

Sustainability Report 2022



100 Years of
Accountability and Support

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This Annual Report is an unaudited translation from German into English for the convenience of readers.

100 years of Accountability and Support at a Glance

We celebrated our 100th anniversary in 2022. Kärntner Kredit- und Wechselbank Ehrfeld & Co was founded in 1922, which marks the birth of today's BKS Bank. One hundred years later, after the modest beginnings of the bank, it is now an international credit institution with 64 subsidiaries in five countries and over 1,100 employees and total assets of EUR 10.5 billion. We are proud to have served our business partners and customers for 100 years as a trustworthy partner and a reliable employer.

1922

Founding of Kärntner Kredit- und Wechselbank Ehrfeld & Co **by Wilhelm von Ehrfeld**

1928

National license to act as a **joint-stock banking company** is obtained to grant loans and issue savings passbooks. The company name is changed to **Bank für Kärnten**

1929

Wiener Creditanstalt becomes a new shareholder, remaining a strong partner to this very day.

1964

Development into universal bank: For the first time, small loans are offered **to retail customers.**

1953

The **3 Banken Group** made up of Oberbank, Bank für Tirol und Vorarlberg and der Bank für Kärnten is created with the backing of Creditanstalt

2011

First branch opens in Slovakia

2005

BKS Bank AG becomes the new company name

2004

The **first BKS banking branch outside of Austria opens in Slovenia**

1998

First **international expansion:** Acquisition of today's BKS-leasing d.o.o. in Slovenia

1990

First branch opens in **Vienna**

1986

BKS Bank goes public

1983

Expansion into Styria under the new company name Bank für Kärnten und Steiermark



2022

A sustainability bond **is issued for the first time**, and the “Natur & Zukunft” account receives the **Austrian Ecolabel for Sustainable Financial Products**.

2020

BKS Bank Connect – the digital bank within the Bank – goes live and the “Natur & Zukunft” account is launched.

2019

BKS Bank successfully completes the **Initial EMAS Certification**

2017

First **social bond** of an Austrian issuer is floated, followed shortly afterwards by a green bond

2016

Inclusion of BKS Bank ordinary shares in **VÖNIX**, the sustainability index of the Vienna Stock Exchange

2015

Awarded **prime status** for the first time by the widely recognised international sustainability rating agency, oekom (today: ISS ESG)

2013

“**AVM nachhaltig**”, today “BKS Portfolio-Strategie nachhaltig”, is the first asset management product to be awarded the Austrian Ecolabel for sustainable financial products.

Preface



I am proud to report that we have increased the volume of our sustainable products to over one billion euro since 2013.

Herta Stockbauer, Chairwoman of the Management Board



100 Years of
Accountability and Support

Dear Readers,

Our institute was founded in 1922, making 2022 a good occasion for us to present our sustainability activities under the motto "100 Years of accountability and support". We started our anniversary year very optimistically. Economic forecasts were bullish, vaccinations made the coronavirus pandemic manageable, and the number of bankruptcies in 2021 was below estimates. Then the war of aggression against Ukraine began. For the first time since the 1970s, we had to contend with surging inflation and an energy crisis. High volatility on stock markets and interest rate hikes by the European Central Bank unseen to date added further momentum to events. For 2023, economic researchers forecast stagnation, but not a deep one. We are confident that the geopolitical situation will calm again in 2023 and normalcy will return to everyday life.

Transition to renewable energy gains momentum

Every crisis also has positive aspects. This made many people aware for the first time of how dependent Austria and the EU are on fossil fuels, and consequently, on third countries, which are often also governed by dictators. It may be assumed that the transition to environmentally-friendlier energy production required to adjust to climate change will gain momentum.

BKS Bank itself operates five photovoltaic systems, which have helped us cut 101 t of CO₂ equivalents since their erection. In 2022, we have started construction of three additional plants, which will reduce an additional CO₂ 17 t per year. However,

we also support the transition to a low-carbon economy through the issuance of green bonds to provide funding. I am very pleased to report that the volume of our sustainable products increased to EUR 1.1 million in the reporting year. As a member of the Green Finance Alliance, we have committed to aligning our loan and investment portfolio to the goals of the Paris Climate Agreement

Ecolabel for our "Natur & Zukunft" account

We also see a need for action regarding the conservation of biodiversity. The WWF Living Planet Report 2022¹ states that the populations of wild animals studied have declined by an average of 69% since 1970. In Austria, productive soils decreased² continuously in 2021, most recently by 36.3 km². We as a company took initial measures to strengthen biodiversity. For example, we created the Natur & Zukunft account, which contributes to the reforestation of protective forests in Austria and was awarded the Austrian Ecolabel for Sustainable Financial Products in 2022. Our green building strategy includes the conversion of buildings no longer needed for banking operations into residential space, thereby helping to avoid the sealing of soil. In 2023, we plan to look into the topic of biodiversity more closely and analyse what we can contribute preservation.

Social commitment is also important to us. Austria is undergoing major demographic change. For the first time, our country is home to more than nine million persons.

¹ See WWF (2022) Living Planet Report 2022 – Building a Nature Positive Society. Almond, R.E.A., Grooten, M., Juffe Bignoli, D. & Petersen, T. (Eds). WWF, Gland, Switzerland

² Cf. Flächeninanspruchnahme, <https://www.umweltbundesamt.at/umweltthemen/boden/flaecheninanspruchnahme>, (14 Dec. 2022)

Social inequalities between men and women and between age groups, the rising share of residents without Austrian citizenship and an increase in the number of people at risk of poverty are factors that increase inequality in our country. As a bank, we want to help mitigate the financial aspects of this development, for example, by closing retirement income gaps with our products or by supporting educational and charitable institutions.

Focus on new target groups

In our revised sustainability strategy "With accountability into a liveable future," we refer to our greater focus on the needs of new target groups. These are specifically older people, the Fridays-for-Future generation, and entrepreneurial families. The tried-and-tested elements of our strategy such as our holistic approach to sustainability and our commitment to the Sustainable Development Goals have not changed. Likewise the transparent presentation of ESG goals.

Retaining our leading position in sustainability

For example, we are targeting a new volume of sustainable loans of at least EUR 200 million per year. We are happy to report that the volume of our sustainable products exceeded EUR 1 billion for the first time in 2022 and is now over 10% of our total assets. We are confident that we will be able to achieve our target of a 15% share by 2025. Furthermore, we want to reduce the gender pay gap to 12% by 2025 and erect only Taxonomy-compliant new buildings. Our principal goal is to remain a sustainability pioneer of the Austrian banking industry. Several awards substantiate our claim to this top position. In 2022, we were very pleased to receive



the Vienna Stock Exchange Sustainability Award and the Austrian Sustainability Report Award (ASRA) in the category Capital Market-oriented Companies – Financial Services. We were also named the most sustainable bank by the magazine "Der Börsianer" and successfully completed recertifications such as Green Brand and EMAS, as well as the recertification "Audit berufundfamilie".

These achievements were made possible by the tireless efforts of our employees – my very special thanks goes to them. I would also like to express my deep appreciation to all our shareholders and customers. Their loyalty and their trust is an important motivation every day for our work. And last but not least, I would like to cordially thank the members of our Supervisory Board for their prudent and professional support.

Cordially,

Herta Stockbauer
Chairwoman of the
Management Board of BKS Bank



About BKS Bank

100 years of market success is an achievement we are proud of. BKS Bank's success story is far from over.



100 Years of
Accountability and Support

Reliable partner for business for the past 100 years

“To stand by our country's enterprises” was the motivation for Wilhelm von Ehrfeld to found the Kärntner Kredit- und Wechselbank Ehrfeld & Co in 1922. His aim was to meet demand for the growing financial and credit needs of the Carinthian timber and sawmill industry.

The historical branches of today's BKS Bank in Klagenfurt, Spittal an der Drau, Villach and Wolfsberg served as a stable foundation of our bank for many years. The bank's expansion within Carinthia took place in the 1970s, and in 1983, a first step outside of Carinthia was taken with the opening of a branch in Graz. The first BKS Bank branch in Vienna opened for business in 1990. The start of international expansion began at the end of the 1990s. Today, BKS Bank is a successful international group with 64 banking branches and leasing companies in Austria, Slovenia, Croatia and Slovakia.

Corporate and business banking are major contributors to net profit

Our roots as a purely commercial bank are still apparent today. Over 27,000 entrepreneurs place their trust in our bank. Around 80% of the loan volume was granted to companies in 2022. The Corporate and Business Banking segment generated most of the net profit for the year, thus playing a key role in the success of BKS Bank.

Today, our corporate and business customers continue to appreciate the expertise of our employees, our know-how of financial aid schemes, and our excellent advisory services.

Together on the path to success

Apart from the large corporates we serve, small and medium-sized enterprises are also a key segment our corporate banking business. We provide support in good times and bad, and are by their side to help them master new challenges. In the past, for example, they were confronted with tighter lending requirements due to the introduction of the Basel regime, and more recently, with the effects of the coronavirus pandemic, while now we are seeing that the path to the Green Deal will also pose major challenges for some customers. The issues include in some cases the need to invest in more climate-friendly technologies, to adjust the business model or meet new sustainability reporting requirements.

We support our customers with our know-how in sustainability and invite them to talks and discussions with sustainability experts. In some cases, we also communicate on a one-on-one basis. Because we, too, can learn from sustainability pioneers from the different industries. Past experience shows us that open cooperation is a benefit for all parties.

About BKS Bank

BKS Bank AG is a universal bank founded in Carinthia in 1922 with its head office in Klagenfurt am Wörthersee.

Our company was founded in 1922 as a bank for corporate and business customers in Carinthia. The head office is in Klagenfurt am Wörthersee. In the 1960s, we started providing services to retail customers. With over 1,100 employees, today we serve some 169,100 retail and 27,100 corporate and business customers at 64 branches. In Austria, our markets include Carinthia, Styria, Vienna, Burgenland and Lower Austria. Our international markets are Slovenia, Croatia and Slovakia. In the first quarter of 2023, the company will enter the Serbian market with a leasing company.

In Austria and Slovenia, we offer all the services of a universal bank, while in

Croatia and Slovakia we do not offer investment services. Our leasing companies complement our offerings in all markets.

With BKS Bank Connect, we operate a digital bank within the Bank. BKS Bank Connect specifically targets digitally-savvy customers and helps reduce travel by car to branches and paper consumption.

Our branch network remained unchanged in the past year despite significant progress in the area of digitization. Many older customers are overwhelmed by the rapid digital transformation – which also contributes to ageism – and are pleased with our policy and communicate their respect and recognition. Our business strategy is therefore deliberately focused on the inclusion of older people and groups with little digital literacy.

Our core regions



Shareholders of BKS Bank AG

in %

1	Oberbank AG (incl. sub-syndicate with Beteiligungsverwaltung GmbH)	19.2
2	Bank für Tirol und Vorarlberg Aktiengesellschaft	18.9
3	Generali 3Banken Holding AG	7.4
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	3.0
5	BKS-Belegschaftsbeteiligungsprivatstiftung	1.7
6	UniCredit Bank Austria AG	6.6
7	CABO Beteiligungsgesellschaft m.b.H.	23.2
8	Free float	20.0



Our services and products are designed for corporate and business customers as well as retail customers. Our corporate customers include primarily companies from industry, commerce and trade, non-profit residential housing developers, members of the liberal professions, farmers, forestry, as well as municipalities and public-sector companies. In retail banking we provide services to private individuals and members of the healthcare professions. Our customers value our expertise in the lending business, our solid knowledge of the diverse subsidized loan schemes, our range of investment services, modern payment transaction solutions, and innovative digital products and services.

Our wide range of sustainable products includes the Natur & Zukunft account, the BKS Portfolio-Strategie nachhaltig and the green, social and sustainability bonds. All services are offered under the brand name BKS Bank. We set great store by excellent consulting services for which we also received several awards in 2022.

Ownership structure

BKS Bank AG's shares have been listed on the Vienna Stock Exchange since 1986 in the segment 'standard market auction'. The share capital is EUR 85,885,800 divided into 42,942,900 ordinary bearer shares. In 2022, there were no significant changes to the shareholder structure.

Changes to the Management Board and the organization

In December 2022, the Supervisory Board of BKS Bank appointed two new members to the Management Board who will start in their positions in 2023. Claudia Höller will take over from Dieter Kraßnitzer with responsibility for risk management after he goes into his well-deserved retirement at the end of his term. Dietmar Böckmann will continue the digital transformation at BKS Bank as CIO/COO as of June 2023.

Herta Stockbauer (Chairwoman of the Management Board), Alexander Novak and Nikolaus Juhász will continue their mandates. The share of women on the Management Board is therefore 40%. Information on further changes to the management team are provided in the Annual Report on page 85 et seq.

Creating value

Our Group engages in the banking, leasing and real estate business. Therefore, BKS Bank is classified as belonging to the sector "Provision of financial services - credit institutions". The following Ö-NACE codes are associated with the business activities of BKS Bank AG and its subsidiaries: 41.10-0, 56.10-1, 64.19-0, 64.20-0, 64.91-0, 68.20-1, 68.20-9, 77.39-0, 82.99-0.

In our value chain, the expertise of our employees, the branch network, and investments in digital transformation and automation are the most important input factors.

BKS Bank is – and will remain – a branch-based bank. Bank branches continue to be an important element of the customer journey. It is true that the branch is becoming less important for activities related to cash handling. However, customers of all ages are happy to come to our branches to take advantage of advisory services and acquire products.

Apart from branches, a modern digital range with customer portals and apps is essential for distributing our products and performing services. A modern digital range of products and services requires constant development, and this entails large investments. The development of new products – which are often sustainable and, above all, available online – is becoming more important than ever. This is also true for the communication with our customers. While just a few years ago we relied almost exclusively on printed advertising materials, today digital product advertising through Google and social media require larger budgetary means. Using the method of customer orchestration, we address individual customer needs in a targeted manner to avoid swamping them with general advertising messages.

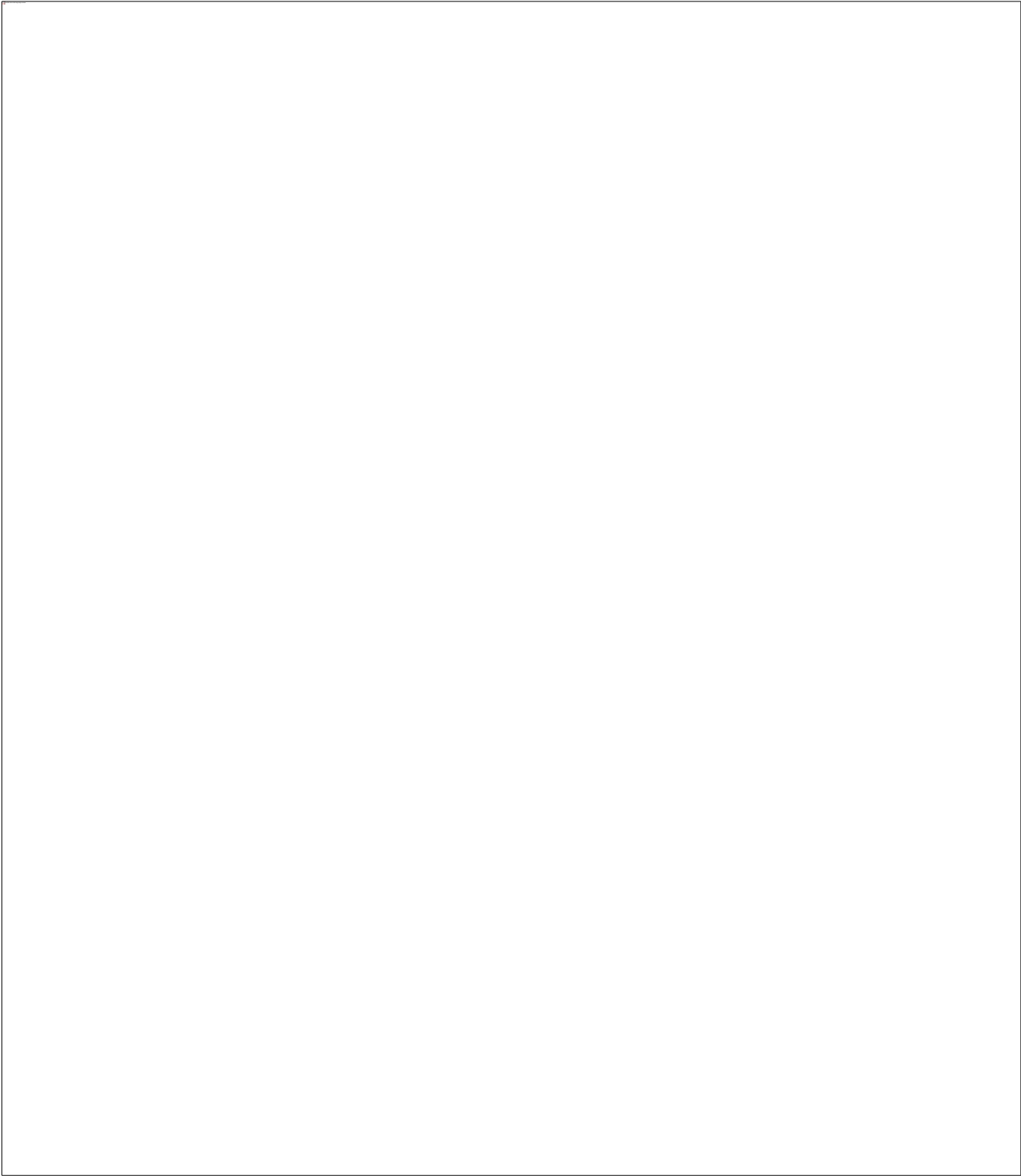
Strategic partnerships

BKS Bank cooperates with strategic business partners to offer our customers all the services of a universal bank. These include Generali Versicherung AG whose products enable us to offer customers high-quality insurance services for risk protection and retirement planning. Wüstenrot AG's building society savings products complete our range of savings options. 3 Banken-Generali Investment-Gesellschaft m.b.H. is the joint asset management investment company of Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft, Generali Versicherung AG and BKS Bank. Its product portfolio comprises 72 investment funds, including 13 sustainability funds. Another joint holding company of BKS Bank with Oberbank and BTV is 3 Banken IT GmbH, which is responsible for our IT infrastructure and projects.

The output of our business activities is diverse. We finance infrastructure projects, help create housing and commercial real estate, and support companies in building plants and procuring working capital. We enable sustainable production processes, the construction and creation of green buildings and social housing. Our efforts enable sustainable production processes, green buildings and social housing, low-emission mobility, renewable energy facilities, and also care facilities. With our investment and retirement products, we help reduce poverty and enable people to maintain their living standards, also in retirement.

We are aware of our ecological and social responsibility along the entire value chain. Our decisions on which transactions to accept or refuse means we can support the transition to a low-carbon economy and also contribute to protecting human rights and labour rights.

Value chain of BKS Bank



Group of consolidated companies

Group of consolidated companies

The Sustainability Report relates to the entire group of consolidated companies of BKS Bank. These include 15 credit and financial institutions as well as companies that provide banking-related services, including domestic and foreign leasing companies.

There were two changes to the scope of consolidation compared to the 2021 financial year. The overview below presents the companies that belong to the BKS Bank Group pursuant to the International Financial Reporting Standards. Associated companies are included in the consolidated financial statements on the basis of uniform materiality provisions applicable throughout the Group, as well as

quantitative and qualitative parameters. A detailed description of the individual companies is given in the Annual Report starting on page 93.

Key indicators used

All key indicator disclosed in this report relate to the BKS Bank Group. If different indicators are used in some cases or if the reporting of an indicator has changed compared to the preceding year, we point this out where it occurs in the text of the report. The single-entity financial statements of BKS Bank AG are not presented. BKS Bank AG has a dominant position within the Group, and therefore, its non-financial performance indicators differ only minimally from those of the BKS Bank Group.

Group of consolidated companies

	Consolidated	Recognized using the equity method	Proportionate consolidation
Credit institutions and financial institutions			
BKS Bank AG, Klagenfurt	✓		
BKS-Leasing Gesellschaft m.b.H., Klagenfurt	✓		
BKS-leasing d.o.o., Ljubljana	✓		
BKS-leasing Croatia d.o.o., Zagreb	✓		
BKS-Leasing s.r.o., Bratislava	✓		
Oberbank AG, Linz		✓	
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck		✓	
ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H., Linz			✓
Other consolidated companies			
BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft m.b.H., Klagenfurt	✓		
E2000 Beteiligungsgesellschaft m.b.H.	✓		
Immobilien Errichtungs- u. Vermietungsgesellschaft m.b.H. & Co. KG, Klagenfurt	✓		
IEV Immobilien GmbH, Klagenfurt	✓		
BKS Service GmbH, Klagenfurt	✓		
BKS Immobilien-Service Gesellschaft m.b.H., Klagenfurt	✓		
BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH, Klagenfurt	✓		

GRI 2-2 Entities included in the organization's sustainability reporting

Economic development

BKS Bank can look back on strong operating performance in its anniversary year. The interest rate policy reversal had a positive effect on earnings and despite the uncertainty prevailing in the economy, lending volume developed solidly. Total assets remained at the preceding year's level at EUR 10.5 billion.

Interest policy reversal supported earnings

Generally, the year was dominated by exceptional geopolitical events and economic uncertainty. It was, above all, the steep rise in energy and commodity prices that caused inflation to rise. In October, inflation temporarily peaked at 10.6% in the euro area. This development prompted central banks to review their interest rate policies. The US Federal Reserve raised key lending rates seven times during the reporting year, reaching 4.5% in the end. In Europe, the moves were more moderate: The first interest rate hike did not take place until the middle of the year, but this was followed very quickly by three further steps.

By 21 December 2022, the interest rate for the ECB's main refinancing operations was 2.50%, the interest rate for the marginal lending facility 2.75%, and the interest rate for the deposit facility 2.00%.

Considering the changed interest rate situation, the lending business developed quite well in the reporting year. Net interest income including other interest income was EUR 186.5 million on 31 December 2022, which is an increase of 11.7% year on year. Interest income contrasted with interest expenses of EUR 29.9 million. This resulted in net interest income before impairment charges of EUR 156.6 million, which is an increase of 12.7% versus the financial year 2021.

We have taken account of the slowing economy and the good performance in new lending in the allocations for impairment charges. For the year 2022, we allocated an amount of EUR 25.9 million for impairment charges for losses on loans and advances. Therefore, net interest income after impairment charges was EUR 130.7 million, which is a very pleasing increase of 22.7%.

Key items of the income statement¹

in € m	2021	2022	± in %
Net interest income	138.9	156.6	12.7
Impairment charges on loans and advances	-32.4	-25.9	-20.0
Net fee and commission income	67.1	68.2	1.6
Income from companies accounted for using the equity method	45.0	20.7	-54.0
Net trading income	0.8	-1.2	>-100
Other operating income/expenses	-4.7	4.3	>100
Profit from financial assets	5.5	-8.1	>-100
General administrative expenses	-124.0	-136.0	9.7
Profit for the year before tax	96.2	78.6	-18.3
Tax on income and earnings	-12.9	-15.0	16.0
Profit for the year after tax	83.3	63.6	-23.7

¹ In the financial year 2022, the accounting method for investment property changed. In accordance with IAS 8, the prior-year figures have been adjusted accordingly.

Net fee and commissions income developed well

The fee and commission business is the second key pillar of our operating business. In the year under review, net fee and commission income remained stable at EUR 68.2 million (+1.6%). A look at the composition of net fee and commission income shows that payment services again made a major contribution of EUR 24.9 million. A pleasing increase of 6.9% over the comparable period was achieved. Income from this business has developed into a reliable and continuous driver of earnings over the past few recent years.

Volatility on international stock markets as well as losses in the double-digit range for many stocks and bonds created an extremely challenging environment for investments. Thus, the development of income in the securities business was lower than expected, posting a decline of 10.9% to EUR 18.7 million. This is attributable mainly to the sluggishness on capital markets. Investors were extremely cautious, and engaged in far fewer transactions than in the year before.

By contrast, net fee and commissions on loans developed positively. The solid trend in new lending raised the result in this segment up from EUR 18.4 million to EUR 20.3 million.

Income from companies accounted for using the equity method decreased due to special effects by 54.0% or EUR 24.3 million to EUR 20.7 million. Profit/loss from financial assets/liabilities also developed steeply downwards. Declining prices on stock markets and the generally unstable global economy led to a negative result of EUR 8.1 million.

Digital transformation progressing swiftly

Considering the challenging market situation, we focused on strict cost discipline. One of the reasons for the higher administrative expenses of 9.7% or EUR 12.1 million were the substantial investments in the digital transformation of our company. Total administrative expenses in 2022 were EUR 136.0 million.

Decrease in net profit

Consolidated net profit after tax was EUR 63.6 million as at 31 December 2022. Therefore, earnings were 23.7% or EUR 19.7 million lower year on year. While the operating business performed excellently, special factors impacted the development of earnings. The decrease in profit was due primarily to the weaker results from entities accounted for using the equity method that were strongly influenced by dilution losses. The development of the capital markets also left its mark on earnings.

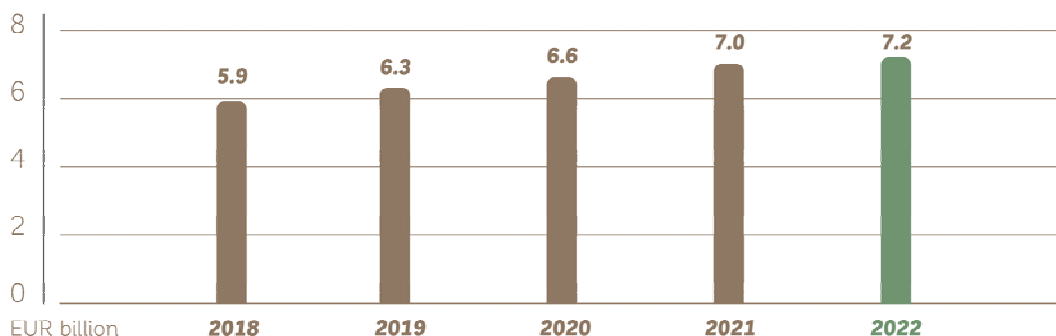
Total assets at prior year's level

Total assets of BKS Bank amounted to EUR 10.5 billion as at 31 December 2022, thus remaining at the preceding year's level.

Solid credit growth despite uncertainty of economic situation

The lending business performed very satisfactorily in the past financial year. Loans and advances to customers amounted to EUR 7.2 billion as at 31 December 2022, representing a 3.1% increase in lending volume year on year. Considering the prevailing economic uncertainty, we are very satisfied with the growth in lending achieved. We are also satisfied with the volume of new loans granted, although we recorded a noticeable decline in demand for loans in both customer segments in the fourth quarter.

Receivables from customers



In total, we granted a volume of EUR 1.9 billion in new loans, with the majority of new loans (around 86%) going to corporate and business customers. Around one in five new loans were granted to customers in our markets outside Austria.

We also posted solid performance in lease financing in the reporting year. Lease finance is in high demand, as it is an attractive alternative to traditional loan financing. We operate four leasing companies in Slovenia, Croatia, Slovakia and Austria, and demand for lease finance developed satisfactorily in all markets. In total, the volume of receivables throughout the group rose from EUR 577.2 to EUR 617.7 million, which is an increase of 7.0% compared to 31 December 2021. The volume of new lease contracts for all markets was EUR 270.5 million.

Level of cash reserve back to normal

The policy reversal for interest rates is also seen in the level of the cash reserves which consist of cash in hand and balances held with central banks. Compared to year-end 2021, the cash reserve recorded an outflow of just under EUR 0.6 billion and was EUR 0.8 billion at the end of December.

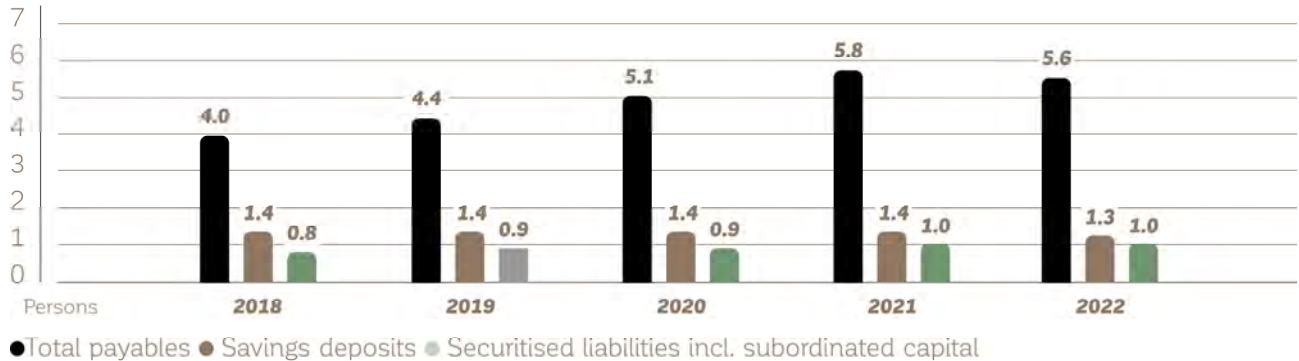
High volume of primary deposits as a stable refinancing base

For many years, we were constantly breaking new records in volumes of primary deposits. This trend ended in the reporting year. Primary deposits decreased slightly by 3.0% versus year-end 2021, and stood at EUR 7.9 billion.

The larger share of receivables from customers are accounted for by sight and term deposits. As at 31 December 2022, this item recorded a slight decrease of 3.9% for the first time in a long time, and was EUR 5.6 billion. A breakdown by customer segment shows that a large share on sight and term deposits (EUR 3.7 billion) are from corporate and business customers, with sight deposits being predominant at EUR 2.8 billion. We saw outflows in both categories as at 31 December 2022.

The second largest item comprises savings deposit volumes, which have been on a decline for many years. This trend continued in 2022. Savings deposits on traditional savings passbooks amounted to EUR 1.3 billion at the close of the year, which is a decline of 6.8%.

Development of primary deposits



Issuance business developing well

Demand for our issues was excellent in the financial year 2022. We are perceived as a reliable and responsible issuer. An indicator is the volume of private placements with institutional investors. In the reporting year, we placed almost EUR 80.0 million with this group of customers.

We also finalised seven issues for the retail market. Securitized liabilities totalled EUR 783.6 million, which is a very satisfactory rise of 7.0% versus year-end 2021. Subordinated capital increased by 9.9% to EUR 264.7 million. Overall, the refinancing structure has shifted towards longer-term commitments, which is a very positive development. For investors seeking sustainable investments, we issued a sustainability bond whose proceeds will be used to build an energy-efficient healthcare centre in St. Pölten.

Increase in consolidated shareholders' equity

Consolidated shareholders' equity rose by a gratifying 4.4% to EUR 1.5 billion on 31 December 2022. Subscribed capital remained unchanged at EUR 85.9 million.

Solid equity base

BKS Bank has a solid capital base, which is an important mainstay for further growth especially in challenging times.

As at 31 December 2022, BKS Bank was required to meet the following minimum capital ratios:

- 5.4% for common equity tier 1 capital (CET1)
- 7.2% for tier 1 capital
- 9.6% for the total capital ratio

On 31 December 2022, the tier 1 capital ratio was 13.6% and the total capital ratio was 17.0%.

Strategy

Our strategic far-sightedness, extreme sense of responsibility and openness to new ideas are the ingredients that have kept BKS Bank on the path to success for the past 100 years.





100 Years of
Accountability and Support

25 of years working with Generali Versicherung AG

Insurance and retirement products are essential to our range of products and services.

But this was not always the case. After starting out as a pure commercial bank, and later on adding retail banking with savings products and retail loans in 1964, a new market opportunity was identified in the late 1980s: Drei-Banken-Lebensversicherungs-Aktiengesellschaft was founded in cooperation with Oberbank and BTV. This made it possible for the first time to also offer customers products for long-term private retirement planning.

Historic milestone

The year 1997 marked another milestone of our company's history: We entered into a cooperation agreement with Drei-Banken-Versicherung-Aktiengesellschaft (DBV), which has since been renamed Drei-Banken-Lebensversicherungs-Aktiengesellschaft, and EA-Generali at the time. The aim was for customers to receive the best banking and insurance products, therefore, DBV acted as a sales partner for Generali products. The figures attained showed that this cooperation was successful and was well-received by customers: By the end of 1998, around 57,000 policies had been sold, and the premium volume was approximately EUR 3 million.

A major milestone in the history of our cooperation was the takeover of DBV's insurance policies by Generali in 2016. This distribution partnership permitted each partner to focus on its core business. Generali's products enable BKS Bank to offer high-quality insurance

services for risk protection and retirement planning. These policies include inheritance and endowment insurance, unit-linked life insurance, pension products, accident and occupational disability insurance, and, since 2021, the highly-sought-after biometric insurance products for corporate customers. It is impossible to imagine BKS Bank's product range without Generali's products; they also play a significant role in the strategy of increasing the share of the fee and commission business in earnings. This is also shown by the dynamic trend: Over the past five years, insurance premium volumes handled by Generali Versicherung with BKS Bank increased from EUR 31 million to EUR 36.1 million. Therefore, the partnership was extended for a further five years in the reporting year.

Sustainability - a common goal

The mutual benefit of the distribution partnership is not the only factor that links Generali Versicherung and BKS Bank. Both companies are strongly committed to sustainability. For example, Generali's greatest success story is the introduction of ESG-only investment funds. These offer customers investment funds as a retirement planning option that invest exclusively in companies that meet strict sustainability criteria. The catalogue of criteria includes specifications for a climate strategy, resource conservation, equality, education, corporate ethics and much more. Furthermore, Generali 3Banken Holding AG has been an important strategic shareholder of BKS Bank for many years.

Corporate strategy

The fundamental strategy of BKS Bank is growth in line with sustainability principles. The strategy has proven valuable, also in 2022 which was a highly challenging year.

Banks have been under enormous competitive pressure for many years. New competitors are entering the market, the price war is fierce and causing margins to narrow, and digitization needs huge investments. The implementation of regulatory requirements is becoming increasingly complex and customer expectations have also changed drastically. This already challenging environment has been compounded by global crises in recent years. Initially, it was necessary to take measures swiftly to ensure delivery of our services to customers during the coronavirus pandemic despite the protracted lockdowns and to help customers maintain liquidity and protect the health of employees.

The vaccine brought some a first relief, and the crisis seemed averted. However, the war of aggression against Ukraine abruptly catapulted us into the next crisis. The consequences of the war such as the energy crisis, high inflation and the slide into recession affects our customers and BKS Bank.

An annual structured strategy process has been established to ensure that we address these challenges in a timely manner and are able to manage the entailing risks and make optimum use of opportunities.

Our corporate strategy has several sub-strategies. The risk strategy, sustainability strategy, and ICT strategy are derived from the business strategy.

Strategic corporate goals

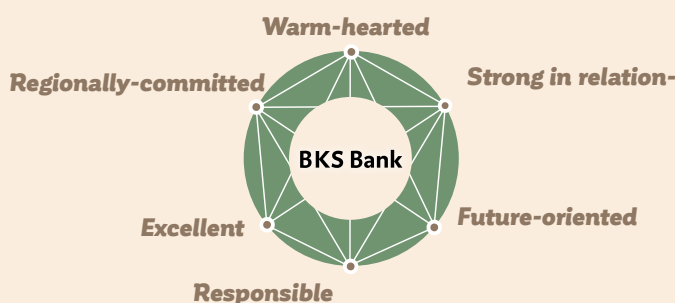


Our brand positioning

As a bank that cares about people and strong regional roots, our aim is to ensure the prosperity of our customers. We offer customers excellent advisory services and

products, and promote networks that foster the values we stand for. Together, we work to shape the future and assure a high quality of life.

A warm-hearted bank for a livable future.



Our values

Future-oriented

We are curious, recognize trends that fit our mission early on, and take advantage of these with a view to future benefits without losing sight of the essentials.

Excellent

We only do what we are really good at, but better than our competitors and exceed expectations.

Warm-hearted

We foster personal relationships and treat our customers as equals: respectfully and with empathy.

Responsible

We are a flagship and multiplier for social responsibility; we work and invest to achieve healthy and long-term growth.

Regionally-committed

We are proud of our origins, we work across regions and contribute to our local communities.

Strong in relationships

We develop employees, customers and partners into real supporters and create networks that foster the values we stand for.

Our Mission

We pursue a self-determined path. We are progressing one step at a time towards the goal of becoming one of the ten most important banks in Austria.

We are a commercial bank, independent and autonomous in our decisions.

Our deep regional roots give us stability and permit us to grow in our regions.

Our employees act responsibly and strive to provide high quality. We offer our employees an attractive workplace and career prospects. We invest in their training and promote a good work-life balance.

Being part of the 3 Banken Group with an equal standing within the alliance gives us the strength of a major bank.

Living sustainably means assuming responsibility for our region and our future.

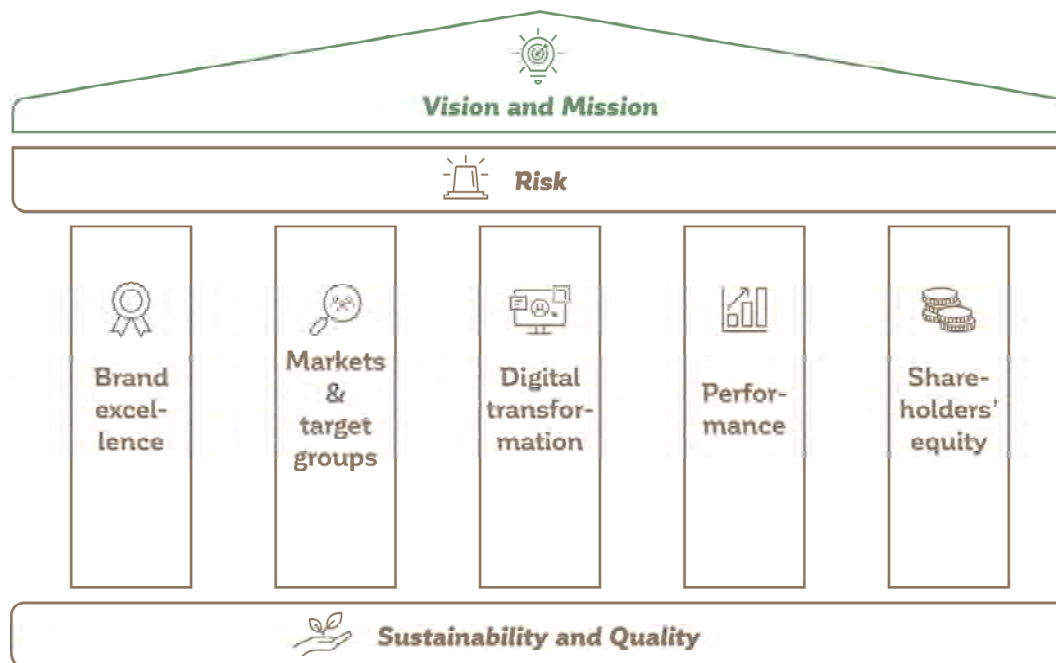
We offer shareholders long-term value appreciation and reasonable annual returns. This makes us appealing to investors and strengthens our capital base.

We take risks only when we are able to master them on our own strength. This keeps us independent and autonomous.

We understand the individual needs of our customers. We are the first choice for discerning customers and combine advisory excellence with modern digital solutions.

GRI 2-23 Statement of Commitment to Principles and Actions

BKS Bank's strategy model



Strategic goals and strategic core indicators as well as a catalogue of strategic initiatives ensure operational implementation. Regular reports on the implementation are prepared both within and outside the company, in particular, for the Supervisory Board.

