



Policy Statement on Offering Responsible and Sustainable Products

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1. Customer strategy

VOLKSBANK WIEN AG (VBW) undertakes to quickly identify negative impacts on customers and to take remedial action. Compliance manages both the complaints process and the incoming reports from the whistleblower systems. In this way, the specialist units required to remedy grievances can be approached quickly and specifically to analyse the relevant process and to remedy any grievances as quickly as possible, thus counteracting negative impacts on customers. Compliance monitors that the grievances have been remedied.

VBW itself provides various options for customers to address grievances: the whistleblower system, the complaints process within VBW, the retail branch contact structure. Customers can also contact the ombudsman's office at the ÖGV. The options for submitting reports are available on the intranet and on the website of VBW. Here customers can access the whistleblower system and find contact details for the retail branches or the ombudsman's office at the ÖGV.

The business strategy forms the basis for all strategies at VBW, accordingly for the customer strategy as well, which, through their interplay, provide the foundation for new insights and goals. The business strategy and all subordinate strategies are approved by the Managing Board of VBW. The results of the growth and sustainability strategy with regard to customers were anchored in the VBW Customer Strategy 2030.

The Customer Strategy 2030 relates to opportunities and growth potential in the Austrian banking market, including in the context of the comprehensive sustainability transformations of the economy and society, which are giving rise to additional financing requirements and advisory needs. Prudent and financially sound lending is ensured by the Association's working instructions for private financing, commercial financing, the authority limit rules, the working instruction for loan disbursements, the private customer application rating, the company rating, the expert systems, the income producing real estate, the income-expenditure calculator and the start-up founders. These regulations ensure legally compliant handling in accordance with the Austrian Consumer Credit Act (VKrG) and strict adherence to the requirements of the Austrian Mortgage and Real Estate Credit Act (HlKrG) while meeting all supervisory requirements at the same time. The responsible handling of investment products is also a top priority in the customer advisory services of VBW. This is illustrated, among other things, by the Association's working instruction "Implementation of the Regulatory Provisions of MIFID II". This set of rules specifies the implementation of the essential MiFID II / MiFIR requirements within the customer securities business, in particular with regard to investor protection as well as trading and markets, reporting and the corresponding record-keeping obligations for VBW. The IDD working instruction contains the implementation of the regulatory requirements from IDD at VBW, such as the notification obligations and good conduct rules as well as the training and further education obligations in the insurance business.

The customer strategy covers correct lending procedures as well as loans and receivables to customers. Among other things, this is ensured by checking various metrics, repayment ability, own funds and the maturity conformity of the respective financing transaction. In the investment area of VBW, the focus is, in particular, on the assessment of customer needs, the examination of their risk appetite as well as the performance obligations for investment transactions. The metrics are monitored by the Risk Control department of VBW as well as through various audits by the Audit department and the supervisory authority. The

sustainability targets are backed up with specific key performance indicators. Responsibilities are defined for the development and implementation of actions and the management of target achievement.

Private customers and commercial customers are impacted by the policy (strategy) as stakeholders.

2. Products and services

Numerous actions are taken to support the financial security of customers. Growth opportunities are actively identified, particularly those arising from the far-reaching sustainability transformations in the economy and society that entail an increased need for financing solutions and advisory services. As a cooperative financial institution, VBW strives to take advantage of this potential and to strengthen the bank's position in this area. Regional proximity and sustainability are considered important factors, particularly with regard to the product range. VBW also takes actions to minimise negative impacts with regard to the protection of customer data (see Sustainability Report Chapter S4).

The objectives include the following requirements for responsible lending and other banking products:

- » By controlling cash flows, banks have a great deal of leverage in terms of how capital is deployed. By offering ESG-related products, customers are given the opportunity to actively contribute to the transformation and, by averting the effects of climate change, to be less affected by the damage caused by climate change.
- » By financing climate change adaptation measures, the financial damage caused by future climate events such as flooding, etc. will be less severe, which will contribute in turn to the financial security of customers.
- » VBW sees many opportunities and extensive growth potential, among other things, in the comprehensive transformation of the economy and society towards greater sustainability, giving rise to additional financing requirements and advisory needs. VBW would like to actively utilise these opportunities through its positioning as a cooperative financial institution.
- » The increasing demand for advice on sustainability aspects makes it necessary for commercial customer advisors to have expertise in the field of ESG issues and to integrate this into the advisory process.
- » In addition to looking after commercial customers, it is particularly important in the case of small and medium-sized companies to also consider the private sphere of the entrepreneurs. Close interaction between the advisors of corporate and private customers – especially in combination with private banking – is therefore essential to optimally utilise the extensive potential on both sides.

2.1 Sustainable financing and consultation

With a view to staying competitive and to investor requirements, financing needs are increasing in relation to the sustainable transformation of society and the economy. Therefore, the ESG topic was integrated into the advisory process for commercial customer advisors. No specific qualifications and expertise are required for this; it is important, however, to consciously address sustainability and the associated risks and rewards, and to accompany customers on their path towards transformation.

