of capital and liquidity.

Physical risks

Acute and chronic physical risks were determined for each transaction or real estate collateral based on external data sources. For the portfolio in Austria, physical risks were evaluated by means of a scenario analysis, taking into account various data sources and forward-looking climate scenarios. The assessment of the physical risks of foreign exposures is based on the Think Hazard! data source. The exposures reported as "sensitive to physical risks" mostly concern acute physical risks (in Austria: primarily heavy rain, landslide, river floods, frost days, and snowfall). Chronic physical risks are of minor importance.

In line with the EBA ITS on supervisory disclosures of ESG risks under Article 449a CRR, the results of our analyses of physical climate risks are disclosed in Template 5. It shows the credit exposure of the Association of Volksbanks that is sensitive to physical climate risks, broken down by maturity among others. In addition to the information presented in Template 5, it should be noted that sensitivities to physical climate risks concern Austria's mountainous regions, in particular, especially the federal Länder of Salzburg and Tirol.

Carbon emissions

The measurement of financed CO₂ emissions is effected in line with the PCAF standard and developed continuously. Directly captured carbon emission data are meant to be integrated in the next step. Details are provided in the Sustainability Report of the Association of Volksbanks in the Chapter "SUSTAINABILITY MANAGEMENT/Financed emissions (Scope 3)". www.volksbank.at/nachhaltigkeit

p) Availability, quality and accuracy of the data and efforts to improve these aspects

Data are an essential factor with a view to identifying, measuring, monitoring and managing ESG risks. A comprehensive gap analysis (taking account of regulatory requirements, in particular the expectation of the ECB under the *Guideline on*

Climate and Environmental Risks and the *EBA Guideline Loan Origination and Monitoring*) has already been carried out as part of the sustainability project of the Association of Volksbanks, and measures to close the gaps identified were initiated or implemented, among others the implementation of ESG scoring, determination of energy certificates, extended documentation requirement for climate and environmental risks within the scope of real estate valuations.

In order to achieve the strategic plans and ensure the requirements for ESG data, the Association of Volksbanks has set up an ESG data project – to continue and expand the topics addressed by the sustainability project – in particular for the lending portfolio. This project ensures the comprehensive ESG data requirements for internal control and risk management as well as sustainability reporting and regulatory disclosure.

Many of the planned initiatives have already been implemented:

- Collection of data for the quantification of acute and chronic physical risks in the loan portfolio.
- Within the scope of CRR disclosure/Template 5, quantification of exposures “sensitive to acute and chronic risks”. For the portfolio in Austria using different forward-looking climate scenarios (RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5) and based on several external data sources (e.g. Copernicus, World Bank, ISIMIP, etc.).
- Collection of CO₂ emission data (Scope 1, 2 and 3) for the loan portfolio (in line with the PCAF standard).
- Calculation of financed CO₂ emissions: The emission data used for greenhouse gases (in CO₂e) for the corporate sectors come from the Statistical Office of the European Commission (Eurostat) and are publicly available there per NACE code. For property-specific emissions, the data source used was the 2021 Climate Protection Report of the Austrian Federal Environment Agency (see also Sustainability Report of the Association of Volksbanks, Chapter “SUSTAINABILITY MANAGEMENT/Financed emissions (Scope 3)”).
- Identification of ESG risks within the scope of the ESG Score by assessing questions about soft facts in relation to the customer (the assessment is made by the account manager based on talks with customers).
- Labelling of sustainable financing

Acute and chronic physical risks were determined for each transaction or real estate collateral based on external data sources. For the portfolio in Austria, physical risks were evaluated by means of a scenario analysis, taking into account various data sources and forward-looking climate scenarios. The assessment of the physical risks of foreign exposures is based on the Think Hazard! data source.

In Austria, the share of companies subject to the NFRD (and hence companies that have to disclose their ESG data) is low, especially in the SME segment which is relevant for the Association. Moreover, there is currently no energy certificate database that covers the whole of Austria. Therefore, apart from the measures taken by the Association to collect ESG data directly from our customers, external ESG databases and data providers constitute essential sources of data. Hence, the Association supports external initiatives to establish ESG databases covering the whole of Austria, especially for SMEs, and is exchanging technical information with the OeKB (among others, participation in the ESG questionnaire of the OeKB tool for the tourism sector).

q) Description of upper limits for environmental risks (as drivers of risks subject to supervision) that are defined and will trigger escalations and exclusions if exceeded

Apart from the undesirable branches of industry and areas of business (see Chapter 3. Qualitative information on governance risks, lit. d)), external financing transactions are limited within the Association, due to the regional business model. The major part of admissible foreign exposure (currently no more than 5 %) originates from Germany and other European neighbouring countries.