Our sustainable growth strategy has been the driver of our success for many years, with growth now being achieved less by expanding locations and more by opening up new fields of business. We believe there are new opportunities in two topics of the future: digitization and sustainability. Banks play a key role in the struggle to mitigate climate change – and we will dedicate ourselves to it without compromise. Therefore, BKS Bank joined the Green Finance Alliance in 2022. One of the main aims of this initiative is to align the loan and investment portfolios with the goals of the Paris Climate Agreement. We believe that to secure a

liveable future, we need to focus on the big issues. Therefore, we have included sustainability targets in our key strategic goals.

As shown in the figure above, our corporate strategy may be visualized as a building modelled on a Greek temple. Each of the elements represents a strategic field of action on which we plan to focus in the coming years.

Strategic initiatives 2022

Sustainability and quality

Sustainability and quality are the mainstays of our strategy. Therefore, responsible action is well-established at our company. We are pleased to report that we achieved further milestones in 2022 apart from joining the Green Finance Alliance. These milestones include the certification completed for the product “Natur & Zukunft” account, which was granted the Austrian Ecolabel for Sustainable Financial Products, and the first issue of a sustainability bond. We also achieved satisfactory progress in the implementation of the many diverse requirements of the EU Action Plan (see information as of page 52).

Brand excellence

Strong brands provide consumers with guidance for reaching decisions. BKS

Bank is a strong brand and we work hard to maintain and develop it. One of the measures to strengthen the brand was the anniversary celebration at Stadttheater Klagenfurt. We made parts of our art collection available to the public for viewing at the Stadtgalerie Klagenfurt. Our anniversary products were also highly sought-after.

Markets and target groups

We want to grow one step at a time on our own strength. To achieve this goal, we are making every effort to acquire new customers in all regions, enlarge our market shares and enter new business fields. The focus is on a hybrid sales model. In the reporting year, we worked on the preparations for the opening of the leasing company in Serbia, which opened for business in the first quarter of 2023.

Digital Advantage

Digital offers play a major role when selecting a bank and for customer satisfaction. BKS Bank has always been open to new technologies and applications. At the beginning of the 1970s, our bank owned over 15 magnetic computers produced by Philips. In 1972, a planning group was created to deal with all issues relating to IT and automation. The first applications were set up in the 1980s and briefly afterwards the first ATM went into operation. The first BKS Bank internet banking application was launched in 1999. Already at the time, cybersecurity was highly topical

for us. Our unique security card in Austria guaranteed that online transactions were secure from the very start. Today, BKS Bank offers digital customer portals, apps and smart payment options we are constantly enhancing. In 2020, BKS Bank Connect – the digital bank within the Bank – went live. Private individuals and companies can become customers and open accounts and also enter into vehicle leasing contracts on our website. Residential and consumer loans, investment fund savings plans and savings products have long

since been part of our range of digital offers. These are in high demand. At the end of 2022, our customer portals “MyNet” and “BizzNet” had some 73,600 users and the BKS Bank app over 30,800 users. Despite all the digital progress achieved, BKS Bank is still a bank with branches, and people who are less digitally-inclined can come to a branch for their banking transactions.



Digital transformation

We refer to all initiatives that aim to digitize processes, products and ways of working as part of the digital transformation. Examples of digitization initiatives include equipping the sales department with Yoga Tablets, integrating advanced projects to integrate personal finance management into our digital customer applications, and customer journey administration to identify the individual needs of our customers.

Performance

In this strategy field of action, we deal primarily with projects that address issues relating to improving efficiency and cost optimization. In 2022, the banking systems in use in foreign markets were standardized to the ones used in Austria, and progress was achieved in the digitization of the corporate lending process.

Shareholders' equity

A strong equity base guarantees future growth, increases resilience and secures the independence of BKS Bank. To strengthen equity, we successfully placed subordinated BKS Bank bonds on the market and reinvested profits.

Risk

A key element of our business is knowingly assuming risks. Important in this respect is the early recognition of all relevant banking and operational risks as well as their active management and mitigation by taking effective risk management measures. In the reporting year, the focus was on managing risks from the macropolitical environment and integrating ESG risks into the operational risk management process.

For a more detailed description of our corporate strategy, please refer to the chapter "Corporate Strategy" in the Annual Report.

Risk strategy

Our business policy motto is to secure autonomy and independence by increasing profits within the scope of a sustainable growth strategy. A key element of our business is to specifically assume risks based on the premise of recognizing all relevant risks early that may result from the banking business and banking operations, and to actively manage and mitigate risk through effective risk management. All individual risks are recorded, evaluated and analysed for this purpose. The capital available is used as efficiently as possible taking into account the medium to long-term strategic goals with the risk-to-profit ratio being constantly optimized. A key principle of our risk policy is that we only focus our activities on business areas in which we have the expertise to assess the specific risks.

A solid, company-wide risk culture based on a comprehensive understanding of our risks and founded on our values has been established at our bank. The risk culture is defined at the highest level by the mission statement and the risk strategy as well as the principles of proper business management of BKS Bank. The management board and staff are committed to the key risk policy elements and the corporate values, and their activities are guided by this value system, the defined risk appetite and the existing risk limits in place. BKS Bank promotes awareness of risks in day-to-day business transactions and also encourages critical discourse on these risks.

The risk strategy is updated at least once a year or ad hoc in the event of major changes to the environment. In 2022, such a change was triggered by the Ukraine war and the resultant energy crisis.

Risk Controlling is responsible for updating the risk strategy; final approval is given by the Management Board.

Three lines of defence

BKS Bank is committed to the “three lines of defence” model, which states that risks should be addressed and managed according to the following three stages:

- First line of defence: identify and manage risks confronting the operating divisions
- Second line of defence: identify, measure, and recognize cross-functional risks by risk management units
- Third line of defence: internal audit reviews to ensure that the risk management framework is effective and that defined procedures and policies are being followed.

A central element of risk culture is the integration of individual metrics from the Risk Appetite Framework into the compensation policy. This ensures a risk-adequate assessment of compensation in line with risk appetite. Another important cornerstone of risk culture is the handling of sustainability risks. The management of sustainability risks is done within the individual risk types. Therefore, the risk policy principles for managing sustainability risks and, in particular, climate-related risks refer to the different management levels and risk categories. For a detailed description of how we manage ESG risks and opportunities, please refer to Chapter G - Governance as of page 110. Further information on risk management is disclosed in detail in the risk report of the Annual Report.

Sustainability strategy

At BKS Bank, a structured process has been established for developing a sustainability strategy (see figure on next page). Our values, mission, guiding principles and corporate strategy serve as a basis. The most important aspects in the development of the sustainability strategy are stakeholder engagement, the materiality matrix and international standards and recommendations on sustainable development such as the

- Sustainable Development Goals
- Principles of the UN Global Compact
- Green Deal and "Fit for 55"
- EU Action Plan for Financing Sustainable Growth and the related Regulations and Directives such as the CSRD, the draft CSDD, the FMA Guidelines on Managing Sustainability Risks, and the ECB Guidelines on Climate and Environmental Risks
- Results derived from the CSR ratings for BKS Bank.

The sustainability strategy is usually defined for a period of five years. The last time this was done was in 2020 for the years 2021 to 2025 under the motto "With responsibility into a liveable future". In the reporting year, we reviewed the strategy in detail and adapted it to current requirements. Therefore, we took the following steps:

- Additions to the SDGs we prioritize
- Changes to the materiality matrix
- Realignment of fields of action according to E, S and G

- Partial adaptation of strategic sustainability goals and associated indicators

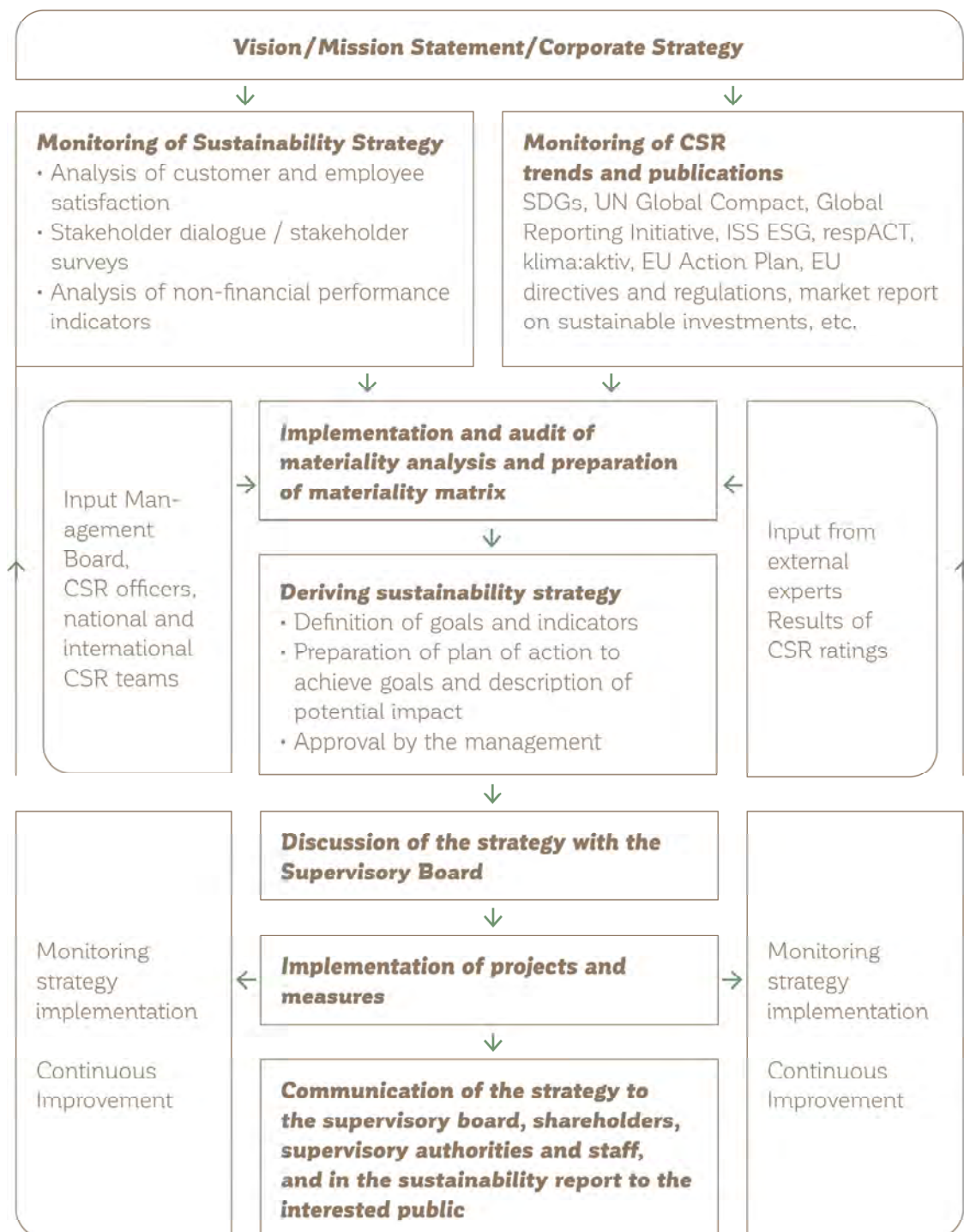
Sustainable Development Goals

In the year 2018, we derived seven goals from the SDGs we intend to focus on as a priority and we have pursued these priorities up to now. The selection was made based on

- whether BKS Bank can actually influence the target,
- an SDG offers opportunities for BKS Bank, and
- this results in a positive impact on society or the environment.

In 2022, we conducted another SDG fitness analysis. In this context, we decided to include SDG 7 and SDG 11 as priorities, as these two Sustainable Development Goals go hand in hand with the new focus we defined for our business and sustainability strategy. Moreover, both play an essential role for achieving the climate neutrality goals of the Green Deal and the Austrian federal government. As a financial institution, our bank can contribute to these two goals through our lending and investment policies. The SDGs are subsequently assigned to our key issues, goals and measures.

Our sustainability strategy process



Relevant SDGs for BKS Bank

SDG	Reasons for the choice
	Poverty remains an issue that is present – albeit often hidden – in all of BKS Bank's market areas and disproportionately affects women, older people, and families with many children. We can alleviate poverty through our retirement, savings and investment products as well as financial education and sponsoring.
	Quality education is a key element for financial security. The professional competence of our employees is a valuable competitive advantage for us. We contribute to quality education by supporting educational institutions and through our education and training programme.
	Austria is still one of the worst performers in Europe in terms of the gender pay gap, and women are significantly underrepresented in management positions. BKS Bank is also working to increase the percentage of women in management positions and to significantly reduce the gender pay gap.
	Europe is currently still heavily dependent on fossil fuels. A successful transformation to renewable energy is critical to achieving the goals of the Green Deal. BKS Bank supports change both within the framework of the environmental impact of operations, and through sustainable financing and investments.
	BKS Bank offers its employees high-quality jobs. We also influence our customers' business policies with our lending guidelines and investment strategies. Our products and investments help to create new capital and contribute to economic growth. Our salary, tax and contribution payments also have a positive impact on development in our regions.
	Our bank is an important partner for companies in our markets. We enable investments in innovation, infrastructure and regional value creation through the loans we grant.
	Access to affordable housing, climate neutrality of cities and municipalities are one of the core elements of SDG 11. Our company can make a contribution to achieving these goals through its product range.
	We contribute extensively to sustainable consumption and production patterns. This makes us a reliable employer for our staff, offering fair incomes and many fringe benefits to ensure a good financial livelihood. On the other hand, the loans we grant and our investments contribute to the sustainable development of the environment and society.
	We achieve climate change mitigation through the environmental impact of our operations. Green loans and sustainable investment products enable our customers to make investments in ecological production processes, renewable energy and sustainable mobility.

Stakeholder engagement

Sharing ideas and views with our stakeholders gives us valuable inputs for the further development of our strategic goals. Stakeholders of BKS Bank are all persons and groups as well as

organisations and institutions which have an economic or social interest in the decisions we take. The following instruments are used in stakeholder engagement:

Media

- Press conferences
- Press releases
- Interviews
- Website
- Events

Supervisory Board

- Supervisory board meetings
- Committee meetings
- Resolutions taken by circular vote
- Annual report, sustainability report, interim reports
- Website

Shareholders

- Annual general meeting
- Annual report, sustainability report, interim reports
- Website
- Disclosures and ad hoc reports regarding shares
- Press releases

Authorities

- Annual report, sustainability report, interim reports
- On-site audits
- Notifications required by law
- Administrative procedures

Interest groups representatives

- Participation in committees and expert groups
- Joint events

Employees

- BKS Bank News
- Employee portal
- Events
- Employee surveys
- Employee magazine
- Code of conduct
- Sharing experiences

Customers

- Consultations and events
- Website
- Social media channels
- Contact for customer satisfaction and feedback

Business partners and suppliers

- Tenders and contract negotiations
- Code of conduct business partners
- Events

NGOs and NPOs

- Answering inquiries
- Memberships in CSR networks
- Social media and website

Stakeholder engagement “My bank of tomorrow”

In 2022, we invited customers, shareholders, interest group representatives, NPOs and employees to an event under the motto “My bank of tomorrow”. A keynote talk addressed the changes in the banking industry as well as current developments in sustainability. Afterwards, a number of issues were discussed:

- How can BKS Bank master the challenges?
- What expectations do you have in a sustainable “bank of the future”.
- Which sustainable products should BKS Bank offer?
- How can BKS Bank help family businesses, older people and the Fridays-for-Future generation master these challenges?

The participants expressed a desire to receive more advisory services on the EU Taxonomy, support for training of young people, financing for more barrier-free installations and a better communication of BKS Bank’s competence with respect to financial aid schemes.

Engagement with customers

In addition to the activities already described to survey customer satisfaction, we also talked to selected customers in the reporting year from the real estate sector on the topic of implementation of the Taxonomy Regulation. The events held on the occasion of our 100th anniversary were also an opportunity to exchange ideas and views with customers and business partners.

Engagement with employees

We invited our employees to workshops also this year to discuss their perceptions of sustainability issues. A workshop was held as part of the “berufund-familie” re-audit. At the workshop, the measures were defined that BKS Bank will implement in the coming three years to improve its organisation as a family-friendly workplace. Our Diversity Officer initiated an LGBTQI Business Group to develop a concept on how to improve gender equality. As a general employee satisfaction survey was conducted in 2021, there was no major survey in the reporting year.

GRI 2-29 Approach to stakeholder engagement

100 years of BKS Bank. The art of sustainable banking

On the occasion of our 100th anniversary, the historians Verena Hahn-Oberthaler, Gerhard Obermüller and Katharina Ziegler produced an academic documentation of the history of our bank. The publication has a special narrative structure. Five thematic strands address the key milestones

and important events of our company's history. These are, for example, the founding period, when it was not at all easy to obtain the desired company name “Bank für Kärnten”; the activities of BKS Bank as a partner for cooperation; the development from a regional bank into an international credit institution, and the eventful location history. The final chapter

is entitled “The Art of Sustainable Banking,” which acknowledges our pioneering role in CSR and our commitment to arts and culture. The publication also features interviews with renowned persons who had a significant influence on the last fifty years of our history and provides insights into the exciting history of the bank.



However, to determine our carbon footprint, we conducted a survey on travel to and from work again.

Materiality analysis

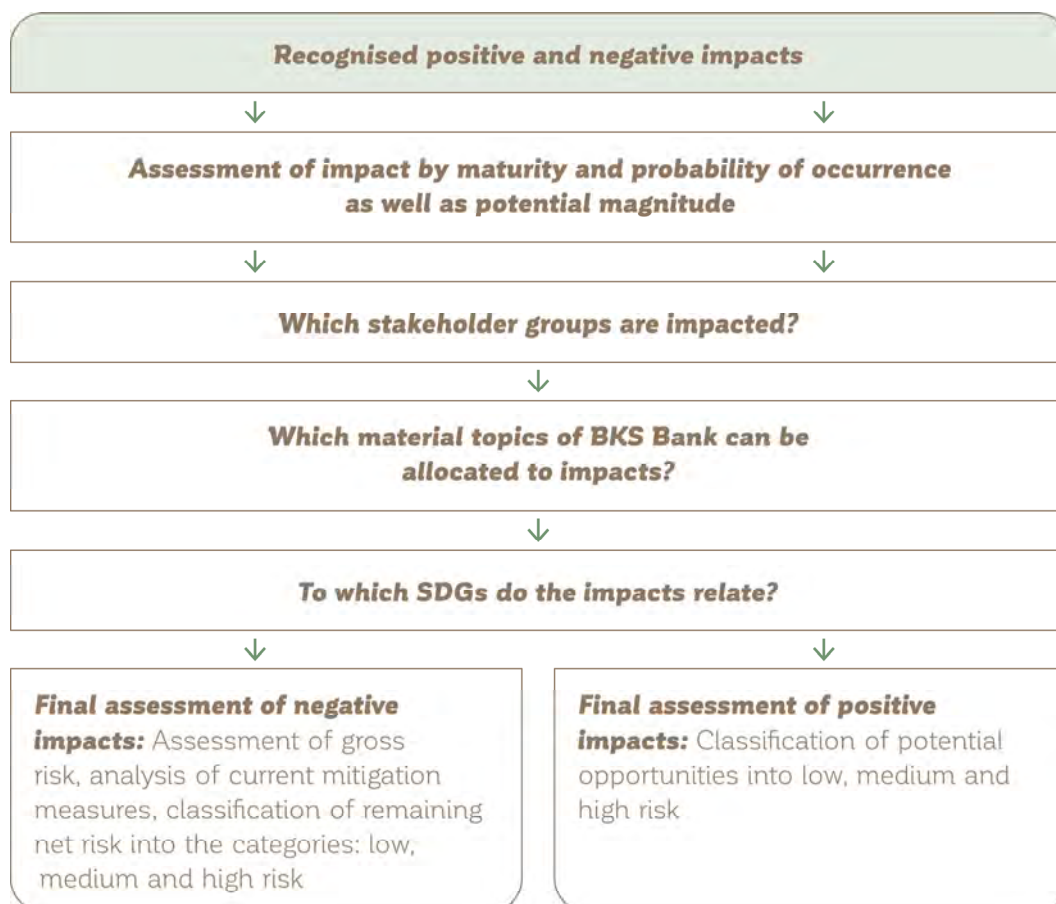
The starting point for the sustainability strategy is the materiality matrix determined in 2020 as part of the strategy process. This is based on the results of several stakeholder engagement events at which the following topics were frequently mentioned by the individual stakeholder groups:

- **Shareholders:** Future-oriented business model, good governance and reputation.

BKS Bank shares as an interesting investment

- **Customers:** Expansion of sustainable offers and digital products, excellent partnership on an equal footing, support for green energy and future technologies
- **Company's boards and officers:** Contribution to poverty reduction and to improving financial literacy, avoidance of greenwashing, promotion of the arts and culture
- **Employees:** Jobs with good training and further education opportunities, flexible working hours and fair pay, work-life balance and secure jobs

Process steps of the impact analysis

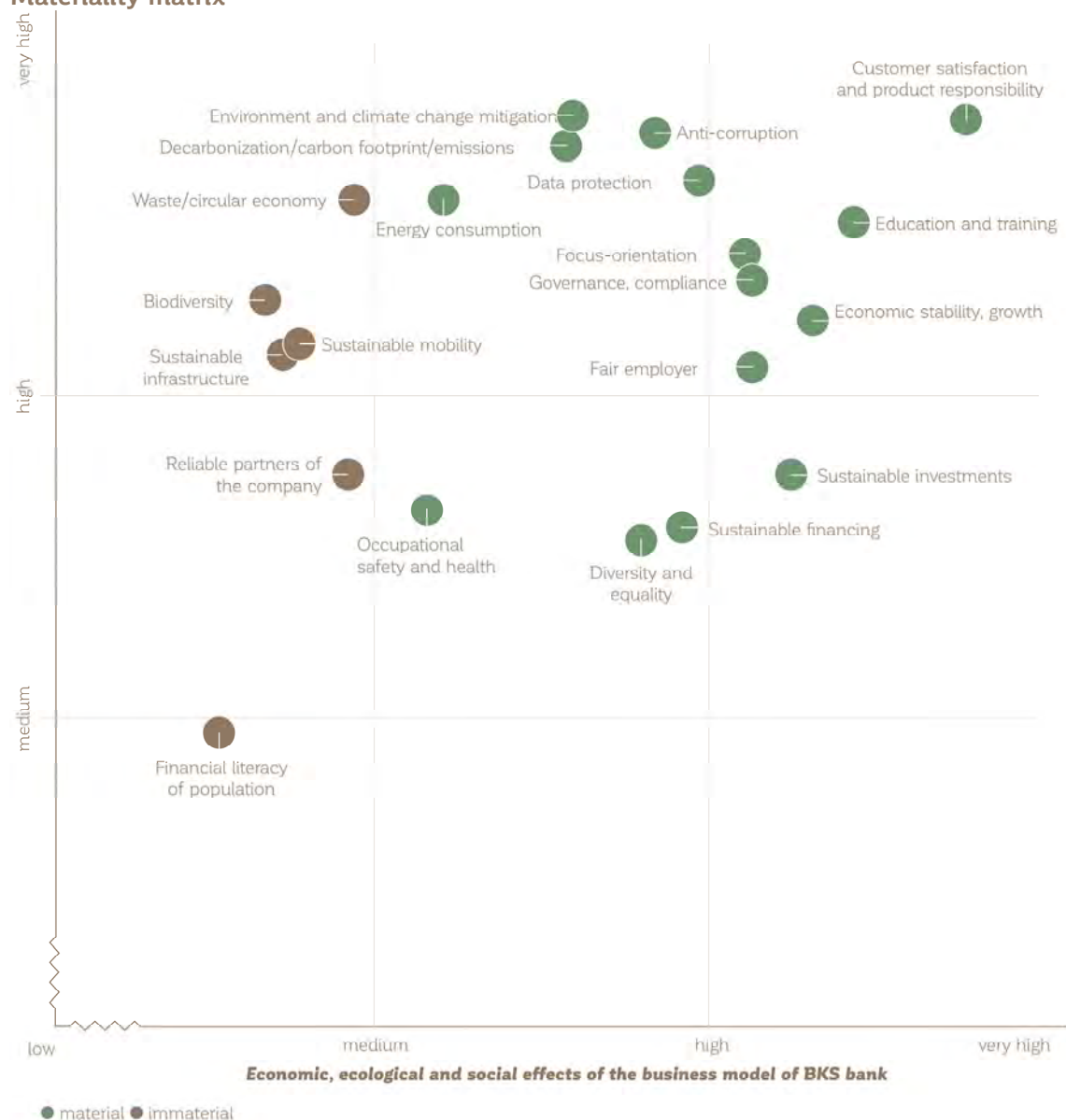


In 2022, a discussion was held with the Management Board on whether the material topics still meet current requirements. In addition, we performed an impact analysis considering dual materiality. Examples of positive and negative impacts recognized are described in the management approaches on pages 48, 76, and 99.

As a result of the analyses, the topics of “sustainable finance”, “sustainable investing” and “diversity and equality” were upgraded with respect to materiality from the perspective of BKS Bank.

We also provide information in this report on some topics not identified as material such as sustainable mobility and green buildings.

Materiality matrix



Explanations on the main topics

Materiality topic, field of action	Explanation	SDG
Occupational health and safety S – Society and Social Engagement	Measures that contribute to occupational safety and health of BKS Bank employees	8, 12
Anti-corruption G - Governance	Measures to prevent bribery	12
Education and training S – Society and Social Engagement	Measures for the further qualification of our employees	1, 4, 5, 8, 12
Compliance, governance G - Governance	Responsible business ethics with a greater customer focus and high standards for compliance, anti-corruption, prevention of money laundering and data protection	4, 5, 8, 12
Data protection G - Governance	Measures to ensure data security and data protection	8, 12
Diversity and equality S – Society and Social Engagement	Promoting diversity and equal opportunity for employees and society, especially avoidance of age discrimination	1, 4, 5, 8, 12
Energy consumption E - Environment and climate change mitigation	Measures to improve energy efficiency at BKS Bank and throughout our value chain	7, 9, 11, 12, 13
Fair employer S – Society and Social Engagement	Employer behaviour of BKS Bank (job security, social benefits, fair income ...)	1, 4, 5, 8, 12
Climate neutrality E - Environment and climate change mitigation	Measures to reduce pollutant emissions released into the environment, with a particular focus on phasing out fossil fuels	7, 9, 11, 12, 13
Customer satisfaction and product responsibility G - Governance	Responsible customer approach and product design as well as excellent consulting resulting in high customer satisfaction	1, 7, 8, 9, 11, 12, 13
Sustainable financing E - Environment and climate change mitigation S – Society and Social Engagement	Sustainable lending and leasing products for our customers	1, 7, 8, 9, 11, 12, 13
Sustainable investments E - Environment and climate change mitigation S – Society and Social Engagement	Offer sustainable investment and retirement products to customers	1, 7, 8, 9, 11, 12, 13
Environment and climate change mitigation E - Environment and climate change mitigation	Measures that contribute to combating climate change and preserving biodiversity	7, 9, 11, 12, 13
Economic stability, growth G - Governance	Measures to ensure that BKS Bank is profitable and productive, achieves solid results regularly, and is able to grow on its own strength, thus making it a stable partner for the business sector	1, 8, 9, 11
Focus on the future G - Governance	Secure BKS Bank's high level of innovation and successful digital transformation	4, 8, 9, 12, 13

Strategic sustainability goals

We defined strategic sustainability goals in 2020 to measure the success of our sustainability strategy and track our progress. The goals are based on indicators and the aim is to achieve them by 2025. The base value for the comparison is the year-end value of 2019. We present the attainment of our goals in the section "Key performance indicators of the sustainability strategy" on pages 128 and 129.

GRI 3-3 Management of key topics

TCFD, metrics and targets, recommended disclosures a)

TCFD, metrics and targets, recommended disclosures b)

TCFD, metrics and targets, recommended disclosures c)

Good governance is part of our daily operations

BKS Bank is committed to the principles of good and responsible corporate governance and to the Austrian Code of Corporate Governance. We strive to comply with all laws, rules and regulations, and meet new requirements in time.

The goal contributes

- to SDG 12
- is derived from the key topics of compliance and governance, anti-corruption and data protection
- Indicators for goal attainment:
 - No relevant fines have been imposed on BKS Bank by supervisory authorities
 - No substantiated complaints filed with data protection authorities



We are Austria's most sustainable bank

We aim to strengthen our number one position in sustainability

- Field of action: G - Governance
- Contributes to SDG: 1, 4, 5, 7, 8, 9, 11, 12, 13
- Derived from all key topics
- Indicators for goal attainment:
 - Best-in-class in sustainability: ISS ESG Prime Status, VONIX Index membership, EMAS certification, Green Brand

We understand sustainability as an innovation driver for sustainable banking products

Our goal is to expand the share of sustainable products and fully exploit their innovation potential.

- Field of action: E – Environment and climate change mitigation, S – Society and Social Engagement
- Contributes to SDG: 7, 8, 9, 11, 12, 13
- Derived from the key topics: "Climate neutrality", "Sustainable lending", "Sustainable investment", "Future-oriented"
- Indicators for goal attainment:
 - Share of sustainable products in total assets is 15%
 - The volume of new loans for sustainable finance is EUR 200 million per year

The share of ESG investment components in asset management increases to over 30%

We work and invest to achieve healthy and long-term growth

We pursue a responsible growth strategy and as a reliable banking partner, we contribute to the sustainable development of our region.

- Field of action: G - Governance
- Contributes to SDG: 7, 8, 9, 11, 12, 13
- Derived from the key topics: "Economic stability and growth", "Future-oriented"
- Indicators for goal attainment:
 - Lending growth of 4% to 5% per year
 - Increase in number of customers by 2% per year

We value our employees and are proud of them

Our employees are the backbone of our success. We work to attract the most talented people for our bank and aim for high employee satisfaction.

- Field of action: S – Society and Social Engagement
- Contributes to SDG: 4, 5, 8, 12
- Derived from the key topics: "Occupational Safety and Health," "Training and further education," "Diversity and equality," "Fair employer"
- Indicators for goal attainment:
 - Employee survey: overall satisfaction is at least 1.9
 - Share of women in management positions rose to 35%
 - At least 25% of employees participate annually in the company health promotion programme
 - The gender pay gap has been reduced to 12%

Our employees are multipliers for sustainability and social responsibility

Our employees are important for promoting the sustainability activities of BKS Bank and supporting the transition to responsible business practices.

- Field of action: Employees
- Contributes to SDG: 1, 4, 5
- Derived from the key topic: "Diversity and equality"
- Indicators for goal attainment:
 - At least 10% of all employees participate in corporate volunteering annually
 - By 2025, 80% of our employees will have completed at least one CSR training course
 - 90% of our employees have completed at least one CSR training course

We contribute to equal opportunity in society

The tailored products for different target groups and activities to improve financial literacy is how we contribute to increasing prosperity in the population and reducing social inequality, especially age discrimination.

- Field of action: S – Society and Social Engagement
- Contributes to SDG: 1, 4, 5, 11
- Derived from the key topics: "Economic stability and growth", "Diversity and equality", "Environment and climate change mitigation"
- Indicators for goal attainment:
 - We implement at least five measures annually to promote financial literacy



We are members of ESG networks

Together we can achieve more – therefore, we talk and share views with others and promote the idea of sustainability.

- Field of action: S – Society and Social Engagement
- Contributes to SDG: 1, 12, 13
- Derived from the key topics: "Economic stability and growth", "Diversity and equality", "Environment and climate change mitigation", "Climate neutrality"
- Indicators for goal attainment:
 - Membership in the UN Global Compact, respACT – austrian business council for sustainable development, Verantwortung zeigen!

We aim for climate neutrality

As a member of the Green Finance Alliance, we will align our credit and investment portfolio to the climate goals of the Paris Climate Agreement by 2050.

- Field of action: E - Environment and climate change mitigation
- Contributes to SDG: 7, 11, 12, 13
- Derived from the key topics: "Climate neutrality", "energy consumption", "environment and climate change mitigation"
- Indicators for goal attainment:
 - We will reduce our carbon footprint per employee by 2025 to 2.0 t CO₂ equivalents
 - Total energy consumption decreases to 7.2 GWh by 2025

We develop our properties into green buildings

Our sustainable building strategy contributes to the reduction of energy consumption and carbon emissions.

- Field of action: E - Environment and climate change mitigation
- Contributes to SDG: 7, 9, 12, 13
- Derived from the key topics: "Climate neutrality", "Energy consumption", "Environment and climate change mitigation"
- Indicators on goal attainment:
 - At least five green building activities per year
 - Our new buildings conform to the EU Taxonomy

Strategic adaptations

Fields of action E, S, G

Our sustainability strategy had been divided into five fields of action. We have restructured these into three fields of action. These are

- **E - Environment and climate change mitigation**

Under this topic, we subsume all activities and products that contribute to the protection of the environment, in particular, those suitable for mitigating climate change.

- **S – Society and social engagement**

This field of action includes our CSR measures for employees and society as well as our products and services, which contribute to ameliorating social problems.

- **G - Governance**

Activities in this area include the further development of our sustainability strategy and monitoring its progress, good governance measures, tighter compliance, measures to prevent corruption and money laundering. The focus is also on compliance with current and new ESG regulatory requirements.

Stronger focus on social matters

Driven by the strong focus on the environment by the media and regulatory bodies, many financial institutions are now concentrating on expanding environmental management and offering environmentally-sustainable products. We view this trend as an opportunity to pay more attention to people, and therefore, to the social aspects of ESG. We aim to contribute in this way to fair social change and the prevention of discrimination. We plan to increasingly address target groups

that feel left behind by the changes in society or who want to contribute to sustainable change. Examples of such groups would be older people and the Fridays-for-Future generation. We believe there is an enormous potential to benefit from this trend by developing new, innovative products and also by offering excellent advisory services. In 2023, we will work intensely on our positioning in this respect.

On the way to climate neutrality with the Green Finance Alliance

As a member of the Green Finance Alliance, we are committed to achieving climate neutrality in our loan and investment portfolio by 2050. Therefore, we developed a climate action strategy and defined the main points such as the period for phasing-out transactions with coal, oil, natural gas and nuclear power (see page 51).

New governance goals

BKS Bank has always aimed for high standards in governance. Therefore, a new motto of our sustainability strategy is “Good governance is part of our daily work”. In this field of action, we are also pursuing implementation of the requirements of the EU Action Plan for Financing Sustainable Growth. Far-reaching changes are also expected in supply chain management, which has thus far played only a minor role for financial institutions. Moreover, sustainability-linked compensation and a high degree of diversity on governing bodies are also important to us.

The goal pursued to date “We use digital solutions for sustainable business routines” is no longer part of our ESG strategy. The digital transformation is a key objective of the business strategy and part of day-to-day operations.

We are excellent

We are pioneers in sustainability and proud of this fact; since 2015 we have been rated C+ “Prime” by ISS ESG and thus rank among the best banks globally.

In 2022, BKS Bank received several awards and completed certifications that serve as proof of our engagement for sustainability.

- We received the Sustainability Award of the Vienna Stock Exchange for a second time in a row.
- BKS Bank’s ordinary shares were included in **the sustainability index of the Vienna Stock Exchange, VÖNIX, for the seventh year.**
- **The magazine “Der Börsianer” designated BKS Bank “Austria’s Most Sustainable Bank” for a third time.**
- **Our Sustainability Report received the ASRA** (Austrian Sustainability Reporting Award) in the category “Capital Market-oriented Companies – Financial Services” – for a second consecutive time.
- **Our “Natur & Zukunft” account was conferred the Austrian Ecolabel for Sustainable Financial Products.**
- BKS Bank was granted the **EU “Green Brand”** warranty mark.
- **EMAS recertification** completed
- Audit Certificate **“berufundfamilie”** obtained for the fifth time in a row
- Certification as a **family-friendly company** in Slovenia
- Designated **“family-friendliest large company in Carinthia”** by “Frau in der Wirtschaft” Carinthia
- Quality label for workplace health promotion **received again**
- **Recommender Award** for outstanding customer orientation and high recommendation rate assigned by customers
- **Winner:** First place for excellent **retirement planning advisory services** (mystery test conducted by “trend” magazine and ÖGVS – Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies))



E - Envi- ronment and climate change mit-

Our membership in the Green Finance Alliance highlights our commitment to climate change mitigation efforts.



100 Years of
Accountability and Support

Carbon capture – a real solution or an illusion?

Carbon capture and storage (CCS) is a trending topic among startups and investors. According to the Stratview Research Study¹, the market for CCS will grow to around USD 5 billion by 2028. Rystad Energy² estimates that by 2030 the costs of such projects will range from USD 75 to USD 100 per ton of carbon emitted. This means that the total market value of the sector would reach USD 55 billion annually by 2030. This is a considerable sum, but what is this actually about?

Simply put, this involves storing carbon dioxide in the ground. Technology solutions are used to capture CO₂ from the air or directly, for example from fossil fuel power plants and industrial facilities, and then store it underground. Possible storage sites include saline aquifers or depleted gas and oil reservoirs. The use of CCS could therefore make a significant contribution to achieving climate targets. To achieve climate neutrality in Austria, a look at the "Langfriststrategie 2050 – Österreich"³ (Long-Term Strategy 2050 – Austria) shows that these technologies will probably also have to be used to achieve the ambitious goal of climate neutrality. The four paths to this goal drawn up by the Umweltbundesamt (Federal Environment Agency) all include the use of CCS with the exception of path D. In fact, ultimately only the very ambitious and barely attainable target path D is feasible, because in Austria, the geological storage of carbon dioxide is currently banned⁴.

The Austrian legislator justifies this ban by stating that neither the contribution to climate change mitigation is possible using CCS nor the dangers and environmental impacts associated with CCS can be reliably assessed at present.⁵ Therefore, it would not work without CCS, but this method is actually currently banned. Not an easy situation. If Austria's government does in fact want to use the CCS method, it will have to make the corresponding amendments to legislation.

The topic of CCS is also the subject of controversial international debate, as recently seen at COP27. Primarily oil-producing countries are integrating CCS as a key element into their climate strategies. The world's largest oil company, Saudi Aramco, is building the world's largest CO₂ storage facility⁶. Similarly, subsidizing CCS projects is high on the agenda of many states. The biggest players in the CCS market are from the energy and oil sectors. It is therefore hardly surprising that there is increasing concern that the companies will continue working with unchanged production models instead of working on emissions-reducing measures.

¹ See <https://www.globenewswire.com/news-release/2022/11/14/2554508/0/en/Carbon-Capture-and-Storage-Market-is-Projected-to-Reach-US-5-04-Billion-in-2028.html>

² See <https://www.rystadenergy.com/news/carbon-capture-capacity-poised-to-surge-more-than-10-times-by-2030-but-aggressive>

³ See https://www.bmk.gv.at/themen/klima_umwelt/klimaschutz/aktives-handeln/lts2050.html

⁴ See <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20007616>

⁵ See https://www.parlament.gv.at/PAKT/VHG/XXIV/I/I_01387/fname_229114.pdf

⁶ See <https://www.greeninitiatives.gov.sa/news-and-announcements/saudi-arabia-accelerates-climate-action-by-2030-278-mtpa-emissions-to-be-reduced-over-600-million-trees-planted-and-30-of-the-country-s-land-and-sea-protected/>

This criticism of CCS technology is probably not entirely unjustified. The German Umweltbundesamt (Environment Agency), for example, believes there is risk of damage to groundwater, soils and surface waters in the event of leakage. Furthermore, the above-ground facilities and the required transportation to the storage sites may also have negative impacts on flora and fauna. Therefore, according to Germany's Umweltbundesamt, constant monitoring is a requirement for the use of CCS technology – but precisely this is not currently available. On the contrary, there is still a considerable amount of research that needs to be done in this area.

