

Second-Party Opinion

BAWAG Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the BAWAG Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eight eligible categories for the use of proceeds are aligned with those recognised by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 6, 7, 11, and 12.



PROJECT EVALUATION / SELECTION BAWAG’s Green Finance Committee will be in charge of evaluating and selecting projects in accordance with the eligibility criteria and subject to minimum environmental and social requirements. BAWAG has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be strong and to be aligned with market practice.



MANAGEMENT OF PROCEEDS BAWAG will establish the Loan Portfolio to include Eligible Green Projects and ensure proceeds are allocated fully within 36 months of issuing an instrument. Any unallocated proceeds will be held in BAWAG’s treasury liquidity portfolio, in cash, other short-term and liquid instruments. In addition, BAWAG may temporarily use the entire or partial unallocated proceeds for the payment of outstanding indebtedness or other capital management activities. This is in line with market practice.



REPORTING BAWAG will report on the allocation of net proceeds to the Loan Portfolio on a nominal equivalence basis one year from the issuance of the applicable Green Finance Instruments, on an annual basis until full allocation. Allocation reporting will include (i) the size of the Loan Portfolio; (ii) the total amount of proceeds allocated to the Loan Portfolio; (iii) the balance (if any) of unallocated proceeds; (iv) the amount or the percentage of new financing and refinancing; (v) the amount or the percentage of encumbered and non-encumbered loans; and (vi) the total volume of Green Finance Instruments outstanding. In addition, BAWAG is committed to reporting on relevant impact metrics. Sustainalytics views BAWAG’s allocation and impact reporting as aligned with market practice.

Evaluation date	July 30, 2021
Issuer Location	Vienna, Austria

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	12

For inquiries, contact the Sustainable Finance Solutions project team:

Jhankrut Shah (Toronto)
 Project Manager
 jhankrut.shah@morningstar.com
 (+1) 647 264 6641

Hrithik Sharma (Toronto)
 Project Support

Zhenyi LV (Toronto)
 Project Support

Enrico Tessadro (Amsterdam)
 Client Relations
 susfinance.emea@morningstar.com
 (+44) 20 3880 0193

Introduction

BAWAG Group AG (“BAWAG Group”, “BAWAG”, or the “Group”) is a publicly listed financial institution headquartered in Vienna, Austria, serving 2.3 million retail, small business, corporate and public sector customers across Austria, Germany, Switzerland, the Netherlands and other developed markets.¹ The Group operates under various brands and across multiple channels offering comprehensive savings, payment, lending, leasing, investment, building society, factoring and insurance products and services. Delivering simple, transparent, and reliable financial products and services that address its customers’ needs is the strategy across the Group. BAWAG P.S.K. (the “Bank”), a bank headquartered in Vienna, is the main operating entity of the Group.

The BAWAG Group has developed the BAWAG Green Finance Framework (the “Framework”) under which the Group and its subsidiaries (including BAWAG P.S.K.) intend to issue bearer and registered bonds, promissory notes and other debt or financing instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that deliver positive environmental outcomes and advance the Bank’s sustainability objectives. The Framework defines eligibility criteria in eight areas:

1. Green Buildings
2. Renewable Energy
3. Clean Transportation
4. Energy Efficiency
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Sustainable Water and Wastewater Management
7. Pollution Prevention and Control
8. Eco-efficient and/ or Circular Economy Adapted Products, and Production Technologies and Processes

BAWAG engaged Sustainalytics to review the BAWAG Green Finance Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)² and the Green Loan Principles 2021 (GLP).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁶;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ BAWAG Group website, “Q3 2020 Earnings”, at:

<https://www.bawaggroup.com/linkableblob/BAWAGGROUP/512988/735e155cb91b52eea74be411136f3a57/q3-2020-earnings-presentation-data.pdf>

² The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁴ The BAWAG Green Finance Framework is available on BAWAG Group’s website at: <https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁶ In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

As part of this engagement, Sustainalytics held conversations with various members of BAWAG's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BAWAG representatives have confirmed (1) they understand it is the sole responsibility of BAWAG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BAWAG.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BAWAG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BAWAG Green Finance Framework

