

Strategies for dealing with sustainability risks pursuant to Article 3 (2) Disclosures Regulation (financial advisors)

Sustainability and regionality have been part of the business model of the Association of Volksbanks for 150 years. Volksbanks operate in line with cooperative principles and have been built up successfully and sustainably over many generations of members. The Volksbanks' focus is on being the customers' relationship bank within the region. As a result, the Association's business area has mainly been Austria in recent years, meaning that Volksbanks operate almost exclusively in the domestic market. By focusing on regional business, distances are kept short, thus reducing travel and promoting regional business activities. This effectively reduces CO₂ emissions. Employees in the various regions, some of whom have known their customers for many years, are responsible for providing advisory services. This means that decisions affecting customers can be made quickly and directly. Through this business model, Volksbank makes an important contribution to environmental protection by minimising the risk of negative impacts on the environment while also minimising associated reputational risk for the bank. At the same time, this also promotes the regional economy.

VOLKSBANK WIEN AG (VBW) has set itself the goal of making a positive contribution to the Paris climate protection agreement and has therefore set up a project on the topic of "sustainability" that encompasses the entire bank. The Code of Conduct documents the bank's values that apply in internal and external relations. No business relationships will be entered into with sectors or in business areas that are in conflict with the bank's core values. On behalf of the entire Association of Volksbanks, VOLKSBANK WIEN AG, as the central organisation, has clearly committed itself to the Sustainable Development Goals ("SDGs") of the United Nations and, through its membership in the United Nations Global Compact, where it represents the entire Association of Volksbanks, underlines the importance of the issue of sustainability for all Volksbanks in their business activities. The bank operates sustainably within the region (e.g. the company has defined that a maximum of 5 % of customer exposure may be located in neighbouring countries) on the basis of cooperative values, assuming responsibility for the long-term well-being of employees and customers. VBW acts in an environmentally and climate-conscious manner and in this way supports the transformation towards a sustainable economy.

Sustainability risks are taken into account by the Volksbank as part of the investment decision process. One of the biggest levers for the bank to live up to its commitment to the transformation towards a sustainable economy lies in investing in, and offering, sustainable products and services. Sustainable products - such as sustainable funds or the financing of housing projects with high energy efficiency that also take social aspects into account - can reduce negative impacts on the climate and the environment. The core services of a retail bank are provided by the bank itself: loans, deposits and payment transactions. Other products and services are offered by competent partners who act sustainably. Volksbank cooperates with TeamBank in the area of consumer loans, with ERGO-Versicherung AG in the area of insurance and with Union Investment Austria GmbH in the area of investment funds.

Volksbank has taken the strategic decision not to offer any products with inappropriately high sustainability risks within the scope of its investment or insurance advisory services. As part of the implementation of this strategic decision, Volksbank takes account of sustainability risks in its investment or insurance advisory services in various ways.

One central aspect of the consideration of sustainability risks is the selection of products prior to the respective advisory activity. A product committee was set up to decide which products are to be included in the advisory universe, taking into account specific product characteristics.

In this way, the Product Committee plays a key role in ensuring that only products that do not include any unreasonably high sustainability risks will be included in the advisory universe.

Within the framework of this product selection process, which precedes the investment or insurance advice provided by the Volksbank, close cooperation takes place with the respective product suppliers (in particular UNION INVESTMENT, ERGO Versicherung AG and ÖBV Versicherung). For their part, the product suppliers that the bank procures its products from will consider sustainability risks as part of their investment decision processes.

Product suppliers may consider sustainability risks in their investment decision processes in different ways and to different extents. For details, please refer to the websites of our cooperation partners:

- www.union-investment.at
- www.ergo-versicherung.at
- www.oebv.com

The information on sustainability risk strategies that we as financial advisors provide here primarily relates to financial products within the meaning of the Disclosures Regulation, i.e. fund products. Nevertheless, Volksbank has decided to apply these strategies also in relation to other financial instruments within the meaning of the Markets in Financial Instruments Directive (MiFID), which may be the subject of investment advice. Volksbank's product suppliers voluntarily submit to comparable transparency standards for such products (e.g. certificates), so that the information on the inclusion of sustainability risks also relates to such products.

When including sustainability risks in the context of investment or insurance advice provided by Volksbanks, the application of so-called minimum exclusions based on an agreed industry standard is also essential for a large number of products. This means that individual products must not include certain securities that are not sufficiently sustainable, or may only include them up to a specified limit, thus ensuring that these products only (co-)finance insufficiently sustainable activities to a small extent.

Over and above the minimum exclusions of the industry standard, the bank goes even further by applying ambitious specific sustainability criteria regarding the companies or states, as issuers or debtors, in which the respective product invests. These sustainability criteria have been developed in the central organisation of the Association of Volksbanks, and they support the fundamental strategic orientation that Volksbanks stand for.

Accordingly, certain products or securities cannot be the subject of Volksbank's investment or insurance advice, or only up to a certain limit, further minimising sustainability risks.

The training of advisors on a regular basis also contributes to the consideration of sustainability risks within the scope of Volksbank's investment or insurance consulting activities. Volksbank's comprehensive on-the-job training concept ensures that advisors understand and are able to comprehensively assess the respective products.