Despite all the pros and cons regarding CCS technology, one thing is undisputed. Even if CCS technology could make a contribution to achieving the climate goals, it cannot be a *carte blanche* to carry on as up to now. Avoiding carbon

dioxide emissions should remain a top priority.

Adequate attention must also be paid to natural carbon sinks such as forests. If the focus is not on the additional absorption of CO₂ from the air, but on storage, peatlands also make a good contribution. Peatlands store large amounts of carbon, but it can still escape due to climate change as well as to peatland drainage. The renaturation of peatlands should therefore always be part of the discussion of climate goal attainment. According to the German Helmholtz Institut¹, rewetted peatlands can once again sequester carbon, although true "renaturation" will usually not succeed. However, rewetting may lay the foundation for the emergence of new types of ecosystems on old peatlands. Therefore, this would not only make a valuable contribution to climate change mitigation, but also to the preservation of biodiversity.

¹ See <https://helmholtz-klima.de/aktuelles/fakten-moore-klima>

E – Environment and climate change mitigation

BKS Bank wants to make a tangible contribution to environmental protection and climate change mitigation. This field of action therefore also plays a central role in our sustainability strategy. The following topics are considered essential in this context:

- Sustainable finance
- Sustainable investment
- Energy consumption
- Climate neutrality
- Environment and climate change mitigation

The table further below presents the positive and negative impacts associated with this field of action.

Green products on the agenda

Since banks can have a significant steering effect on the business of other sectors through their lending and investment products, they play a key role in climate change mitigation. BKS Bank has been offering environmentally sustainable products since 2013. Ever since, we have been successively expanding our range of offers, and today, we can offer our customers at least one green alternative in all key product segments.

The development of ecologically sustainable products – new and current – is the responsibility of the following departments: Investment and Retirement Planning, Finance and Investment, and Payment Services and Transfers. Customer satisfaction surveys and systematically evaluated feedback given through online contact forms as well as

regular stakeholder engagement events ensure that customer expectations are taken into account in product development. Every environmentally sustainable product is subject to a standardized launching process. External confirmation of sustainability in the form of certificates such as the Austrian Ecolabel for Sustainable Financial Products or second party opinions provide customers with additional security. Sales Controlling monitors the development of volumes and reports these to the Management Board on a monthly basis.

Climate neutrality goal

We aim for climate neutrality over the long term and joined the Green Finance Alliance in 2022. The goal is for our investment and loan portfolio to be climate-neutral by 2050. Decarbonization activities regarding products are the responsibility of the respective competent department.

We have been calculating the carbon footprint for our own activities since 2012. In this case, our target is achieve a reduction to 0.85 t CO₂ equivalents per employee by 2025. However, since we know that the share of emissions caused indirectly by our product portfolio is much higher, we decided to calculate the financed emissions in accordance with the standards of the Partnership for Carbon Accounting Financials. Part of the CO₂ emissions caused by our product portfolios are published in this report. In 2023, we will define science-based targets to guide us more precisely on the path to climate neutrality.

Examples of impacts identified for the main topics of this field of action

<i>Inside-out perspective</i>	<i>Outside-in perspective</i>	<i>Examples of opportunities identified or mitigation measures implemented</i>
Positive impacts		
Positive contribution to climate change mitigation by phasing out finance and investments in coal, oil and natural gas	Rising demand for environmentally sustainable infrastructure raises demand for green bonds	Positive image as climate action pioneer, wide range sustainable investment products
Positive effects on the climate due to reduction of financed emissions	Increased demand for photovoltaic systems with related loans due to war in Ukraine and the Green Deal	Companies with lower CO ₂ dependence will be less affected by climate change risks, green loans offered in three market areas
Refurbishment of BKS Bank buildings lowers CO ₂ emissions and energy consumption	Growing environmental awareness of the population has increased interest in the Natur & Zukunft account	Higher market value of Taxonomy-compliant real estate, revenue growth driven by increase in accounts
Negative impacts		
Occurrence of potential environmental damage caused by plants funded by BKS Bank	CO ₂ pricing reduces profitability of our customers	Exclusion criteria, analyses of our credit portfolios with regard to CO ₂ sensitivity
Potential environmental damage along the procurement supply chain	Possible rezoning of building land to grassland could reduce value of collateral	Procurement guidelines that define minimum ecological requirements, consideration of ESG factors in property appraisals in the case of collateral
Infringements of environmental laws could damage reputation of BKS Bank	Extreme weather events may damage the critical infrastructure of BKS Bank	Contingency plans in business continuity management, legal register

Environmental Management System EMAS

EMAS has been implemented at BKS Bank since 2019. It is the foundation for the continuous development of our efforts regarding the environmental impact of our operations. A dedicated environmental team under the leadership of the Environmental Officer drafts an annual programme of measures based on the auditors' assessment reports, with the Management Board being regularly

informed of progress. In addition to the external assessment, the Environmental Officer conducts audits of central departments, main offices and branches for compliance with the EMAS guidelines in a three-year cycle.

Fit for the Green Deal

The Green Deal creates extensive changes for companies in general, and specifically for credit institutions. We are well prepared to successfully accompany our customers on the path to climate neutrality.

Green Finance Alliance

In May 2022, BKS Bank, along with eight other financial companies, founded the Green Finance Alliance. The Green Finance Alliance (GFA) is one of the world's first government initiatives to require financial companies to voluntarily commit to the Paris climate goals and also to meet specific criteria in their core business that have positive impacts on the climate. The following five goals have been defined for the core business of members:

- Portfolios are aligned with the 1.5 C target of the Paris Climate Agreement
- Greenhouse gas neutral portfolios by 2050
- Expansion of green activities in core business
- Actively manage climate risks and promote resilience to climate change impacts
- Promote good climate governance

As a member, we are committed to achieving climate neutrality in our portfolios as well as in our business operations. To this end, we must establish clear CO₂ reporting. While we are already well positioned with respect to operations, we are working intensely to improve the data quality of our loan and investment portfolios. Sound data management is the foundation for developing the decarbonization targets required. However,

this also means that we will increasingly need information about the carbon footprint of our customers, especially with respect to loans. It is clear that we can only go forward in this endeavour together with our customers. The decarbonization of their business models is reflected in the loan portfolio.

The decarbonization process can be encouraged through activities to engage with customers. The engagement strategy called for by the Green Finance Alliance creates the foundation required for this. A study on the contribution of Austria's industrial sector towards climate neutrality¹ revealed that the volume of investments required may be up to EUR 11.2 billion until 2040. It should be noted, however, that this refers only to direct investment costs and excludes personnel and organizational costs. In this context, it is a matter of course for us to stand by our customers from the industrial sector and provide support as a strong financial partner.

The climate strategy of the Green Finance Alliance provides a comprehensive overview of how the gradual phasing-out of CO₂ can take place in the carbon-intensive industries. For example, there are clear phasing-out targets for coal, oil and natural gas.

Furthermore, members also demand the exit from nuclear power, even though this step does not directly contribute to the climate-related targets of the Green Finance Alliance. The reason given for this demand is to prevent the phasing-out of fossil fuels to have the effect of encouraging an expansion of nuclear power.

¹ See https://www.bmvit.gv.at/dam/bmvitvat/content/themen/klima/gruene-industriepolitik/Begleitstudie_Endbericht.pdf

Planned phasing-out of coal, oil, natural gas¹

Year	Coal	Oil	Natural gas
31/12/2022	No new business with companies that generate more than 5% of their sales from activities in the coal sector and no new loans or investments dedicated to the expansion of coal infrastructure. Introduction of guidelines including interim targets	No new investments or loans dedicated to new unconventional petroleum projects that aim at expanding the petroleum infrastructure. Introduction of guidelines including five-year interim targets for the phasing-out planned	
31/12/2023	Start of annual progress reporting	Start of annual progress reporting	
31/12/2024		No new investments or loans dedicated to new conventional petroleum projects that aim at expanding the petroleum infrastructure. Introduction of guidelines including five-year interim targets for the planned phasing-out	Introduction of guidelines that include details for five-year interim milestones for the planned phasing-out
31/12/2025			No new investments in companies or loans for companies that generate more than 30% of sales from natural gas activities or invest in new projects to expand natural gas infrastructure
31/12/2026			Start of annual progress reporting
31/12/2030	Exit from all portfolio positions in companies that generate more than 5% of sales from activities in the coal sector and from all coal projects	Exit from all portfolio positions in companies that generate more than 5% of sales from petroleum activities as well as from all petroleum projects	
21/12/2035			Exit from all portfolio positions in companies that generate more than 5% of sales from natural gas activities as well as from all natural gas projects

¹ In the case of BKS Bank, the stated exit activities relate to the investment and loan portfolios. The detailed phasing-out schedules that BKS Bank plans to meet are described in the Green Finance Alliance Handbook Version 2.0 (author: Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), pages 42, 44 and 47). The manual also defines exceptions about the transactions BKS Bank may enter into in this category that may apply under certain conditions .

Moreover, annual reporting ensures the necessary transparency and provides the various stakeholders with a good overview of the progress made by individual members.

The requirements for members also apply to business operations, of course. Among other things, the introduction of an EMAS environmental management system is required. As sustainability is clearly part of our business strategy, we rolled out EMAS already in 2019. Nonetheless, we always strive to develop further and the exchange with other Green Finance Alliance members is a valuable activity. Another benefit of membership is the expert support provided by the Ministry for Climate Action and, in particular, by the Umweltbundesamt (Federal Environment Agency). In the first year, the criteria for implementation and the monitoring process were discussed in detail at all-day workshops and in bilateral expert discussions. Furthermore, the in-depth expert presentations on the PACTA (Paris Agreement Capital Transition Assessment) method and the SBTi Standard (standard developed by the Science-based Targets Initiative) also provided valuable inputs for the implementation of the first measures.

A review of the first year shows that the implementation of the required measures is not an easy job, and the valuable inputs and the exchange with Alliance members and representatives of BMK and Umweltbundesamt are very supportive.

Progress of the EU Action Plan

The EU Action Plan for Financing Sustainable Growth includes the following objectives:

- Introduction of a Taxonomy to establish a classification system and clarify what may be considered environmentally sustainable. This is also entails new disclosure requirements and indicators.
- Definition of the green asset ratio as a core ratio for financial institutions
- Increase transparency of sustainable investments
- Embedding sustainability risks into the risk management for banks
- Improvements in sustainability reporting by expanding the user group and the standardization of the information reported
- Implementation of sustainability due diligence along the supply chain

The requirements arising from the numerous new regulations affect almost our entire core business and are addressed in an implementation project that started in 2019.

Taxonomy Regulation

The share of Taxonomy-eligible risk positions are disclosed in this report for the second time as of page 139. Based on the indicator "Taxonomy-eligible revenues" the share of our business partners was 17.3%, and on the basis of "Taxonomy-eligible capital expenditure" it was 17.4%. We plan to disclose the green asset ratio in accordance with Article 8 of the Taxonomy Regulation for the financial year 2023. For this purpose, we will use the "Climcycle" tool developed by KPMG. Another module of this software is used in the area of ESG risk scoring at the individual customer and portfolio level.

Disclosure Regulation and MiFID II

In the investment business, there were several milestones to be reached in 2022 in the implementation of the new disclosure requirements.

The survey of sustainability preferences pursuant to MiFID II was integrated into our advisory process in Austria and Slovenia in time. Customers respond to standardized questions on their sustainability preferences. Apart from adaptations to our IT solutions, training courses for our employees were an integral part of the implementation project. We also expanded our fund recommendation list to include information on what type of sustainability preference the product corresponds to. We believe the survey of sustainability preferences is an opportunity to increase demand for ESG investments. Since its implementation, 43.6% of Austrian customers surveyed opted for sustainable investments.

With respect to the Sustainable Finance Disclosure Regulation (SFDR), enhanced disclosure requirements for products marketed with environmental or social features ("Article 8 Products") or that pursue the goal of sustainable investment ("Article 9 Products") came into force at the end of the year. To render sustainable investment products easier to compare for investors, the information is presented using standardized EU templates. The "BKS Portfolio-Strategie nachhaltig" portfolio in Austria and "BKS Trajnostnost" in Slovenia are Article 8 products and were therefore affected by the changes. The EU templates have been

used in advisory services since January 2023. The declaration of suitability and the participation policy were also adapted. The documents relating to our products which do not pursue a sustainable strategy have been supplemented with the regulatory information required. The company's first Principal Adverse Impact Statement will be published by 30 June 2023.

Risk Management

As described in the section "ESG risks and opportunities", risk controlling is continuously improving the analytical methods used to identify ESG risks and associated potential financial losses.

In 2022, we also dealt with the integration of energy indicators into our collateral management. Currently, energy efficiency plays only a minor role for the value of collateral, but it may be assumed that Taxonomy compliance will become much more important. Additionally, we are working to close the data gaps that still make it difficult for us to calculate financed emissions for real estate loans.

CSRD and CSDD

In 2022, we closely followed developments and publications relating to the new Sustainability Reporting Directive and sustainability requirements for companies. We will start implementing the requirements in 2023, as we expect the implementation of both directives will involve extensive preparatory work.

Our green products

The path to climate neutrality for BKS Bank and the expansion of renewable energy creates numerous market opportunities. Throughout the EU, around EUR 350 billion per year will be invested to achieve the climate and energy goals.

For Austria, the Umweltbundesamt (Federal Environment Agency¹) calculated the additional investment required for the sectors of industry, energy, buildings and transport at an average of EUR 145 billion until 2030. By offering sustainable finance and investment products, our bank can contribute to the implementation of these investments.

















Green finance

We understand green finance to mean loans with an intended use for an environmentally sustainable investment. We check whether this is the true when granting new loans. A catalogue of criteria

drawn up by BKS Bank was used for this purpose until the end of 2022. In the reporting year, the catalogue was developed into a Sustainable Finance Framework to support the issuance of green, social and sustainability bonds. Moreover, the aim is to guarantee that the deposits on our Natur & Zukunft accounts are used exclusively for ecologically-sustainable financing.

Part of this new framework is the sustainable finance pool. This pool covers loans to companies and investments in companies, assets and projects with a positive environmental and/or social impact or that help to alleviate social problems or support the transition to a clean, energy-efficient and environmentally-sustainable economy. Loans that can be allocated to the pool must meet the requirements set out in the Sustainable Finance Framework.

Examples of environmentally sustainable purposes of loans

Contribution to prioritized SDG				
Ecologically sustainable				
Renewable energy: solar, wind and hydroelectric power plants, biomass plants Improve energy efficiency				
Sustainable mobility: e-vehicles and hybrid vehicles Alternative fuels Public transport				
Circular economy: recycling and reuse Waste prevention Waste separation				
Preservation of biodiversity: Renaturation/ecological restoration projects Sustainable agriculture and forestry Protection of oceans and seas				

¹See Michael Miess, Natalie Glass, Analyse des Investitionspotenzials bis 2030 auf dem Weg zur Klimaneutralität. Focal Group Green Finance, BMK & BMF; 15 September 2022

We have defined the following types of financing as green loan categories: loans for energy-efficient buildings, loans for the expansion of renewable energy sources and for sustainable mobility. Clear eligibility criteria have been defined to assess whether the loans can be classified as belonging to the Sustainable Finance Pool.

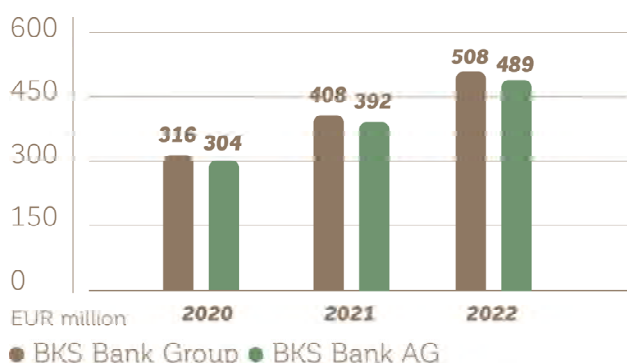
In Slovenia and Croatia, one of our offers to customers is always a green loan. In Slovenia, the green loan criteria were revised and aligned more closely with the EU Taxonomy. When redesigning the product, the green loan was removed from the offering. For this reason, we reported a decline in total volume in this area for the first time to EUR 26.9 million.

The news on green loans in Croatia is more pleasing. This loan was launched on the market in 2021 and focuses on environmentally-sustainable investments by private individuals. The volume on the loan portfolio increased by 23.5%.

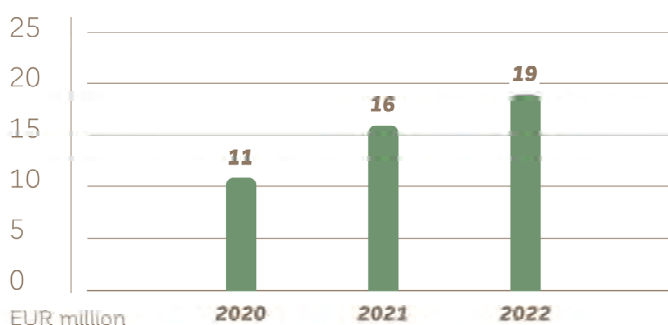
Of EUR 924.7 million in sustainable finance, EUR 507.6 million are classified as green loans. In the reporting year, we achieved a volume¹ of new loans of EUR 147.7 million in environmentally-sustainable finance. Green loans are very much in demand by corporate customers to implement green technologies and achieve the transition to a low-carbon economy. We also recorded growth in green leasing products again.

In addition to sustainable loans defined on the basis of our criteria, our loan portfolio includes ESG-linked borrower's notes in an amount of EUR 38.5 million. This tool is used by many customers for the transformation under the Green Deal and also to improve social production factors.

Environmentally sustainable loans

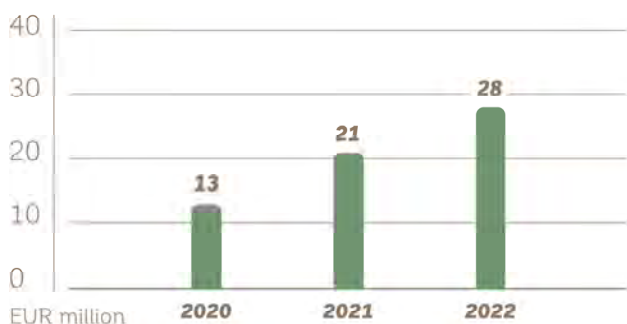
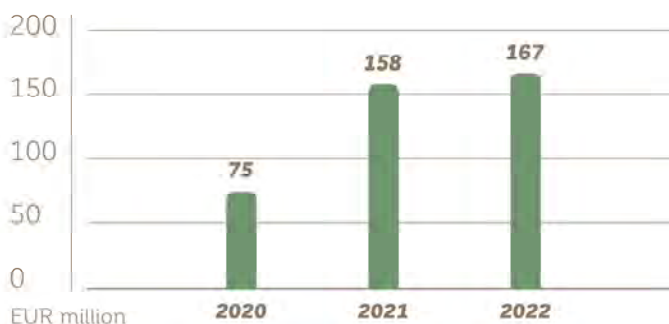


Green leasing



¹ We define the new volume of sustainable green loans as finance for an environmentally-sustainable purpose newly granted in the reporting year. As repayments are made during the year for existing finance arrangements, this amount is higher than the difference between the loan volume at the beginning of the year and at the end of the year.

Issuance volume of green bonds

Volume invested in sustainable funds³**Environmentally sustainable loans¹**

At the beginning of 2023, 78 sustainable bonds were already listed in the ESG segment of the Vienna Stock Exchange, including six green bonds, one social bond and one sustainability bond issued by BKS Bank. The most prominent new addition was the first green bond issued by the Republic of Austria with a total issuing volume of EUR 4 billion and an order volume of EUR 25.4 billion². The issuance proceeds are to be used to finance the expansion of public transport and renewable energy as well as organic farming in Austria.

We also started with the issuance of a green bond in 2022. Shortly before Christmas 2021, BKS Bank funded a major investment by Stadtwerke Klagenfurt for the installation of up to 59 photovoltaic systems. These installations will make a major contribution to the energy transition in Carinthia's capital city. Part of the financing is provided by a green bond. The issuing volume of EUR 10 million was placed within a short period of time. The sustainable second party opinion of rfu - Mag. Reinhard

Friesenbichler Unternehmensberatung gave the green bond an excellent sustainability rating of A-. With this issue, the volume of green bonds issued increased to EUR 28.4 million.

The ratio of climate-linked bonds compared to BKS Bank's total issuance volume was 3%.

Ecological responsibility in asset management

We also offer our customers opportunities to invest sustainably in the asset management options. Our product "BKS Portfolio-Strategie nachhaltig" bears the Austrian Ecolabel for Sustainable Financial Products. It is actively managed and invests exclusively in sustainability, ethical and environmental funds, which also carry the Austrian Ecolabel for Sustainable Financial Products or meet the label's high ESG requirements. At year-end 2022, EUR 21.3 million was invested in "BKS Portfolio-Strategie nachhaltig". The decrease by EUR 3.4 million is due mainly to market-related exchange rate changes.

¹ Disclaimer: The information contained in this report is non-binding and does not replace in any way advisory services for the purchase or sale of securities. It is neither an offer or a solicitation to buy or sell the investments mentioned, and neither does it constitute a recommendation to buy or sell.

² See <https://www.wienerbourse.at/news/wiener-boerse-news/green-bond-republik-oesterreich-vienna-esg-segment/>

³ The sustainable fund volume includes the sustainable fund volumes of all "BKS Portfolio-Strategie-Varianten", "iVV", and since 2019, also the volume invested in sustainable funds of 3 Banken-Generali Investment-Gesellschaft on our customer's custody accounts.

Impact of Green Bonds¹

We are pleased to report that our green bonds are having a valuable impact on the environment. In accordance with the requirements of the International Capital Market Association (ICMA) whose Green and Social Bond Principles constitute the framework of our sustainable bond issues, we publish an annual impact report and make it available for downloading on our website. Our green bonds had the following impacts in the year 2021:

0.85% BKS Green Bond 2017-2023/3

- Construction of a small hydro-power plant in Spittal an der Drau by Hasslacher Energie GmbH
- SPO rating result: B+
- Contribution to SDG 7, 13, 14
- Capacity of the power plant: 10,000,000 kWh
- Electricity generation from renewable energy 2021: 8.0 GWh
- CO₂ reduction 2021: 1,749 t CO₂equivalents

0.875% BKS Green Bond 2018-2024/2

- Construction of nine photovoltaic plants by Exklusivreal 4you GmbH
- SPO rating result: A-
- Contribution to SDG 7, 13
- Electricity generation from renewable energy 2021: 6.3 GWh
- CO₂ reduction 2021: 1,341 t CO₂equivalents

0.375% BKS Green Bond 2019-2024/2

- Construction of ten photovoltaic plants by Exklusivreal 4you GmbH
- SPO rating result: A-
- Contribution to SDG 7, 13
- Electricity generation from renewable energy 2021: 11.1 GWh
- CO₂ reduction 2021: 2,438 t CO₂equivalents

0.60% BKS Green Bond 2020-2026/4

- Modernization of the energy supply for process heat for Hermes Schleifmittel Ges.m.b.H. by switching from oil to biomass. Plant commissioned in 2022.
- SPO rating result: ba
- Contribution to SDG 7, 9, 13
- Capacity of biomass plant: 4 MW

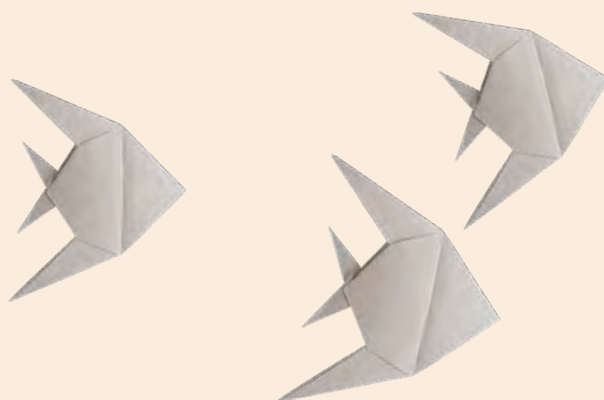
0.45% BKS Bank Green Bond 2021-2026/2

- Construction of residential complex "BKS Holzquartier". Commissioned in September 2021.
- SPO rating result: B+
- Contribution to SDG 9, 11, 13
- Heat generated by ground water pump 2021: 28.8 MWh
- CO₂ greenhouse gas emissions avoided in 2021: 6 t CO₂equivalents

0.75% BKS Green Bond 2021-2028/4

- Construction of up to 59 photovoltaic installations by Energie Klagenfurt AG: A first section went into operation in 2022.
- SPO rating result: A-
- Contribution to SDG 7, 13
- Total capacity of the plant: around 22,000 kWp
- CO₂ savings per year: 13,500 t CO₂equivalents

¹ Unless otherwise stated, the data given refers to energy production or CO₂ reduced in the year 2021, because impact data for the year 2022 only becomes available in the year 2023.



Green funds of 3 Banken-Generali Investment-Gesellschaft m.b.H.¹

In 2022, 3 Banken-Generali Investment-Gesellschaft was pleased to receive the award for "Best Austrian Fund Company" from the magazine "Der Börsianer". Managing Director Alois Wögerbauer was also named fund manager of the year. A significant factor for this award were the sustainability funds the investment company has been offering its customers for many years.

The seven funds, which include the 3 Banken Nachhaltigkeitsfonds, 3 Banken Dividende+Nachhaltigkeit 2022 and the BKS Strategie nachhaltig, all have the Austrian Eco-Label for Sustainable Financial Products. Key ecological factors considered in the fund design include climate change mitigation, adaptation to climate change, preservation of biodiversity, and the sustainable use of resources. Six of the sustainability funds also obtained the European Transparency logo "Eurosif". The custody

accounts of BKS Bank's customers had EUR 89.3 million invested in the sustainable products of 3 Banken-Generali Investment-Gesellschaft in the reporting year.

Green savings accounts

With the green savings passbook, BKS Bank offers an alternative to its customers who are wary of capital markets. Currently, the green savings passbook is available exclusively as a premium savings passbook. The capital savings passbook variant created with the introduction of the green savings passbook matured in the reporting year. This also accounts for a large part of the decline in sustainable savings deposits. Sales of the green savings passbook were discontinued in 2019, and therefore, the accounts are successively maturing. At the close of 2022, the volume of deposits on sustainable savings accounts were EUR 0.7 million.

¹ Disclaimer regarding the products of 3 Banken-Generali Investment-Gesellschaft m.b.H.: Information on the products of 3 Banken-Generali Investment-Gesellschaft m.b.H. is not binding and constitutes neither an offer nor an invitation to buy or sell, and in no way replaces and advisory talk on the purchase or sale of investment fund units. The exclusive basis for the purchase of investment fund shares is the key information document (KID) and the respective prospectus made available in the currently valid version in German on the website www.3bg.at, as well as at the Austrian paying agent for the investment fund.

BKS Bank indicator: Volume development of sustainable investments

Sustainability in asset management: goal achieved

One of the goals of our sustainability strategy is a 30% share of sustainable investment components in our asset management. When we set this target in 2020, the share was 13.2%. We are very pleased to have reached our goal for the first time.

EUR 76.7 million are invested

in the ESG modules of the Austrian asset management variants. Thereof, EUR 21.3 million are invested in the "BKS Portfolio Strategie nachhaltig", EUR 8.3 million in "iVV nachhaltig" and EUR 47.1 million in other asset management variants. The share of sustainability investment modules in Austria was therefore 39.1%. In Slovenia, the integration of

sustainable funds and ETFs into asset management only started in 2022. As a result, the sustainable volume at the end of the year was only EUR 1.2 million. This corresponded to 1.8% of the volume of assets under management in Slovenia. Our goal is to significantly increase this figure.



The launch of new savings passbook variants is no longer a strategic focus, as savings are shifting to the digital world. In 2023, we plan to launch a green version of our popular account “Mein Geld-Konto fix” and thus offer an attractive savings product with an ecological background.

Natur & Zukunft awarded Austrian Ecolabel

The Natur & Zukunft account is very popular with customers of BKS Bank. It contributes to the reforestation of native protection forests. In 2020, 4,680 trees were planted to reforest parts of a protective forest in Bad Eisenkappel/Železna Kapla that had been destroyed by a natural disaster.

In the reporting year, the number of accounts exceeded 4,680. The total number of Natur & Zukunft accounts was 6,553, which is highly satisfactory. Deposits on account reached EUR 71.5 million. To keep our promise to plant a tree for every account opened, we initiated the planting of 10,000 trees in Mallnitz in autumn. The forest belongs to an organic mountain farming enterprise at an altitude of 1,200 meters. The farm covers a surface area of 56 hectares, including 34 hectares of forest land that have suffered massively from storm damage and bark beetle infestation in recent years. The farm was selected in cooperation with the Carinthian Chamber of Agriculture, which contributed its expertise in the selection of seedlings. The trees sponsored by BKS Bank are planted in a protection forest located above the Tauernbahn. Half of the trees were planted in the autumn, and the second half will be planted in the spring of 2023.

The trees planted for the Natur & Zukunft account will also contribute to climate change mitigation by serving as a carbon sink. A calculation by c7-consult shows that CO₂ absorption of around 9,400 t

CO₂ may be assumed for the total lifespan of the trees.

To ensure the sustainable nature of the Natur & Zukunft account can be verified externally, it was certified in the reporting under the Guidelines of the Austrian Ecolabel for Sustainable Financial Products UZ 49. The key environmental aspect for obtaining certification apart from the tree plantings was that the funds on our green account are used exclusively for the granting of environmentally sustainable loans. The sustainability of account management was also highlighted, mentioning for example, the possibility of opening accounts online and the electronic delivery of account statements.

Financed emissions

The majority of the emissions caused by our bank are not the result of our direct business activities, but indirectly from the CO₂ emissions we finance.

BKS Bank is a signatory to the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions working together to develop and implement a harmonized approach to assessing and disclosing the greenhouse gas emissions they finance through their loans and investments.

In 2021, we started calculating financed emissions in accordance with the PCAF standard. While we focused on developing the initial reporting for individual asset classes in the first year, in the second year, we standardized the process thereby improving data quality and automating the calculation using a tool.

At BKS Bank, we are committed to decarbonization together with our customers and support them as a strong banking partner. In this context, knowledge of our carbon footprint plays a

key role, especially with regard to lending. The evaluation of individual sectors highlights the most important areas with potential for reducing greenhouse gases in the coming years and decades. A comprehensive understanding of the CO₂ footprint of our lending practices and our investments is a critical factor for managing climate risks and defining environmental and climate action targets.

A detailed description of the methodology, data collection and results is available in the chapter Sustainability in Figures as of page 149.

Loans to corporate and business customers

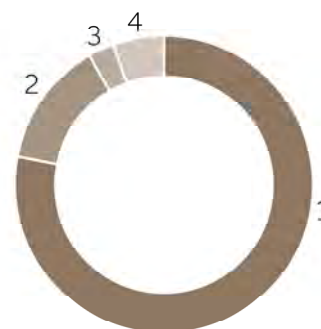
With respect to corporate loans, we have enlarged the group of customers. This year, for example, we also included loans with an undefined purpose to small businesses. Thus, a total of EUR 3.6 billion in corporate and business loans were calculated for financed emissions. This calculation includes Scope 1, 2 and 3 emissions. These amounted to around 983 thousand t CO₂ equivalents for 2022. The largest share is accounted for by the "energy supply" sector with 338 thousand t CO₂ equivalents. This is also the one with the highest emissions intensity,

which is 3,482 t CO₂ equivalents/million EUR invested. Thus, loans to companies in the energy supply sector are those with the highest emissions value per euro lent. The "manufacturing of goods" sector causes the second highest absolute level of emissions at 291 thousand t CO₂ equivalents. However, when considered by emissions intensity, it ranks only sixth with 406 t/million invested.

It should be noted that the calculations were based on sector data from the respective countries in which our customers operate. Therefore, this is not data at the individual customer level, as currently our customers cannot provide it. In this regard, we are still facing the challenge that our customer portfolio consists primarily of small and medium-sized enterprises, which are currently not yet required to report their CO₂ emissions. We expect data quality to improve when a segment of these companies will be required to report pursuant to the CSRD. However, we are already working on aligning our IT systems to record and process the reported data in a structured manner.

Distribution of financed emissions by asset class

	t CO ₂
1 Corporate loans	982,761
2 Vehicle loans and lease financing	171,066
3 Treasury portfolio	37,151
4 Asset management	66,285



Vehicle finance

Vehicle loans and vehicle leasing account for only a small part of BKS Bank's financing volume. Furthermore, these are mostly lease contracts. Lease contracts and vehicle loans to private individuals and companies were used for the calculation of financed emissions. The calculations refer to the following vehicle types:

- Passenger cars
- Trucks
- Buses
- Motorcycles
- Boats

Scope 1 and 2 emissions relevant to vehicles were used for the calculation. In total, our vehicle finance operations generated 171 thousand metric tons of CO₂ equivalents.

Asset management

Emissions in asset management relate to investments in listed equities, corporate bonds and investment funds that invest primarily in these asset classes. Other asset classes such as covered bonds and government bonds as well as funds that invest in such asset classes are excluded from the calculation, because the methodology for calculating the financed emissions of such financial products is still work in progress. Therefore, the data necessary for the calculation are not yet available.

We offer asset management services in Austria and Slovenia. Asset management is provided by local experts and pursues various investment strategies, with ESG investments having been promoted more strongly in Austria than in Slovenia up to now.

Assets under management in the Austrian asset management variants amount to EUR 196.0 million. We included EUR 176.3 million thereof in our CO₂ calculations. As at the end of 2022, 48 thousand t CO₂ equivalents were attributable to this volume. This corresponds to an emissions intensity of 271 t CO₂/million EUR invested. This calculation includes Scope 1, 2 and 3 emissions. If only Scope 1 and 2 are taken into account, the emissions intensity is accordingly lower at 36 t CO₂/million EUR invested.

With regard to asset management in Slovenia, we have included EUR 33.2 million in the calculation of financed emissions. The total volume under management in Slovenia comprises EUR 65.3 million. 19 thousand t CO₂ equivalents in terms of Scope 1, 2 and 3 emissions are attributable to the volume under consideration. For all three scopes, this results in an emissions intensity of 558 t CO₂/million EUR invested. If one were to include only Scope 1 and 2 in the calculation, the result would be 71 t CO₂ million EUR invested.

Overall, financed emissions in asset management in Austria and Slovenia taking Scope 1, 2 and 3 into account amount to 66,285 t CO₂ equivalents.

Sustainable own investments

The treasury portfolio of BKS Bank consists largely of government bonds issued by solid European countries. Mortgage-backed bank bonds (covered bonds) with the highest credit ratings are added to the portfolio. Direct equity investments are made mainly in European stocks and are limited to a maximum of EUR 10 million. We base the selection of our investments on the ethical and ecological principles of the exclusion and positive criteria for agent and proprietary transactions. We also strive to expand the share of sustainable investments in our nostro portfolio. For example, we increased the share of sustainable bonds again in the reporting year. At year-end, we had ten green bonds with a volume of roughly EUR 63.5 million and one social bond with a volume of around EUR 18.4 million in our portfolio.

BKS Bank's equity investments consist mainly of investments in companies from the financial sector and in financial-related services as well as in companies that develop, lease and manage the real estate properties of the bank and rental properties. The largest shares in the investment portfolio are holdings in Oberbank AG and in Bank für Tirol und Vorarlberg Aktiengesellschaft. Acquiring industrial holdings is not part of the strategic focus of BKS Bank.

Financed emissions

In the reporting year, we reviewed the financed emissions of the treasury portfolio and included some EUR 221.2 million in our calculations. The PCAF calculation is limited to the same asset classes as for asset management. For some investments, an evaluation was also not possible due to lacking emissions data. In total, the equities, bonds and investment funds in the treasury portfolio included in the calculation triggered emissions of 37.2 thousand t CO₂ equivalents, which corresponds to an emissions intensity of 168 t CO₂/million EUR invested.

Target: Paris alignment for own investment fund portfolio

Our risk strategy defines the alignment with the Paris Climate Agreement goals for our treasury investment portfolio. Currently we only consider Scope 1 and 2 emissions, as the available database for Scope 3 still lacks data. On 31 December 2022, financed emissions in Scope 1 and 2 of our treasury investment fund portfolio amounted to 44 t/million EUR invested. We are aiming to achieve a 7% lower level for this indicator in 2023. The path to the goals will be defined within the scope of the science-based targets. Likewise, we defined an MSCI ESG Quality Score of AA for our treasury investment fund portfolio, and also achieved this goal in the reporting year.

Treasury portfolio

	Volumes recognized in EUR thousand	Scope 1 and 2 emissions in t CO ₂ equiv.	Scope 3 emissions in t CO ₂ equiv.	Emissions intensity in t CO ₂ equiv./million EUR invested ¹
Treasury portfolio				
Investment funds	34,780	1,513	12,056	390
Shares	3,377	528	4,774	1,570
Bonds	183,080	11,794	6,486	100
Total	221,237	13,836	23,315	168

¹Total emissions intensity does not result from just adding the figures, but relates to volume invested and absolute emissions.

Green real estate

The real estate sector is one of the largest consumers of energy, as calculations by the European Union show. Therefore, energy-efficient construction plays an important role in climate change mitigation. BKS Bank's long-term goal is to become climate-neutral. On the path to this goal, the portfolio of own real estate plays a key role.

We aim to gradually increase the number of Taxonomy-compliant properties we own. To check whether this standard is met and as independent proof of a building's sustainability, we have our buildings certified by "Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate Management)". The certification process is conducted parallel to all construction phases. Auditors can only complete the audit when the final invoices are available. Therefore, the properties are usually already occupied before the final decision on the certification standard is reached.

In 2022, we completed the certification process for the projects BKS Holzquartier and Urban Living in Klagenfurt. We are pleased that both properties were awarded the DGNB Gold Standard and Taxonomy compliance was confirmed. The two properties are assessed not only as green buildings, but even as blue buildings. For classification as a blue building, not only is energy efficiency a decisive factor, but also a high level of social, ecological and economic sustainability over the entire life cycle of a building.

With "BKS-Lebenswert", a third project is about to be certified. In Eisenstadt, 26 rental apartments, around 1,600 m² of commercial space and a BKS Bank branch have been completed.

In this case as well, ÖGNI certification with the DGNB "Gold" standard is the goal.

In Villach, BKS Bank has started the construction of two more green properties. In both projects, banking branches are being renovated and residential urban spaces created.

We contribute to stopping soil sealing

In 2023, we plan to add an additional rooftop storey at a property in Klagenfurt and to downsize the bank's premises in Mattersburg. Subsequently, rental apartments will be built there. Our strategy of converting space no longer used for banking operations into high-quality residential space makes a contribution to the prevention of soil sealing. In recent years, we reduced our floor space by 1,500m². A successful example of such a conversion is the branch located on Hauptplatz in Spittal an der Drau.

New photovoltaic systems

In September 2013, BKS Bank became a pioneer in the banking industry when it installed a photovoltaic system on the roof of its head office. Today, we have five PV systems in operation. These systems have produced 541 MWh of renewable energy to date and have saved around 101 t of CO₂ equivalents. Up to six more systems are planned for completion in 2023, three of which are already being installed. These six PV systems will have an output of around 100 kWp. We expect to be able to avoid a further 17 t of CO₂ per year. We hope that the situation in the photovoltaic market will ease, as we were not able to install all of the originally budgeted systems in 2022 due to supply chain issues and lack of skilled labour.