Sustainalytics is of the opinion that the BAWAG Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of BAWAG's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Eco-efficient and / or Circular Economy Adapted Products, and Production Technologies and Processes – are aligned with those recognised by the GBP and the GLP.
 - For the "Green Buildings" category, BAWAG intends to utilise net proceeds to finance or refinance new, existing or refurbished public, commercial and residential buildings that meet at least one of the following criteria:
 - New and existing buildings that fall within the top 15% energy performance in the country of finance. Sustainalytics has confirmed that the major portion of the financing will go towards residential green buildings in Austria, Germany and The Netherlands and views the selection of buildings within the top 15% of their local market in terms of energy efficiency to be in line with market practice.
 - Buildings that have undergone refurbishments resulting in an increase in energy of efficiency of at least 30% against a baseline or two label steps increase in Energy Performance Certificate (EPC)⁷ compared to original built quality.

⁷ EPCs play a central role in the context of the Article 20 (2) EPBD, which asks (EU) Member States to provide information on the energy performance certificates and the inspection reports, on their purpose and objectives, on the cost-effective ways and, where appropriate, on the available financial instruments to improve the energy performance of the building to the owners or tenants of the buildings. Further details available at: European Commission, EPC distribution per energy label, at: <https://ec.europa.eu/energy/en/content/epc-distribution-energy-label>

- Energy efficiency measures such as installation of LED lighting systems, energy efficient doors, solar hot water panels, etc., as defined in sections 7.3, 7.4, 7.5, and 7.6 of Annex 1 to the EU Taxonomy Climate Delegated Act.^{8,9}
- Sustainalytics positively views the establishment of a minimum threshold of 30% energy savings for building renovations and considers these investments to be aligned with market practice.
- For the "Renewable Energy" category, the Bank intends to invest in the generation and transmission of energy from renewable sources and manufacturing of the related equipment including:
 - Onshore and offshore wind energy and photovoltaic solar.
 - Small-scale hydropower projects that have capacity below 25 megawatts and geothermal energy projects with direct emissions lower than 100g CO₂ per kWh. Sustainalytics notes that BAWAG mandates environmental and social risk assessment for all hydropower projects financed under this Framework.
 - Construction, renovation or refurbishment of electricity grids that transmit renewable energy. Sustainalytics notes that the only those assets that are aimed at increasing the share of renewables in the Austrian electricity grid are considered eligible under for financing under this Framework.
 - Sustainalytics considers investments in this category with associated thresholds to be aligned with market practice.
- For the "Clean Transportation" category, BAWAG intends to invest in low-carbon vehicles and related private or public infrastructure:
 - Electric or hybrid passenger and freight vehicles that meet threshold criteria of 50g CO₂ per passenger km for passenger cars and 25g CO₂ per tonne km for freight.
 - Fully electrified, plug-in hybrid electric, hydrogen or other low-carbon passenger vehicles such as buses, trains, trams or ferries and freight vehicles such as cars, trucks, or vessels with direct emissions threshold set at 50g CO₂ per passenger km for passenger vehicles and 25g CO₂ per tonne km for freight.
 - Infrastructure related to electric transportation of passengers and freight, such as electrified railways, charging stations for electric vehicles and bicycle paths.
 - Sustainalytics considers financing of clean transportation with associated thresholds and electric transportation infrastructure to be aligned with market practice.
- For the "Energy Efficiency" category, the Framework includes projects that are designed to improve energy performance of buildings and grid infrastructure:
 - Refurbishment, rehabilitation, and renovation investments in non-fossil-fuel-based technologies that reduce energy consumption and/or greenhouse gas (GHG) emissions by at least 15%.
 - Energy efficiency improvements and replacements in the grid including investments and/or expenditures to increase the flexibility and technical availability of the grid, and those aimed at reducing/minimising energy losses.
 - Smart grids, energy storage facilities excluding power-to-hydrogen, metering systems, and other intelligent electricity systems decreasing the intermittency of renewable energy's share in total energy usage. Sustainalytics notes that within smart grids the Bank intends on financing only those components that are designed to improve grid efficiency and encourages BAWAG to select projects that are clearly anticipated to deliver tangible efficiency improvements.
 - Sustainalytics considers investments in energy efficient technologies along with the associated thresholds to be aligned with market practice.
- For the "Environmentally Sustainable Management of Living Natural Resources and Land Use" category, the Bank intends to finance:
 - Sustainable agriculture projects, including the improvement and recovery of agricultural lands and local farming, and conservation agriculture techniques and