The Association of Volksbanks aims to make its sustainability strategy measurable and controllable and to take account of major sustainability risks by using divisional goals, KPIs and KRIs. The Association of Volksbanks has determined a set of KPIs that cover all three ESG aspects and are relevant for controlling the ESG goals of the credit institution group. These KPIs are being implemented at present and will then be reported on in the NAKO on a current basis; this committee is also responsible for steering these efforts. *See also Chapter 1. Qualitative information on environmental risks, lit. b)*

r) Description of the link (transmission channels) between environmental risks and credit risk, liquidity and financing risk, market risk, operational risk, and reputational risk within the Risk Management framework

In assessing the impact of ESG risks, consideration was given to key transmission channels. Transmission channels explain how ESG factors can affect the Association of Volksbanks via counterparties, customers, contractual partners as well as invested assets. These transmission channels are mapped on the one hand via the scenarios of the internal stress test or via the risk events of the ESG heat maps. The following transmission channels were considered, for example:

- Profitability
- Real estate values
- Household incomes
- Performance of investments
- Cost of implementation of and compliance with regulatory requirements
- Legal costs

The qualitative assessment based on the ESG heat maps has shown that existing risks due to ESG risks will not materially increase overall. The quantitative results of the internal stress test confirm this finding.

The long-term integration of ESG aspects into the business model of the Association of Volksbanks is managed via the sustainability strategy, which is part of the business strategy. Building on existing initiatives such as the United Nations SDGs, the Paris Agreement on Climate Change and the United Nations Global Compact, it sets out concrete plans and corresponding framework conditions in connection with products and services.

Qualitative information on social risks

h) Definitions, methods and international standards that the framework for the management of social risks is based on

Being an employer as well as a user and provider of products and services, VOLKSBANK WIEN AG is in a position to influence human rights, and the company proactively assumes this responsibility within the scope of its corporate duty of care. The bank is convinced that a business model geared to sustainability is an absolute necessity for its continuing success; VOLKSBANK WIEN AG considers the protection of human rights as a core element of responsible corporate governance.

Representing the Association of Volksbanks in its role as central organisation of the latter, VOLKSBANK WIEN AG joined the United Nations Global Compact (UNGC) in 2018. By committing to the Ten Principles of the UNGC regarding human rights, labour, the environment and anti-corruption, the company emphasises the importance of responsible corporate governance and sustainability within the scope of its business model.

The principles regarding human rights, in particular, (Principle 1 and Principle 2) as well as the principles regarding labour (Principle 3 to Principle 6) focus on the protection of human rights. As a signatory of the UNGC, VOLKSBANK WIEN AG is committed to:

- supporting and respecting the protection of internationally proclaimed human rights within its sphere of influence (Principle 1),
- making sure that it is not complicit in human rights abuses (Principle 2),
- upholding the freedom of association and the effective recognition of the right to collective bargaining (Principle 3),
- eliminating all forms of forced and compulsory labour (Principle 4),
- effectively abolishing child labour (Principle 5),
- eliminating discrimination in respect of employment and occupation (Principle 6).

Additionally, VOLKSBANK WIEN AG is geared towards other initiatives relating to human rights issues:

- “Charta der Vielfalt” (advancing diversity and mutual respect within the company),
- Declaration of the ILO (International Labour Organization) and the core labour standards, and
- Oikocredit (advancing ethical investment, fair investments and social return).

Based on these international principles, VOLKSBANK WIEN AG undertakes to respect and advance human rights in all its business activities.

Based on these international principles, VOLKSBANK WIEN AG undertakes to respect and advance human rights in all its business activities.

VOLKSBANK WIEN AG has implemented a Code of Conduct that constitutes an integral part of its corporate culture, taking all employees, including the management, up on their promise to comply with the CoC.

