

SUSTAINABILITY STRATEGY OF THE ASSOCIATION OF VOLKSBANKS

Summary 2025

I. THE ASSOCIATION OF VOLKSBANKS AND SUSTAINABILITY

1. Importance of sustainability for the Association of Volksbanks

Sustainability as the Association of Volksbanks understands it is based on a 3-pillar model of sustainable development: sustainable development can only be achieved through the simultaneous and equal implementation of environmental, economic and social goals. This is the only way to ensure and improve a society's ecological, economic and social performance. The three aspects are interdependent.

Sustainability and regionality have been part of the business model of the Association of Volksbanks for more than 170 years. Our cooperative identity and the sustainability values we go by are distinguishing features of Volksbank. Our focus is on customers, partners and employees.

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, supporting the economic cycle within the region based on cooperative values. According to the terminology of the EU Commission, "social economy" also includes cooperatives.

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). There are no foreign shareholders. The focus of the Volksbanks is on being the relationship bank for customers in the region. Employees in the various regions, some of whom have known their customers for many years, are responsible for providing advice, taking customer-relevant decisions quickly and directly on site with customers.

The Association of Volksbanks will not enter into business relationships or financing transactions in industry sectors or in business areas that fail to comply with social and environmental regulations. For this reason, exclusion criteria were defined. Moreover, we take care to protect the people and the environment, and the Association of Volksbanks is committed to advancing environmentally friendly technologies and projects.

For the first time in 2024, by way of implementing the Taxonomy Regulation, the Taxonomy-compliant Green Asset Ratio (GAR), including applicable reporting forms, was presented in the Sustainability Report.

The Volksbanks' activities in the sphere of sustainability are also reflected in the sustainability rating of VOLKSBANK WIEN AG. VOLKSBANK WIEN AG reached a Sustainalytics ESG Risk Rating Score of 14.3, meaning that VBW is classified as "Low Risk".

2. Sustainability principles of the Association of Volksbanks

The Association of Volksbanks aims to manage its business taking social and environmental aspects into account, and to use resources sparingly. The Association of Volksbanks has committed to the Paris Agreement on climate change and has integrated the topic of sustainability in its corporate culture and core business. In this context, the Association contributes to achieving the United Nations SDGs through its business strategy, emphasising the importance of sustainability in its business activities through the membership of the central organisation (CO) of the Association of Volksbanks, VOLKSBANK WIEN AG, in the UN Global Compact (UNGC) and supporting the 10 principles of the UN Global Compact for the development of a sustainable global economy for the benefit of all people, communities and markets. VOLKSBANK WIEN AG (and the Association), by adhering to these principles, has committed to responsible corporate governance, embedding sustainability as an integral part of its corporate culture.

The Association of Volksbanks aims to manage ESG risks appropriately and to enhance the positive environmental and human impacts of its business activities. VOLKSBANK WIEN AG transparently reports on its efforts and activities to achieve the SDGs and on the implementation of its sustainability principles in a sustainability report. Following the CSRD (Corporate Sustainability Reporting Directive) taking effect in the 2024 business year, sustainability reporting is being adjusted to meet the new requirements.

3. Corporate strategy and corporate culture

Actively exemplifying the values of the Association of Volksbanks 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 within the Association of Volksbanks and is taken into account in the organisation's core business.

Code of Conduct

The Code of Conduct was established in each bank of the Association of Volksbanks by the respective supervisory board and forms an essential part of the company's corporate culture. All employees of the Association of Volksbanks as well as the entire management are committed to this Code of Conduct.

Undesired branches of industry and business areas (exclusion criteria)

The Association of Volksbanks will not engage in business relationships and financing transactions in sectors or business areas that are in conflict with the fundamental values of the bank. This includes, among others, topics like forced or child labour, human rights violations, corruption, environmental hazards, animal testing, nuclear power, coal mining, arms trafficking, and controversial forms of gambling. The list of excluded sectors is regularly checked and adjusted.

4. Basics of sustainability management

The key topics forming the basis of the Association's sustainability management are worked out together with stakeholders. To prepare for the CSRD and ESRS (European Sustainability Reporting Standards), the materiality analysis was revised in 2023. 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 hence a financial analysis, was carried out as well.

The following key topics were identified:

- **ESRS E1** Climate change
- **ESRS E4** Biodiversity and ecosystems
- **ESRS S1** Internal workforce
- **ESRS S4** Consumers and end users
- **ESRS G1** Corporate strategy

To address the five key topics, the Association of Volksbanks has defined 10 sustainability goals or key aspects and has quantified most of them already. Strategies and measures to achieve the goals are included in the current sustainability statement of VOLKSBANK WIEN AG.

II. GOVERNANCE

1. Sustainability governance of VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks

VOLKSBANK WIEN AG has implemented extensive steps to integrate sustainability aspects into its core business and to further expand its sustainability management. For this purpose, the “Sustainability Project” was launched in 2020. 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 has been continued since 2023 and is continuously adapted to new regulatory requirements.

All divisions of VOLKSBANK WIEN AG (as central organisation) itself 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 banks of the Association are equally managed on the basis of these sustainability goals. Sustainability Officers have been appointed at the affiliated banks, who act as multipliers in the banks. The Sustainability Report of VOLKSBANK WIEN AG contains the measures and goals implemented as well as an outlook on further plans with regard to the key topics.

2. Sustainability Committee (NAKO)

A decision-making committee of the entire Managing Board on sustainability was established early in 2022: the **Sustainability Committee (NAKO)**. The NAKO is the central steering committee for sustainable effects, opportunities and risks (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, adopts resolutions on sustainable effects, opportunities and risks, reports on ESG aspects and explains new trends and innovations. The sustainability goals and topics dealt with in the NAKO are regularly submitted to the supervisory boards of the affiliated banks.

III. CONSIDERATION OF SUSTAINABILITY RISKS AND OPPORTUNITIES

1. Sustainability risks

Sustainability 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 actually or potentially 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 are mapped in the existing risk types and comprise the following risk subcategories:

- Climate and environmental risks (E = Environment)
- Social risks (S = Social)
- Risks relating to corporate governance (G = Governance)

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

To ensure that ESG risks are managed effectively, the Association of Volksbanks takes account of these risks in the business strategy, the internal governance rules, and in the risk management framework. Based on the business strategy, the Association of Volksbanks also takes account of ESG risks within the scope of the risk and investment strategy as well as in the lending business.

2. Exploiting market opportunities

The transformation of the economy towards sustainable development is not only accompanied by risks, but also opens up significant market opportunities through new customer groups, technologies, innovative ideas, and methods of working.

The resulting demand for financial services creates significant development potential for the Association of Volksbanks. In this context, the Association has set itself the goal of offering sustainable products and services, and considers sustainability a success factor for a competitive company.

The Association of Volksbanks sees itself as a local supplier of financing products, aiming to meet various customer needs by offering regional products, subsidised financing transactions and innovative services. The company aims to improve its products and services together with, and for the benefit of, its customers.

Footnote: The Association of Volksbanks is committed to diversity and the equality of all genders. For reasons of readability, male, female and diverse word forms are not used simultaneously. All words designating persons refer to all genders in equal measure.