⁸ European Commission document, "Annex 1 to the Commission Delegated Regulation (EU)", at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

⁹ Sustainalytics has confirmed that the Bank does not intend to invest in parking spaces.

practices such as soil recovery, biological nitrogen fixation,¹⁰ and biogas production. Sustainalytics encourages the Bank to promote the holistic deployment of conservation agriculture practices¹¹ through its Green Eligibility Criteria for agriculture and/or agroforestry projects.

- Sustainable agriculture projects are considered eligible if they are certified by third-party schemes such as EU Organic, GlobalG.A.P. (Good Agricultural Practices)¹², or ISCC (International Sustainability and Carbon Certification) for the biogas feedstock¹³ (please refer to Appendix 1 for details on agriculture certification schemes).
 - Sustainable forestry projects are considered eligible if they are certified by third-party certification schemes such as the Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC). Please refer to Appendix 2 for an overview of the referenced certification schemes.
 - Development and restoration of urban greening projects such as parks and green areas in Austria.
 - Sustainalytics considers the above projects to be aligned with market practice and encourages the Bank to rely on certification schemes mentioned above or those that are considered as equivalent and aligned with market practice at the time of investment.
- For the “Sustainable Water and Wastewater Management” category, BAWAG intends to invest in sustainable water and waste-water management projects and facilities, including water treatment facilities, activities and technologies that enhance the water quality, sanitation facilities, water-use efficiency, water recycling and reuse, along with water-saving systems and water metering. In addition, the Framework also makes eligible the upgrades to wastewater treatment plants to remove nutrients and wastewater discharge infrastructure. Sustainalytics considers these investments to be aligned with market practice.
 - For the “Pollution Prevention and Control” category, the Bank contemplates investments in projects focused on waste prevention, waste reduction and waste recycling including the development, operation and upgrade of recycling plants and recycling activities such as for metals, plastic and paper.
 - For the “Eco-efficient and/ or Circular Economy Adapted Products, Production Technologies and Processes” category, BAWAG intends to invest in projects that extend the product lifecycle through better design or by better end-of-use recycling. Projects could include:
 - Solutions such as applying modular design or design for disassembly, reuse, repair and/ or products regeneration or refurbishment.
 - Production that uses renewable or recycled resources such as bio-based materials, and products that can be recycled or composted, where the input feedstock derives from recycled/reused waste. The Framework notes that bio-based materials are considered eligible if they are certified by the Roundtable on Sustainable Biomaterials (RSB) or other equivalent scheme. Sustainalytics views RSB as a credible certification that is aligned with market practice (see Appendix 3 for an overview of the scheme) and positively notes that the Framework excludes financing to livestock and poultry production under this category.
 - Sustainalytics views positively the exclusion of recyclable or compostable products where the input feedstock is represented by virgin raw material.
 - Overall, Sustainalytics views these projects to have a positive environmental impact and considers them to be aligned with market practice.

¹⁰ Processes that transform atmospheric nitrogen in assimilable forms by leguminous perennial grasses (alfalfa, clover etc.) with the help of symbiotic bacteria within nodules of their root systems.

¹¹ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilisers. FAO promotes the adoption of CA principles “that are universally applicable in all agricultural landscapes and cropping systems.” Food and Agriculture Organisation of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

¹² Sustainalytics notes that the Framework excludes financing to livestock and poultry production under this category.

¹³ The Framework excludes projects that are constructed on land with high biodiversity, and specific feedstock including peat, palm oil, and non-certified crops, under this category.