The measures supporting the responsible allocation of financing products as part of the Customer Strategy 2030 include the following:

- » Development and marketing of sustainable financial products for private and commercial customers to meet growing demand and tap into earnings potential

- » Product range to finance sustainability measures
- » Training for customer advisors to recognise ESG opportunities and risks and apply them competently in conversations with customers
- » Evaluation of advisory tools to improve the quality of advice. Customers who are not subject to reporting requirements often do not pay much attention to ESG aspects and their impact on their day-to-day business. The aim here is to introduce customers to the topic with empathy, draw their attention to possible issues and, if necessary, refer them to the right sources of advice.
- » Expansion of advisory services for non-profit and cooperative building societies

The increasing demand for sustainable products requires commercial customer advisors to address the risks and rewards in relation to ESG in their consultancy and risk assessment. A basic understanding of the impact of ESG aspects in various industries is required to identify risks and rewards and to consciously tap into the associated potential through sustainable financial instruments and funding. The management of VBW ensures that sufficient human resources and training events are available and that implementation is prioritised accordingly.

The standards applied in connection with responsible lending are carefully anchored in the working instructions for lending to consumers and commercial customers, and the processes of VBW constitute a corresponding chain of control for compliance with the requirements. The issue of sustainability also plays a key role in the lending decision, whether through the appropriate categorisation of the customer in terms of ESG opportunities and risks or the activity to be financed. We are constantly working on the ongoing education and training of our customer advisors through mandatory training courses in order to offer advice in the area of ESG topics. For VBW, this also includes transparent and careful product development and product advertising that is neither misleading nor discriminatory.

Sustainability goals in relation to sustainable financing were defined, including both social and ecological indicators that are reported on regularly in the Sustainability Committee.

This covers all business areas relating to products and advice on financing products.

The measure concerns customers, cooperation partners and employees.

2.2 Sustainable securities:

The focus is on creating customised solutions for individual customers in terms of investment and asset accumulation. In line with the sustainability strategy, we intend to market more sustainable securities solutions by 2030. In addition to the regulatory training requirements, the establishment of sustainable securities requires adequate training of the employees of VBW. Specialised advisory expertise is necessary in private banking and for commercial customers, in particular.

VBW is working on both its digital channels and its hybrid customer service models. The company also regularly consults with Union Investment as a product partner. Relevant stakeholders of VBW and Union Investment work together on information events for customers and ongoing training of employees in order to ensure competent and diligent customer advice.

VBW focuses on customers who value and wish to take advantage of personalised advice and

comprehensive support. In addition, it is essential to expand the personal relationship model through digital channels and connectivity. In order to avoid potential errors, however, appropriate precautions have been taken in the core banking system. Customers can only purchase securities following consultation with a customer advisor and if they have a valid risk profile. While a purchase is admissible without prior consultation, this can only take place at the customer's explicit request. Securities whose risk level exceeds the risk appetite defined in the investor profile must not be purchased. This personalised and high-quality advice is also reflected in the price list, which represents fair value for money.

Sustainability goals in relation to sustainable securities were defined, including both social and ecological aspects that are reported on regularly in the Sustainability Committee.

3. Measuring customer satisfaction:

The main result of the measures taken in the area of financing is to strengthen customer loyalty and customer satisfaction as well as the positioning as a regional bank that customers can rely on for funding requests as well as for investments. Personalised advice, where solutions are individually tailored to the needs of each financing customer, combined with the development of sustainable financing products, makes for satisfied customers.

Apart from the sales targets in the financing area of VBW, the results of the customer net promoter score (NPS) are key parameters. These metrics are evaluated and analysed on a monthly basis. The effectiveness of the measure is monitored specifically with regard to improving the net promoter score.

Customer satisfaction is reflected by a net promoter score based on customer ratings and the recommendation survey. This is regularly monitored by annual surveys conducted by Telemark Marketing on behalf of VBW. The customer net promoter score is reported to the Sustainability Committee as one of eight sustainability KPIs.

The annual meetings demonstrably have a positive influence on the customer net promoter score; hence, the goal is to hold an annual meeting with as many customers as possible.

The necessary actions are derived by analysing the customer survey.

- » Continuous further development of training concepts
- » Adaptation of regulatory training courses to accommodate changes
- » Regular review and adjustment of all contracts issued to customers or signed by customers
- » Ongoing revision and improvement of processes
- » Development of new omnichannel solutions for improved customer service
- » Continuous support for employees in finding solutions to customer complaints

4. Human rights

Established processes exist for monitoring compliance with the requirements of the frameworks (ILO, OECD Guidelines for Multinational Enterprises and United Nations Guiding Principles on Business and Human Rights), for instance a whistleblowing system.

The banking products and services offered provide opportunities to influence human rights issues. VBW strives to make a positive contribution to the respect of human rights by providing capital, on the one hand, and by offering investment opportunities in cooperation with product partners, on the other hand.