Replacement of the last oil-fired heating system postponed

At year-end 2021, only one BKS Bank real estate property was still heated using oil. The replacement of the heating system was scheduled for after the end of the heating period in the summer of 2022. However, the energy crisis hindered the plans. The banking branch, which uses an oil-fired heating system, was to be connected to the gas grid of the city of Klagenfurt. We refrained from doing so for two reasons: gas is classified as a transitional technology

in the Taxonomy as a sustainable fuel. However, we view its use as only partly ecological, and the energy crisis and the Ukraine war has made us aware of how dependent Austria is on other countries for gas supplies. A building plan evaluation of the property concerned will be carried out in 2023 and the new heating system will be re-evaluated as well. The replacement of the oil-fired heating system is not expected to be implemented before 2024 or 2025.

Due diligence in monument protection

The real estate portfolio of our company includes several buildings with a valuable historical architectural heritage. BKS Bank has been involved in the renewal of these properties for decades. Special attention is paid to preserving the historic substance while at the same time permitting contemporary use.

As early as in 1978, the Federal Minister for Science and Research at the time, Hertha Firnberg, awarded our bank the

“Medaille für Verdienste um den Denkmalschutz” (medal for services for the preservation of historical

monuments). In 1981, the mayor of the city of Klagenfurt, Leopold Guggenberger, awarded BKS Bank the “Ehrpfennig” for services for the preservation of the historic nature of the city center.

Palais Christalnigg in Klagenfurt's Herrengasse was restored with especially elaborate care from 2014 to 2016. The building is a jewel of Baroque architecture. The stucco ceiling covers an area of around 600m² and is said to have been created by the then very famous stucco plasterer Kilian Pittner and his son Marx Josef who also designed the stucco for the Porcia Castle and the Klagenfurt Cathedral. The restoration of the stucco ceiling was done applying

very fine artwork using traditional techniques and in close cooperation with the Federal Monuments Office. In 2022, work began on the renovation of our branch located at the main square in Villach, which is also listed as a historic monument. A highlight is the Paracelsus Hall located on the ground floor. The hall previously had several structures added, which impaired the general appearance. These additions are now being removed. The beautifully conserved cross-vault ceiling will be returned to its original splendor. The Paracelsus Hall will be used for events – just like Palais Christalnigg – thus keeping the highlights of Carinthian craftsmanship accessible to the public.



Environmental impact of operations

Carbon footprint

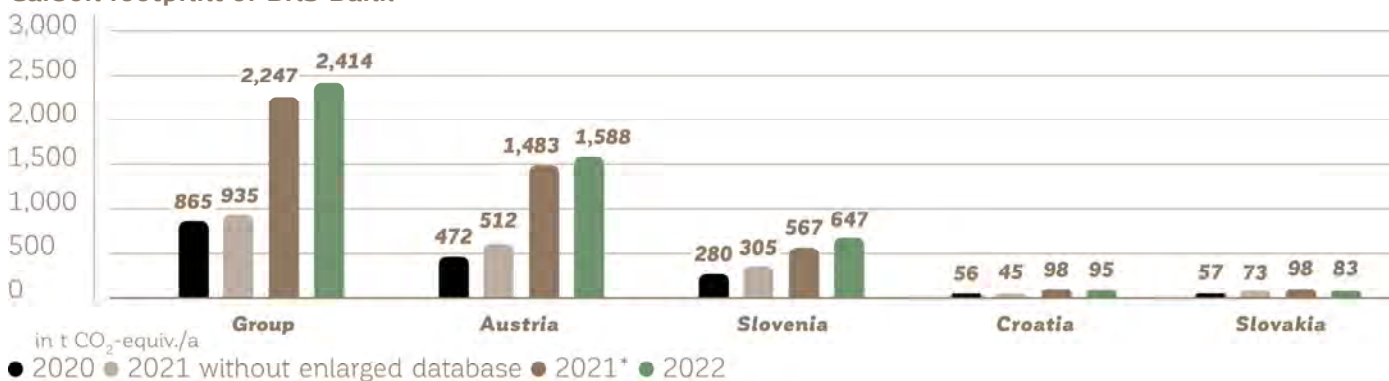
Determining the emissions associated with our direct business activities has a long tradition at BKS Bank. The initial survey was conducted in 2012. Since then, data collection has been continuously improved. Most recently, the 2021 database was significantly expanded, thus increasing the volume of data on emissions. Therefore, in 2022 we adjusted reduction target. The target now is to reduce emissions to 2.0 t CO₂ equivalents per employee by 2025. The emissions reported in this section refer to those directly related to business operations and include:

- Scope 1 emissions are caused by heat, the vehicle fleet, and refrigerant losses.

- Purchased energy in the form of electricity and heat (Scope 2)
- Scope 3 emissions are caused by business travel, employee travel to and from work, paper consumption, and new IT equipment purchased in the reporting year.

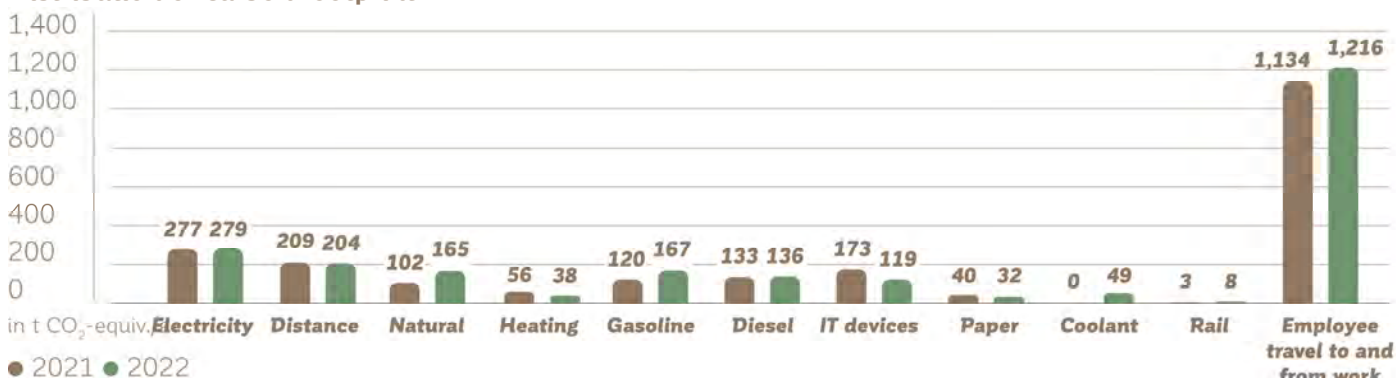
The calculation included for the first time data for the Oscar restaurant operated by BKS Bank and BKS-Wohnpark. Since 2021, we have been collecting data on employee travel to and from work and new IT equipment, as well as paper consumption for printed materials. The detailed calculation method is explained starting on page 146.

Carbon footprint of BKS Bank



* The database was substantially enlarged in 2021 which was accompanied by a rise in the carbon footprint.

Distribution of carbon footprint



The carbon footprint caused directly by our business operations amounted to

2,414 t CO₂ equivalents in the reporting year. This represents an increase of 7%

compared to 2021. The increase is due, among other things, to the increased number of business trips again as a result of the relaxed coronavirus restrictions and higher electricity consumption. In the case of our most important heat source, district heating, we are pleased to report a decrease from 209 to 204 t CO₂ equivalents. The increase in natural gas to 165 t CO₂ equivalents was due for the most part to the conversion of an oil-fired heating system to gas supplied by the city. This explains the significant drop in the use of heating oil from 56 to 38 t CO₂ equivalents. The gradual transition of the vehicle fleet from diesel to gasoline-powered hybrid vehicles increased emissions caused by gasoline to 167 t CO₂ equivalents.

We are pleased to report that we decreased the CO₂ emissions by the purchase of IT equipment, lowering the value from 173 to 119 t CO₂ equivalents. This reduction took place exclusively in Austria in 2021. An improvement in the survey method made it possible to distribute the data across all markets.

The largest share of the carbon footprint is accounted for by employee travel to and from work with 1,216 t CO₂ equivalents, followed by electricity with 279 t CO₂ equivalents and district heating. There was no air travel in 2022.

Austria

In Austria, emissions in the reporting year amounted to 1,588 t CO₂ equivalents. As we employ 854 of our 1,145 employees in this market, travel to and from work has a particularly strong impact here. This caused 842 t CO₂ equivalents. Happily, we slightly decreased emissions from electricity from 98 to 95 t CO₂ equivalents. The increase in district heating from 115 to 139 t CO₂ equivalents is explained, on the one hand, by the conversion of one branch to district heating. On the other hand, the renovation of the foyer at the head office increased demand for heating. The renovation involved the replacement of the glass façade, which took place in the first months of the year. Increased travel activity increased CO₂ emissions caused by fuel to 206 t CO₂ equivalents. In rail travel, we saw an increase from 2.8 to 7.7 t CO₂ equivalents. We assess this as positive, because we want to motivate our employees to use rail travel more often.

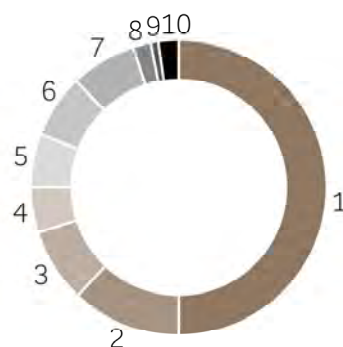
Slovenia

In Slovenia, which is our second-largest market, emissions caused directly by business operations were 647 t CO₂ equivalents (+14%). The increase was due, among other things, to the first-time allocation of emissions associated with the purchase of IT equipment (31 t CO₂ equivalents) and of emissions generated by electricity of 177 t CO₂ equivalents (+2.6%).

Share of sources of emissions

in %		
1	Employees travel to and from work	50
2	Electricity	12
3	Distance heating	8
4	IT devices	5
5	Diesel	6

in %		
6	Gasoline	7
7	Natural gas	7
8	Heating fuel	2
9	Paper	1
10	Coolant	2



Slovenia is the only area where we do not yet use green electricity, except for the electricity we generate with our PV system. Our goal is to focus on green energy here as well. We are pleased to report a positive development with a reduction of -18% to 42 t CO₂ equivalents in the case of district heating.

Croatia

In Croatia, we succeeded in reducing the carbon footprint from 98 to 95 t CO₂ equivalents. Thereof, 46 t CO₂ equivalents are attributable to employee travel to and from work. The second largest source of emissions is business travel with CO₂ emissions of 34 t CO₂ equivalents from diesel and gasoline. Paper consumption caused 7 t CO₂ equivalents and electricity consumption 3 t CO₂ equivalents. As Croatia also uses heat from electricity produced by renewable sources, there are no emissions from heat sources.

Slovakia

In Slovakia, we decreased CO₂ equivalents by -15% to 83 t, although here as well we added 22 t CO₂ equivalents due to IT procurement. The reduction results from savings in district heating and paper consumption. The most significant source of emissions is gasoline consumption with 24 t CO₂ equivalents, followed by district heating with 23 t CO₂ equivalents. In contrast to the other market areas, employee travel to and from work is only the third largest source of emissions at 22 t CO₂ equivalents.

Waste management

A waste management system is in place for all locations at which we employ more than 20 people. These include the head office, the regional head offices for Carinthia and Styria, and the branches Villach-Hauptplatz and Mattersburg.

The routine operations of BKS Bank generally produce waste paper, printer ink residues and toner, and waste similar to household waste. Waste separation systems are available at all departments, regional head offices and branches; therefore, employees can separate waste properly. Renovation work produces municipal waste and bulky waste. Waste declared as hazardous occurs in the form of batteries, fluorescent tubes and electrical appliances. All waste products are disposed of properly.

As a contribution to the circular economy, we have been handing over hardware that is no longer needed to "AfB mildtätige und gemeinnützige GmbH" (AfB) since 2015. AfB specializes in taking over used hardware, refurbishing it and carrying out the certified deletion of data. The AfB then resells the devices. All work phases at this company are designed barrier-free and work is also performed by impaired persons. In the reporting year, we handed over a total of 912 pieces of equipment with a total weight of 6.2 t to AfB, including 479 PCs, 92% of which are included in the cycle of reuse.

The significantly higher number of devices compared to recent years is partly the result of the large-scale replacement of hardware. In 2022, the partnership with AfB cut consumption by 76.1 t of CO₂ equivalents, 311 MWh of primary energy use, and saved 559 thousand litres of water. Plastic stoppers from beverage cartons and similar packaging are donated to the Slovenian Kulturverein in Bleiburg/Pliberk, which uses the proceeds from the sale to pay for therapies for severely ill children. We also donated numerous smartphones to Ö3 radio station. The radio station supports the charity "Licht ins Dunkel" with the devices collected.

Mobility

In the past two years, business travel has been limited due to the coronavirus pandemic, and video conferencing has become commonplace. We motivate our employees to replace business trips by online meetings whenever possible and to use more environmentally-friendly means of transportation for absolutely necessary trips.

The number of vehicles in the fleet¹ remained unchanged at 65. These include 17 hybrid and e-vehicles (+15 since 2018).

For short trips within the city of in Klagenfurt, BKS Bank employees may also use the Nextbike bicycle rental system. One of our branches is equipped with an e-bike.

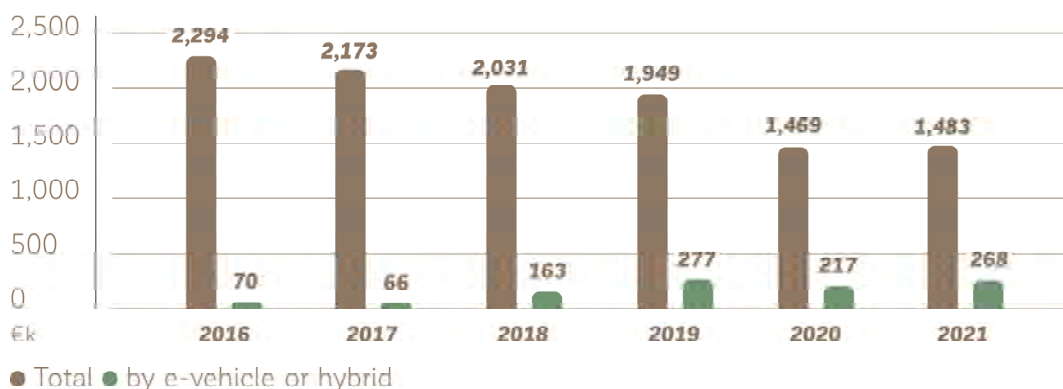
We try to motivate our employees to travel to and from work in an environmentally-friendly manner by a system of eco-points. Points are awarded depending on the type of travel: walking, biking, public transportation and carpooling. The eco-points collected can be exchanged for gifts. At the end of 2022, 132 users were registered.

Green IT

3 Banken IT GmbH, a joint company of Oberbank AG, Bank für Tirol und Vorarlberg AG and BKS Bank AG, operates the data center of these three banks in Linz. The company completed the EMAS audit for the first time in 2022 and passed it successfully.

In recent years, numerous measures have been taken to increase energy efficiency. These measures include the replacement of physical servers by virtual servers and the use of modern "water-cooled server racks" (Liquid Cooling Package Server racks).

Km travelled by company vehicle in thousands



¹ Further indicators on BKS Bank's vehicle fleet and business trips using cars are reported on page 154 in the chapter "Sustainability in Numbers".

server racks). Since 2015, we have successfully reduced electricity consumption. However, compared to 2021, consumption increased slightly in 2022 from 563 kWh per server to 574 kWh. This was due primarily to water damage at the Donaulände Data Center, which made it necessary to spend more funds for air conditioning.

Paper consumption

At BKS Bank, we use mostly recycled paper. Where this is not possible, we use FSC paper. Our goal is to further reduce paper consumption. In 2022, consumption was 38 t, which is 8 t less than in the preceding year. An important factor for resource conservation is digitization. Around 1.3 million documents were exchanged with customers through the e-box on customer portals, and digital signature pads and the equipping of sales staff with yoga tablets also contributed to the reduction. Most printed advertising materials used in Austria such as leaflets, flyers, brochures etc. are printed applying climate neutral processes.

Environmental Management System EMAS

BKS Bank has been committed to the EMAS environmental management system since 2019. An environmental team headed by an environmental officer is responsible for implementation. The environmental officer reports regularly to the Management Board on the progress of project implementation. In the year under review, we again successfully completed the assessment by two environmental auditors from Quality Austria. The assessment covers the activities of BKS Bank in Austria and of the Oscar restaurant. Among other things, the auditors were particularly impressed by the fact that a number of significant environmental achievements can be verified and a comprehensive and informative legal register is available. Positively assessed were the detailed evaluations of official permits for new buildings and renovation projects as well as the new portal for ordering the many environmentally-friendly products we offer. Improvement options

New bodies of water for amphibians in Natura 2000 territory

The Natura 2000 protected area along the Upper Drava River covers a stretch of 68 kilometres of the largest river in Carinthia. The river is also used for the generation of renewable energy and has numerous hydroelectric power plants and is therefore heavily regulated in some parts. Since 1990, large-scale restoration measures have been carried out by the water management authorities in cooperation with nature conservation entities. The wildlife in bodies of water and surrounding floodplains feature a large number of endangered and rare species. Since 1998, this section of the Drava has been a Natura 2000

protected area. In 2013, we supported the creation of a biotope near Spittal an der Drau. Today, the bodies of water in Windschnurn are a habitat for grey herons, ducks, dragonflies, amphibians, frogs and a large variety of plants. Therefore, we were happy to support the construction of another amphibian aquatic ecosystem near St. Peter's with EUR 10,000 in the reporting year. The biotope is designed to protect amphibians and provide a quality habitat especially for native frogs and tailed amphibians, as well as birds, insects and aquatic plant species. The aquatic ecosystem creates

diverse micro-habitats such as shallow still waters with a hibernating zone, flattening banks and steep walls for kingfishers and other birds that breed in loamy soil. The amphibian aquatic ecosystem was designed by Anita Wernisch and Erich Auer, and implemented by Herbert Mandler from Wasserwirtschaft Spittal. Werner Petutschnig from the province of Carinthia coordinated the project. The biotope also serves as an outdoor learning space for students of the Fritz Strobl class.



Areas for improvement were identified in the definition of more specific ICT procurement criteria and in the handling of official notices for existing real estate. Based on the audit report, the environmental team will develop an action plan for 2023.

Green Brand

BKS Bank has been a Green Brand since 2020. The first recertification process was completed in the

reporting year. The evaluation of our bank was made in the category "service provider". To positively complete the validation process, a company must achieve 51% of the possible points. The final decision on certification is reached by a jury. We are proud to have once again achieved an average score of 78%, thus exceeding the average score for service providers.

Comparison of results of certification as a Green Brand

Evaluation criterion	Percentage achieved of the number of points Average service provider ¹	Percentage achieved of the number of points BKS Bank
Company purpose	87%	80%
Environmental management systems	71%	100%
Corporate social responsibility	67%	100%
Energy consumption	50%	70%
Resource consumption	58%	53%
Emissions	60%	100%
Transportation	74%	67%
Water consumption	74%	0%
Waste strategy	86%	83%
Raising awareness internally	72%	83%
Raising awareness externally	70%	75%
Total	72%	78%

¹ See Norbert Lux, Hand in Hand with Nature, Green Brands Austria, page 24

Energy consumption

Our sustainability strategy defines the goal of reducing total energy consumption to 7.2 GWh by 2025. Since this target was defined in 2020, we have expanded the data base and therefore the target will be more difficult to achieve. In the year under review, total energy consumption amounted to 8.26 GWh, of which 65% or 5.34 GWh came from renewable sources.

Power

92% of the electricity required for business operations is green power. Only in Slovenia does the majority of consumption come from conventional power generation. However, we now operate one of five PV systems on the roof of the Regional Head Office Slovenia (see page 63). Since February 2019, this plant has generated 160 MWh of energy. Thus far, we have been able to produce the most solar power with the PV system on the roof of the Head Office, specifically, 355 MWh since 2013.

Electricity consumption accounts for the highest share of total energy consumption in all markets. In 2022, at 3.57 GWh it was 2.3% lower than in the preceding year. Of this we consumed

- 2.7 GWh in Austria,
- 0.4 GWh in Slovenia,
- 0.4 GWh in Croatia, and
- 0.1 GWh in Slovakia.

Heat

In the reporting year, we required 3.76 GWh of heat, 53% of which was generated from renewable energy sources. The most important heat source with a consumption of 3.0 GWh is district heating. However, the energy crisis has made us aware that we are also indirectly highly dependent on natural gas. Directly, we obtain only 16% of our heating from gas and only 3% from heating oil. Heat consumption was 3.2 GWh in Austria, 0.4 GWh in Slovenia, and 0.1 GWh in Slovakia. In Croatia, heating is provided by electricity. Other energy sources are not used.

Fuel

As more in-person meetings became possible in 2022, the number of business trips increased and with it fuel consumption. The resulting energy consumption was 0.93 GWh. Thereof, 0.5 GWh was attributable to gasoline and 0.4 GWh to diesel.

Consumption by main energy sources

GWh	2020	2021	2022
Total energy consumption	7.18	7.92	8.26
• thereof from renewable energy sources	4.63	5.33	5.34
Power	3.49	3.65	3.57
• thereof from renewable energy sources	3.24	3.39	3.30
Heat	2.84	3.48	3.76
• thereof from renewable energy sources	1.35	1.91	2.01
Fuels	0.85	0.78	0.93
• thereof from renewable energy sources	0.03	0.04	0.04

S – Society and social engagement

We specifically promote equality by also dedicating our attention to those being left behind by societal change.



100 Years of
Accountability and Support

Sustainability in arts and culture

On the occasion of its 100-year anniversary, BKS Bank exhibited works from its art collection for the first time.

Over the past decades, BKS Bank has built up an extensive art collection. In 2022, selected works from this collection were presented to the public for the first time under the title "Kunstdepot". For more than four months, the exhibition was available to visitors providing a view of the collection and the sustainable art sponsorship of BKS Bank.

The exhibition was developed and organized in cooperation with Stadtgalerie Klagenfurt. Renate Freimüller, who was in charge of the collection for many years, was the curator. The great challenge in this context was to put together an exhibition selected from over 1,300 individual works and series by almost 300 artists, presented on a space of around 800 m² and offering a representative selection of the works, thus giving visitors a glimpse of the collection. To be more precise, ultimately 46 artists and almost 140 works were on display at the exhibition at Stadtgalerie Klagenfurt.

This "selective view" was based on a concept that showed not only the diversity of the collection, but also the development of art and society, as well as, of course, the development and changes over the last 70 years of BKS Bank's collecting activities: from the initial focus on classical art with almost exclusively male artists, to contemporary art and to today's acquisition focus on socially critical art with a large share of female artists.

The selection focus was on originals, with very few exceptions. Prints were excluded and attention was also paid to presenting works that represent a special feature within the respective oeuvre.

The exhibition starts with classical works by Austrian and Carinthian artists of the 20th century such as Albert Zahlbruckner, Ludwig Heinrich Jungnickel, Anton Mahringer, Arnold Clementschitsch, Werner Berg and Maria Lassnig.

The focus in the first exhibition room was the exciting combination of Margot Pilz and Bruno Gironcoli – exciting with regard to the development of the bank's acquisition policy. Margot Pilz, an important artist of the feminist avant-garde, and Bruno Gironcoli, one of the most important sculptors of his generation – also internationally – were both born in 1936; Gironcoli has been part of the collection since 1999, Margot Pilz's works were purchased in 2021.

While the first room was dominated by representatives of classical modernism, the next room was devoted to contemporary art – with names that are already considered "classics" such as Kiki Kogelnik, Markus Prachensky, Hans Bischoffshausen and Meina Schellander, Giselbert Hoke, Paul Kulnig, Hans Staudacher and Valentin Oman, Peter Krawagna, Reimo Wukounig, Richard Kaplenig as well as Julian Taupe, Gertrud Weiss-Richter, Inge Vavra and Lisa Huber.

Still life, nature, figures and portraits were the prominent themes in the third room with the artists Alex Amann, Alois Köchl, Markus Orsini-Rosenberg, the artist collective Gabriel Payer as well as Helga Druml, Elisabeth Wedenig and Theres Cassini.

Elisabeth Wedenig's and Theres Cassini's examples of work began with a series of critical artists' positions, which were displayed also in the remaining rooms of the gallery – and this criticism was above all female: Ines Doujak, Veronika Suschnig, Gabriele Sturm, Veronika Dimhofer, Ina Loitzl, Maria Legat and Christina Fiorenza address the topics of refugee policy, gender designation, social fragility, alienation, defiance and resistance. Exploitation of nature and the simultaneous longing for a causal and harmonious order between humankind and nature; criticism of the way we deal with consumption and society, these are all themes addressed by Simon

Goritschnig and David Mase in the last two rooms.

There were also some exciting artists' positions to discover at the exhibition due to their special painting method and particular expression. For example, works by Alina Kunitsyna, Nikolaus Moser, Claus Prokop, Arno Popotnig, Linda Berger, Kevin Rausch and David Holzinger.

During the exhibition "Kunstdepot", BKS Bank purchased a work by the media artist Leon Etienne Kühr (born 1996) who had a parallel presentation in the adjoining room of Stadtgalerie Klagenfurt. Our collection activities and support for artists – especially young artists – continues, and is also very important to BKS Bank.

**Beatrix Obermosterer,
Director Stadtgalerie Klagenfurt**

S – Society and social engagement

The field of action “S – Society and Social Engagement” of our sustainability strategy covers activities relating to employees, human rights, social and societal issues. These include, for example, socially sustainable products, a wide range of measures for our employees, and our sponsorship and corporate volunteering activities. The following topics were identified as essential for this field of action:

- Sustainable financing
- Sustainable investment
- Occupational safety and health
- Education and training
- Diversity and equality
- Fair employer

This is accompanied by a wide range of positive and negative impacts we have identified for economic development, society and our employees. Some of the effects are exemplified in the table on the following page.

With our advisory services and products, we contribute to the prosperity of our customers. Through socially and socially sustainable products, we enable investments in barrier-free access, the construction of nursing homes, hospitals and educational institutions. Monitoring the development of our sustainable products is done by Sales Controlling. The departments, Investment and Retirement Planning, Finance and Investment, Payments and Transfers are responsible for product development and social innovation.

Focus on employees

The measures we take can have a direct influence on the well-being of our

employees. We are an attractive employer. Our goal is long-term employment, because expertise increases with length of employment. We attach great importance to equality and have defined targets for the share of women in management positions and to reduce the gender pay gap. Furthermore, overall employee satisfaction should be at least 1.9 on the six-tier EUCUSA scale. We rely on external certifications and evaluations as well as employee surveys to regularly develop the factors identified as essential and to keep job satisfaction and motivation high.

We believe that the many challenges the banking sector is facing are increasingly burdening our employees. Therefore, we offer our employees numerous support measures also beyond just their work lives. This includes, for example, promoting workplace health and activities to achieve a good work-life balance. All employees also have access to extensive training and continuing education measures. These are designed not only to enable them to pursue careers, but also to ensure that they can remain active in the company despite far-reaching, permanent change processes. The works council is an important point of contact for balancing employer and employee interests.

Social engagement

We are pleased to say that the labour market recovered well in 2022 compared to the coronavirus years. However, many people have been severely affected by rising energy prices and high inflation. Social institutions are also confronted with significantly higher operating costs.

Examples of impacts identified for the main topics of this field of action

<i>Inside-out perspective</i>	<i>Outside-in perspective</i>	<i>Examples of identified opportunities or mitigation measures</i>
Positive impacts		
Education and training of employees secures growth and jobs	Demographic change increases diversity in the company	Increasing appeal as an employer; diverse teams perform better
Our lending product “Silberkredit” gives seniors access to the finance market, and the financing of nursing homes and hospitals ensures aging with dignity	Cooperation with non-profit institutions in the form of corporate volunteering gives employees an insight into other ways of life	Revenue growth due to increasing demand for “Silberkredit” loans and corporate volunteering increases awareness within the company
Support for cultural institutions enables their continued existence	Improving financial knowledge among the population increases demand for pension products and reduces risk	Positive image as a reliable partner for the region, higher product sales
Negative impacts		
Branch closures would entail job losses	Increasing poverty reduces demand for banking products and increases the need for sponsoring	Branch of the future concept, offers of products for wealth creation and retirement planning
Increasing digitization makes banking more difficult for some people	Increasing regulatory requirements call for more relevantly qualified personnel	Branches remain important anchors; employer branding to attract qualified employees
Reputational risk due to possible lawsuits before the labour court	High inflation leads to loss of value of customers' assets	Conduct as a fair employer; provide excellent advisory services to achieve returns above inflation rates

As a reliable partner to society, we support numerous organizations with financial resources, contributions in kind and corporate volunteering. When deciding which projects to support, we are guided by our sponsorship principles. We seek long-term partnerships, as we know from experience that a higher impact can be achieved with ongoing support than through one-off funding.

As a bank with strong relationships and regional roots, it is important to us that we continue to promote the idea of CSR. For this reason, we participate in CSR networks. When selecting networks, we pay attention to their objectives in terms of social or environmental sustainability as well as solid regional roots.

Social sustainability in products and services

Even though climate change is currently attracting a great deal of attention to ecologically sustainable banking products, we are also striving to achieve a high level of social sustainability in our core business. In particular, we focus on the range of products and services for the elderly, on the financing of non-profit residential construction projects, and on the construction of local medical care canters and educational facilities.

Loans to help solve social concerns












In 2016, we launched our first socially sustainable product, the “Silberkredit”. This loan was created specifically for seniors who, due to their age, have very limited access to financing at many banks. Many of our older customers use these loans to invest in accessibility, for example. Demand for the Silberkredit is consistently solid. Therefore, we achieved a growth rate of 13% to EUR 62.3 million

in 2022. Senior citizens' organizations also pay a lot of attention to the loan type “Silberkredit” and frequently invite BKS Bank to present the product in their circles. For example, a high-level discussion was organized by the association “ab5zig-WienerSenioren” at the Regional Head Office of BKS Bank for Vienna-Lower Austria-Burgenland. Apart from financing options for seniors, the event also discussed how to protect one's money in the event of volatile developments on financial markets.

Socially sustainable purposes of loans include, for example, finance for homes for the elderly and nursing homes. We expect demand for places in care and nursing homes to continue to rise as well as demand for health care centres. We also include various public-sector projects, including investments in educational institutions, under “socially relevant” as well as social housing.

Examples of socially sustainable uses of loans

Contribution to SDGs addressed as a priority

Socially sustainable	
Social housing	  
Educational institutions: Daycare centres and kindergartens Schools and after-school care Universities and technical colleges	   
Care and welfare facilities: Residential homes for the elderly Nursing homes Assisted living	 
Healthcare facilities: Hospitals and outpatient clinics Medical practices Facilities for other healthcare professions	 

The latter is becoming increasingly important again. This is because many people have suffered real income losses due to crises such as the coronavirus pandemic and high inflation, and the disparity between rich and poor is widening. In total, BKS Bank had granted EUR 417.2 million in socially sustainable loans at year-end 2022. In this context, we are pleased to report a volume of new loans of EUR 107.9 million¹.

Social responsibility in investments²

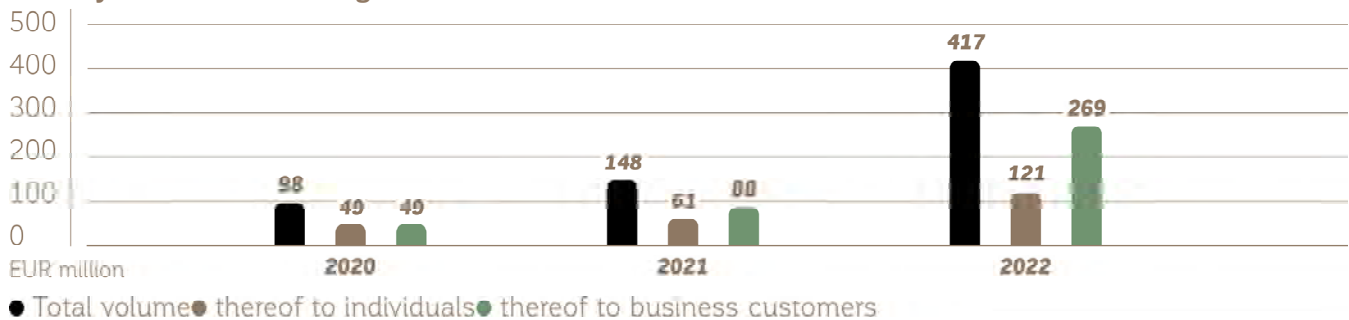
We offer customers various ways to invest sustainably. In 2017, for example, we were the first bank in Austria to issue a social bond. The proceeds of the issue were used to finance the "MaVida Park" dementia center in Velden am Wörthersee, which today offers 106 persons suffering from dementia a place.

This social bond was redeemed in the summer of 2022. As a result, the total volume of social and sustainability bonds increased only slightly.

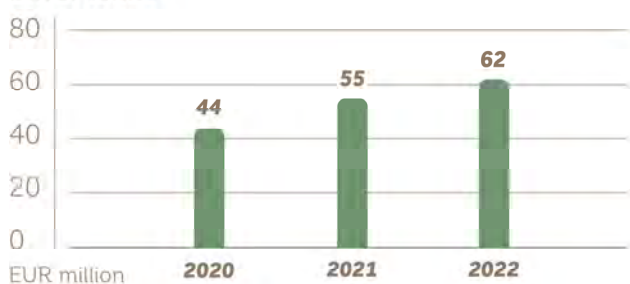
290 pupils in Hartberg Rieger benefited from our second social bond issued, the proceeds of which went towards the modernization and expansion of the Neue Mittelschule. In addition to the social aspect of quality education, rfu - Mag. Reinhard Friesenbichler highlighted the environmental sustainability of the construction project in its sustainable second party opinion.

In the reporting year, BKS Bank once again demonstrated its innovative strength by becoming the second bank to issue a sustainability bond on the Vienna Stock Exchange. The proceeds will be used to build a healthcare center in St. Pölten.

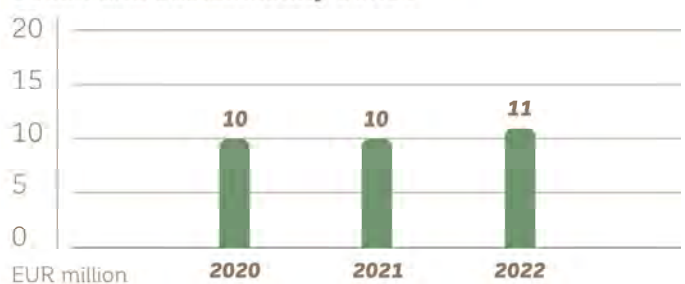
Socially sustainable lending



Silver loans



Social and sustainability bonds



¹ We define the volume of new sustainable social financing as loans with a socially sustainable intended use newly granted in the reporting year and not as the balance between the volume of loans granted at year-end 2022 and 2021.

² Disclaimer: The information contained in this report is non-binding and does not replace in any way advisory services for the purchase or sale of securities. It is neither an offer or a solicitation to buy or sell the investments mentioned, and neither does it constitute a recommendation to buy or sell.

BKS Bank Indicator: Volume development of sustainable financing
TCFD, metrics and targets, recommended specification (c)

Investment Funds

We offer our customers sustainable investment opportunities also as investment funds. The sustainable investment funds also invest in selected funds with a social focus, including the 3 Banken Mensch & Umwelt equity fund. This fund was launched in 2019 by 3 Banken-Generali Investment-Gesellschaft¹, the joint investment fund subsidiary of the 3 Banken Group and Generali Versicherung. Investments in these funds give a high weighting to SDG 3, Health and Well-being, and SDG 11, Sustainable Cities and Communities. At year-end 2022, the volume under management of the investment fund was EUR 211 million.

Bank accounts for everyone

In Austria, a so-called account with basic functions has been established practice for many years. The Consumer Payment Account Act (Verbraucherzahlungsgesetz) stipulates that every consumer legally residing in the EU has the right to this type of account with basic functions. This also applies to persons without a permanent place of residence or without a residence permit. BKS Bank offers its customers this type of account in all of

its markets. However, demand is rather subdued.

To help refugees from Ukraine in an unbureaucratic manner, we offered this type of account free of charge to this group of people in 2022, and 67 persons people took up our offer. The account also permit holders to make withdrawals at our ATMs using debit and credit cards. We waived transaction fees so that they could withdraw cash at no additional cost. Additionally, withdrawals are free of charge at our customer lounges for Ukrainian bank cards.

Branch important anchor for older people

Digitization and the declining number of bank branches are making it more difficult for older and less digitally-inclined people to access banking. Our concept "the bank branch of the future" specifically includes a counterpoint to this trend. Branches play a significant role in our sales strategy. We also advise customers who have limited mobility and cannot visit our branches at a location of their choice. We offer customers who would like to use our online services training on how to use them, if desired.

¹ Disclaimer for the products of 3 Banken-Generali Investment-Gesellschaft m.b.H.: The information provided on the products of 3 Banken-Generali Investment-Gesellschaft m.b.H. is not binding and does not constitute an offer or a solicitation to buy or sell, and in no way replaces an advisory talk on the purchase or sale of investment fund units. The exclusive basis for the purchase of investment fund shares is the key information document (KID) and the respective prospectus made available in the currently valid version in German on the website www.3bg.at, as well as at the Austrian paying agent for the investment fund.

BKS Bank indicator: Volume development of sustainable investments
TCFD, metrics and targets, recommended specification (c)

First sustainability bond to finance health center

PHC Primary Health Care Service GmbH is building a health center in St. Pölten. The funding for this project comes from a sustainability bond issued by BKS Bank. This is a bond that features a high level of engagement in social and environmental sustainability. The health centre is designed for a capacity of

2,350 patients per day with a floor space of 12,000m². It includes a primary care centre, a specialized laboratory, a pharmacy, a medical specialty centre and an area for private patients, a bakery and seminar facilities, and parking garage. The benefit for society results from the mix of various medical specialties and treatments as well as diagnostics. The

building features a high degree of ecological sustainability and excellent energy efficiency ratings. It will be completed in the fall of 2023. In its second-party opinion, the rfu - Mag. Reinhard Friesenbichler Unternehmensberatung gave the sustainability bond a rating of above-average and higher.



Fair employer

“We foster personal relationships and treat our customers as equals: respectfully and with empathy.”

These words describe a core value of our brand: “warm-hearted”. We offer our employees fair pay, measures to increase diversity, work-life balance, employee performance reviews, comprehensive training and development opportunities, and a wide range of social benefits. The latter are granted regardless of the extent and type of employment. There are no benefits that are exclusive to full-time employees. However, some benefits are only available after a certain period of time with the company. Furthermore, the characteristics of the offers vary by market area.

Work-life balance

A core element of a modern working environment is measures that increase the work-life balance. Our company is certified as a family-friendly employer in Austria, Slovenia and Croatia. There is no such quality seal in Slovakia. A good balance of work and family life is a valuable factor for

- Compatibility of career and family
- Greater employee satisfaction
- Employer branding as an attractive employer
- Low staff fluctuation and retaining valuable expertise
- High return rate from the childcare leave, and
- A higher share of women in management

In 2022, BKS Bank was certified for the fifth time in Austria under the “berufundfamilie” audit.

For the first time, remote working was also taken into account. We have a home office arrangement in place that gives special consideration to ambitious part-time female employees. Remote work approvals take into account criteria such as distance and duration of travel to the workplace. The “berufundfamilie” audit defined that an evaluation of the existing arrangement for remote work was to be conducted after a certain period of time and proposals were to be made on the best communication practices with employees working from home.

Other examples of family-friendly measures include flexible working hours and the Kinki daycare center, support for work-free days between public holidays and weekends, and vacation days, a Kid’s Corner where the children of our employees in Rijeka can do homework. In 2022, three men took paternity leave and five others took one-month leave after the birth of a child. In February 2022, we were delighted to be named “Carinthia’s Most Family-Friendly Company 2021” in the category of large companies.