- Project Evaluation and Selection:
 - BAWAG's Green Finance Committee (the "GFC"), which comprises of the Bank's internal departments including, Retail & SME, Investor Relations, Risk Management, Human Resources, Corporate Legal, and Treasury will be responsible for managing, implementing, and updating the Framework.
 - The GFC will be responsible for the evaluation and selection of the projects in compliance with the Framework.
 - BAWAG has in place a board-level "Non-Financial Risk and ESG Committee" to evaluate environmental and social ("E&S") risks. The evaluation is applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be strong and to be aligned with market practice. For additional detail see Section 2.
 - Based on the establishment of a Green Finance Committee, Sustainalytics considers this evaluation and selection process to be in line with market practice.
- Management of Proceeds:
 - BAWAG will manage net proceeds of the Green Finance Instruments issued under the Framework on a portfolio basis through the Eligible Loan Portfolio ("Loan Portfolio").
 - BAWAG intends to achieve a level of allocation of the Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments. Additional Green Loans will be added to the Loan Portfolio to the extent required as the Bank intends to allocate full proceeds within 36 months of the respective issuance.
 - In case the net proceeds from the Green Finance Instruments remain unallocated, BAWAG will hold and/or invest the unallocated proceeds in its treasury liquidity portfolio or in cash or other short-term and liquid instruments. In addition, BAWAG may temporarily use the entire or partial unallocated proceeds for the payment of outstanding indebtedness or other capital management activities.
 - Additionally, for the purposes of this Framework, BAWAG will exclude sectors with a high E&S risk profile such as fossil fuel generation, nuclear energy, and mining businesses.¹⁴
 - Based on the establishment of the Loan Portfolio and the handling of unallocated net proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - BAWAG will report on the allocation of net proceeds within one year from the issuance, and then on an annual basis until full allocation. Allocation reporting will include details on balance unallocated funds and the share of financing versus refinancing.
 - Further, BAWAG intends on reporting on impact of projects, where feasible, by using a set of quantitative performance indicators such as GHG emissions avoided per year; energy saved/reduced per year; hectares of land restored, type and tonnes of recycled waste.
 - Both the allocation report and the impact report will be made available on the Bank's website.
 - Based on the commitment to periodically report portfolio allocation along with the reporting on category-wide impact indicators in the Framework, Sustainalytics considers this to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the BAWAG Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of BAWAG

Contribution of framework to BAWAG's sustainability strategy

Sustainalytics is of the opinion that BAWAG Group demonstrates a commitment to sustainability driven by its business strategy of "responsible and profitable growth with ESG considerations",¹⁵ as outlined in the Group's Corporate Social Responsibility (CSR) Mission Statement. In line with this mission statement, BAWAG Group has identified key areas of action for its business that include an intention to increase sustainability orientation

¹⁴ In accordance with the IFC Exclusion List, production or trade in alcoholic beverages (except for beer and wine) is excluded. IFC website, "IFC Exclusion List", at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

¹⁵ BAWAG Group report, "Bawag Group Q3 2020 Earnings- Strategy", at: <https://www.bawaggroup.com/linkableblob/BAWAGGROUP/512988/735e155cb91b52eea74be411136f3a57/q3-2020-earnings-presentation-data.pdf>

of its financial products and to minimise the environmental impact of its operations, and products and services.¹⁶

Sustainalytics highlights the following points from the Framework for being particularly aligned with the corporate strategy of BAWAG Group:

- In 2019, the sustainable investments portfolio of BAWAG quadrupled since 2018¹⁷ and in early 2020, the Bank made it mandatory to include ESG criteria and impact assessment in its product introduction process with specific focus on the expansion of green energy, electromobility, energy efficiency, reduction of resource consumption, among others.
- In 2020, BAWAG promoted financing of buildings with EPC label A or above in Austria by granting a bonus of €1000 on eligible mortgage loans and promoted consumer loans targeted towards the purchase of energy efficient electrical equipment.

Sustainalytics recognises the Bank's commitment to key sustainability principles and environmental initiatives and encourages it to include quantifiable and time-bound environmental targets for its lending portfolio to further strengthen its sustainability practices, where feasible. In this context, Sustainalytics is of the opinion that the BAWAG Green Finance Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognises that while projects financed through issuances under this Framework generally provide environmental and social benefits, they may have some associated environmental and social risks. These risks include, but are not limited to, land and biodiversity concerns associated with construction/ infrastructure projects, improper disposal of site waste, and worker health and safety. Sustainalytics is of the opinion that BAWAG is able to manage and/or mitigate potential risks through implementation of the following practices and regulations.