The Code of Conduct constitutes the basis of the bank’s own commitment to sustainability, to dealing with any violations, and to the Ten Principles of the UNGC. This Policy Statement focuses on the bank meeting its duty of care; in this way, VOLKSBANK WIEN AG contributes to raising people’s awareness, confirming corporate responsibility for the protection of human rights with respect to its own business activities and those along the supply chain.

- i) Process for identifying, measuring and monitoring activities and exposures (and collaterals, if any) susceptible to social risks, including relevant transmission channels
- j) Activities, obligations and assets that contribute to the mitigation of social risks

The Association of Volksbanks is committed to conducting lending operations in a sustainable and responsible manner. For this reason, we do not enter into business relationships in sensitive areas that conflict with this claim. Business relationships or financing transactions are not possible for traders in ethically questionable sectors and business areas, or are only possible in accordance with the rules of conduct specified by Compliance. In the context of lending, therefore, attention is paid to the sustainability of matters in the social sphere. For this reason, no business is conducted in socially harmful sectors.

- k) Introduction of tools to identify and manage social risks
- l) Description of how the upper limits for social risks are determined and in which cases these upper limits will trigger escalations and exclusions if exceeded
- m) Description of the link (transmission channels) between social risks and credit risk, liquidity and financing risk, market risk, operational risk, and reputational risk within the Risk Management framework

See also Chapter 3. Risk management lit. j) to r); the information refers to ESG aspects.

Qualitative information on governance risks

d) Integration of the efficiency of counterparties in corporate governance terms into the risk management rules of the institution, including the following aspects:

- (i) Ethical considerations
- (ii) Strategy and risk management
- (iii) Inclusivity
- (iv) Transparency
- (v) Management of conflicts of interest
- (vi) Internal communication regarding critical matters

The Association of Volksbanks and its affiliated banks act in accordance with the highest ethical and professional standards and are therefore committed to conducting the lending business in a sustainable and responsible manner. For this reason, we reserve the right not to enter into any business relationships or financing transactions with sectors or in business areas that are in conflict with these core values. This list of industry sectors and business areas includes, among others, business relationships related to the following topics:

- Forced labour or child labour
- Violations against the European Convention on Human Rights, or of obligations under social and labour law
- Corruption
- Violations against environmental protection in general (environmental hazards, intentional violation of environmental protection regulations, increased contamination, etc.)
- Animal testing
- Ownership and operation of nuclear power plants or operation of final disposal sites for nuclear waste
- Mining of coal or operation of coal-fired power plants
- Arms deals
- Particularly controversial forms of gambling

Business relationships or financing transactions are not possible for traders in ethically questionable sectors and business areas, or are only possible in accordance with the rules of conduct specified by Compliance.

Furthermore, in the context of lending, attention is paid to the protection of the environment and the sustainability of social concerns. Financed transactions must comply with environmental regulations. For this reason, no business is conducted in environmentally or socially harmful sectors.

As regards the identification and mitigation of conflicts of interest, stringent rules have been implemented within the Association of Volksbanks.

See also the information on the ESG score (Chapter 3. Qualitative information on environmental risks, lit. l), Risk identification).

List of abbreviations

ARL/WI	working instruction
BL	division management
CO ₂	carbon dioxide
CSR	Corporate Social Responsibility
CSRD	Corporate Social Responsibility Directive
EBA	European Banking Authority
ESG	Environmental, Social, Governance
ESRS	European Sustainability Reporting Standards
GRI	Global Reporting Initiative
GI	General Instruction
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
ICS	internal control system
ILAAP	Internal Liquidity Adequacy Assessment Process
KPI	Key Performance Indicators
KRI	key risk indicator
LGD	Loss Given Default
NAKO	Sustainability Committee
NGFS	Network for Greening the Financial System
NHV/SO	Sustainability Officer
PCAF	Partnership for Carbon Accounting Financials
PD	probability of default
RMF	Risk Management Function
SDGs	Sustainable Development Goals
SBTi	Science Based Targets Initiative
SREP	Supervisory Review and Evaluation Process
TCFD	Task Force on Climate-Related Financial Disclosures
GHG emission	financed greenhouse gas emission
UNGC	United Nations Global Compact
VB	Volksbank
CO	central organisation