Works Council - a partner

The Works Council is an important partner for the selection and implementation of measures for employees. The Works Council is also represented on the Supervisory Board and its committees. All employee benefits that are not covered by the collective agreement are agreed in a separate agreements with the Works Council. As we provide the Works Council with an annual budget for social benefits, employees do not pay contributions for the Works Council.

Diversity in action

In the year 2022, BKS Bank had 1,145 employees¹, of which 1,058 were employed by BKS Bank AG. 291 people worked for our bank in Slovenia, Croatia, Slovakia and Italy. The share of women was 58%. Our employees come from 15 nations. At 52%, the largest age group is between 30 and 50-years-old. We believe greater diversity is an opportunity and work to make diversity visible. We launched a diversity campaign in social media and on the employee portal in which we introduced employees under the motto "My heart beats for...". In this context, the focus was always on a special feature of the testimonial, such as multilingualism.

The topics of diversity and diversity management are also on the agenda of several training series – including the "BKS Colleg" for new employees to the "Excellence Programme" for long-time managers. In a specially-designed training for recruiting, managers are sensitized to approach all applicants objectively to increase diversity on teams.

We also specifically invite people with disabilities to apply for jobs and point out our commitment to equal opportunity when advertising vacancies.

Equal opportunity applies at our bank to all employees and follows the principles of the Universal Declaration of Human Rights and the UN Global Compact, regardless of age, gender, ethnicity, religious affiliation, sexual orientation or physical impairment. Our mission statement, our values and our code of conduct serve as guidance for a good working environment. English is the Group language, and important documents are available on the employee portal in the local languages. We are a member of the "Diversity Charter", the Carinthian International Center and the initiative "#positivarbeiten".

In November 2022, the kick-off event for the LGBTI Business Resource Group initiated by our Diversity Officer took place.

¹ A detailed presentation of our key employee figures is available in the "Employees" section of the chapter "Sustainability in Figures" on page 130^{ru}

Women in the history of BKS Bank

The 100-year history of BKS Bank has been shaped by many strong women. Elfriede Rauter was given power of attorney as early as 1929. Also during World War II, when many men were serving in the war, women assumed executive positions. They played a major role in successfully running the banking business during this difficult period. Since then, women have

been filling more and more management positions at BKS Bank. At the end of 2022, 35.9% of managers were female. When Herta Stockbauer was appointed to the Management Board for the first time in 2004, she was a pioneers in this role in Austria. At the time, the proportion of women on management boards was 6.4%.² Even today, the proportion of female board members at companies listed in the Vienna Stock Exchange Index is not much higher at

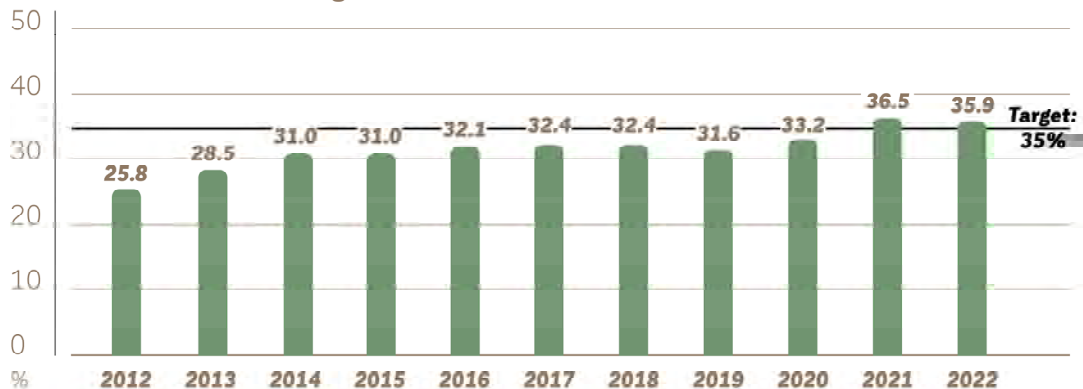
9.0%, as shown in the Mixed Leadership Barometer of EY³. The number of women in the role of CEO can still be counted on one hand. EY ascertained a much more encouraging increase in female supervisory board members. The share of women here reached a new high of 30.2%. However, women serving as chair of supervisory boards such as BKS Bank's Sabine Urnik are still significantly under-represented.



² Cf. Michaela Gstrein, Susanne Kirchner, "Frauen in Führungspositionen und die finanzielle Unternehmensperformance" (Women in Leadership Positions and Corporate Performance), Institute for Advanced Studies, Vienna, May 2013, page 21

³ Cf. EY Mixed Leadership Barometer Österreich, 1HY 2022,

Share of women in management



All employees can participate in this working group. The aim is to work out what additional measures BKS Bank can take to strengthen gender equality among employees and customers, and what the benefits for the bank are. The activities of this working group are supported by Astrid G. Weinwurm-Wilhelm, who is, among other things, president of "Queer Business Women" and of "Pride Biz Austria".

Diversity in management

The proportion of women on the Management Board is 25%, as of September 2023 even 40%, and on the Supervisory Board 42.9%. Therefore, we significantly exceed the statutory quota of 30% women on the Supervisory Board. The criteria and diversity aspects used to assess proposals for filling vacancies on the Supervisory Board and Management Board are explained in the Annual Report on page 37 and from page 41.

When filling management positions, the same career opportunities are open to all employees. To fill vacancies in management and key staff positions from within the bank's own ranks, we have created a number of promotion and development programmes. Persons interested in such positions may apply at any time – also without consulting their superiors. This ensures equal opportunity.

56% of managers are 30 to 50 years old, and 44% are over 50 years old. Around half of the over 50-year-olds have already reached the age of 55. Therefore, we are preparing prudently for the generational change.

At the same time, we aim to have at least 35% women among our managers. This target was achieved in 2021 with a share of 36.5% and exceeded again in 2022 at 35.9%. At BKS Bank AG, the share of women in management positions was 34.5% (excluding the Management Board). The proportion of women in the second management level, which reports directly to the Management Board, has also significantly increased in recent years. While there were only two women as heads of departments and regional head offices in 2019, today there are five. Three more women hold managing director positions at our leasing companies.

Our measures to promote women played a major role in this positive development. Up to now, 72 female employees have completed the women's career programme in Austria. In 2022, it was organised as an international programme for the first time. The 14 participants from all market areas starting training for management and specialist functions.

Income

Remuneration of the Management Board

The remuneration guidelines for the Management Board and Supervisory Board were amended in 2022 and adopted by the 83rd Annual General Meeting. It is available online at <https://www.bks.at/investor-relations/berichte-und-veroeffentlichungen>.

The remuneration policy of the Management Board is based on the values of sustainability, stability, security and credibility. The interests of shareholders, customers, employees and other groups associated with BKS Bank are taken into account in a balanced manner. The remuneration policy also aims to ensure that the total remuneration of the Management Board is commensurate with the economic situation of BKS Bank. The remuneration paid to the Management Board is based on areas of activity and responsibility, the contribution to profits, and on industry standards applicable to companies of comparable size.

A balanced ratio of fixed and variable components is taken into account. A total of four performance categories were defined for measuring the variable remuneration of the Management Board: financial performance criteria, risk criteria, individual performance criteria per board member, and non-financial performance indicators. These are the ISS ESG rating prime status, sustainable product volume, EMAS certification and the staff fluctuation rate. The sustainability targets are weighted with 30% in the Management Board's remuneration system, and therefore, with the same percentage as the financial and risk criteria. The performance assessment of the Management Board members is done annually by the members of the Remuneration Committee. Variable remuneration is only paid out to the Management Board if this is acceptable

considering the financial situation of BKS Bank. If, after the variable remuneration has been awarded, it turns out that it was paid out on the basis of false data or with fraudulent intent, it may be reclaimed in part or in full. However, this has never been necessary at BKS Bank in the past. A company pension scheme is in place for all Management Board members based on an intercompany pension fund model.

Remuneration of Supervisory Board members

The remuneration of the Supervisory Board is defined in the Articles of Association of BKS Bank. Amendments must be adopted by the Annual General Meeting. As a general rule, the members of the Supervisory Board are remunerated for their activities commensurate with their tasks, responsibilities and the situation of the company. Additionally, remuneration should be in line with the market and attractive to attract suitably qualified persons to the Supervisory Board. The members of the Supervisory Board receive a fixed annual remuneration as well as additional compensation for committee work. The payments are decided at the Annual General Meeting.

Additionally, cash expenses incurred as a result of work for Supervisory Board are reimbursed. There is no variable performance-linked remuneration for the members of the Supervisory Board and no share-based compensation. Payment is made after the Annual General Meeting has approved the actions of the Supervisory Board for relevant financial year. The members delegated by the Works Council do not receive any remuneration. Once a year, the Supervisory Board assesses the efficiency of its activities as part of a self-evaluation. An overview of the remuneration paid to the Management Board and Supervisory Board for the financial year 2022 and the remuneration-

linked voting results of the 83rd Annual General Meeting are presented in the tables as of page 137. The remuneration report for the financial year 2022 will be presented to the 84th Annual General Meeting in May 2023 and made available online briefly before.

Income of employees

The remuneration of employees of the BKS Bank is based on the applicable collective bargaining agreement (see page 139) and on the respective activity and qualification. Furthermore, we offer our employees additional social benefits. Examples are contributions to retirement planning and healthcare as well as family-related benefits.

Gender pay gap

BKS Bank is strongly committed to reducing the gender pay gap to 12% by 2025. We are very pleased to have reduced the gender pay gap in Austria from 19.23% to 16.7% since 2016. In Slovenia, the income gap was 12.2%, in Croatia 29.5% and in Slovakia 28.9%. In 2021, we requested an outside consulting institution to analyse the causes under the heading “100% equality pays off.” In 2022, implementation of the measures developed was continued. For example,

we give preference to equally qualified female candidates when filling management positions.

Employee participation and anniversary bonus

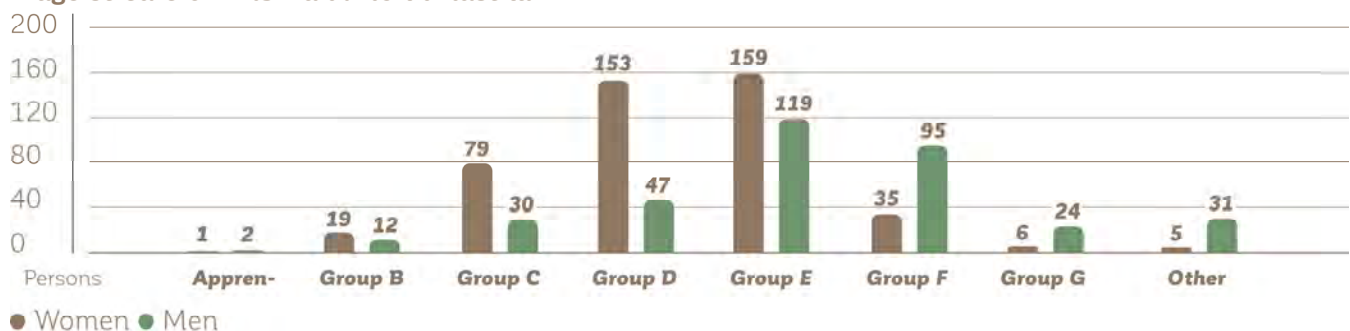
We believe our employees should also have a share in the company's success. Therefore, we make it possible for them to acquire shares in BKS Bank directly and tax-free within the framework of the employee share ownership scheme. To thank our employees for their loyalty, they were also paid an anniversary bonus on the occasion of “100 years of BKS Bank” in the form of allocated shares.

Furthermore, our employees receive BKS Bank dividends through the foundation, BKS-

Belegschaftsbeteiligungsprivatstiftung. Employees are entitled to dividends if they have been employed for at least 18 months without notice of termination as of the date of payment.

On 31 December 2022, the BKS-Belegschaftsbeteiligungsprivatstiftung held approximately 1.7% of the voting shares, and the BKS-Mitarbeiterbeteiligungsprivatstiftung holds 0.1% in trust for employees, and a further 1.2% of the voting rights are held directly by active or retired employees.

Wage structure of BKS Bank AG in Austria



GRI 2-18 Evaluation of the performance of the highest governance body
 GRI 2-19 Remuneration policies
 GRI 2-20 Process to determine remuneration

GRI 405-2 Ratio of basic salary and remuneration of women to men
 TCFD, metrics and targets, recommended disclosure a)

Education and training

Excellent advisory services can only be provided by well-trained employees. BKS Bank therefore attaches great importance to high-quality training for its employees. In total, our employees spent 41,874 hours in training and further education courses in 2022; these were held as in-person events, online and e-learning courses. After an interruption due to the coronavirus pandemic, training stays are offered again.

The management of the training and further education offers is done using our digital learning platform. Employees can use the platform to register for training and further education courses, to receive reminders for training courses, and take part in e-learning courses. Managers control the further development of their teams and their employees via the learning management system. Generally, the goal is for all employees, regardless of age and qualification to take advantage of the seminars offered for their further development. For example, there are separate training paths for each sales employee role, with the course being structured in stages and ending with a certification. Personality-building measures are also an important part of the BKS Bank Academy's offering. We are pleased to report that we trained three apprentices and eight trainees in 2022.

Training focus on sustainability

One of the focal points of the courses was the topic of sustainability. For example, the fit-and-proper training courses for the members of the Supervisory Board and Management Board included the new disclosure requirements under EU Taxonomy Regulation. Apart from in-person training courses, the "Building Energy Efficiency Calculator (BEEC) Knowledge Hub" is available which also provides information on sustainable finance. Innovations

relating to ESG management and disclosures were also addressed in the fit-and-proper training courses for senior management.

"Green Days" were added to the training programme for our employees. Participants were introduced to the changes resulting from the EU Action Plan for Financing Sustainable Growth and learned about the EMAS environmental management system. The workshop "ESG Betrachtung in der Immobilienwirtschaft" (accounting for ESG in real estate management) was designed for employees who work in real estate lending and property appraisals. All EIP-certified investment advisors completed training on sustainability preferences in accordance with MiFID II. Training was also provided on the topic of diversity (see page 82). In total, our CSR training courses registered 780 attendees in the reporting year. In 2023, ESG training course will focus on making our employees fit for advisory services relating to Taxonomy and ESG factors in ratings. A highlight will be awareness training for corporate account managers and our sustainability team in cooperation with WWF Austria.

Fit for the future

At the annual development conference with senior management staff, we discuss the topics of developing leadership qualities and strengthening awareness of strategic HR and organizational development issues. New job ads were developed in 2022. Additionally, the managers worked on the topics of employee onboarding, succession planning, diversity as a driver of employer appeal, generation management and new work.

Banking on health

The risk of occupational accidents at BKS Bank is low, unlike at manufacturing companies. When accidents do occur, they are usually traffic accidents during business trips or falls. However, primarily sedentary work increases the risk of illness associated with lack of physical activity. To counteract this trend, more and more workplaces are being equipped with height-adjustable desks. Several dynamic sitting balls and cushions have also been procured.

Mental stress for our employees is also rising. The causes are, on the one hand, the numerous external crises such as the coronavirus pandemic and the geopolitical insecurity created by the war in Ukraine. On the other, the banking business is undergoing extensive changes due to digitization and more competition from non-banking industries. We help our employees cope with these stress factors by offering anonymous and free counselling by the “EAP-Institut für Mitarbeiterberatung”. This organization provides uncomplicated support in difficult professional and also private life situations. In 2022, 218 hours of counselling were used. Our employees in Slovenia and Croatia can also use such counselling services offered by local institutes.

Workplace health management

Workplace health management and occupational safety follows the principles of the EFQM quality management system practiced at our company. Various occupational safety aspects are also covered by the EMAS Management System.

All workplace health promotion offers are available to employees on the employee portal. It is mandatory for all employees to take note of occupational safety regulations. Employees may direct suggestions relating to health promotion and occupational safety to HR, the Works Council, the occupational company physician, and the occupational safety officer at any time and also submit these in the “IdeenRaum” (ideas room).

Health as the most important asset

To ensure good medical care for our employees, we employ an occupational company physician who is also involved in all health promotion measures. The physician is available to employees in acute situations and for information on health issues and also conducts workplace and work process evaluations.

Health teams are active throughout the Group as well as health committees required by law. The occupational company physician, occupational safety specialists, managers, employees and Works Council members take part in the bi-annual health committee meetings. This ensures that 100% of employees¹ are represented. The committees have the power to decide on the implementation of any necessary measures. More cost-intensive measures are coordinated with the Management Board. The committees discuss, among other things, measures to increase workplace safety and bank safety, healthcare offers for employees, and training for safety experts and officers.

¹ 99.7% of all employees of BKS Bank are salaried employees. Therefore, there is no reporting on employees without salaried employee status regarding occupational safety.

Indicators

We use the ratio of leaves of absence due to illness as an indicator for measuring employee health. The ratio was 3.7% for the entire Group. The number of sick leave days per employee per year was nine days. Proof of the quality of the health promotion activities at BKS Bank is the "Gütesiegel für Betriebliche Gesundheitsförderung" (quality label for company health promotion), which we have been awarded every year since 2010.

"Durch die Bank gesund" scheme

We offer health promotion activities to our employees in all market areas. A highlight is the annual employee health programme "Durch die Bank gesund" (health promotion scheme). In the year 2022, the focus was on healthy lungs. After a kick-off talk on how the lungs work, participants took part in a pulmonary function test in the form of spirometry. 181 employees took part in Austria and 21 in Croatia. In Slovenia, it was not possible to implement the project in 2022 due to Covid. Therefore, we fell just short of our target of a 25% participation rate.

Other examples of health promotion activities in the reporting year include a lecture on dementia and vaccination campaigns. In Slovenia, the health team organized a healthy weekend event which included yoga, training for running and lectures on healthy lifestyles.

Occupational safety

To identify any safety defects, the safety experts conduct regular inspections of the premises at headquarters and branches. In cooperation with the police, safety measures for the prevention of bank robberies reviewed. The potential for improvement identified is documented in writing and remedied as quickly as possible.

At BKS Bank, four people work as safety specialists and 21 as safety officers. Safety experts are primarily responsible for occupational safety at BKS Bank. They receive regular and comprehensive training courses lasting several weeks. The areas of responsibility include

- Development of safety standards
- Initial briefing of new employees
- Employee training and awareness of workplace safety
- Safety checks
- Implementation of improvement proposals resulting therefrom

In our international market areas, external companies specializing in occupational safety are entrusted with these tasks.

Safety officers support the safety experts as the first point of contact for employees at the regional head offices and branches. They must also complete several days of training.

GRI 403-1 Occupational health and safety management system

GRI 403-2 Hazard identification, risk assessment, and incident investigation

GRI 403-3 Occupational health services

403-4 Worker participation, consultation and communication on occupational health and safety

403-5 Worker training on occupational health and safety

403-6 Promotion of worker health

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

GRI 403-8 Workers covered by an occupational health and safety management system

GRI 403-9 Work-related injuries

Focus on arts and culture

One component of social responsibility is the promotion of arts and culture. BKS Bank has been promoting art and culture for over 50 years. For more than half of its history, BKS Bank has been dedicated to promoting arts and culture in Austria. This is done in a variety of ways.

Carinthian Summer

Since 1975 our bank has been one of the sponsors of the event Carinthian Summer. This highlight of the Carinthian cultural scene was not only supported with funding. For example, in 1979, an exhibition marking the 10th anniversary of the festival was held at the premises of bank's headquarters at the time. For many years, the artistic directors for the respective season presented the new programme at the premises of BKS Bank's Head Office for Vienna, Lower Austria and Burgenland. In the year under review, we again sponsored the Carinthian Summer with around EUR 22,000 and invited our customers to a concert with the jazz musician Andrea Motis.

We also continued our cooperation with Stadttheater Klagenfurt, the Kärntner

Kulturstiftung and Klagenfurt Festival. For the first time, we supported the Althofen master classes at which some 40 students took lessons in singing, violin, viola, violincello and double bass, and presented their skills at a gala concert. We also have a long-standing partnership with the Ensemble Porcia. In the reporting year, we invited customers to attend an exclusive presentation of "Das perfekte Geheimnis" by Paolo Genovese.

"Tage der deutschsprachigen Literatur" (German Literature Days)

We are also a reliable partner for the event "Tage der deutschsprachigen Literatur" which was held for the 46th time this year at ORF Theater in Klagenfurt. BKS Bank has supported the most important literature award in the German-speaking world with EUR 20,000 since 2012. This time, 14 authors were selected for participation. The BKS Bank Audience Award went to Elias Hirschl for his text "Staublunge". The Audience Award comes with EUR 7,000 plus the City of Klagenfurt's "Stadtschreiberstipendium" worth EUR 6,000.

Stadttheater Klagenfurt

The Stadttheater Klagenfurt was founded in its present form in 1910 under the name "Emperor Franz Josef I Jubilee Theater". Its history therefore goes back several years longer than ours. For many decades, we have been engaged in a sponsoring partnership with Stadttheater and have sponsored several premieres and special performances. An example is the opera "Koma

oder Hiob". We supported the latter with a total of EUR 20,000. Stadttheater attracts international attention in the cultural scene with top-class performances. Most recently, "Nicht sehen" was awarded a special prize at the Nestroy Theater Prize 2022. This long-standing partnership is why we celebrated the official ceremony of our anniversary gala at Stadttheater. The Stadt-

theater artists performed music from the 1920s, including songs by the Comedian Harmonists and the musical Cabaret, thus providing the backdrop for our successful festivity.



“Literatur pur”

In Spittal an der Drau, high-quality readings are held in the Ortenburgerkeller of Porcia Castle under the motto “Literatur pur”. Alois Hotschnig, who received the Award of the Province of Carinthia in 1992, held a reading at the event “Tage der deutschsprachigen Literatur” with excerpts from “Der Silberfuchs meiner Mutter” in 2022. “Literatur pur” has been sponsored for several years by BKS Bank.

A heart for young musicians

“prima la musica” is the Austria’s biggest music competition for young musicians who have resided in Austria for at least three years. The best participants from the national competitions are invited to the national competition.

In 2022, this also included “StreichHolzBlechKnöpfe”. This ensemble from Musikschule Spittal won first place in the Carinthian competition and also received a special prize from BKS Bank.

BKS Bank’s art collection

The exhibition “BKS Bank Kunstdepot” at the Stadtgalerie Klagenfurt (see pages 74, 75), which featured parts of our art collection with numerous works by contemporary Austrian artists, met with lively interest. Interest in the exhibition was great and it was prolonged until February 2023.

Diverse social engagement activities

Sponsorships, in-kind contributions and donations are important tools for us to contribute to SDG 1 "No poverty" and SDG 4 "Quality education". Our guidelines exclude sponsorship for political parties and related entities, as well as institutions and persons who support and/or spread racist, anti-Semitic, violence-glorifying, discriminatory or otherwise offensive notions and ideas. The projects supported are selected in consultation with the Management Board, and to a lesser extent by our regional head offices and branches. The activities described briefly below are just a few examples of a total of 219 projects that we supported with EUR 282,000 in the reporting year (see also page 155).

Sponsor of "Kärntner in Not"

Since 2008, BKS Bank has been the main sponsor of "Kärntner in Not" (Carinthians in Need). Originally a fundraising initiative started by "Kleine Zeitung" during the Christmas season, it has developed into a year-round active association. The Christmas campaign continues to be an important component in fundraising. In cooperation with Caritas Kärnten, "Bürgerservice" (Citizens Service) of the Province of Carinthia, "Kinderrettungswerk" (Children's Rescue Service) and "Rettet das Kind" (Save the Children), donations are raised for families who have suffered calamities. "Kärntner in Not" provides unbureaucratic aid to people in various emergency situations that aim for a long-term effect. In the reporting year, donations amounted to around EUR 1.9 million. Our bank covers a large part of the administrative costs of the organization with a sponsorship of EUR 30,000.

The region of Gegendtal in Carinthia was hit by severe storms in the reporting year in which many people lost all their belongings. Our employees donated EUR 10,839 in a fundraising campaign to help the victims of the severe weather. BKS Bank doubled this amount to EUR 22,000, which was also handed over to "Kärntner in Not".

Help for children and young people

Many of our sponsoring activities benefit children and young people. We have a 26-year partnership with the SOS Children's Village in Moosburg. Currently we are sponsor of house number 18 where six children live. The financial means provided by our sponsorship made purchases possible that would not have been feasible using only state financial aid. Additionally, we also invited children to an excursion to the "Jump Dome" and dropped off Christmas and Easter gifts.

The "Care Leaver" project of Volkshilfe Wien addresses young people reach the age of 18 and must leave assisted living facilities. BKS Bank supports the education of one young person who fled Afghanistan with a monthly contribution.

"Caritas Lerncafé"

To increase equal opportunity for children whose parents cannot afford tutoring, Caritas has set up so-called learning cafes. The opening of a Lerncafé in Spittal in 2021 was made possible with our sponsorship, which was continued in 2022 with EUR 5,000.

Other key aid projects

The “Österreichische Bergrettung” (Austrian Mountain Rescue) provides valuable assistance to mountaineers, hikers and ski mountaineers in distress and regularly saves lives. Our Bank again gave financial support to the Carinthia Regional Group in the reporting year.

The association “Rainbows” helps children in special stress situations such as the divorce of parents or deaths of caregivers. BKS Bank sponsored the association in Styria.

In Slovenia, charity concerts were supported for the Viljem Julijan Fund for Children with Rare Diseases and the Lions Club Ljubljana. Our Head Office Croatia supported a fundraising campaign for the Dr. Viktor Ružić Foundation, which awards scholarships to talented and financially disadvantaged students.

Corporate volunteering

We regularly encourage our employees to become involved in non-profit

organizations in the form of corporate volunteering. We believe that such activity increases social competence. As part of the engagement days and the advent calendar activities organized by “Verantwortung zeigen!”, employees went on a bicycling trip with young people from the “pro mente” daycare center “Saluto”. Our Styrian team built a garden shed for a kindergarten supported by the organisation “Rettet das Kind” and visited a Christmas market with refugees. Two employees held a workshop for “autArk” to work out how “autArk” can communicate the potential capabilities of its clients to companies.

A team from the Croatia Branch planted 100 trees in cooperation with “Hrvatske šume d.o.o.” to mark our 100th anniversary. Our Slovakian employees lent a helping hand for gardening work to the “Autistické centrum Andreas® n.o.” in Bratislava. Employees from the Slovenia Branch got involved in the “Youth Friends Association Camp” in Dolenjske Toplice with gardening activities, painting and planting trees.

Fundraiser for Ukraine

The suffering caused by the war in Ukraine also greatly moved BKS Bank and its employees. Therefore, we initiated a fundraising

campaign. Our employees once again showed their enormous

compassion. They donated EUR 9,300. This amount was topped up to EUR 20,000 by BKS Bank. The funds were handed over to two charitable organizations: “Caritas”, which supported refugees and displaced persons within Ukraine, with the work of over 1,000 of its employees, and “Človek v ohrození” – “People

in need”. This is a renowned charity organisation in Slovakia. The donations were used for the initial care of people at the border with Ukraine, for refugees in the Zakarpattia region in Ukraine, and for the basic care of Ukrainian refugees in Slovakia.



Financial literacy

SDG target 4 "Quality education" is one of the SDGs we are working on as a priority. A good education and financial knowledge play an important role in achieving an appropriate self-determined standard of living. For example, people with a higher level of financial literacy are more likely to make provisions for old age and more likely to avoid unnecessary consumer spending. BKS Bank therefore supports projects and institutions that increase knowledge in the population and job opportunities.

Therefore, in 2022, we again sponsored the junior competition of the "Volkswirtschaftliche Gesellschaft" (Austrian Association for Education and Economics). Young people develop a business idea and set up a junior company for the duration of one school year. In the Austrian finals, the Carinthian junior company Drinkhalm was the winner. The idea of a drink that requires no packaging at all and only a paper straw convinced the jury.

We also sponsored for the first time a video competition organized by the Carinthian Chamber of Agriculture in which students from agricultural colleges presented their knowledge on the topic of forests.

We also supported two lecture series of the "Volkswirtschaftliche Gesellschaft Kärnten". The presentations by experts explained, among other things, the actual and structural impacts of the coronavirus pandemic on greenhouse gas emissions and presented new structures for sustainable business models of the future.

In Austria, many women cannot support their families on their own income without a partner. The gap in income is often due to long periods of parental leave and part-time work, and it is usually not possible to recoup the time lost. The consequences of lower income are felt mainly in old age, which is why poverty in old age affects mostly women in Austria. Our Chairwoman of the Management Board contributed a blog post for "BusinessFrauenCenter" with tips on how women can improve their financial independence.

Support for entering the job market

All beginnings are difficult – this saying often applies to the first job applications that young people write after completing their education. Our recruiting team offered job application training courses on several occasions to help young people enter the job market. Apart from feedback on the job applications, recruiting interviews were also simulated.

BKS Bank also trained three apprentices in the reporting year. The crowning glory of apprenticeship is the final apprenticeship exam. One of our Styrian branch managers is an examiner in the province of Styria and makes a valuable contribution to the continued existence of the profession of "bank clerk".

ESG networks

ESG networks are important for broadening the horizon and achieving the greatest possible multiplier effect for the idea of sustainability. Therefore, we also join networks whose objectives are social and ecological sustainability.

We are also members of interest groups. However, we do not use lobbying, neither do we employ staff with this area of responsibility, and do not develop lobbying concepts.

Examples of memberships and partnerships of BKS Bank

ÖGNI Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate Management)		Green Finance Alliance
Verband österreichischer Banken und Bankiers	turn to zero	Gospodarska zbornica Slovenije
Wirtschaftskammer Österreich	WWF CLIMATE GROUP	Hrvatska gospodarska komora
Industriellenvereinigung	MAMFORCE®	Slovensko-nemecká obchodná a priemyselná komora
Verantwortung zeigen!	UN Global Compact	Charta der Vielfalt
		Hrvatska udruga banaka
weXelerate	Ekvilib Inštitut	respACT – austrian business council for sustainable development
Audit “berufundfamilie”	Hrvatska udruga poslodavaca	Slovensko - rakúska obchodná komora
Unternehmen für Familien	Slovenská banková asociácia	Združenje bank Slovenije

Selected ESG activities 2022

BKS Bank is the regional contact in Carinthia for the organization “respACT – austrian business council for sustainable development”. respACT celebrated its 25th anniversary in 2022. Our CEO, Herta Stockbauer, serves as Vice President of the initiative.

In 2022, we were pleased to present an internationally renowned expert on sustainable mobility to our guests of the CEO Business Lunch with Uwe Grebe, Managing Director of AVL List GmbH. His presentation “Does climate neutrality need to be rethought in terms of energy security?” was well-received.

Our Head of Finance and Investment was part of a discussion panel on financing the circular economy at the CSR Day organized by respACT.

A special highlight with respect to cooperation was the TRIGOS Carinthia awards which spotlights sustainably active companies. The following enterprises were delighted to receive the award:

- Flextronics International GmbH in the category of climate change mitigation
- Sto Ges.m.b.H. in the category regional value creation
- Biohotel Gralhof in the category exemplary projects

- myAcker GmbH in the category social innovation & future challenges.

Our CSR Officer provided information on the implementation of the Taxonomy Directive at our bank in a webinar organized by the Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK). Other sustainability experts gave lectures at several training courses of imh.

In the reporting year, BKS Bank in its role as a partner company of the WWF CLIMATE GROUP participated in an online talk entitled “Manage Change: Auswirkungen der Transformation am Finanzmarkt auf unternehmerisches Handeln” (Managing change: impacts of the transformation on financial markets on company behaviour).

We cooperate with weXelerate in the areas of innovation and early recognition of megatrends. As part of weXelerate's "Innovation Master Class" in 2022, a lively exchange took place on various topics in the field of innovation with representatives from other innovative companies as well as external keynote speakers. For example, two BKS Bank Innovation Days were held at the weXelerate premises. The participants were offered excursions to companies that are cooperation partners of weXelerate; there were also external presentations as well as a guided tour of

the Innovation Hub with a presentation of the innovation companies located there. “Innovation Insights” and “Innovation-to-Finance” events provided interesting insights into the latest developments.

Two sustainability experts from our bank successfully completed the Climate Ambition Accelerator Programme of the UN Global Compact. This modular training course supports companies with the development of their science-based targets.

In the reporting year, BKS Bank became a member of the Green Finance Alliance and “ÖGNI – Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft” (Austrian Society for Sustainable Real Estate Management (ÖGNI)). The Green Finance Alliance is an initiative of the Ministry for Climate Action for sustainability pioneers in the banking industry. On page 50, we report in detail on the goals of the Green Finance Alliance and their activities in 2022.

ÖGNI is one of the most widely recognized building certification institutes in Austria and also assesses our newly constructed or renovated buildings with regard to sustainability. Membership also allows us to participate in exclusive events and share knowledge with other companies.

G - Governance

Good governance in all its forms
is at the heart of our daily work.



100 Years of
Accountability and Support

Supply Chain Management

The Corporate Sustainability Due Diligence Directive will require companies to publicly demonstrate the extent of their responsible behaviour along the supply chain.

Violations of human and labour rights or overexploitation of the environment are still not uncommon. Voluntary self-declarations are often just empty promises on paper. Several European countries have therefore introduced statutory regulations for minimum standards in supply chains. For example, the Modern Slavery Act has been in force in the UK since 2015, and Germany passed a supply chain law in 2021.

Shortly afterwards, discussions started about implementing similar legislation in Austria as well. However, the discussion soon fell silent again. A short time later, the EU presented the Corporate Sustainability Due Diligence Directive (CSDDD) that regulated the sustainability obligations for companies. At the time of this writing, the final version of the Directive was not yet available. But it is clear from the drafts that companies should begin implementation quickly, as many of the requirements require a longer period of preparation.

The CSDDD makes it mandatory for the concerned companies to introduce and document due diligence obligations in a company's policies, and also to disclose the results. Among other things, the mandatory due diligence processes must identify the potential and actual negative impacts of business activities along the value chain. Based on the results of this analysis, prevention plans must be defined to avoid and mitigate the negative effects identified.

Action plans must also be created to address any actual negative impact that has already occurred. Contractual agreements with business partners also play a major role. These agreements are designed to ensure that the specified codes of conduct and the action plans defined are also followed. In the event of violations, a review must be conducted to check whether the business relationship must be terminated. The Directive also requires procedures for processing complaints and also reports to the public. Certain companies are required to submit plans on how they will ensure that their business model and strategy are compatible with the goals of the Paris Climate Agreement.

SME: indirectly affected

Similar to the EU Taxonomy and the new regulations on sustainability reporting, the CSRD, it may be assumed that SMEs will be indirectly affected if their customers include large corporations. To ease the burden on SMEs, the CSDDD therefore includes various support measures such as government financial aid for compliance costs.

Opinions on the draft directive vary widely. Some fear an enormous amount of bureaucracy that only serves to create competitive disadvantages. On the other hand, the fact that many companies are below the applicability thresholds and are not covered by the rules is criticized. Nonetheless, hopes are pinned on the CSDDD bringing about actual improvements in human rights and in the treatment of natural resources without creating more unreasonable bureaucratic hurdles for companies.

G – Governance

The field of action “G - Governance” is where we focus on the advancement of sustainability activities within BKS Bank. Our goal is to be a pioneer in sustainability in the banking sector and keep our competitive edge. We believe responsible corporate governance is essential for the long-term stable business success of a company.

For this reason, we have long since established a sustainability management system and a structured sustainability strategy process within the company that also includes action tracking. We closely monitor developments such as climate change and the loss of biodiversity, as well as changing demographics and the widening gap between rich and poor in our market regions, as well as political uncertainties and changes to the rules and regulations. All these factors have an impact on our business model and the products and services we offer. Therefore, we include these in our corporate decisions at an early stage and they are also considered in the design of sustainable products as well as in the changes to our risk strategy and business continuity management.

BKS Bank is a member of several organizations and initiatives, including the UN Global Compact, “respACT - austrian business council for sustainable development”, “Verantwortung zeigen!” and “turn to zero” which gives us an opportunity to share views and experiences with other sustainability-oriented companies. We participate in the “Focal Group Green Finance” of the Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) in which experts from all federal ministries and regulatory agencies meet regularly to discuss environmental and sustainability issues. Our membership in the Green Finance Alliance also provides us with high-level information on the expected consequences of climate change for

society, the environment and our business. This information also helps us align our business model to future needs.

We are proud of the recognition of our achievements as sustainability pioneers such as the “Prime” status rating in sustainability awarded to us by ISS ESG and the inclusion of our shares in the VÖNIX index.

As a financial institution, good internal governance, full compliance with laws, regulations and directives, and product responsibility are particularly important to us. Also important is the ability to identify and manage strategic opportunities and risks from ESG factors in a timely manner (see page 110 et seq). Therefore, the following key topics belong to this field of action:

- Anti-corruption
- Compliance and governance
- Data protection
- Customer satisfaction and product responsibility
- Economic stability and growth
- Future-orientation

We conducted an impact analysis to assess which positive and negative effects are linked to the key topics of this field of action. The table on the following page shows examples of some of the impacts.

Our compliance management system, data protection system, and internal control system are designed to ensure that all laws, regulatory requirements and other external and internal rules are complied with. The Internal Audit Department as the third line of defence regularly checks compliance with governance standards, processes and the efficiency of business operations. We measure the success of our efforts by ensuring that, as far as possible, no violations of regulations or data protection laws occur. To this end, we offer our employees a comprehensive training and development programme.

Examples of impacts related to the key topics

<i>Inside-out perspective</i>	<i>Outside-in perspective</i>	<i>Examples of due diligence processes and mitigation measures</i>
Positive impacts		
Prevention of money laundering protects society from criminal activities	Increasing public interest in sustainability is beneficial for BKS Bank as a responsible actor	Low crime rates strengthen Austria as a financial center, which also benefits BKS Bank; higher demand potential
Data protection measures ensure the confidentiality of customer data	In times of geopolitical crises, customers increasingly rely on companies with local roots such as BKS Bank	Greater customer confidence in a secure, regional bank holds potential for winning new customers
Responsible lending contributes to economic growth	EU Action Plan for Financing Sustainable Growth increases transparency for stakeholders	Higher economic growth is associated with lower credit risk; products that customers easily understand are more sought-after
Negative impacts		
Potential human rights violations in the procurement supply chain	Rising energy prices reduce the profitability of BKS Bank and of our customers	Procurement Guidelines defining minimum social and ecological standards; energy-saving measures
Advisory errors could lead to financial damage for customers	Legislative changes could make products obsolete	Education and training of employees; regular weekly meetings with the management board and heads of departments at which regulatory changes are discussed
Cybersecurity incidents may result in customer defection	Larger range of sustainable products of competitors could erode competitive edge	Intensive cybersecurity management; systematic monitoring of sustainable development of sustainable products

We also attach great importance to product responsibility. The new development and advancement of products is the responsibility of the competent departments. Every innovation considered is subject to a standardized product launching process monitored by Risk Controlling. This process includes ESG criteria to guarantee that the new product

aligns with the sustainability concept of BKS Bank. External sustainability second-party opinions and certifications of our products such as the Austrian Ecolabel for Sustainable Financial Products give customers certainty that the product is indeed sustainable and not just greenwashing.