- BAWAG Group has developed a "lending criteria" document through which it excludes or restricts lending to certain activities and projects, including oil gas projects that are within (or impact) the Arctic National Wildlife Refuge¹⁸ area or any similar Antarctic Refuge, deforestation, burning down of tropical rainforest, fresh lending to palm oil plantation and associated activities, new or expansion of existing nuclear plants, and trading of endangered species for commercial purposes.¹⁹
- BAWAG Group has instituted a board-level "Non-Financial Risk and ESG Committee" which conducts group-wide nonfinancial risk assessment, tracks periodic updates on ESG topics and conducts discussions on group-wide ESG strategy.²⁰ In addition, the Group intends to tackle portfolio-level E&S risks by training its risk officers and finance departments on ESG topics, including the EU regulatory framework and sustainable investment strategies, and their application in the Group's business decisions.²¹
- Projects must comply with the European Union (EU) Environmental Impact Assessment (EIA) Directive (the "Directive") for development projects within the EU. The EIA Directive is aimed at ensuring that projects which are likely to have a significant impact on the environment are adequately assessed before approval. With respect to biodiversity, the Directive instructs that measures must be taken to "avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats". Concerning land use, the Directive notes that the "EIA shall identify, describe and assess land use related impacts".²²
- Regarding worker health and safety, the EU Directive on Worker Health and Safety ensures minimum safety and health requirements throughout Europe. Employers must "ensure the safety and health of workers in every aspect related to the work." Necessary measures due to be taken by the employers

¹⁶ Ibid.

¹⁷ BAWAG Group report, "Corporate Social Responsibility Report" (p12), at: <https://www.bawaggroup.com/linkableblob/-/501798/a6effcbfebe85097369295c5ab3ea3df/20200319-csr-report-2019-data.pdf>

¹⁸ Britannica website, "Arctic National Wildlife Refuge", at: <https://www.britannica.com/place/Arctic-National-Wildlife-Refuge>

¹⁹ BAWAG Group document, "Lending criteria", at:

<https://www.bawaggroup.com/linkableblob/BAWAGGROUP/522602/d7ced774bd475c3b029c15e7b355a5d0/lending-criteria-data.pdf>

²⁰ BAWAG Group report, "Corporate Governance" (p6), at:

<https://www.bawaggroup.com/linkableblob/BAWAGGROUP/495114/7f3a5547213068805a2ca2b55daa5d9e/2020-bawag-group-corporate-governance-data.pdf>

²¹ BAWAG Group report, "Human Resources" (p4), at:

<https://www.bawaggroup.com/linkableblob/BAWAGGROUP/495086/3ae4b1a578f48c3e82f67e744f7d38ea/hr-development-data.pdf>

²² EU, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at:

<https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>.

include "prevention of occupational risks and provision of information and training, as well as provision of the necessary organisation and means".²³

- BAWAG has communicated that most projects will be financed in Austria, Germany, and the Netherlands, which are classified as "Designated Countries" under the Equator Principles, a system for environment and social governance, legislation, and institutional capacity aimed at protecting the environment and communities.²⁴

Based on these policies, practices, and compliance with EU regulations, Sustainalytics is of the opinion that the Bank has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognised by the GBP and GLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of residential green buildings in Austria

As part of its commitment to the Paris Climate Agreement, Austria set a national target to become carbon-neutral by 2040²⁵ and follows the EU GHG emission target to reduce its carbon emissions by 40% by 2030, compared to 1990 level.²⁶ According to a European Parliament report, buildings consume 40% of the overall energy in the EU, and lead to 36% of GHG emissions, making them the largest consumers of energy in the EU.²⁷ The Austrian Climate and Energy Strategy defines transport and buildings to be the main sector of GHG emission reduction, due to the large potential of emission reduction.²⁸ In 2016, 35% of the energy consumption for residential buildings in Austria is from fossil fuels. To help reduce the emission from residential housing sector, a Green Electricity Act has passed in 2017 to support the generation of electricity from renewable sources.²⁹