4.1 Financing:

Exclusion of business relationships or financing transactions with businesses in certain industries and areas of business.

In the context of funding business activities in conflict regions, the bank must comply with applicable sanctions and embargoes. Moreover, the bank will not enter into business relationships involving transactions that are known to directly or indirectly make use of forced or child labour.

The same applies in cases where the counterparties notoriously fail to comply with the European Convention on Human Rights or any labour and social law requirements of the relevant country.

In order to prevent potential human rights violations and to comply with VBW's duty of care, the bank assesses the following ESG aspects when granting loans to commercial enterprises:

- » compliance with obligations under labour and social law,
- » protection of consumers as well as
- » ethical standards throughout the supply chain.

4.2 Investment:

In financial year 2022, the so-called "Nachhaltigkeitspräferenzabfrage", or sustainability preference questionnaire, was introduced in the financial services sector. This means that investment advisors must ask their customers about their wishes regarding sustainability and are allowed to recommend only financial instruments that meet these wishes.

The product portfolio of Union Investment includes a great number of sustainable funds that are offered to customers by VBW as product partner. In sustainable investments, the requirements imposed on a portfolio strategy are supplemented by sustainability criteria in addition to the consideration of availability, return and stability. Investments are selected according to defined ethical, social and environmental criteria (ESG criteria).

The fund management puts together sustainable funds according to a defined process. In an initial step, companies and countries that violate Union Investment's exclusion criteria are excluded by means of the UniESG sustainability filter. Apart from being geared to the UNGC, this filter excludes human rights violations, environmental destruction or corruption, among others.

4.3 Insurance:

ERGO, as a product partner of VBW, pursues a Group-wide sustainability strategy together with its parent company Munich Re. This strategy includes taking sustainability criteria into account when developing investment and insurance products. Requirements from voluntary commitments that ERGO has entered into together with Munich Re are taken into account as well. These include the principles of the UN Global Compact, the Principles for Responsible Investment and the Principles for Sustainable Insurance.

Within the scope of the many products offered and the sustainable investments, the company observes human rights aspects in servicing private customers as well. Additionally, in providing consultancy to private customers in their daily practice, account managers will also consider social criteria. For instance, fair lending, leasing and account opening procedures or unbiased consultancy contribute to protecting equal opportunities. Each customer will receive the same treatment regardless of their age, origin, colour, race, religion, sexual orientation, political views, social or other background.

The general approach employed at the company to derive, implement and monitor actions to safeguard human rights in relation to consumers and/or end users is as follows:

- » If it turns out in the course of a new business relationship or financing transaction that the business may fail to respect human rights, the matter may be handed over to Compliance, which will then make a decision by means of a due diligence process.
- » Sustainability preference questionnaire: This means that investment advisors must ask their customers about their wishes regarding sustainability and are allowed to recommend only financial instruments that meet these wishes.

No instances of non-respect of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises that involve consumers and end users have been reported in the downstream value chain of VBW.

5. Complaint handling mechanisms

5.1 Complaint management:

VBW has processes in place to ensure that complaints are handled uniformly. Compliance controls and monitors the procedure and the working out of suitable corrective actions.

Compliance centrally monitors the processes for handling incoming whistleblowing reports and complaints, thereby ensuring that all reports/complaints are dealt with appropriately. As far as possible, VBW engages in a dialogue with the whistleblower or complainant. The employees of VBW are regularly trained with regard to the requirements of entering customer complaints in the complaints database. Monitoring by Compliance ensures that any grievances found are rectified.

Compliance centrally oversees all incoming complaints and reports (i.e. whistleblowing reports). The frequency of use of the reporting channels indicates whether customers are aware of the possibility of submitting reports or complaints and whether they trust these channels. No further investigations are carried out (see Sustainability Report G1).

5.2 General approaches to complaints:

- » Continuous further development of training concepts
- » Adaptation of regulatory training courses to accommodate changes
- » Regular review and adjustment of all contracts issued to customers or signed by customers
- » Ongoing revision and improvement of processes
- » Development of new omnichannel solutions for improved customer service
- » Continuous support for employees in finding solutions to customer complaints
- » Annual review and update of the working instruction "Handling marketing communications and internal documents"

5.3 Sales management approaches:

- » Promoting employees' expertise and skills to respond to the wishes and needs of customers in the best possible way
- » Timely adaptation and training in the event of changes to regulatory requirements
- » Semi-annual meetings of the "Lending Manual" working group and the "Passive" working group with a view to timely implementation of new findings in case law, particularly with regard to consumer protection
- » Promotion of a constructive approach to mistakes combined with continuous implementation of lessons learnt
- » Evaluation and launch of digital projects for greater accessibility, transparency, personalisation and faster support for customers
- » Efficient coordination procedures for customer concerns and complaints to reach a positive solution for customers quickly

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