Sustainability organization

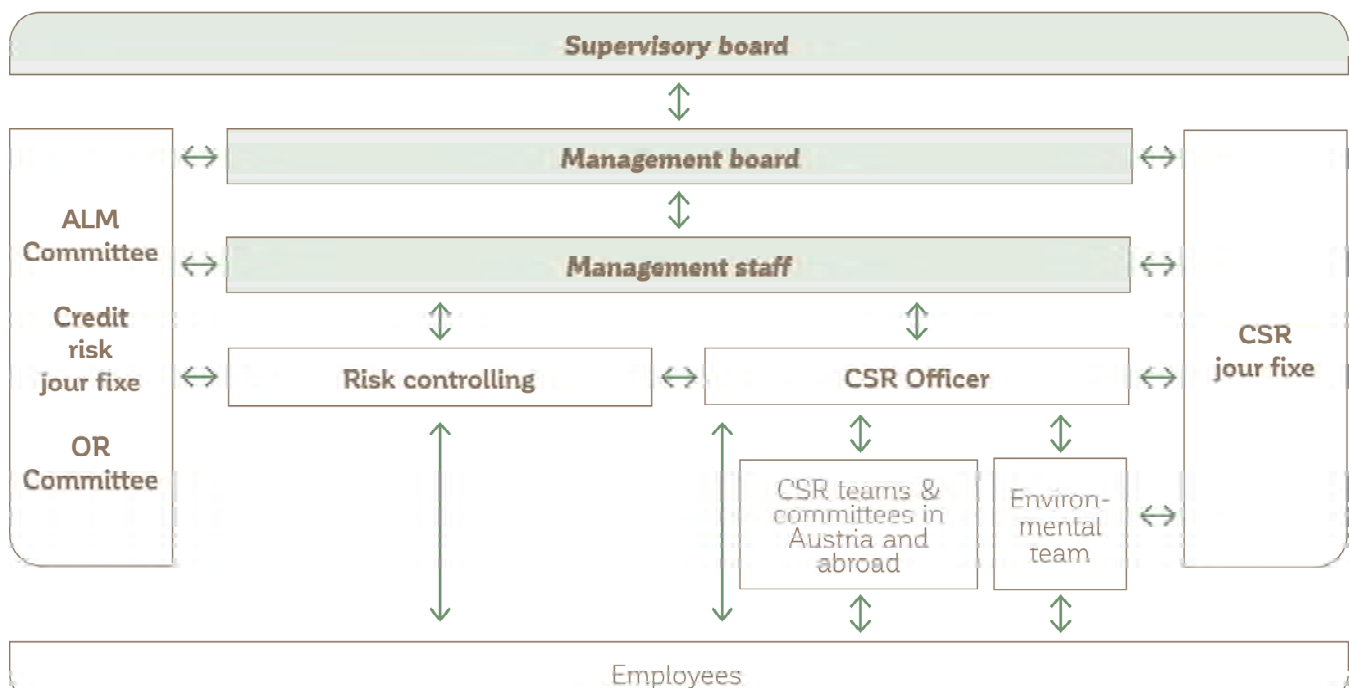
As BKS Bank has long since been committed to sustainability as a strategic goal, our bank has a well-thought-out sustainability organization. The areas of responsibility are defined in the "Internal Framework for Sustainability Management".

Sustainability is a defined area of responsibility of the Chairwoman of the Management Board due to its importance for BKS Bank. Together with senior management, the sustainability strategy is discussed and developed at the annual strategy meeting. Based on strategic sustainability goals, an annual sustainability programme is developed by the CSR Officer in cooperation with the CSR teams from Austria and our international subsidiaries. The CSR teams are made up of managers and employees from a wide range of specialized areas to ensure that all the demands and requirements for sustainable development

at our company are recognized accordingly. Measures are implemented either as projects, as in the case of the EU Action Plan, for example, or along the reporting line.

The progress of the activities defined, new measures, target achievement and current CSR developments are discussed with members of the Management Board at regular quarterly CSR meetings. Reporting on progress implementation of the EU Action Plan and EMAS takes place at separate meetings with the Management Board. ESG risks and opportunities, especially climate risks, are evaluated in a risk assessment process, included in the risk strategy, and assessed for individual customers based on soft facts. The risks discussed and evaluated in detail at regular credit risk meetings and by the ALM Committee with the Management Board. If necessary, written reports are also made to the Management Board.

Sustainability organization at BKS Bank



GRI 2-12 Role of the highest governance body in overseeing the management of impacts

GRI 2-13 Delegation of responsibility for managing impacts

Information flows

Reporting to the Supervisory Board on CSR is the responsibility of the Chairwoman of the Board of Management. At the meetings, the key elements of our sustainability strategy, progress in goal achievement, new challenges and key issues are discussed. ESG risks are addressed at the meetings of the Risk Committee.

To ensure that those members of the top management who do not take part in the regular CSR meetings are also informed about the progress of the CSR strategy and the associated innovations, sustainability is regularly on the agenda of the top management's regular meetings.

A large section of the employee portal is also dedicated to sustainability to ensure so that our employees can access essential information at any time. CSR is a fixed component of the presentation at the semi-annual "BKS Bank-News" at which the Management Board informs all employees about strategic priorities.

Knowledge building

As shown on page 86, training and continuing education measures in sustainability are also a core element of our sustainability management. Because the continuous development of knowledge about the current challenges and possible solutions creates the basis for a sustainability strategy that matches our times. In addition to the seminars described in the section mentioned above, which also include fit & proper training courses for the Supervisory Board and Management Board members, our Management Board members and employees also attend congresses and events dedicated to ESG topics. In her role as a board member of the organization respACT, our CEO also receives high-quality information from Austria's number one sustainability network.

ESG engagement

Originally, the term engagement stood for active and engaged shareholder rights activities. Today engagement is defined more broadly and includes various activities that contribute to strengthening ESG factors. As a member of the Green Finance Alliance, we are committed to defining an engagement strategy and publishing it on the website.

Our engagement strategy relies on constructive dialogue as a means to grow together with our stakeholders and drive the transformation towards a sustainable economy. Specifically, we have defined our focus to be primarily on investment fund companies, on corporate customers in the context of lending, on companies in which we own significant interests, and on suppliers and business partners.

Engagement with investment fund companies

Within the scope of proprietary and customer investments, BKS Bank frequently uses the fund products of 3 Banken-Generali Investment-Gesellschaft m.b.H. As we are one of the main shareholders, we regularly discuss the importance of a sustainable orientation of the investment fund with the management. One outcome of this exchange is the launch of the asset management investment fund “BKS Strategie nachhaltig”. In recent years, 3 Banken-Generali Investment-Gesellschaft m.b.H. has increased its range of sustainable funds to 13.

As regards portfolio management, we generally waive the exercise of voting rights, as the shares owned are only minimal compared to the total volume of the fund. However, our experts regularly exchange information with fund managers. The same applies to our treasury portfolio, which consists largely of government bonds and investment

funds, and only a small ratio of individual stocks.

Commitment to investees

We exercise our shareholder rights – voting rights – at companies in which we own significant shareholdings. In 2022, we attended the annual general meetings and shareholders’ meetings of all 14 companies included in the scope of consolidation and exercised our voting rights also at nine companies in which we hold direct interests. As part of the preparations for the EMAS initial verification of 3 Banken IT GmbH, we set out the requirements for environmental management.

Employees, customers and NGOs

Apart from investments, the focus is also on engagement with customers and NGOs. We are currently focusing on raising awareness for the climate change mitigation and adaptation measures that many companies will be confronted with on our path to decarbonization.

We also organized discussions with customers from the real estate sector regarding the implementation of the Taxonomy Regulation. We also regularly invite our customers to events on topics relating to sustainable investments. Our experts also provide information on sustainability in finance at the invitation of other companies and institutions. For example, representatives of our company spoke at the CSR Day organized by the organization respACT, at a webinar organized by the Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), at conferences of imh, and at the WWF Climate Group talk “Managing Change: Auswirkungen der Transformation am Finanzmarkt auf unternehmerisches Handeln”.

Good governance, compliance, anti-corruption and data protection

The principles of good and responsible corporate governance are well-established at BKS Bank.

"It is a matter of course for us to treat our fellow human beings with respect, to protect the environment, act with integrity and comply with all rules and regulations. As a bank with regional roots, we are open to the social and cultural topics of that concern people in our markets. As a member of the UN Global Compact, we uphold human rights and strictly reject all forms of discrimination, corruption, money laundering and terrorism financing," these are the opening words of the Management Board to the Code of Conduct for our employees. These principles serve our employees as guidance for unequivocal ethical and responsible behaviour. The Code of Conduct was revised and presented to employees in 2022. It is available to all employees digitally on the employee portal. New employees of BKS Bank receive the Code of Conduct as part of their digital entry folder. This ensures that our employees are well informed from the very start of our most important ethical principles.

Compliance

The Code of Conduct is just one of many tools we use to ensure compliance. BKS Bank has set up a Compliance Office in accordance with the Austrian Banking Act and the Austrian Securities Supervision Act. The Compliance Officer is also responsible for defining anti-corruption regulations and the related control measures. The Management Board has overall responsibility for compliance with all compliance requirements and receives regular reports from the Compliance Officer. BKS Bank attaches great

importance to acting in accordance with the rules on financial markets. Strict internal regulations and control measures are in place with detailed policies for corporate governance, and the prevention of corruption and money laundering. All employees must be informed of the Code of Conduct and this must be documented.

Anti-corruption

In 2022, the issue of corruption received significantly more attention in the media and public awareness than ever before. Decisive were accusations against Austrian and European politicians, but also several incidents surrounding the World Cup in Qatar. In the Transparency International Corruption Perceptions Index¹, Austria slipped from the top 20 to 22nd place for the first time at the beginning of 2023. Slovenia, Slovakia and Croatia are ranked in 41st, 49th and 57th place, respectively.

We take comprehensive measures throughout the Group to prevent corruption. All employees are informed of the applicable anti-corruption guidelines such as the Anti-Corruption Manual and Guidelines on the Acceptance or Presentation of Gifts through the employee portal. With respect to the acceptance of gifts, it has been defined that employees may not accept money or vouchers in any amount. Gifts in kind or benefits with an equivalent value of EUR 100 or more are subject to an approval process that includes approval from the Management Board depending on the amount. There are also precise rules for giving gifts to customers or business partners. In particular, gifts to public officials or to representatives of companies with whom a contract is about to be concluded are prohibited.

¹ Cf. Transparency International, <https://www.transparency.org/en/cpi/2022>
GRI 3-3 Management of material topics

We also address the issue of anti-corruption in our dealings with business partners. When placing an order with our company, business partners sign the Code of Conduct for Suppliers and Business Partners, which states, among other things, that corruption is not tolerated. It is mandatory to include an anti-corruption clause in contracts with business partners.

The Compliance Officer submits a written report to the Management Board and the Supervisory Board on anti-corruption measures at least once a year. In addition, he reports verbally to the Executive Board on an ongoing basis. As in previous years, no discernible infringements of our strict anti-corruption rules were ascertained in the audits conducted. The audit inspections covered 100% of sites. Consequently, no disciplinary measures against employees or termination of business relationships were required. One case of internal fraud at the Croatian branch was also reviewed as to the existence of corruption. We reported the case of fraud immediately. However, no concrete evidence of corruption has emerged so far.

Respect for human rights

As a member of the UN Global Compact, BKS Bank upholds human rights and firmly rejects discrimination. When defining human rights, we refer to internationally recognized human rights standards, such as the Universal Declaration of Human Rights and the International Labor Organization's core standards. We also take guidance from the OECD Guidelines for Multinational Enterprises.

As an employer, we offer our employees fair pay, the right to freedom of association, flexible working hours,

training and continuing education. The works council is an important partner in all employee-related CSR activities. The Works Council is represented on the Supervisory Board by four delegates. Our Diversity Officer ensures that employees are not subject to discrimination.

Fortunately, in the markets in which we operate, human rights meet relatively high standards in international comparison. Nonetheless, we take numerous measures to prevent human rights violations within our sphere of influence.

Prevention of money laundering

BKS Bank does not enter into business relationships that may be related to money laundering or terrorism financing. Before entering into a business relationship, it is mandatory to conduct a thorough review of customers. In this way, we also ensure that embargoes and sanctions against regimes that violate human rights are observed.

Existing business relationships are terminated immediately in the event of suspicious transactions and all suspicious transactions are reported to the authorities without delay. State-of-the-art audit processes are in place to identify potential cases of wrongdoing. Detailed guidelines on money laundering prevention are known to all employees and appropriate training courses are mandatory.

Despite these comprehensive preventive measures¹, the Financial Market Authority identified a breach of individual due diligence obligations in two cases as a result of an AML and system audit in 2018 and, in the course of a subsequently initiated administrative proceedings against BKS Bank offered an expedited termination of the proceedings with a fine

¹ GRI 205-3 Confirmed incidents of corruption and actions taken

GRI 205-2 Communication and training about anti-corruption policies and procedures

the subsequently initiated administrative proceedings against BKS Bank offered an expedited termination of the proceedings with a fine of EUR 26,400 including procedural costs. After a careful review, BKS Bank decided to accept this option for economic reasons in the reporting year. No further penalties were imposed on BKS Bank in the reporting year resulting from violations of compliance rules, AML guidelines or due diligence obligations.

Training and further education translates into greater knowledge in compliance matters

We provide extensive training programmes to keep our employees up to date with respect to compliance, AML and anti-corruption topics. In 2022, an e-learning programme on compliance was mandatory for all employees in Austria. Every three years, all employees attend compliance training courses that close with a knowledge test. In addition to courses on classic compliance topics

regarding the investment business, employees must complete training on all other relevant aspects of good conduct in the banking business such as the prevention of money laundering and corruption. In the year 2022, a special training course was held on the design of customer information and marketing communications for the securities business.

No offshore banking

BKS Bank has no companies or investees in offshore countries and completely excludes offshore banking services. As a matter of principle, we do not enter into business relationships with business partners who have their registered office in offshore regions. This also applies to companies with ownership structures that have offshore vehicles at the end of the chain. Exceptions are made only in isolated cases which have been thoroughly documented and audited, and whose legal conformity is ensured.

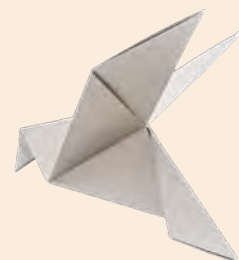
GRI 2-23 Policy Commitments

Sanctions on Russia require close scrutiny

The sanctions imposed by the European Union on Russia and Belarus due to the war in Ukraine also affected BKS Bank's AML Group with respect to their implementation. We had to set up new reporting requirements for Russian and Belarusian citizens with deposits of over EUR 100,000, and check whether

our customers complied with the economic sanction in their banking transactions. To this end, all financial transactions with Russia, Belarus and Ukraine are reviewed carefully to determine whether they are connected with sanctioned transactions. An important framework for implementation was provided by the

“Financial Sanctions Working Manual”. This includes additional instructions on dealing with sanctioned countries, human rights, chemical weapons, etc.



Certified data protection

Protecting the data of our customers, employees and business partners is an essential element of our understanding of compliance. Therefore, we regularly train our employees on this topic. Our data protection officer successfully completed certification with Austrian Standards in 2022.

The Data Protection Officer is responsible for implementing compliance with all legal requirements. On foreign markets, the Data Protection Officer is supported by the local data protection officers or contacts. These coordination processes were refined in the reporting year. Cooperation with Oberbank, BTV and 3 Banken IT was also intensified to make optimal use of synergies. In 2022, there were no data protection complaints against BKS Bank.

Dealing with laws and regulations

At weekly meetings of the Management Board, heads of central units and the Compliance Officer, all notifications of changes to laws and regulations as well as decisions of high courts of the preceding week are discussed. The documentation is done in an IT system so as to enable the follow-up of the measures discussed. The purpose of the meeting is to ensure that all regulatory requirements are complied with. Another valuable tool is the register of rules and regulations, as well as official notices relating to environmentally relevant topics, which was created during of the EMAS audit. Examples include the Building Code, the Waste Management Act, but also regulations relating to the EU Action Plan.

Guidelines and manuals are brought to the attention of employees on the employee portal, where they are available and always up to date. The guidelines are prepared by the respective competent

employees. Approval processes are defined for the guidelines, which ensure a dual control principle and compliance with defined competence hierarchies. The many policies and instructions defined must be submitted in advance to the Management Board for approval. These include management contracts, the Risk Management Manual, the BKS Compliance Code, the Compliance Charter and the Corruption Prevention Manual.

Supporting customers in payment difficulties

For customers having payment difficulties, it is standard practice to treat these customers with respect and appreciation. To ensure that potential payment difficulties are identified at an early stage, an automated early warning system is part of our IT-based monitoring processes. By quickly contacting the customer concerned and providing professional advice, it is possible to resolve critical situations. Our guidelines define the appropriate process. Among other things, the process for retail and corporate customers defines, as of when a customer no longer receives services at the branch, but rather by specialist staff for company reorganization, and which reorganization and restructuring measures are possible within the legal and regulatory framework.

Cybersecurity

Both BKS Bank and 3 Banken IT are responsible for cybersecurity measures. The information security management system (IMS) of 3 Banken IT was certified according to ISO/IEC 27001 in 2021, and recertified in 2022. The effectiveness of the internal control system of 3 Banken IT was audited in accordance with ISAE 3402. Business continuity management is aligned with the ISO 22301 standard.

Modern prevention systems

BKS Bank is continuously developing its security standards in close cooperation with 3 Banken IT. To protect BKS Bank against cybercrime, a wide range of measures are employed, such as state-of-the-art firewalls, anti-virus software, spam and web filters, patch and log management, data leakage prevention, and redundant server and network design.

Cooperation with the external experts from well-known Austrian IT companies on the topic of DDoS protection (CleanPipe Service) further increases security. Key pillars are also strict authentication management and employee awareness campaigns. Awareness measures regarding both customers and employees are implemented on an ongoing basis. These include mandatory training courses, monthly information on cyber topics, warnings and regular drills. Test attacks are also used to test whether employees recognize attempted attacks and react correctly.

Cybersecurity tabletop exercises

Detailed guidelines on how to proceed are provided to our employees in the business continuity management work manual to which a cyber incident response plan added in 2022. A trial run of this response plan was done in the form of a table top exercise in cooperation with 3 Banken IT with participation of the member of the Board responsible for the topic.

Sustainable procurement

As a player in the economic life of the regions in which we operate banks, it is important to us to procure goods and services locally. We require all suppliers to sign the Code of Conduct for Suppliers and Business Partners. We have defined minimum social and environmental standards in our procurement guidelines.

An overview of the most important quality labels integrated into the guidelines makes it easier for buyers to select products.

A new purchasing portal for ordering office supplies and cleaning materials, which has been in use since mid-2022, also simplifies the checking sustainability. The portal provides, for example, the safety data sheets for cleaning agents. As of 2023, it will be possible to retrieve product sheets showing whether the product has sustainability certificates.

Complaints, concerns and procedures

BKS Bank has an ombudsman's office, which is an independent point of contact for complaints. It coordinates and supports the individual organizational units with the processing of complaints, documents the complaint cases, and reports to top management twice a year. Complaints may be submitted to account managers, the customer service centre, via the website and social media or directly to the Ombudsman's Office.

The exact procedure for dealing with complaints is defined in the complaints management policy, which is available to all employees on the employee portal. All complaints and claims must be recorded in the OpRisk System. This system can be used to assign tasks to other persons or to hand over responsibility for a case to a higher-level unit, for example. OpRisk facilitates the tracking of a complaint's processing and finalization. Complaints concerning our construction projects are handled and followed up directly by BKS Immobilien-Service Gesellschaft.

Low number of complaints

In the reporting year, there were 3,070 complaints (2021: 2,914). This number of complaints corresponds to a rate of around 1.6% in relation to total number of customers. In 2022, we again received complaints primarily about expenses and

fees, disruptions to our digital applications, and changes in account managers. Complaints due to credit card fraud are also on the rise.

Highly critical concerns brought to the attention of BKS Bank are reported directly to the Management Board, either orally or in writing, as appropriate. In 2022, the Management Board received complaints in connection with a case of fraud in Croatia and complaints regarding investment services.

Exclusion of critical industries

An important element of our business principles is the definition of the persons, companies and institutions with whom our company does not enter into business relationships and the types of investments we exclude. We conducted an internal review of the exclusion and positive criteria for agent and proprietary transactions.

A better distinction has been made between the lending and investment business, and clearer boundaries have been defined. Our Anti-money Laundering

Work Manual and other work instructions also contain numerous criteria for transactions that we exclude. Topics excluded by our policies:

- Violation of human rights and labour rights
- Nuclear power
- Coal
- Controversial weapons and nuclear weapons
- Tobacco
- Pornography, brothels and nightclubs
- Money laundering and terrorism financing
- Betting and gambling
- Off-shore transactions

With the positive criteria, we aim to promote businesses that make positive contributions to the development of society, the preservation of the environment, climate change mitigation and adaptation to climate change. Therefore, we prefer to finance or invest in projects that serve decarbonization in any form, especially sustainable energy projects, green mobility, and environmentally or socially sustainable infrastructure and educational facilities.

Management of ESG factors

ESG factors typically include environmental, social and labour concerns, respect for human rights and prevention of corruption and bribery. These entail both opportunities and risks. BKS Bank aims to make the best possible use of ESG opportunities and mitigate risks resulting from sustainability.

The Risk Management department at BKS Bank has subunits for strategy, operations and auditing. The Management Board has overall responsibility for reviewing and implementing the risk strategy and for monitoring risk management, and thus for ESG risk management. The Management Board regularly informs the Risk Committee and the Supervisory Board of risks and opportunities arising from ESG factors.

The management of sustainability risks is done within the individual risk types of

BKS Bank. Therefore, the risk policy principles for managing ESG and, above all, climate risks refer to the different levels and risk categories of BKS Bank.

Generally, the Bank's operating units manage risks independently within the framework of the specifications for their business areas. Several interdisciplinary risk committees provide comprehensive support for this process. Risk analysis and control is performed by Risk Controlling, which was established in the reporting year as a separate organizational unit that reports directly to the Management Board. Internal Audit is an independent unit that also audits how sustainability risks are managed. The Head of Risk Controlling participates in the regular quarterly CSR meetings. A detailed description of how risk management is organized at BKS Bank is given in the chapter "Risk Report" of the Annual Report.

ESG risk management process



GRI 2-12 Role of the highest governance body in overseeing the management of impacts

GRI 2-13 Delegation of responsibility for managing impacts

GRI 2-25 Processes to remediate negative impacts

TCFD, governance, recommended information a) and b)

Due diligence processes

A wide range of analysis procedures are in place at BKS Bank for identifying and assessing ESG risks, and identifying opportunities from sustainability topics. At BKS Bank we define sustainability and ESG risks as events or conditions from the areas of environment (E), social (S) or governance (G) which may – in fact or potentially – have negative effects on the assets, financial position and result of operations or on the reputation of our company. This also includes any negative impact that our business activities may have on social, employee and environmental matters. The following chart shows which ESG risk drivers we identified as priorities and how we assess their importance. The assessment was based on a materiality analysis that compared the probability of occurrence and the expected impact on individual sectors. The significance of the impact on the individual sector was weighted on the basis of the volume of loans granted to the respective sector.

Risks from expected changes in legislation and changes in the behaviour of customers and investors are assigned high priority. Furthermore, we assume that transitory risks from climate change will have a stronger impact on our customer portfolio than the physical risks of climate change. New taxes and charges that are expected or have already been announced such as CO₂ pricing or further environmental charges will affect numerous sectors. Risks from violations of human rights, child labour or forced labour are assessed as significantly lower. A further exemplary list of the due diligence processes and mitigation measures we apply is available on page 112.

We consider ESG opportunities to be those that generate tangible or intangible benefits for our company based on our sustainability activities or achieve positive impacts for society or the environment through our activities. To identify opportunities, we use impact analysis and stakeholder engagement, among other things.

The assessment of ESG risks and opportunities is based on short to long-term observation periods, with one year being defined as short term, five years as medium term and over five years as long term.

We also categorize sustainability risks and opportunities from the perspective of dual materiality. Inside-out factors are those activities with consequences for the environment and society. For example, our green loans and investments help increase the use of renewable energy in Austria. Outside-in factors influence us from the outside and impact our business model. One example is the energy crisis, which raised the costs of the energy we consume and the credit risk situation of customers. Even though we assume that the financial consequences of ESG risks will only be seen in the medium to long term, we closely monitor the potential interaction of ESG and financial risks.

ESG factors and their impact on our business model

Stress test in accordance with ECB requirements

Several analyses were conducted in 2022 as part of the ESG risk assessment. We conducted a stress test for the first time in accordance with the methodology of the ECB's Climate Stress Test 2022.

Selected due diligence processes and mitigation measures

Examples of due diligence processes and mitigation measures

ESG risk type

Due diligence processes	
A structured strategy process ensures that we analyse ESG risks in our business, sustainability and risk strategies, and develop mitigation measures on the results.	E, S, G
Once a year, Risk Controlling conducts a risk assessment and a stress test. This involves applying transition and physical risks to the context of bank-specific risks and scrutinizing customer portfolios with respect to vulnerability to climate risks.	E, S, G
We use Climcycle to identify and assess ESG risks in portfolios level and for individual customers. Based on these results, we create heat maps that indicate which customer groups and geographic regions may be especially exposed to ESG risks.	E, S, G
We document soft facts on ESG risks in the credit rating.	E, S, G
The materiality analysis and stakeholder engagement are tools we used to assess the impact of our business model on society, the environment and stakeholder expectations.	E, S, G
Opportunity and risk analyses, impact analyses and context analyses reveal the threats and potentials from ESG for BKS Bank and provide information on the consequences our business model may have for the environment and society.	E, S, G
We conduct regular analyses to assess the threat to BKS Bank's critical infrastructure from the physical risks of climate change .	E
An analysis of the carbon footprint of our product portfolios shows what we need to change to achieve a low-carbon economy.	E
Regular employee surveys are an important tool for measuring the appeal of BKS Bank as an employer.	S
The customer surveys conducted every two years help is find out how attractive BKS Bank is to customers. After-sales surveys provide timely feedback.	S
The units responsible for compliance, anti-corruption and AML management prepare comprehensive risk analyses and ensure compliance with the law.	G
Mitigation measures	
We have a structured sustainability organization.	E, S, G
An internal framework for sustainability management defines the areas of responsibility for all CSR-related tasks.	E, S, G
We use the EFQM and EMAS management systems.	E, S, G
We use external ratings and certifications (e.g. ISS ESG, Green Brands, ÖGNI, EMAS) as a basis for further development.	E, S, G
We have an internal structured product introduction process, which also covers sustainability aspects.	E, S, G
Sustainable products are an essential part of our range of products.	E, S
Some first ESG factors have been integrated into collateral management.	E, S, G
We train our employees on the topics of governance, environment and social issues.	E, S, G
We conduct regular fit and proper training courses on sustainability and ESG risks or the members of the Supervisory Board, Management Board and senior management staff.	E, S, G
An ombudsman's office for complaints management has been set up.	E, S, G
We have defined exclusion and positive criteria for customer and proprietary transactions as a basis for deciding with whom we do business.	E, S, G
We have manuals that present the policies and processes in a structured manner.	E, S, G

To this end, the ECB developed scenarios for the economic impacts of physical risks of climate change as well as of future climate policy measures. The scenarios are based on those of the “Network for Greening the Financial System”. On the one hand, the effects of climate risks are identified with respect to the development of gross value added, which influences the probability of default (PD) taking into account a correlation parameter. On the other, a model is created for the economic impact of climate risks on the prices for commercial and residential real estate, which are to be taken into account by calculating stressed collateral values (collateral value) and loss-given-default ratios (LGD) in impairment charges. Overall, this results in a stressed expected credit loss (ECL) for each scenario. This quantifies the macroeconomic effects of climate risks on credit risk for each asset. All in all, our loan portfolio proved to be highly stress resilient.

Gross/net risk assessment

As in the past, we prepared a gross/net risk assessment in the reporting year based on ESG factors with regard to the different risk types. By gross risk, we mean the maximum risk that may arise without applying any mitigation measures. The net risk indicates the remaining risk when mitigation measures are considered. In this risk assessment, all risk types were evaluated by probability of occurrence, the magnitude of potential gross risks and net risks in the categories low, medium and high. Furthermore, the risks are assigned to E, S or G, and a detailed analysis is made regarding possible physical or transitional risks from climate change. In most cases, the findings showed a low the probability of occurrence of ESG risks.

ESG risks in credit risk

Among the risk types relevant for BKS Bank, sustainability risks have the largest relative impact on credit risk. The experience of the past few years with the Covid-19 pandemic, the sharp increase in

energy prices, the introduction of carbon tax have demonstrated quite clearly how today's sustainability topics may have a sudden strong impact on the development of companies. The numerous regulatory changes already implemented, or only announced, by the EU derived from the Green Deal and Fit for 55 relating to the biodiversity, forest and circular economy strategies will affect many of our customers. The first effects will be felt in the short term, but the bulk of the impact is expected to be long term. Many industries will have to adapt their business models due to climate change, such as activities connected to mobility, the construction industry and tourism. Agriculture and forestry must prepare for more frequent periods of drought, extreme weather events, invasive species and pest infestations, as well as changing consumer behaviour.

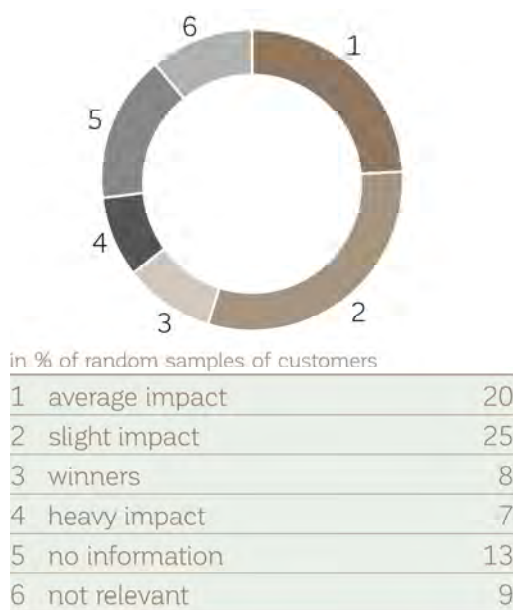
Analysis of parties affected by the geopolitical situation

In addition to the ESG risk scores that we now calculate on a standardized basis, we initiated additional assessments of our portfolio this year due to the Ukraine war and the associated energy crisis. A systematic analysis of the customers affected was carried out by the Risk Analysis and Risk Service department which used a questionnaire to survey the effects of energy price increases and gas shortages, inflation and interest rate hikes. The evaluation revealed that 21% of corporate customers operate in industries already identified as exposed to risk. The loan volume granted to this group was EUR 1.4 billion at the time of the analysis.

A sample of 196 customers was selected from this pool for a survey. More than one third of customers in the sample were revealed to be significantly affected, including tourism businesses, utilities, the construction industry and companies from the plastics manufacturing sector, as well as the transport industry. Customers severely affected by the geopolitical

factors were placed under special observation.

Risk from macropolitical environment



ESG risk scoring with Climcycle

We monitor ESG risks in our loan portfolio on an ongoing basis to track the magnitude of potential impacts. We use the Climcycle (formerly CLIMAID) analysis tool to assess sustainability risks of individual customers and of portfolios and assign an ESG risk score of 0 to 100. The overall result is satisfactory: Around 86.1% of our loan portfolio has a very good score, and 10.6% is within a good

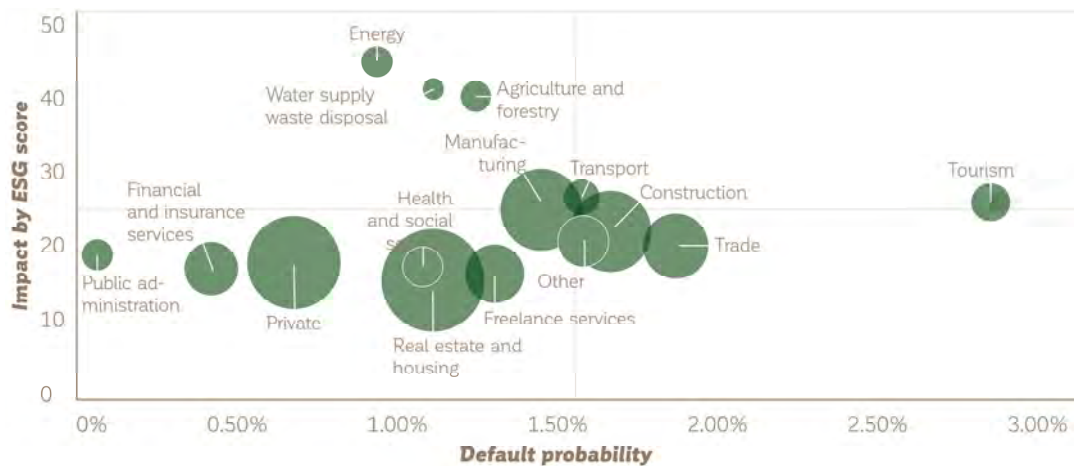
range. Only 3.2% were rated as requiring improvement. 0.1% will be further investigated or observed due to poor scoring.

A heat map based on sectors showed that sectors to which our company has lent high volumes of loans have below-average ESG risks. The sectors most affected with an above-average probability of default are those shown in the top right sector of the chart "Exposure by ESG risk score". The size of the sphere symbolizes the lending volume in this sector. The highest probabilities of default were found for tourism, followed by construction, trade and manufacturing.

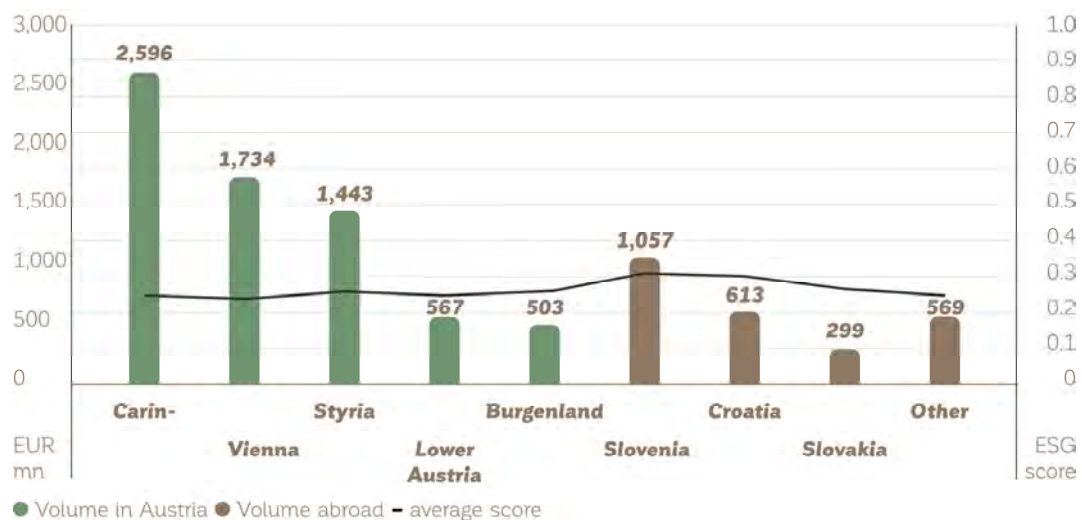
Market areas have different ESG risks

Because our market areas are in different climate zones, they will be affected differently by climate change. The social risks are also different. As a result, the geographical risk scores also differ. Compared to our main market region of Austria, the countries Croatia and Slovenia have some catching up to do. Among other things, this is due to the fact that both countries rank far behind Austria in the corruption index. In Slovenia, the power utilities pose a higher risk. Croatia will be more affected by droughts and heat due to climate change. In the chart "ESG risk scores by target market", the height of the column represents the lending volume in the target market, and the black line represents the ESG risk score average.

Exposure by ESG risk score



ESG risk scores by target market



ESG soft facts

In addition to Climcycle, we also collect soft facts on ESG factors from corporate clients in Austria and abroad. Happily, a large share of customers scored at above average or excellent in the assessment, as seen in the table below .

We are on a good path with the ESG risk assessment method we use for loans. Nonetheless, we know that the data currently available to us is still incomplete. Therefore, we are closely monitoring the widening range of tools offered on the market for the gathering ESG data and have also tested some applications.

Critical infrastructure

As part of our business continuity management, we also analyse our critical infrastructure for physical climate risks. We have a low hazard potential. As a precaution against potential blackouts, we set up emergency power equipment already in 2021 as a result of our evaluation processes.

Opportunities from ESG factors

As a responsibly operating bank, BKS Bank has used opportunities from ESG factors as a driver of innovation for many years. We now have a wide range of sustainable products for which demand is high. Numerous benefits for our employees create positive employer branding, and workplace health promotion keeps employee performance high. High degree of compliance and good governance help us to avoid reputational damage and fines, and also strengthen our market position as a responsible business partner. Our carbon reduction and energy-saving measures lower our costs. All of these factors will continue to grow in importance. The Green Deal, the greater focus on supply chains and the growing awareness of the population for sustainability will increase demand for socially and ecologically-compatible products. In the light of the current shortage of labour, the benefits offered are an increasingly important motivator to

choose BKS Bank as an employer or to stay with the company.

Product responsibility as a differentiating factor

Products should meet customer needs and be easy for our customers to understand. High product responsibility plays a major role in our company. All new products go through a standardized product launch process. This process ensures not only conformity with the law, but also that the new product is in line with the sustainability concept of BKS Bank. Our outstanding advisory competence is also a key differentiating factor.

We do not engage in aggressive advertising and follow the recommendations of the Code of Ethics of the Austrian Advertising Council (Werberat) and of the Society for the Self-Regulation of Advertising ("Gesellschaft zur Selbstkontrolle der Werbewirtschaft"). To ensure that all advertisements comply with our guidelines, they are managed by the Strategy, Communications and PR group. In the reporting year, there were no infringements of regulations or voluntary codes of conduct in the labelling of our products or in our marketing materials. In 2022, employees involved in the production of promotional materials completed a training course organized by

Loan portfolio: Results of the soft facts analysis

Ranking ¹	Environment: Physical risks		Environment: Transition risks		Social risks	Governance risks
	Object of business	Assets	Stranded assets	Renewable energy, circular economy		
1 to 3	19%	17%	22%	23%	23%	20%
4 to 7	80%	82%	77%	76%	77%	80%
8 to 10	1%	1%	1%	1%	0%	0%

¹ Companies ranked 1 to 3 performed above average in scoring; those ranked 4 to 7 average, and those ranked 8 to 10 performed negatively.

TCFD, strategy, recommended information a), b) and c)

TCFD, risk management, recommended disclosures a), b) and c)

Compliance Office offered special training on labelling marketing communications.

High level of customer satisfaction

We use several instruments to measure and improve satisfaction with our products, services and advisory services. Every two years, we conduct a customer satisfaction survey. The outcome of the most recent analysis, conducted in the fourth quarter of 2021 was an overall satisfaction rating of 1.5. The increase in the Net Promotor Score, which measures the recommendation rate, from 29% to 36% was particularly pleasing.

We use contact forms during the year to collect further feedback in the periods between the customer satisfaction surveys to ensure a high quality of support. We invite customers who contacted us at a branch or through another channel to complete an online evaluation. The survey measures satisfaction with advisory and other services and the likelihood of a recommendation. We are happy to report very good results in 2022. Over 89% of our customers rated the question on overall satisfaction as “excellent” or “good”. The net promotor score of 74% was also very positive.

Excellent advisory services

In external assessments of the quality of banking services, BKS Bank performed excellently in the reporting year. We very pleased to receive the Recommender Award for "Outstanding Customer Orientation". The Austrian Society for Consumer Studies (ÖGVS) and “trend” magazine named us the best branch-based bank in Austria for advisory services for retirement planning. Our banking app was also recognized by ÖGVS as a "Top App" at the "ÖGVS App

Award 2022/23". In this test, a total of 452 apps from 55 industries were evaluated.