Given that more than 35% of the buildings are over 50 years old and 75% are energy inefficient in the EU, renovation is a major contributor to the decarbonisation of the building sector. Nevertheless, the current annual renovation rate across EU member states is between 0.4% to 1.2%, which is significantly low to achieve the EU's emission reduction target. EU's Committee on the Environment encourages member countries to plan for the large-scale renovation of existing buildings and outlines a target of at least doubling the annual renovation rate and striving for 3% renovation rate to reach EU's objective of climate neutrality by 2050.^{30,31}

Given the importance of buildings in the reduction of energy use and GHG emissions, Sustainalytics is of the opinion that BAWAG's investment in financing new green buildings and refurbishing existing buildings with at least 30% increase in energy efficiency have the potential to contribute to Austria's GHG emission targets following EU's environmental plan.

Importance of renewable energy to mitigate climate change in the EU

To fulfil the goal of the Paris Agreement, the EU has set a target of 32.5% increase in energy efficiency and to reach 32% share of renewable energy. To contribute to the Union's target, Austria is aiming at achieving 100% renewable electricity by 2030 and became the second European country to remove coal from its electricity generation in 2020.³² The Austrian National Energy and Climate Plan estimates that consumption of electricity is likely to grow by up to 23% in 2030 and 66% in 2050 compared to 2017 level, indicating the importance of clean electricity supply to reach the renewable energy share target. Being a global leader in renewable energy,

²³ EU, "Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR>.

²⁴ The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

²⁵ The EnergyMix report, "Austria to Set 2040 Carbon Neutral Target as Greens Join Coalition Government", at: <https://theenergymix.com/2020/01/06/austria-to-set-2040-carbon-neutral-target-as-greens-join-coalition-government/>

²⁶ IEA, "Austria 2020 Energy Policy Review", at: <https://www.iea.org/reports/austria-2020>

²⁷ European Parliament, "Report on Maximising the energy efficiency of the EU building stock", 2020, at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html

²⁸ Austrian Energy Agency, "Energy efficiency trends and policies in Austria", 2018, at: <https://www.odyssee-mure.eu/publications/national-reports/energy-efficiency-austria.pdf>

²⁹ Federal Ministry Republic of Austria, "Integrated National Energy and Climate Plan for Austria", 2019, at: https://ec.europa.eu/energy/sites/ener/files/documents/at_final_necp_main_en.pdf

³⁰ European Parliament, "Report on Maximising the energy efficiency of the EU building stock", 2020, at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html

³¹ European Commission, "2030 climate & energy framework", at: https://ec.europa.eu/clima/policies/strategies/2030_en

³² Bloomberg, "Austria Ends Coal Era and Commits to More Renewable Energy", 2020, at: <https://www.bloomberg.com/news/articles/2020-04-17/austria-ends-coal-era-and-commits-to-more-renewable-energy>

29% of Austria's primary supply comes from renewable sources.³³ Even though hydroelectric power represents about 60% of the renewable energy consumption, wind and solar energy has increased more than 3 times from 2010 to 2019.³⁴ The growing share of wind and solar power will further require increasing power system flexibility.³⁵

BAWAG's investment in generation and transmission of renewable energy will support Austria's transition to a smart, flexible and sustainable energy system. As such, Sustainalytics is of the opinion that BAWAG's investments in development of renewable energy can help Austria meet its renewable energy and climate-related targets.

Wastewater treatment as energy cells in Austria

94% of the population in Austria has access to municipal wastewater treatment. Made up by mostly small and medium-sized companies, Austria leads the world's wastewater treatment technology.³⁶ Besides the main function of processing wastewater, wastewater treatment plants (WWTPs) in Austria also serve as a source of energy. The two major types of energy coming from the WWTPs are chemical energy and thermal energy. Given that thermal energy generated from the WWTPs usually exceeds the on-site demand for energy, there is great potential for the WWTPs to become energy-sufficient.³⁷

Given the above context, Sustainalytics is of the opinion that BAWAG's investments in the development and construction of sustainable wastewater management projects can contribute to Austria's transition to a renewable energy supported economy.

³³ IEA, "Austria 2020 Energy Policy Review", at: <https://www.iea.org/reports/austria-2020>

³⁴ Our World in Data, "Austria: Energy Country Profile", at: <https://ourworldindata.org/energy/country/austria?country=~AUT>

³⁵ IRENA, "Power system flexibility for the energy transition", 2018, at: <https://www.irena.org/publications/2018/Nov/Power-system-flexibility-for-the-energy-transition>

³⁶ Ecotechnology Austria, "Austria provides clean water all over the world with best available technology", at: <https://www.ecotechnology.at/en/content/wastewater-treatment>

³⁷ F. Kretschmer; G. Neugebauer; R. Kollmann; M. Eder; F. Zach; A. Zottl; M. Narodoslawsky; G. Stoeglehner; T. Ertl, "Resource recovery from wastewater in Austria: wastewater treatment plants as regional energy cells", 2016, at: <https://iwaponline.com/jwr/article/6/3/421/28213/Resource-recovery-from-wastewater-in-Austria>

Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the UN General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the BAWAG Green Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Environmentally sustainable management of living natural resources and land use	11. Sustainable Cities and Communities	11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Pollution prevention and control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Eco-efficient and / or circular economy adapted products, production technologies and processes	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

BAWAG has developed the BAWAG Green Finance Framework under which it will issue bearer and registered bonds, promissory notes and other debt or financing instruments and the use of proceeds to finance eligible projects. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide positive environmental impact.

The BAWAG Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the green use of proceed categories will contribute to the advancement of the UN SDGs 6, 7, 11, and 12. Additionally, Sustainalytics is of the opinion that BAWAG has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that BAWAG Group is well-positioned to issue green finance instruments and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

Appendices

Appendix 1: Overview and Assessment of Agricultural Certifications

	EU Organic ³⁸	GLOBALG.A.P. ³⁹	ISCC ⁴⁰
Background	The EU Organic Farming is a European wide label organised under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural products, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	Promoting sustainable agriculture practices, including for crops, livestock, and aquaculture.	International Sustainability and Carbon Certification ("ISCC") is a German certification system that provides sustainability solutions for traceable and deforestation-free supply chains of agricultural, forestry, waste and/or residue raw materials, non-bio renewables and recycled carbon materials and fuels.
Clear positive impact	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable agriculture practices, including for crops, livestock, and aquaculture.	Promoting sustainable supply chain practices.
Minimum standards	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionising radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	The GLOBALG.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Assessment criteria are classified as "major must", "minor must", or "recommendation", indicating the priority placed on highly important components of the standard. All major musts need to be met to receive certification.	The ISCC system has core sustainability criteria requirements that must be met. In addition to the core requirements of ISCC PLUS, voluntary add-ons can be added to adapt ISCC PLUS certificates to meet specific market requirements. Verification of GHG emissions is considered voluntary and can be added by applying as an add-on.
Scope of certification or programme	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilisers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	The integrated standard requires assessment of waste & pollution management, environmental impact, water use, site productivity, and energy efficiency. The aquaculture and livestock standards additionally cover four pillars laid out by the FAO (aquaculture: food safety, environment, workers, animal welfare; livestock: resource use efficiency, conservation, rural livelihoods, community and ecosystem resilience, and responsible management).	Different certifications are available (ISCC PLUS, ISCC EU, ISCC Solid Biomass NL and ISCC Non-GMO) depending on the type of market suppliers are targeting; food, bio-based products, feed and energy. Within each specific certification, different types of agricultural materials are covered. ISCC PLUS includes all types of agricultural and forestry raw materials, waste and residues, non-bio renewables, recycled carbon materials and fuels.
Verification of standards and risk mitigation	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.	GlobalG.A.P. approves certification bodies, which can then in turn carry out audits and verification. Certification is valid for one year.	Certified entities undergo third party verifications audits to ensure compliance with the sustainability requirements existing based on legal requirements or voluntary agreements.
Third party expertise and multi-stakeholder process	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the	Developed based on guidelines published by the UN FAO, GlobalG.A.P. is administered by an independent not-for-profit agency.	Standard setting is aligned with the UN Global Compact, the ISEAL Standard Setting Code and ISAE 3000.