Impact on society and the environment

We assess the positive and negative impacts of our activities on the environment and society by conducting impact, opportunity/risk and context analyses at least once a year. The results show that the direct negative effects of our business model is low. As a service provider, our business operations generate low CO₂ emissions and waste. Banking operations do not make noise, and increasing digitization is reducing the need for trips to our branches.

We see a stronger direct impact in the activities of BKS Immobilien-Service GmbH, as it is also responsible for the construction projects of our company. In this case, we strive to keep noise and dust, the use of land, and water and energy use as low as possible. Waste that cannot be avoided, e.g. from demolition work, is disposed of correctly. However, the indirect effects associated with projects we finance or our customers' investments, for example, have a significantly greater impact. Examples of direct and indirect impacts are also presented in the management approaches to the three fields of action of our sustainability strategy.

In order to minimize negative impacts and identify areas for improvement, we regularly share information with stakeholders and use certification processes such as the EMAS assessment. Furthermore, we have a Code of Conduct and Guidelines at our company that define the transactions we engage in and which ones we exclude. We are committed to the 10 principles of the UN

GRI 417 - 1 Requirements for product and service information and labelling

GRI 417 - 2 Incidents of non-compliance concerning product and service information and labelling

GRI 417 - 3 Incidents of non-compliance concerning marketing communications

Global Compact and also observe internationally recognized standards and guidelines, such as those of the OECD or the International Labour Organization.

However, through our business activities we also achieve a wide range of positive impacts. For example, our branches are an important part of the regional infrastructure; they also enable older and less digitally savvy people to conduct their financial transactions.

Our ATM infrastructure ensures the supply of cash to the population. Payment services form the basis for any business activity, since without an account and the associated transaction

possibilities, normal everyday life is not possible today.

By funding the construction and renovation of educational facilities, we enable young people to learn in a modern environment. Loans for the construction of retirement and nursing homes and hospitals help people to age with dignity. The environment also benefits by financing climate-friendly investments.

Our investment and retirement planning products are essential for building wealth, protecting against risks and reducing poverty in old age. They also contribute to sustainable development, as several of the products we offer have ESG features.

TCFD, Strategy, recommended disclosure a)
TCFD, Strategy, recommended disclosure b)
TCFD, Governance, recommended disclosure b)

TCFD, Risk Management, recommended disclosure a)
TCFD, Risk Management, recommended disclosure b)
TCFD, Risk Management, recommended disclosure c)

Sustainable success and outlook

The experience gained in our 100 years
of history is a good source of inspiration
for future success.

100 Years of
Accountability and Support

Sustainable achievements 2022

E - Environment and climate change mitigation

Planned	Implemented
We understand sustainability as an innovation driver for sustainable banking products	
Issuance of more green bonds	A green bond was issued with Stadtwerke Klagenfurt at the end of December 2021. The issuing volume was increased by a further EUR 5 million in 2022.
Launch of a new green savings product awarded the Austrian Ecolabel for Sustainable Financial Products	Rollout will take place in 2023.
Ecolabel certification for the Natur & Zukunft account	Certification was successfully completed.
Expansion of volume of ESG financial products in asset management of BKS Bank in Austria and Slovenia	The share of ESG financial products in asset management was increased to 29.8%.
Decarbonization of our products and treasury portfolio to align with the Paris Climate Agreement	The CO ₂ content of our treasury portfolio was reduced from 55.4 to 43.6 t CO ₂ equiv. / EUR 1 million invested.
We aim for climate neutrality	
Calculation of a science-based targets	The definition of science-based targets had to be postponed until 2023 because we did not yet have all of the data to calculate the funded emissions required for target definition. An initial internal target was set for our own investment fund portfolio.
Development of a decarbonization roadmap including the required policies	Since the science-based target calculation could not be completed, this also had to be postponed to 2023.
Complete phasing-out of oil-fuelled heating	Due to the energy crisis, the retrofit of the last oil-fuelled heating system was not done. A building plan study will be conducted for the real estate properties concerned in 2023. The switches in heating system will take place in the course of project implementation.

Planned	Implemented
We develop our properties into green buildings	
Completion of “BKS-Lebenswert” in Eisenstadt	“BKS-Lebenswert” was ready for occupancy in June and is 91% leased.
Reconstruction and ÖGNI certification of our properties on Hauptplatz and Milesistraße in Villach	The conversion projects were started, and ÖGNI certification was commissioned. It is being carried during the construction phase.
Enlargement of a property in Klagenfurt including conversion to a more environmentally-friendly heating system and ÖGNI certification	The conversion will take place in 2023.
Production of additional solar power by installing photovoltaic systems on the roofs of three branches	The construction of three photovoltaic plants is in progress, and a new plant at “BKS-Lebenswert” has been generating 8 MWh of renewable energy with a maximum capacity of 22 kWp since June 2022.

S – Society and social engagement

Planned	Implemented
We understand sustainability as an innovation driver for sustainable banking products	
Issuance of social bonds	BKS Bank issued a sustainability bond with an issuing volume of EUR 10 million.
We value our employees and are proud of them	
Continue implementation of the measures planned under the certification as a family-friendly company in Austria, Slovenia and Croatia	Most planned activities were implemented.
Carry out next annual women's career programme for female employees from all markets regions	The programme is ongoing with 14 participants from all market regions.
Implementation of improvement measures derived from the salary analysis “100% equality pays off”	Further measures have been taken such as a remote working arrangement specifically geared to ambitious female employees who aspire to management and expert positions.
Campaign to increase visibility of diversity of BKS Bank's employees	The campaign was conducted via social media and the employee portal.
Carry out annual health promotion programme “Durch die Bank gesund” in all markets with a focus on healthy lungs in all market regions	The programme registered 202 participants in Austria and Croatia; it did not take place in Slovenia and Slovakia.
Our employees are multipliers for sustainability and social responsibility	
Carry out at least one corporate volunteering activity in every market	Our employees performed 279 hours of work for non-profit organizations in all market areas.
Information events on CSR topics with our experts at five events	More than five CSR presentations held by employees in 2022.

Planned	Implemented
We are members of ESG networks	
Carry out TRIGOS Carinthia and support TRIGOS Austria	At the TRIGOS Carinthia, 26 companies competed; we sponsored TRIGOS Austria.
Organize at least two joint events with respACT	We invited to the CEO Business Lunch and TRIGOS Carinthia.
Work with the WWF CLIMATE GROUP to raise awareness throughout Austria for the 1.5°C climate target	We participated in the WWF CLIMATE GROUP talk.
Continue sponsorship of “Kämtner in Not”, SOS Kinderdorf (one house), sponsorship of house at SOS Kinderdorf, and the “Care-Leaver Project” of Volkshilfe Wien	These projects were sponsored in 2022 as well.
Continue sponsorships of the cultural highlights of Carinthia: Carinthian Summer, Stadttheater Klagenfurt, German Language Literature Days	These partnerships were continued.
Customer events to increase knowledge of sustainable business practices	Several such events were held.
Invite schools to a different type of #Fridays-for-Future event at BKS Bank to raise awareness for sustainability in the banking business	These events will take place in the spring of 2023.

Governance

Planned	Implemented
We are Austria's most sustainable bank	
Realignment of sustainability strategy	The strategy “With responsibility into a liveable future” was overhauled.
Solid ratings from ISS ESG and VÖNIX	The VÖNIX rating was successfully completed; we have not received a new rating request from ISS ESG.
Successfully re-audited as a family-friendly company in Austria and Slovenia	The reaudits were carried out in both countries.
EMAS recertification	Recertification successfully completed.
Green Brands recertification	BKS Bank obtained the Green Brand seal of approval for a further two years.
Continue integration measures derived from the EU's “Action Plan for Financing Sustainable Growth” within the bank	The project was continued and some of the measures developed were implemented.

Planned	Implemented
Integrate sustainability preferences into the investment advisory process and continue preparations for the implementation of the SFDR	Since August, our customers have been asked about their sustainability preferences as part of the investment process. The required SFDR disclosures were published in a timely manner.
Carry out at least one stakeholder engagement activity	One talk entitled "My Bank of Tomorrow," employee workshops on the further development of the work-life balance and equal opportunities, and customer satisfaction surveys were organised.
We work and invest to achieve healthy and long-term growth	
Further expand ESG risk measures at individual customer and overall portfolio level	The ECB's stress testing was applied for the first time.

Measures planned for 2023

E - Environment and climate change mitigation

We understand sustainability as an innovation driver for sustainable banking products

- Issue more green bonds
- Launch new green savings product with the Austrian Ecolabel for Sustainable Financial Products
- Develop a concept of potential opportunities and risks from biodiversity
- Increase in volume of ESG financial products in the asset management of BKS Bank in Austria and Slovenia
- Decarbonization of our products and treasury portfolio to achieve alignment with Paris Agreement

We aim for climate neutrality

- Implementation of requirements of the Green Finance Alliance in 2023
- Calculation of science-based targets
- Develop a decarbonization roadmap including the required policies

We develop our properties into green buildings

- Completion of ÖGNI certification for “BKS-Lebenswert” in Eisenstadt
- Completion of the refurbishment and successful ÖGNI certification of our properties on Hauptplatz and Milesistraße in Villach
- Start of two new Taxonomy-compliant refurbishment projects in Klagenfurt and Mattersburg respectively
- Production of additional solar power by photovoltaic systems on the roofs of several branches

S – Society and social engagement

We understand sustainability as an innovation driver for sustainable banking products

- Market launch of new credit products as a contribution to resolving social problems
- Issuance of social and sustainability bonds

We value our employees and are proud of them

- Implement the measures planned under certification as a family-friendly company in Austria, Slovenia and Croatia
- Carry out the annual health promotion programme “Durch die Bank gesund” in all markets with a focus on metabolism
- Partnership with autArK to increase share of employees with disabilities
- Continuation of the campaign to make the diversity of BKS Bank employees visible

Our employees are multipliers for sustainability and social responsibility

- Carry out at least one corporate volunteering activity in every market
- Information events on CSR topics with our experts at least at five events

We are members of ESG networks

- Carry out TRIGOS Styria
- Organize at least two events with respACT or other sustainability organizations

We contribute to equal opportunity in society

- Continue sponsorship of “Kärntner in Not”, SOS Kinderdorf, and the “Care-Leaver Project” of Volkshilfe Wien
- Continue sponsorship of Carinthia’s cultural highlights: Carinthian Summer, Stadttheater Klagenfurt, Tage der deutschsprachigen Literatur (German Language Literature Days)
- Customer events to increase knowledge of sustainable business practices
- Invite schools to a different type of Fridays-for-Future event at BKS Bank to raise awareness for sustainability in the banking business

G – Governance

We are Austria’s most sustainable bank

- Excellent ratings from ISS ESG and VÖNIX

- EMAS audit
- Green Brand initial certification in Slovakia
- Re-audit as a family-friendly business in Croatia
- Continue implementation to meet requirements of the Taxonomy Regulation
- Organize at least one stakeholder dialogue per year

Good governance is part of our daily operations

- Start preparations for implementation of CSRD and CSDDD requirements
- Continue integration of ESG factors into risk management
- Education and training for our employees in compliance, anti-corruption, AML and data protection

We work and invest to achieve healthy and long-term growth

- Introduction of new digital banking products
- Increase in volume of sustainable banking products
- Strengthen positioning as a responsible banking partner among older people, the Fridays-for-Future generation, health conscious people and business families

We inspire our customers with excellent advisory services

- Conduct a customer satisfaction analysis
- Implement improvements identified in the customer satisfaction analysis

Sustainability in figures

Only if you know where you stand will
you be able to advance strategically.



Key performance indicators of the sustainability strategy

Strategic CSR goal	Indicator ¹⁾	Starting value 31/12/2019	31/12/2021	31/12/2022
We are Austria's most sustainable bank	Best-in-class in sustainability			
	ISS ESG Prime	✓	✓	✓
	VÖNIX index member	✓	✓	✓
	EMAS certified	✓	✓	✓
	Green Brands	✓	✓	✓
Good governance is part of our daily operations	No substantial fines imposed by regulatory authorities	No substantial fines	1 substantial fine	1 substantial fine
	No substantiated complaints filed with data protection authorities	✓	✓	✓
We work and invest to achieve healthy and long-term growth	Credit growth greater than 4%	5.9%	4.4%	3.1%
	Increase in number of customers by 2% per year	191,200	194,500	196,200
We value our employees and are proud of them	Employee survey: overall satisfaction is at least 1.9	2.0	2.0	2.0 (Survey 2021)
	Share of women in management positions rises to 35%	31.6%	36.5%	35.9%
	At least 25% of employees participate every year in the company health promotion programme	27.7%	22.4%	17.6% ²
	The gender pay gap reduced to 12%	16.5%	16.2%	16.7%
Our employees are multipliers for sustainability and social responsibility	At least 10% of all employees participate every year in corporate volunteering	10.4%	3.5%	5.2%
	90% of our employees have completed CSR training	40.5%	64.1%	79.0%

¹ The indicator refers in each case to 2025. If there is an annual target, this is indicated separately in the indicator.

² In Slovenia and Slovakia, no health programme took place in 2022 due to the coronavirus pandemic; therefore, the share of participants is lower than in preceding years.

Strategic CSR goal	Indicator ¹⁾	Starting value 31/12/2019	31/12/2021	31/12/2022
We inspire our customers with excellent advisory services	EFQM - Recognized for Excellence 7 Star ²	EFQM - Recognized for Excellence 5 Star	EFQM - Recognized for Excellence 5 Star	EFQM - Recognized for Excellence 5 Star
	The overall satisfaction rating in our customer survey is 1.5	1.5	1.5	1.5
We believe sustainability is an innovation driver for sustainable banking products	Share of sustainable products in total assets is 15%	4.5%	7.2%	10.7%
	The volume of new loans for sustainable finance is EUR 200 million per year	131.5	143.0	255.6
	The share of ESG investment components in asset management increases to 30%	n.a.	28.5%	29.8%
We aim for climate neutrality	Reduction of carbon footprint per employee to 2.0 t CO ₂ equivalents	1.0 t CO ₂ equivalents	0.9 and/or 2.3 t CO ₂ equivalents ³	2.4 t CO ₂ equivalents
	Total energy consumption drops to 7.2 GWh by 2025	7.6	7.2	8.3
We develop our properties into green buildings	At least five green structural building measures per year	✓	✓	✓
We are members of ESG networks	UN Global Compact	✓	✓	✓
	respACT - austrian business council for sustainable development	✓	✓	✓
	Verantwortung zeigen!	✓	✓	✓
	WWF CLIMATE GROUP	✓	✓	✓
We contribute to equal opportunity in society	At least five financial literacy measures per year	✓	✓	✓

¹ The indicator refers in each case to 2025. If there is an annual target, this is indicated separately in the indicator.

² The EFQM assessment system was redefined as of 2020 and supplemented by additional excellence levels, with the assessment of BKS Bank being based on the previously valid model.

³ In 2021, the database for the calculation was significantly enlarged. The carbon footprint per employee of 0.9 t CO₂ equivalents is what we would have achieved without the enlargement of the database. 2.3 t CO₂ equivalents for 2021 and 2.5 t CO₂ equivalents for 2022 is the new total. To reflect the new data situation, we adjusted the 2022 target to 2.0 t CO₂ equivalents per employee.

GRI 3-3 Management of material topics

Key Employee Figures

Unless otherwise stated, all figures in this section refer to the number of persons and were calculated as of the reporting date on 31 December 2022.

Overview of employees

Persons	BKS Bank Group			BKS Bank AG
	2020	2021	2022	2022
Total	1,133	1,145	1,145	1,059
• thereof women	641	663	664	606
• thereof men	492	482	481	453
Austria	851	856	854	817
• thereof women	467	483	484	457
• thereof men	384	373	370	360
Slovenia	154	158	152	133
• thereof women	89	91	81	73
• thereof men	65	67	71	60
Croatia	79	82	90	74
• thereof women	57	59	69	57
• thereof men	22	23	21	17
Slovakia	45	45	47	33
• thereof women	27	29	29	18
• thereof men	18	16	18	15
Italy	4	4	2	2
• thereof women	n.a.	1	1	1
• thereof men	n.a.	3	1	1
Employees with disabilities	25	24	27	25

GRI 2-1 Organizational details

Type of employment

Persons	2020	2021	2022
Employees with indefinite contracts	1,091	1,072	1,062
• thereof women	620	620	619
• thereof in Austria	815	803	790
• thereof in Slovenia	148	148	141
• thereof in Croatia	77	78	85
• thereof in Slovakia	42	39	44
• thereof in Italy	4	4	2
Employees with defined-term contracts	42	68	83
• thereof apprentices	5	5	3
• thereof women	21	43	45
• thereof in Austria	31	48	61
• thereof in Slovenia	6	10	11
• thereof in Croatia	2	4	5
• thereof in Slovakia	3	6	3
• thereof in Italy	0	0	0
Number of temporary or leased staff	0	0	0
Number of salaried employees	1,128	1,140	1,142
Share of salaried employees (in %)	100	99.6	99.7

GRI 2-7 Employees

Working hours

Persons	BKS Bank Group			BKS Bank AG
	2020	2021	2022	2022
Total number of employees	1,133	1,145	1,145	1,059
• thereof women	641	663	664	606
Full-time employees	861	856	856	784
• thereof women	397	409	417	371
Part-time employees	272	289	289	275
• thereof women	244	254	247	235
• thereof employees in semi-retirement	59	48	44	44

GRI 2-7 Employees

Percentage of top management staff in each country recruited locally

	2020	2021	2022
Austria	100	100	100
Slovenia	100	100	100
Croatia	100	100	100
Slovakia	100	100	100

GRI 202-2 Proportion of senior management hired from the local community

Share of female executives in %

	BKS Bank Group			BKS Bank AG
	2020	2021	2022	2022
Total number of managers (excl. Management Board)	190	185	181	171
• thereof female	63	68	65	59
Share of female executives in %	33.2	36.8	35.9	34.5

GRI 405-1 Diversity of governance bodies and employees

Number of female and male managers by function (BKS Bank Group)

	2020 female	2020 male	2021 female	2021 male	2022 female	2022 male
Management Board	1	2	1	3	1	3
Head of department or heads of units	5	28	6	27	7	28
Branch managers or heads of groups	50	89	52	81	47	81
Team leader	8	10	10	9	11	7

GRI 405-1 Diversity of governance bodies and employees

Number of female and male managers by function (BKS Bank AG)

	2020 female	2020 male	2021 female	2021 male	2022 female	2022 male
Management Board	1	2	1	3	1	3
Head of department or head of unit	3	25	4	24	5	25
Branch managers or heads of groups	45	88	48	80	43	80
Team leader	8	10	10	9	11	7

GRI 405-1 Diversity of governance bodies and employees

Management and supervisory board members by gender

	31/12/2020				31/12/2021				31/12/2022			
	Number of women	Ratio	Number of men	Ratio	Number of women	Ratio	Number of men	Ratio	Number of women	Ratio	Number of men	Ratio
Management Board	1	33.0	2	66.0	1	25.0	3	75.0	1	25.0	3	75.0
Supervisory Board (shareholder representatives)	4	40.0	6	60.0	4	40.0	6	60.0	4	40.0	6	60.0
Supervisory Board (employee representatives)	2	50.0	2	50.0	2	50.0	2	50.0	2	50.0	2	50.0
Supervisory board (total)	6	42.9	8	57.1	6	42.9	8	57.1	6	42.9	8	57.1

GRI 405-1 Diversity of governance bodies and employees

Nationality

Persons	2019	2021	2022
Austria	807	797	785
Slovenia	159	165	161
Croatia	92	100	111
Slovakia	46	46	48
Germany	11	12	14
Italy	7	7	5
Hungary	3	3	3
Bosnia/Herzegovina	5	7	9
Canada	1	1	1
Bulgaria	1	1	1
Georgia	1	1	0
Turkey	0	2	2
Ukraine	0	1	2
Armenia	0	1	1
Syria	0	1	1
Afghanistan	0	0	1

GRI 405-1 Diversity of governance bodies and employees

Age structure of BKS Bank employees

	2020	2021	2022
Younger than 30 years	116	118	123
30 to 50 years	596	603	594
over 50 years	421	424	428

GRI 405-1 Diversity of governance bodies and employees

Age structure of managers

	2020	2021	2022
Younger than 30 years	2	1	0
30 to 50 years	102	106	102
over 50 years	86	78	79

GRI 405-1 Diversity of governance bodies and employees

Employees on parental leave

	2020	2021	2022
Number of salaried employees entitled to parental leave	21	23	13
• thereof women	14	12	6
Number of employees on parental leave	24	19	19
• thereof women	18	17	16
• thereof men on parental leave	6	2	3
Men on one-month paternity leave	5	3	5
Number of salaried employees returned from parental leave	22	18	16
• thereof women	16	16	13
Return rate from parental leave in % ¹	92	95	84
Return rate of women in %	89	94	81
Return rate of men in %	100	100	100
Remain rate in % ²	77	91	88
Remain rate of women in %	82	88	86
Remain rate of men in %	60	100	100
Average period of parental leave in years	1.77	1.44	1.88

¹ The return rate (return-to-work) indicates the total number of employees that return to work after parental leave as a percentage of the total number of employees with whom the return to work after parental leave was agreed.

² The remain rate indicates how many of the employees who returned to work after parental leave are still employed at BKS Bank one year later.

GRI 401-3 Parental leave

Key training indicators, total

	2020	2021	2022
Average training days per employee p.a.	4.5	4.2	4.8
Average training hours per employee p.a. ¹	34.7	32.1	37.1
Average training hours per woman p.a. ¹	30.2	30.2	33.1
Average training hours per man p.a. ¹	40.5	34.9	42.7
Number of in-house seminars	176	223	340
Training hours per year	39,148	36,639	41,874
• thereof completed by women	19,332	19,956	21,928
Number of apprentices in training	5	5	3
• thereof women	3	3	1
Number of trainees in training	9	8	8
• thereof women	2	2	7

¹ The calculation was made on the basis of active employees (excluding employees on parental leave or in semi-retirement).

GRI 404-1 Average hours of training per year and per employee

Average hours of training per employee by function

	2020	2021	2022
Employees without management functions	28.8	29.9	31.6
Team, group and branch managers	65.4	40.3	59.0
Head of central departments/sales, managing directors	40.5	25.9	45.0

GRI 404-1 Average hours of training per year and per employee

Number of employees who have completed CSR training

	2020	2021	2022
Participants in CSR training p.a.	498	673	780
Total number of employees who have completed CSR training since 2019 ¹	457	731	893
Percentage of employees who have completed CSR training since 2019	40.5	64.1	79.0

¹ Each employee is counted only once for the total number, even if the employee has completed several CSR training courses over the years.

Compliance and anti-corruption training

	2020	2021	2022
Number of employees trained in in-person and online training sessions	252	305	364
• thereof women	152	156	198
- thereof employees without management functions	210	267	301
• thereof team, group and branch managers	35	34	58
• thereof heads of central departments/sales, managing directors	7	4	5
Number of employees who have completed e-learning courses on the topic	729	882	859
• thereof women	400	495	505
- thereof employees without management functions	615	746	733
• thereof team, group and branch managers	93	113	105
• thereof heads of central departments/sales, managing directors	21	23	21
Number of compliance and anti-corruption training hours per year (classroom and e-learning hours)	2,216	2,721	3,160
• thereof completed by women	1,314	1,558	1,864
- thereof completed by employees without management functions	1,920	2,422	2,715
• thereof completed by team, group and branch managers	244	255	402
• thereof completed by heads of central departments/sales, general managers	52	44	43

GRI 205-2 Communication and training about anti-corruption policies and procedures

Assessment and performance interviews (A&P)

	2020	2021	2022
Percentage of employees that have participated in A&P interviews	81	89	87
• thereof women	56	57	57
• thereof men	44	43	43
Share of all women	81	88	86
Share of all men	82	91	87
Share of employees without management functions	83	90	86
Share of all team leaders, group leaders and branch managers	69	85	93
Share of heads of central departments/sales, managing directors	100	100	91

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

Staff turnover¹

	2020	2021	2022
Applications for jobs	1,991	2,133	1,281
Hirings, total	101	124	133
• thereof in Austria	75	92	96
• thereof in Slovenia	16	19	18
• thereof in Croatia	7	7	14
• thereof in Slovakia	3	6	5
• thereof women	52	74	77
• thereof men	49	50	56
• thereof younger than 30 years	52	52	43
• thereof 30 to 50 years	44	63	75
• thereof over 50 years	5	9	15
Entry rate	0.1	0.1	0.1
Persons having left the company, total	95	116	133
• thereof in Austria	75	93	97
• thereof in Slovenia	12	13	25
• thereof in Croatia	4	4	6
• thereof in Slovakia	4	6	3
• thereof women	52	57	73
• thereof men	43	59	60
• thereof younger than 30 years	16	26	26
• thereof 30 to 50 years	37	48	69
• thereof over 50 years	42	42	38
Staff turnover rate pursuant to GRI, total	8.1	10.4	11.6
• thereof in Austria	8.7	11.2	11.4
• thereof in Slovenia	8.1	8.6	16.5
• thereof in Croatia	5.1	5.1	8.6
• thereof in Slovakia	4.7	14.0	6.5
• thereof women	4.1	5.0	6.1
• thereof men	3.9	5.4	5.5
• thereof younger than 30 years	1.2	2.3	2.4
• thereof 30 to 50 years	2.9	4.3	5.7
• thereof over 50 years	3.9	3.8	3.5
Staff turnover rate adjusted, total	4.8	7.1	9.6
• thereof in Austria	4.5	7.1	9.0
• thereof in Slovenia	6.7	7.3	15.1
• thereof in Croatia	5.1	5.1	8.6
• thereof in Slovakia	4.7	14.0	6.5
• thereof women	2.3	3.3	4.9
• thereof men	2.5	3.9	4.8
• thereof younger than 30 years	1.2	2.3	2.4
• thereof 30 to 50 years	2.9	4.3	5.7
• thereof over 50 years	0.7	0.6	1.6

¹ The staff turnover rate pursuant to GRI was calculated on the basis of employees having left the company including retirements, employees in the leisure time phase of a retirement model, but excluding employees on parental leave or sabbaticals. The adjusted fluctuation rate was calculated on the basis of employees having left the company excluding retirements, employees in the leisure time phase of a retirement model and excluding employees on parental leave or sabbaticals.

GRI 401-1 Newly employee hires and employee turnover

Average length of service in years

	2020	2021	2022
BKS Bank Group	14.05	13.57	13.32
BKS Bank AG in Austria	16.70	16.17	15.82

Employment and bank security¹

	2020	2021	2022
Total number of employees	1,133	1,145	1,145
Number of hours worked	1,573,023	1,534,155	1,486,138
Number of fatalities due to work-related injuries	0	0	0
Ratio of deaths due to work-related injuries	0	0	0
Number of work-related injuries with severe consequences	0	2	0
Ratio of work-related injuries with severe consequences	0	1.3	0
Number of documented work-related injuries	3	5	7
Ratio of documented work-related injuries	1.9	3.3	2.7
Number of bank robberies	0	2	0
Number of security staff in Austria	4	4	4
Number of workplace safety officers	21	21	21
• thereof in Austria	18	18	18
• thereof in Slovenia	1	1	1
• thereof in Croatia	1	1	1
• thereof in Slovakia	1	1	1

¹ In Slovenia, Croatia and Slovakia, external companies are entrusted with security tasks. 1,000,000 hours was used as the basis to calculate the rate of work-related injuries with serious consequences. In addition to the work-related injuries listed in the table, there were also four commuting accidents in 2020 and three in 2021 and 2022; in these cases, travel was not organized by BKS Bank. Therefore, these were not included when calculating the rate of documented work-related injuries.

GRI 403-9 Work-related injuries

Resolutions of the 83rd Annual General Meeting on remuneration¹

Number of votes	
Resolution on remuneration policy	
Number of shares for which valid votes were cast	36,428,683
Proportion of share capital represented by these votes	84.83%
Total number of valid votes cast	36,428,683
thereof yes votes	23,448,338
thereof no votes	12,980,345
thereof abstentions	0
Resolution on the remuneration of the Supervisory Board	
Number of shares for which valid votes were cast	36,426,370
Proportion of share capital represented by these votes	84.83%
Total number of valid votes cast	36,426,370
thereof yes votes	36,426,367
thereof no votes	3
thereof abstentions	2,313
Resolution on the remuneration report	
Number of shares for which valid votes were cast	36,428,683
Proportion of share capital represented by these votes	84.83%
Total number of valid votes cast	36,428,683
thereof yes votes	23,448,338
thereof no votes	12,980,345
thereof abstentions	0

¹ The 84th Annual General Meeting, at which the remuneration for the financial year 2022 will be voted on, is scheduled for May 2023.
GRI 2-20 Process to determine remuneration

Remuneration of the Management Board¹

in €k	2020	2021	2022
Herta Stockbauer			
Fixed remuneration	713.7	747.4	784.7
Variable remuneration	150	227.9	n.a.
Total remuneration	863.7	975.3	784.7
Dieter Kraßnitzer			
Fixed remuneration	407.1	418.8	439.2
Variable remuneration	88	139.6	n.a.
Total remuneration	495.1	558.4	439.2
Alexander Novak			
Fixed remuneration	271.9	286.9	317.9
Variable remuneration	58.0	77.9	n.a.
Total remuneration	329.9	364.8	317.9
Nicholas Juhász			
Fixed remuneration		143.1	301.3
Variable remuneration		44.5	n.a.
Total remuneration		187.6	301.3
Total remuneration of the Management Board	1,688.7	2,086.1	1,843.1
Change in total compensation of the Management Board in % ²	9.17	23.53	n.a.
Change in average remuneration of employees in %	2.70	2.25	n.a.

¹ The variable remuneration of the Management Board is decided by the Remuneration Committee after the copy deadline of Sustainability Report. Therefore, we can only disclose the fixed remuneration for the financial year 2022. Detailed information on remuneration will be published in the Remuneration Report, which will be available online on our website from around mid-May.

² The increase in the change in the total remuneration of the Management Board in 2022 results, among other things, from the fact that the Management Board was enlarged by one member and no average value is applied.
GRI 2-19 Remuneration policy

Remuneration of the Supervisory Board¹

in €k	2020	2021	2022
Sabine Urnik, Chair			
Basic remuneration	19.2	22.5	26.0
Remuneration for committee work	12.0	15.8	21.0
Total remuneration for Supervisory Board activities	31.2	38.3	47.0
Klaus Wallner, Deputy Chair			
Basic remuneration	18.0	19.2	22.0
Remuneration for committee work	7.2	8.0	9.0
Total remuneration for Supervisory Board activities	25.2	27.2	31.0
Gerhard Burtscher			
Basic remuneration	24.1	20.3	20.0
Remuneration for committee work	21.6	16.2	17.0
Total remuneration for Supervisory Board activities	45.7	36.5	37.0
Hannes Bogner			
Basic remuneration	10.6	18.0	20.0
Remuneration for committee work	1.2	2.0	3.0
Total remuneration for Supervisory Board activities	11.8	20.0	23.0
Christina Fromme-Knoch			
Basic remuneration	18.0	18.0	20.0
Remuneration for committee work	6.6	7.0	9.0
Total remuneration for Supervisory Board activities	24.6	25.0	29.0
Franz Gasselsberger			
Basic remuneration	18.8	18.0	20.0
Remuneration for committee work	14.0	14.0	16.0
Total remuneration for Supervisory Board activities	32.8	32.0	36.0
Reinhard Iro			
Basic remuneration	18.0	18.0	20.0
Remuneration for committee work	11.0	11.0	11.0
Total remuneration for Supervisory Board activities	29.0	29.0	31.0
Susanne Kalss			
Basic remuneration	10.6	18.0	20.0
Remuneration for committee work	0.0	3.8	6.0
Total remuneration for Supervisory Board activities	10.6	21.8	26.0
Stefanie Lindstaedt			
Basic remuneration	18.0	18.0	20.0
Remuneration for committee work	0.0	0.0	0.0
Total remuneration for Supervisory Board activities	18.0	18.0	20.0
Nikolaus Juhász			
Basic remuneration	18.0	18.0	20.0
Remuneration for committee work	13.3	10.0	13.0
Total remuneration for Supervisory Board activities	31.3	28.0	33.0
Karl Samstag			
Basic remuneration	7.4	0.0	0.0
Remuneration for committee work	0.0	0.0	0.0
Total remuneration for Supervisory Board activities	7.4	0.0	0.0

¹ Ms Urnik took over as chair of the Supervisory Board on 17 May 2021 previously held by Gerhard Burtscher. Mr Wallner has been Deputy Chair of the Supervisory Board since 17 May 2021, as successor to Mr Gasselsberger. Mr Hofstätter-Pobst (did not receive any compensation) and Mr Samstag left the Supervisory Board on 29 May 2020. The Supervisory Board compensation of Mr Wallner goes to Generali Versicherung AG. Mr Penker also receives a pension from his former position as a member of the Management Board of BKS Bank. This amounts to EUR 334,000 for financial year 2022.

Collective bargaining agreements

Market area and/or company	Agreement on income
BKS Bank AG in Austria as well as employees seconded by BKS Bank to its subsidiaries	Collective agreement for employees of banks and works agreement
Employees at BKS-Leasing Gesellschaft m.b.H.	Collective agreement for employees in the information and consulting sector
Employees at BKS Service GmbH	Collective agreement for employees in commerce, trades and services, salaried employees
BKS Bank employees in Slovenia	Collective agreement for bank employees
BKS Bank employees in Croatia	There is no collective agreement for bank employees, a works agreement was signed
BKS Bank employees in Slovakia	There is no collective agreement
Percentage of employees covered by a collective agreement	81.2%

GRI 2-30 Collective bargaining agreements

Disclosure pursuant to Article 8, Regulation (EU) 2020/852

The basis for disclosures regarding the Taxonomy for sustainability reporting is Regulation (EU) 2020/852, which entered into force on 12 July 2020. The Regulation contains criteria for determining whether and to what extent an economic activity may be classified as environmentally sustainable. The main purpose of the regulation is to promote investment in green and sustainable projects to make significant contributions to the EU Green Deal. On 6 July 2021, Delegated Act (EU) 2021/2178 was adopted which contains concrete specifications of the requirements for the content and presentation of the information that must be published. A key reporting indicator is the Green Asset Ratio (GAR). Delegated Regulation (EU) 2021/2139 was also published on 9 December 2021. This regulation defines the technical assessment criteria for determining whether an economic activity makes a significant contribution to climate change mitigation or adaptation, and whether the economic activity avoids significant adverse impacts on any of the other environmental objectives. Delegated Regulation (EU) 2022/1214 of 9 March 2022 supplements the aforementioned requirements with the disclosure of information relating to economic activities in nuclear energy and fossil natural gas. The latter are not included in this year's report, as no data is yet available from the business partners.

Pursuant to Article 8 of Regulation (EU) 2020/852 in conjunction with Article 10 (3) of Regulation (EU) 2021/2178, BKS Bank is disclosing the following information for the financial year 2022:

- The share of risk positions in Taxonomy-eligible economic activities in total assets
- The share of exposures in non-Taxonomy-eligible economic activities in total assets
- The share of exposures to central banks and sovereigns, supranational issuers and derivatives in total assets
- The share of exposures of undertakings not required to disclose non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU in total assets
- The share of the trading portfolio and short-term interbank loans in total assets
- Qualitative information pursuant to Annex XI of this Regulation

The indicators are determined on the basis of the scope of their prudential consolidation pursuant to Regulation (EU) No 575/2013, Title II, Chapter 2, Section 2. The gross carrying amount of financial assets is taken into account pursuant to the accounting categories defined in Chapter 11.2 of Annex V of Delegated Regulation (EU) 2021/2178. The gross carrying amount is the value before deduction of impairment charges on loans and advances. The definitions and characteristics pursuant to Regulation (EU) 2021/451 (FINREP) were used for the calculations. The FINREP consolidated balance sheet report and internal evaluations serve as the data source for the calculations.

Taxonomy-eligible economic activities of BKS Bank

The share of exposures in Taxonomy-eligible and non-Taxonomy-eligible economic activities in total assets provides information on the general suitability of exposures within the meaning of the Taxonomy Regulation. An economic activity is considered Taxonomy-eligible if it is described within Delegated Act (EU) 2021/2139, regardless of whether it meets all of the technical evaluation criteria stated therein.

Taxonomy-eligibility at the group level is checked based on EU requirements. The following exposures are taken into account: all exposures to financial entities, to non-financial entities subject to the Non-financial Reporting Directive (NFRD), to retail customers in connection with home loans and motor vehicle loans, as well as exposures to public sector entities for the financing of public-sector housing and other special financing in the public sector. A further component is repossessed real estate collateral. In accordance with EU requirements, exposures are only classified as Taxonomy-eligible if their intended use corresponds to one of the economic activities listed in Annexes I or II of Regulation (EU) 2021/2139. If the intended use does not correspond or if the intended use is not known and cannot be reliably determined according to market data, the transaction cannot be included as non-Taxonomy eligible. In the case of risk exposures without a specific purpose, a pro rata allocation is made based on the key performance indicators (KPIs) published by the transaction partners in accordance with Regulation (EU) 2021/2178.

Exposures to central banks and sovereigns as well as supranational issuers, derivatives, the trading portfolio and short-term interbank loans are required to be tested for Taxonomy eligibility. Furthermore, exposures to non-financial entities which are not subject to the disclosure obligations pursuant to Directive 2013/34/EU on the disclosure of non-financial information are excluded from the Taxonomy eligibility test.

As total assets for determining Taxonomy-eligible economic activities, BKS Bank considers the gross carrying value of total balance sheet assets less payables to central banks, central governments and supranational issuers in the denominator, as set out in Article 7 (1) of the Delegated Act on Disclosure pursuant to Annex V Section 1.1.2 of Delegated Regulation (EU) 2021/2178. These adjustments in the denominator already take into account the requirements for future reporting on the green asset ratio and thus ensure better comparability of this year's eligibility reporting with the comprehensive ratio to be reported from financial year 2023 with respect to Taxonomy compliance. The calculated value of total assets as at 31/12/2022 was EUR 9,058 million.

Based on the allocation of exposures pursuant to the "revenues" indicator of our counterparties, 17.3% of exposures were classified as Taxonomy-eligible for the financial year 2022. On the basis of the allocation pursuant to the "capex" indicator, the ratio of Taxonomy-eligible economic activities is 17.4%. Transactions that can be fully accounted for as Taxonomy-eligible due to their intended use are included in the classification "sales" and "capex".

Share of exposures in Taxonomy-eligible and non-Taxonomy-eligible economic activities

n € m	Allocation on the basis of sales		Allocation on the basis of capex	
	Gross carrying amount	% Total Assets ¹	Gross carrying amount	% Total Assets ¹
Exposures in Taxonomy-eligible economic activities	1,563.7	17.3%	1,574.6	17.4%
Exposures in non-Taxonomy-eligible economic activities	1,606.4	17.7%	1,595.5	17.6%

¹ Computed value pursuant to Annex V Section 1.1.2 of Delegated Regulation (EU) 2021/2178

The following table shows a breakdown of the economic activities recognized as Taxonomy-eligible by individual exposure class.