³⁸ European Commission, Organics at a glance: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en

³⁹ https://www.globalgap.org/uk_en/

⁴⁰ International Sustainability Carbon Certification (ISCC): <https://www.iscc-system.org/>

	European Commission's typical legislative approach.		
Performance Display			

Appendix 2: Overview of Referenced Forestry Certifications

	FSC ⁴¹	PEFC ^{42,43}
Background	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organisation providing independent assessment, endorsement and recognition of national forest certification systems.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements
Governance	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organisational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organisation does include stakeholders from all sectors.</p>
Scope	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard

⁴¹ Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

⁴² The Brazilian Forest Certification Program (CERFLOR) was formally endorsed by PEFC in 2005 and has since formed alignment. As such, Sustainalytics' analysis of PEFC's framework, guidelines and credibility can be applied to CERFLOR. See more, at: <https://www.pefc.org/discover-pefc/our-pefc-members/national-members/brazilian-forest-certification-programme-cerflor>

⁴³ Programme for the Endorsement of Forest Certification, PEFC: <https://www.pefc.org/>

	<p>standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>is based on ISO/IEC Code for good practice for standardisation (Guide 59)⁴⁴ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
Chain-of-Custody	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards. • CoC standard includes procedures for tracking wood origin. • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products. • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC. 	<ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC. • Only accredited certification bodies can undertake certification. • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials. • The CoC standard includes specifications for the physical separation of certified and non-certified wood. • The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody.
Non-certified wood sources	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorisation, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted. 	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimise the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> ○ operations and harvesting, including land use conversion, ○ management of areas with designated high environmental and cultural values, ○ protected and endangered species, including CITES species, ○ health and labor issues, ○ indigenous peoples’ property, tenure and use rights, ○ payment of royalties and taxes. b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations.
Accreditation/verification	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF’s rules and regulations.</p>

⁴⁴ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

Conclusion	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices ⁴⁵ and both have also faced criticism from civil society actors. ^{46,47} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.
-------------------	---

⁴⁵ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁴⁶ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁴⁷ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 3: Overview of the Roundtable on Sustainable Biomaterials

	Roundtable on Sustainable Biomaterials ⁴⁸
Background	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.
Clear positive impact	Promoting sustainable biomaterials.
Minimum standards	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.
Scope of certification or programme	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.
Verification of standards and risk mitigation	Certified entities undergo a self-assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.
Third-party expertise and multi-stakeholder process	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.
Performance Display	
Qualitative considerations	The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.

⁴⁸ RSB, "About certification" at: <https://rsb.org/certification/about-certification/>.

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	BAWAG Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	BAWAG Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 30, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eight eligible categories for the use of proceeds are aligned with those recognised by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 6, 7, 11, and 12.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BAWAG’s Green Finance Committee will be in charge of evaluating and selecting projects in accordance with the eligibility criteria and subject to minimum environmental and social requirements. BAWAG has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be strong and to be aligned with market practice.

Evaluation and selection

- | | |
|--|---|
| <input type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BAWAG will establish the Loan Portfolio to include Eligible Green Projects and ensure proceeds are allocated fully within 36 months of issuing an instrument. Any unallocated proceeds will be held in BAWAG's treasury liquidity portfolio, in cash, other short-term and liquid instruments. In addition, BAWAG may temporarily use the entire or partial unallocated proceeds for the payment of outstanding indebtedness or other capital management activities. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

BAWAG will report on the allocation of net proceeds to the Loan Portfolio on a nominal equivalence basis one year from the issuance of the applicable Green Finance Instruments, on an annual basis until full allocation. Allocation reporting will include (i) the size of the Loan Portfolio; (ii) the total amount of proceeds allocated to the Loan Portfolio; (iii) the balance (if any) of unallocated proceeds; (iv) the amount or the percentage of new financing and refinancing; (v) the amount or the percentage of encumbered and non-encumbered loans; and (vi) the total volume of Green Finance Instruments outstanding. In addition, BAWAG is committed to reporting on relevant impact metrics. Sustainalytics views BAWAG's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (<i>please specify</i>): Land restored (hectares), and installed renewable energy capacity (in MW) |

Frequency

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): BAWAG's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.bawaggroup.com/BAWAGGROUP/group/EN>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