Taxonomy-eligible economic activities by exposure class

in € m	Allocation on the basis of sales		Allocation on the basis of capex	
	Gross carrying amount	% Total Assets ¹	Gross carrying amount	% Total Assets ¹
Exposures to retail customers - residential real estate and motor vehicle loans	1,280.7	14.1%	1,280.7	14.1%
Exposures to financial entities	116.1	1.3%	103.6	1.1%
Exposures to public-sector entities	96.8	1.1%	96.8	1.1%
Exposures to non-financial entities subject to the NFRD	67.2	0.7%	90.6	1.0%
Exposures from repossessed real estate collateral	2.9	0.0%	2.9	0.0%
Total	1,563.7	17.3%	1,574.6	17.4%

¹ Computed value pursuant to Annex V Section 11.2 of Delegated Regulation (EU) 2021/2178

For the calculation of the numerator in connection with mortgage loans, BKS Bank takes into account the gross carrying value of Taxonomy-eligible loans to private households secured by residential real estate or and loans granted for building renovation. The categorization is based on the product type and the intended use of the loan. Loans for plots of land are not regulated in the Taxonomy. BKS Bank mortgage loans to private individuals required a large percentage of own funds. This permits the assumption to be made that the loan relates exclusively to the building, as the share relating to the plot of land is funded by own funds. Loans for the purpose of financing only plots of land are not Taxonomy-eligible. The basis for taxonomy-eligible retail motor loans is the vehicle leasing business and consumer loans with a contract start date after the entry into force of Regulation (EU) 2021/2178, which serve to finance motorcycles, passenger cars and light commercial vehicles.

Exposures to credit institutions and other financial corporations such as insurance companies and asset management companies are allocated to financial entities. Interbank receivables payable on demand are not included here; their share is reported together with the trading portfolio as a separate indicator. The published KPIs of the counterparties were used to determine the Taxonomy-eligible share of loans to financial entities.

The category of non-financial entities subject to the NFRD includes all risk exposures to real economy entities that are required to disclose non-financial information under Article 19a or Article 29a of Directive 2013/34/EU. This includes large, listed companies with more than 500 employees. An exception in the BKS Bank Group is Slovakia where the scope of application of the Non-Financial Reporting Directive was extended in national law to cover companies with 250 or more employees. To determine the numerator, all non-financial customers of BKS Bank were classified on the basis of their legal form and number of employees. All companies that are potentially eligible on the basis of the criteria were reviewed manually to determine whether they were required to prepare non-financial reports. The transactions of the companies identified were first reviewed for agreement with the listed economic activities pursuant to Annex I and II of Delegated Regulation (EU) 2021/2139 based on their intended use. If the purpose of the loan is not clear, the share of Taxonomy-eligible sales or Taxonomy-eligible capital expenditures (capex) published by the transaction partners is used for classification.

The risk exposure to public-sector entities include all loans for government subsidized housing construction as well as other project and special financing in the public sector. The numerator of the ratio is assigned the gross carrying amount of those loans within this exposure class that meet the Taxonomy eligibility criterion. The exact object of the project or the purpose of the loan is used for classification.

Taxonomy-eligible repossessed commercial and residential real estate collateral is a further category. Consideration in the numerator of the ratio is done in the event of a potential allocation of the economic activities of Annex I of the Delegated Regulation (EU) 2021/2139.

Additional KPIs in Taxonomy reporting

In addition, BKS Bank reports the share of exposures exempt from the Taxonomy eligibility test in accordance with the requirements. Balances with central banks, asset-side debt securities issued by central governments and government-linked international organizations as well as BKS Bank's trading assets are taken into account. The share of risk exposures to entities not subject to the NFRD takes into account all exposures to non-financial entities not subject to disclosure under Directive (EU) 2013/34, including SMEs. Short-term interbank loans include daily callable loans and advances to credit institutions.

The denominator is total assets of the BKS Bank Group as at 31 December 2022 before impairment charges. The adjustments to the denominator pursuant to Annex V Section 1.1.2 to Delegated Regulation (EU) 2021/2178 do not apply in this case.

Other KPIs

in € m	Gross carrying amount	% Total assets ¹
Share of exposures to central governments, central banks, supranational issuers and derivatives	1,610.7	15.1%
Share of exposures to companies not subject to the NFRD	4,683.7	44.0%
Share of trade portfolio and short-term interbank loans	18.3	0.2%

¹ Total assets of BKS Bank Group before impairment charges

Qualitative information pursuant to Annex XI

The corporate strategy of BKS Bank aims to achieve sustainable growth. A central element of our business policy orientation is therefore a high sense of responsibility towards the environment and society. The focus of the activities of our holistic sustainable strategy is currently on

- deeper integration of ESG into core business,
- alignment of the loan and investment portfolio with the goals of the Paris Climate Agreement,
- environmental and climate protection measures,
- a contribution to fair social change and against discrimination, and
- ESG risk management.

To account for the enormous strategic importance of sustainability, BKS Bank has set up a sustainability management system. The respective areas of responsibility are described in the "Internal Framework for Sustainability Management". Principal responsibility lies with the Chairwoman of the Management Board who regularly informs the Supervisory Board of progress achieved regarding ESG. The CSR Officer develops the CSR programme in accordance with the strategic requirements and ensures implementation together with the Austrian and foreign CSR teams (see page 110), and reports to the Management Board on a quarterly basis. Implementation of the various requirements of the EU Action Plan is ensured by a project with to separate reporting units. Organizational units have also been established within the company that report directly to the Management Board for the identification and mitigation of ESG risks within the company.

BKS Bank offers its customers socially and environmentally **sustainable banking products**. Rising sales volumes for these products play a key role in the KPIs of our sustainability strategy. Our goal is to attain a credit volume of new sustainable loans of EUR 200 million per year and to increase the share of sustainable investment components in asset management to at least 30%. We achieved this target for the first time in 2022. We aim to align our treasury portfolio with the goals of the Paris Climate Agreement. We are pleased to have reduced the level for the treasury portfolio from 55.4 to 43.5 million t CO₂/million invested. In 2023, we are aiming for a level 7% below the year-end figure. The goal is to achieve a rating of AA for our treasury portfolio in the MSCI ESG Quality Score for our treasury portfolio.

With respect to **environmental and climate change mitigation**, we aim to become climate-neutral over the long term. For this reason, we joined the Green Finance Alliance as a founding member (see page 50 et seq.) and are committed to concrete exit scenarios for transactions involving coal, oil, natural gas and nuclear power. The goal of the Green Finance Alliance is for the member banks to align their loan and investment portfolios to the Paris Climate Agreement targets by 2040 and achieve climate neutrality by 2050. In the reporting year, we continued our efforts to calculate financed emissions and determined these for several asset classes. We plan to complete our transition to science-based targets and specify our decarbonization roadmap in more detail in 2023.

Similarly, the Green Finance Alliance specifies that its members must be EMAS certified. BKS Bank has been EMAS certified since 2019. The annual assessments are a valuable source for the further development of operational ecology. To reduce our emissions, we implement measures such as

- switching to power utilities with more climate-friendly electricity,
- investing in photovoltaic systems and sustainable mobility,
- procurement of an energy management system,
- developing our buildings into green buildings, and
- awareness-raising measures among employees regarding resource consumption.

ESG risks are materializing more frequently and we also expect this type of risk to become increasingly important. The physical and transitory risks resulting from climate change will increase markedly over the medium to long term. As described on pages 110 et seq, BKS Bank employs numerous due diligence processes to identify, manage and mitigate potential ESG risks.

Taxonomy Regulation – significance, compliance and implementation

The Taxonomy Regulation is of **great importance** for the business model of BKS Bank. Sustainable products have been part of our core business for many years and are an important innovation factor for our company. To meet all requirements of the EU Action Plan: Financing Sustainable Growth, and therefore, also the requirements of the Taxonomy Regulation in a timely manner, we launched a far-reaching implementation project already in 2019. We hold regular weekly interdepartmental meetings to ensure the flow of information between the working groups. The progress of the project is regularly presented and discussed at the Steering Committees, at the regular CSR meetings, at the quarterly top management meetings, and at Supervisory Board meetings.

With regard to the Taxonomy Regulation, the “EU Action Plan” project deals with the following topics:

- implementation of Taxonomy audit software for loans,
- implementation in the investment business,
- implementation of required adaptations to processes and policies,
- compliance with all Taxonomy disclosure requirements, and
- information on employees and customers.

When adapting our Sustainability Strategy 2022, we have **not yet set a target for the green asset ratio**, as in our view the available data is not yet sufficient to allow a realistic formulation of the target. In order to fully disclose GARs for the coming fiscal year, we will use KPMG's Climcycle tool to assess financing. The software will guide our employees through the testing process in a user-friendly manner and ensure that all criteria required for the assessment are queried correctly.

For **investment products** advertised with environmental or social features or that pursue the goal of sustainable investment, disclosure in accordance with Article 10 of the SFDR applied for the first time at year-end 2022. The first publication of the Principal Adverse Impact Statement must be implemented by 30 June 2023.

We believe that Taxonomy conformity will also play a greater role for the **recoverability of collateral** for real estate. Therefore, we are working to incorporate the relevant criteria into our collateral management. In the reporting year, there were several meetings with customers from the real estate sector at which we shared information. We also organized a workshop to train our employees in real estate lending and appraisals. At the same time, we are successively developing our own properties into Taxonomy-compliant green buildings and have defined a new goal in our sustainability strategy stating that our new buildings must be Taxonomy-compliant. We have confirmed this status by obtaining ÖGNI certification. We already have Taxonomy compliance certificates for the projects “BKS-Holzquartier” and “Urban Living”.

To ensure compliance with the Taxonomy Regulation in the **product design process**, our standardized product launch process must also indicate whether the innovation is capable of increasing the share of Taxonomy-compliant transactions at BKS Bank. Every new banking product undergoes this process.

The current focus in our **work with clients and counterparties** is to create awareness of the importance and impact of the Taxonomy. We inform customers at talks and events as well as in media reports. Our employees are an important point of contact for customers. We therefore train our employees on the significance of the Taxonomy and the changes this implies for our business.

Key figures – sustainable products

Volume of sustainable products¹

	BKS Bank Group			BKS Bank AG	
	2020	2021	2022		2022
Volume of sustainable products in EUR m	579.6	764.5	1,132.2		1,113.3
Share of sustainable products in total assets	5.9	7.2	10.7		n.a.

¹ The list includes the volumes of the “BKS Portfolio-Strategie nachhaltig”, the green and social bonds issued, the sustainable investment components in the “BKS Portfolio-Strategie Varianten”, the eco-savings passbook, the green savings passbook, sustainable loans, green loans and green leases.

BKS Bank indicator: Volume of sustainable products
TCFD, metrics and targets, recommended information a)

Sustainable lending

in € m	2020	2021	2022
Volume of sustainable loans	413.3	556.2	924.7
• thereof for social purposes	97.8	148.2	417.2
• thereof for ecological purposes	315.5	408.0	507.6
• thereof retail customers	182.7	219.7	283.9
• thereof corporate customers	230.5	336.5	640.9
Change 12/31/2022 to 12/31/2021	116.8	143.0	368.5
Volume of new loans	n.a.	n.a.	255.6
Percentage of sustainable loans in lending volume	6.3	8.0	12.9

BKS Bank indicator: Volume of sustainable loans
TCFD, metrics and targets, recommended information a)

Sustainable investments

in € m	2020	2021	2022
Volume of sustainable investments	166.4	208.3	207.5
• thereof sustainable bonds	23.4	30.6	39.6
• thereof sustainable investment components in asset management in Austria	34.1	84.6	76.7
- thereof sustainable investment components in asset management in Slovenia	n.a.	n.a.	1.2
• thereof other sustainable funds of 3 Banken-Generali Investment GmbH on custody accounts of BKS Bank customers	40.4	73.6	89.3
• thereof sustainable savings accounts	68.5	19.6	0.7
Share of sustainable investments in custody accounts ¹	0.8	1.4	1.8%
Share of sustainable savings deposits in savings accounts	4.9	1.4	0.1%
Ratio of climate-related green bonds in percent ²	1.6	2.3	3.0

¹ The calculation is based on the total volume of sustainable investments minus sustainable savings accounts.

² Total amount of outstanding green bonds at year-end divided by a five-year moving average of total volume of outstanding bonds

BKS Bank indicator: Volume of sustainable loans

TCFD, metrics and targets, recommended information a)

Sustainable fund volume of 3 Banken-Generali Investment-Gesellschaft m.b.H.

in € m	2020	2021	2022
Volume of sustainable funds	1,379.5	1,820.2	1,560.0
thereof public investment funds	563.5	958.1	859.9
thereof special funds and institutional investor funds	816.0	862.1	700.2

Sustainable accounts

	2020	2021	2022
Natur & Zukunft account in units	299	1,362	6,553
Volume on Natur & Zukunft accounts in EUR million			71.5
Percentage of Natur & Zukunft account in total consumer accounts of BKS Bank	0.4	1.6	7.2%

Environmental indicators

We have been calculating the carbon footprint of our direct business activities since 2012. Since 2021, this has included additional data compared to previous years such as employee travel to and from work, but also data from the Oscar restaurant and the “BKS Wohnpark” project. Therefore, the data are comparable with those of 2020 only to a limited extent. Since 2021, we have been basing calculations for several asset classes from our core business areas in accordance with the standards of the Partnership for Carbon Accounting Financials. As regards total emissions, the following data reveals the enormous importance of financed emissions:

Total emissions calculated

	Scopes covered	Calculated total emissions in t CO ₂ equiv.
Business operations	Scope 1, 2 and 3.1, 3.3, 3.6, 3.7	2,414
Financed emissions	Scope 3.13 and 3.15	1,257,263
Total		1,259,677

GRI 305-4 GHG emissions intensity

TCFD, metrics and targets, recommended information b)

Emissions directly from business operations

We calculate the carbon footprint from direct business operations throughout the Group applying the following scopes:

- Scope 1 Emissions from heating (gas and heating oil), vehicle fleet (gasoline and diesel), and refrigerant losses
- Scope 2 Purchased energy (electricity and district heating)
- Scope 3 Travel by rail and air, paper consumption, newly acquired IT equipment, employee travel to and from work, and the Scope 3 percentages from Scopes 1 and 2
- Since 2021, electricity consumption data for Oscar Restaurant and BKS-Wohnpark have also been included in the calculation. The thermal data for the Oscar Restaurant are included in the data of the BKS Bank headquarters and are not computed separately. Therefore, this data was already included in past calculations. BKS-Wohnpark is heated with an air-source heat pump. Therefore, there is no additional heat consumption apart from electricity.

The carbon footprint is determined using the data in our environmental data management system: Based on the system boundaries, data collection is done by our environmental team. The data is transmitted to c7-consult. The consulting company transforms the environmental data into CO₂ data (CO₂ equivalents) This involves balancing CO₂ emissions over the entire life cycle and comparing them with the previous year's results, identifying potential for optimization, and drawing conclusions.

The calculation is based on the standards of the World Resources Institute and the World Business Council for Sustainable Development. The standards applied are the "GHG Protocol Corporate Accounting and Reporting Standard" and the "GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard". The carbon footprint reported for electricity consumption is based on information on primary energy sources stated on the annual electricity bill by our energy supplier, Energie Klagenfurt. The conversion into CO₂ equivalents is based on the Ecoinvent 3.9 database (2022) and also accounts for upstream emissions. Ecoinvent is also used to convert the other environmental data into CO₂ equivalents, and the data for gasoline, diesel, heating oil and natural gas is based on the data published by the Austrian Federal Environment Agency in 2022.

Extrapolation method for the carbon footprint 2022

Despite all efforts, the environmental data for most properties are not available until after the publication date of the Sustainability Report. Nonetheless, in order to provide an indication of the development of greenhouse gas emissions for the year 2022, we calculated the following projections for the carbon footprint:

- Actual consumption data for 2022 was used for fuel consumption, paper consumption, rail travel, air travel, newly acquired IT and refrigerant consumption. Since 2021, additional printing and newly acquired IT have been included in the calculation.
- To compute the data for employee travel to and from work, we conducted a survey of employees in 2021 and 2022. Emissions for the entire workforce were extrapolated from the all the data collected.
- As regards electricity and heat, we used the actual consumption data for properties for which we received the fee statements for 2022 in time. For some properties, we only receive operating cost statements without accurate electricity and heat consumption data in kWh. Therefore, we determine how much one kWh costs on average based on available billing. We then use this average value to calculate consumption from the utility bills. The values from 2021 were used for those properties for which we have not yet received invoices for the preparation of the sustainability report. For one branch converted to district heating, neither historical values nor current statements were available. In this case, we applied the average consumption of other stores.

Due to the expansion of the database in 2021, the results of 2020 can be compared with those of 2021 and 2022 only to a limited extent. This applies to all emissions calculations related to direct business activities, which are presented on the following pages.

GRI 2-4 Restatements of information
GRI 305-4 GHG emissions intensity

Overview environmental management

Locations covered in 2022	Electricity	Distance heating	Natural gas/ heating fuel	Diesel/ gasoline	Paper	Coolant	IT devices	Employee travel to & from work
Austria 57	yes	yes	yes	yes	yes	yes	yes	yes
Slovenia 9	yes	yes	yes	yes	yes	yes	yes	yes
Croatia 5	yes			yes	yes		yes	yes
Slovakia 3	yes	yes		yes	yes		yes	yes

Carbon footprint

in t CO ₂ equivalents	2020	2021	2022	Year/year change in %
Group	865	2,247	2,414	7%
• thereof in Austria	472	1,483	1,588	7%
• thereof in Slovenia	280	567	647	14%
• thereof in Croatia	56	98	95	-3%
• thereof in Slovakia	57	98	83	-15%

GRI 305-1 Direct (Scope 1) GHG emissions

GRI 305-2 Energy indirect (Scope 2) GHG emissions

GRI 305-3 Other indirect (Scope 3) GHG emissions

GRI 305-5 Reduction of GHG emissions

TCFD, metrics and targets, recommended information b)

Carbon footprint per employee¹

in t CO ₂ equivalents	2020	2021	2022
Group	0.9	2.3	2.4
Austria	0.7	2.1	2.2
Slovenia	1.9	3.8	4.3
Croatia	0.8	1.2	1.1
Slovakia	1.4	2.3	1.8

GRI 305-1 Direct (Scope 1) GHG emissions

GRI 305-2 Energy indirect (Scope 2) GHG emissions

GRI 305-3 Other indirect GHG emissions (Scope 3)

GRI 305-4 GHG emissions intensity

GRI 305-5 Reduction of GHG emissions

TCFD, metrics and targets, recommended information b)

Distribution of carbon footprint

in t CO ₂ equivalents	2020	2021	2022	Year/year change in %
Electricity	190	277	279	1%
Distance heating	164	209	204	-2%
Natural gas	141	102	165	62%
Heating fuel	58	56	38	-33%
Gasoline	105	120	167	40%
Diesel	169	133	136	2%
Rail	4	3	8	178%
Air travel	0	0.4	0	-100%
Employee travel to & from work	n.a.	1,134	1,216	7%
IT devices	n.a.	173	119	-31%
Coolant	0	0	49	n.a.
Paper	34	40	32	-20%

GRI 305-1 Direct GHG emissions (Scope 1)

GRI 305-2 Indirect energy-related GHG emissions (Scope 2)

GRI 305-3 Other indirect GHG emissions (Scope 3)

GRI 305-5 Reduction of GHG emissions

TCFD, metrics and targets, recommended disclosure b)

Carbon footprint by scope

in t CO ₂ equivalents	2020	2021	2022	Year/year change in %
Scope 1	370	319	442	38%
Scope 2	264	296	280	-5%
Scope 3	232	1,632	1,691	4%

GRI 305-1 Direct (Scope 1) GHG emissions

GRI 305-2 Energy indirect (Scope 2) GHG emissions

GRI 305-3 Other indirect (Scope 3) GHG emissions

GRI 305-5 Reduction of GHG emissions

TCFD, metrics and targets, recommended information b)

Greenhouse gas emissions location-based vs market-based 2022

	Location-based				Market-based			
	Total	Scope 1	Scope 2	Scope 3	Total	Scope 1	Scope 2	Scope 3
Group	3,027	442	854	1,731	2,414	442	280	1,691
Austria	2,047	323	532	1,192	1,588	323	96	1,169
Slovenia	613	67	145	401	647	67	167	413
Croatia	261	27	139	96	95	27	0	69
Slovakia	106	24	39	43	83	24	17	41

Greenhouse gas emissions from electricity consumption may be quantified in two different ways. First, using the average conversion factors of the country (location-based), and second, using the conversion factors of the electricity supplier (market-based). As BKS Bank obtains 91% of its electricity from renewable energy sources, greenhouse gas emissions are significantly lower when computed by the market-based method. Direct greenhouse gas emissions from electricity production are reported in Scope 2, while indirect emissions (upstream chain and line losses) are reported in Scope 3. This does not affect Scope 1.

GRI 305-1 Direct (Scope 1) GHG emissions

GRI 305-2 Energy indirect (Scope 2) GHG emissions

GRI 305-3 Other indirect (Scope 3) GHG emissions

GRI 305-5 Reduction of GHG emissions

TCFD, metrics and targets, recommended information b)

Financed emissions

A basic prerequisite for the analysis and calculation of financed emissions is information on emissions intensity based on industry factors or on company-specific information from annual reports and sustainability reports of the companies in which investments are made or to whom loans are granted.

The biggest challenge is collecting carbon emissions data for individual companies. These challenges are global, as only few companies are required to disclose the relevant data. With the entry into force of the Corporate Sustainability Reporting Directive (CSRD), availability should increase significantly as more companies will start reporting. To address the lack of CO₂ data availability, the Partnership for Carbon Accounting Financials (PCAF) has developed a hierarchy of data quality. The hierarchy ranges from 1 to 5, with the most reliable data rated 1 and the most unreliable 5. PCAF defines data quality according to methodology, origin and type of data used in the calculations, which are different for each asset class.

Data quality scoring

<p>Sicher 5-10% Fehlerquote bei Schätzungen</p> <p>↑</p> <p>Unsicher 40-50% Fehlerquote bei Schätzungen</p>	Score 1	Geprüfte Treibhausgasemissionen oder tatsächliche Primärenergiedaten
	Score 2	Nicht geprüfte Treibhausgasemissionen oder andere primäre Daten
	Score 3	Durchschnittliche Daten, die Peer/(Teil-)branchenspezifisch sind
	Score 4	Geschätzte Daten auf Basis von Region oder Land
	Score 5	Geschätzte Daten mit sehr eingeschränkter Unterstützung

The publication of financed emissions in this report refers to corporate loans, motor vehicle loans and leases, as well as listed shares, bonds and investment funds. While we were able to rely largely on companies' reported CO₂ data in the case of investments in listed instruments, we had to use industry data in the case of loans. The results are therefore an approximation of the actual carbon footprint, but they provide an initial indication of potential for improvement in the portfolio. Therefore, the focus in the coming years will be on improving data quality and continuous monitoring. This applies in particular to the expansion of the calculations to include the asset classes of residential mortgage loans, commercial real estate loans and project finance which are already covered by the PCAF standard. In the reporting year, we did not yet have sufficient data available for these asset classes to determine financed emissions.

Total value of financed emissions

Asset class	Sum of loans and investments in €k	Scope 1 and 2 emissions in t CO ₂ -equiv.	Scope 3 emissions in t CO ₂ -equiv.	Emissions intensity in t CO ₂ -equiv./million EUR invested ¹
Scope 3.15				
Financing	3,576,941	173,349	809,412	275
Vehicle loans ²	18,745	2,469	n.a.	132
Asset management	209,531	8,773	57,512	316
Treasury portfolio	221,237	13,836	23,315	168
Subtotal	4,026,454	198,427	890,239	270
Scope 3.13				
Vehicle lease finance ³	n.a.	168,597	n.a.	n.a.
Total	n.a.	367,024	n.a.	n.a.

¹ The emissions intensity of 281 t CO₂-equiv./million EUR invested is not obtained by adding the values above, but is calculated using the following formula: Scope 1, 2 and 3 emissions / sum of loans recognized *1,000

² For vehicle loans, only scope 1 and 2 data were used. This is also in line with PCAF's recommendation for vehicles with internal combustion engines.

³ The calculation for the leasing portfolio was done in accordance with the Guidelines of the GHG Protocol on downstream leased assets, as these are not covered by the PCAF methodology.

GRI 305-3 Other indirect (Scope 3) GHG emissions

GRI 305-4 GHG emissions intensity

TCFD, metrics and targets, recommended information b)

Corporate loans

As the customer portfolio of BKS Bank is composed mainly of small and medium-sized companies, which are not subject to non-financial reporting requirements, we hardly have any CO₂ emissions reports. Therefore, we had to use industry data for the calculations. In the case of companies whose sales and total assets were available, the following formula was applied:

$$\text{Financed emissions} = \sum_U \frac{\text{Outstanding loan volume}_U}{\text{Equity} + \text{External capital}_U} \times \text{Revenues}_U \times \frac{\text{GHG emissions}_S}{\text{Revenues}_S}$$

U...Company, S...Sector

For companies that are not required to keep accounts and therefore do not have sales figures and balance sheet data, the following formula was applied:

$$\text{Financed emissions} = \sum_U \text{Outstanding loan volume}_U \times \frac{\text{GHG emissions}_S}{\text{Assets}_S}$$

U...Company, S...Sector

For the first time, this year we performed the calculations using an external calculation tool. The emissions data stored refer to Eurostat data as well as World-Input-Output data from the University of Groningen and data from the Joint Research Centre. The deviations within the individual NACE categories compared with the Sustainability Report 2021 are the result from the new database used for determining emissions (Exiobase was used in the preceding year). Additionally, companies that apply the cash accounting method were also included in the calculation. For these companies, the allocation is based only on the outstanding loan volume, which tends to imply a higher allocation/more conservative approximation. Although the reported emissions for corporate loans in the Sustainability Report 2021 were labelled as Scope 1 and 2 emissions, these also include Scope 3 emissions.

GRI 2-4 Restatements of information

Financed emissions of corporate loans

NACE code	Sum of loans and investments in €k	Scope 1 and 2 emissions in t CO ₂ -equiv.	Scope 3 emissions in t CO ₂ -equiv.	Emissions intensity in t CO ₂ -equiv./million EUR invested ¹
A - Agriculture, forestry and fishing	102,350	10,852	141,070	1,484
B - Mining and quarrying	21,641	2,585	12,927	717
C - Production of goods	715,982	6,184	284,459	406
D - Energy supply	97,214	141,082	197,514	3,483
E - Water supply; sewage and waste disposal and elimination of environmental pollution	46,570	3,848	30,788	744
F - Construction	243,884	897	23,316	99
G - Trade, maintenance and repair of motor vehicles	356,663	1,297	44,112	127
H - Transport and storage	109,728	5,367	37,572	391
I - Accommodations and catering	139,727	514	5,654	44
J - Information and communication	52,222	7	401	8
K - Provision of financial and insurance services	348,871	8	466	1
L - Real estate and housing	592,908	51	877	2
M - Professional, scientific and technical services	352,955	66	3,943	11
N - Provision of other economic services	103,157	293	17,582	173
O - Public administration, defence, social security	120,937	55	3,279	28
P - Education and teaching	10,439	2	117	11
Q - Health and social services	123,182	15	930	8
R - Art, entertainment and recreation	11,719	164	674	72
S - Provision of other services	25,337	14	814	33
T - Staff in private households and similar	1,454	49	2,916	2,039
Total	3,576,941	173,349	809,412	275

The PCAF data quality score for corporate loans is 4.2.

¹ The sum of the emission intensity of 275 t CO₂ equiv./million EUR invested is not obtained by adding the values above, but is calculated using the following formula: Scope 1, 2 and 3 emissions / sum of loans recognized *1,000

GRI 305-3 Other indirect (Scope 3) GHG emissions

GRI 305-4 GHG emissions intensity

TCFD, metrics and targets, recommended information b)

Vehicle loans and lease financing

Vehicle loans are offered only by our Slovak leasing company BKS-Leasing s.r.o. If a loan is granted in the other countries for the purchase of a motor vehicle, it is a consumer loan without indicating a purpose. Therefore, it was not possible to classify these loans as motor vehicle loans and they were not included in the calculation of financed emissions. Financed emissions were calculated according to the following formula:

$$\text{Financed emissions} = \sum_{K,f} \frac{\text{Outstanding commitment}_K}{\text{Vehicle value at acquisition}_K} \times \text{Fuel consumption}_K \times \text{Emissions factor}_f$$

K...motor vehicle, f...per fuel type

The carbon footprint of lease finance was calculated in accordance with the Guidelines of the GHG Protocol for leased assets (Scope 3.13 downstream leased assets). In contrast to the PCAF methodology, the allocation factor is omitted in this case and the total annual emissions must be added to our CO₂ balance. The calculation for vehicle loans referred to motor vehicle leases for cars, trucks, buses, trailers, motorcycles and boats. Other vehicle types such as tractors and excavators, especially special vehicles, were excluded from the calculation due to lack of data. Similarly, it was not possible to account for motorcycles from Croatia, because no emissions factor was available. We worked to improve data quality in the reporting year, thereby achieving a significant improvement in the form of a PCAF data quality score of 2 for new motor vehicle leases. Overall, the weighted PCAF data quality score for total motor vehicle loans is 3.4.

Financed emissions of vehicle loans

	Number of vehicles	Sum of loans recognized in €k	Scope 1 and 2 emissions in t CO ₂ -equiv.	Emissions intensity in t CO ₂ -equiv./million EUR invested ¹
Vehicle loans				
Passenger cars	755	15,743	1,008	64.0
Trucks, SUVs, vans (<3.5t)	101	1,183	189	159.9
Trucks (>3.5t)	56	1,646	1,238	752.6
Buses	1	173	34	196.2
Total loans	913	18,745	2,469	131.7

¹ The emissions intensity of 131.7 t CO₂ equiv. / million EUR invested is not obtained by adding the values above, but is calculated using the following formula: Scope 1 and 2 emissions / sum of loans recognized *1,000

Financed emissions of vehicle lease finance

	Number of vehicles	Scope 1 and 2 emissions in t CO ₂ -equiv.
Lease contracts		
Passenger cars	10,743	40,001
Trucks (>3.5t)	3,048	108,181
Trucks, SUVs, vans (<3.5t)	1,524	13,281
Buses	194	7,108
Motorcycles	19	3
Boats	12	24
Total leasing	15,540	168,597

GRI 305-3 Other indirect (Scope 3) GHG emissions
 GRI 305-4 GHG emissions intensity
 TCFD, metrics and targets, recommended information b)

Listed financial instruments

In asset management and in our treasury portfolio, we invest in listed equities, bonds and funds. The calculations refer only to listed shares and corporate bonds or investment funds that invest in these types of financial instruments.

Green bonds and covered bonds were not included in the calculations, as the methodology for calculating the financed emissions of such financial products is still under development. Similarly, government bonds were excluded, although a methodology for calculating the financed emissions was published by PCAF at the end of 2022. However, the data required for the calculation was not available to us. As we use MSCI ESG data to calculate financed emissions for listed financial instruments, we are confident that we will be able to include government bonds in our CO₂ footprint for 2023.

In asset management, we achieved good coverage in terms of CO₂ data. Thus, we included around 90% of the invested volume in the calculation of financed emissions. EUR 8,773 t CO₂ equivalents with a reference to Scope 1 and 2 emissions are attributable to the invested volume of EUR 209.5 million. The emissions from Scope 3 are significantly higher. These account for 57,512 t of CO₂ equivalents.

Financed emissions in asset management

	Sum of recognized volumes in €k	Scope 1 and 2 emissions in t CO ₂ equiv.	Scope 3 emissions in t CO ₂ equiv.	Emissions intensity in t CO ₂ equiv./million EUR invested ¹
Asset management				
Investment funds	202,875	8,644	56,013	319
Shares	6,466	88	1,311	216
Bonds	190	41	188	1,210
Total asset management	209,531	8,773	57,512	316

The PCAF data quality score for equities and bonds is 2. It was not possible to evaluate the score for funds.

¹ The values shown in the line "Total asset management" are not the result of adding up the values above, but are calculated using the following formula: Scope 1, 2 and 3 emissions / sum of loans recognized *1,000

GRI 305-3 Other indirect (Scope 3) GHG emissions
 GRI 305-4 GHG emissions intensity
 TCFD, metrics and targets, recommended information b)

The degree of coverage in the treasury portfolio was low due to lacking methodology and/or the required data. Therefore, with respect to bonds only 16% of the invested capital was included in the calculations. Moreover, only Scope 1 and 2 data were available for around two thirds of the bonds included in the calculation. In the case of equities, on the other hand, we were able to include all securities. The data from the MSCI ESG Manager was available for all investment funds. However, there is partly a low coverage within the funds, resulting in a weighted coverage of 77% within the fund portfolio. In total, EUR 13,836 t CO₂ equivalents Scope 1 and 2 are attributable to investment sum considered in the treasury portfolio of EUR 221.2 million. A further 23,315 t CO₂ equivalents are attributable to Scope 3 of invested companies.

Financed emissions of the treasury portfolio

	Sum of recognized volumes in €k	Scope 1 and 2 emissions in t CO ₂ equiv.	Scope 3 emissions in t CO ₂ equiv.	Emissions intensity in t CO ₂ equiv./million EUR invested ¹
Treasury portfolio				
Investment funds	34,780	1,513	12,056	390
Shares	3,377	528	4,774	1,570
Bonds	183,080	11,794	6,486	100
Total	221,237	13,836	23,315	168

The weighted PCAF data quality score for equities and bonds referring to Scope 1 and 2 data is 3.1. For the securities for which Scope 3 data were available, the data quality score is 2.

¹ The values shown in the line Total are not obtained by adding the values above, but are calculated using the following formula: Scope 1, 2 and 3 emissions / sum of loans recognized *1,000

GRI 305-3 Other indirect (Scope 3) GHG emissions
 GRI 305-4 GHG emissions intensity
 TCFD, metrics and targets, recommended information b)

Energy

Total energy consumption

GWh	2020	2021	2022	Year/year change in %
Group	7.18	7.92	8.26	4.2%
• thereof from renewable energy sources	4.63	5.33	5.35	0.3%
Austria	5.57	6.19	6.58	6.2%
Slovenia	0.85	0.91	0.91	0.7%
Croatia	0.51	0.47	0.48	3.3%
Slovakia	0.25	0.35	0.28	-20.2%

GRI 302-1 Energy consumption within the organisation

GRI 302-4 Reduction of energy consumption

TCFD, metrics and targets, recommended information c)

Consumption by main energy sources

GWh	2020	2021	2022	Year/year change in %
Electricity	3.49	3.65	3.57	-2.3%
• thereof from renewable energy sources	3.24	3.39	3.30	-2.6%
Heat	2.84	3.48	3.76	7.9%
• thereof from renewable energy sources	1.35	1.91	2.01	5.1%
• thereof district heating	2.15	2.95	3.03	3.0%
• thereof natural gas	0.52	0.37	0.61	63.6%
• thereof heating oil	0.17	0.16	0.11	-31.4%
Fuels	0.85	0.78	0.93	18.7%
• thereof from renewable energy sources	0.03	0.04	0.04	0.0%
• thereof diesel	0.53	0.42	0.42	39.2%
• thereof gasoline	0.32	0.36	0.50	0.7%

GRI 302-1 Energy consumption within the organisation

GRI 302-4 Reduction of energy consumption

TCFD, metrics and targets, recommended information c)

Vehicle fleet and business trips

	2020	2021	2022
Vehicles			
Total	68	65	65
• thereof emissions class 4	2	2	1
• thereof emissions class 5	23	14	12
• thereof emissions class 6	33	36	35
• thereof hybrid vehicles	9	12	16
• thereof e-vehicle	1	1	1
Business trips			
Km travelled by company vehicle in thousands	1,469	1,483	1,626
• thereof by e-vehicle and hybrid vehicles in thousands	217	268	470
Km travelled by rail in thousands	55	39	106
Km travelled by air in thousands	0	4	0
Business trips per FTE			
Full-time equivalents considered	963	986	986
Km travelled by company vehicles	1,526	1,506	1,649
Km travelled by train	57	40	108
Km travelled by airplane	0	4	0
Fuel consumption			
Consumption in 1000 litres	93	87	104
Average consumption in litres per 100 km	6	6	6
Consumption in GWh	0.85	0.78	0.93

Society

Sponsoring

	2020	2021	2022
Number of sponsoring projects	152	106	219
• thereof cultural sponsoring	35	30	67
• thereof social sponsoring	35	30	65
• thereof educational sponsoring	26	24	35
• thereof other sponsoring	19	16	52
Sponsoring volume in €k	207	216	282
Donations volume in €k	9	10	30

Corporate volunteering

	2020	2021	2022
Participants	44	40	60
Number of hours made available	237	262	279
Percentage of employees who participated in CV	3.9	3.5	5.2

Financial flows of BKS Bank to stakeholders

in €k	2020	2021	2022
Employees			
• Wages and salaries	54,732	54,526	57,940
Shareholders			
• Dividends	5,045	5,045	9,700
Business			
• Investments	13,093	25,590	17,028
• Loans	6,657,343	7,065,859	7,296,381
Society			
• Taxes and duties	15,930	13,336	14,121
• Social security contributions	13,365	13,538	13,415
• Contributions for memberships in interest groups and networks	387	402	419
• Donations and sponsoring	216	226	312

GRI 201-1 Direct economic value generated and distributed

Taxes and duties by country

	2020		2021		2022	
	Current taxes incl. banking tax	Deferred taxes	Current taxes incl. banking tax	Deferred taxes	Current taxes incl. banking tax	Deferred taxes
Austria	12.5	-3.2	9.3	3.5	8.8	2.4
Slovenia	1.9	-0.1	2.2	-0.1	2.5	-0.1
Croatia	1.1	-0.8	1.2	-3.1	2.1	0.3
Slovakia	0.4	-0.4	0.6	-0.1	0.7	-0.2
Total	15.9	-4.5	13.3	0.2	14.1	2.4

Our company fully pays all taxes and duties and does not pursue an aggressive tax policy. In 2022, BKS Bank made use of the following financial aid schemes (all amounts are rounded). In Austria, we received approximately EUR 126,600 under a subsidy scheme for employees. This amount includes financial aid from the Employment Office, various Covid-19 subsidies, subsidies for apprentices as well as some EUR 167,700 under investment allowance schemes. In Croatia, BKS Bank received EUR 3,500 from the subsidy scheme "Young Employees"; in Slovenia EUR 3,100 in Covid-19 financial aid and EUR 20,000 energy cost subsidy. No financial aid schemes were used in Slovakia.

GRI 201-4 Financial assistance received from government

Key economic indicators¹

	2020	2021	2022
Profit figures in €m			
Net interest income	136.5	138.9	156.6
Impairment charges	-25.0	-32.4	-25.9
Net fee and commission income	64.3	67.1	68.2
General administrative expenses	-123.2	-124.0	-136.0
Profit for the year before tax	84.9	96.2	78.6
Profit for the year after tax	74.8	83.3	63.6
Balance sheet figures in €m			
Total assets	9,856.5	10,602.5	10,533.0
Receivables from customers after impairment charges	6,570.0	6,958.6	7,175.3
Primary deposits	7,399.3	8,116.0	7,872.1
• thereof savings deposits	1,401.7	1,351.2	1,258.9
• thereof securitized liabilities incl. subordinated capital	857.0	973.5	1,048.3
Equity	1,362.7	1,480.0	1,543.8
Customer funds under management	18,958.5	21,222.8	19,937.0
• thereof on custody accounts	11,559.2	13,106.9	11,525.1
Own funds according to CRR in €m			
Total risk exposure amount	5,664.1	5,980.1	6,213.5
Own funds	916.1	1,009.2	1,058.1
• thereof common equity tier 1 (CET1) capital	669.3	734.9	778.3
• thereof total tier 1 capital (CET1 and AT1)	725.2	800.1	843.4
Common equity tier 1 ratio	11.9	12.3	12.5
Common equity tier 1 capital ratio (in %)	12.8	13.4	13.6
Total capital ratio (in %)	16.2	16.9	17.0
Performance indicators			
Return on equity after tax	5.6	5.9	4.2
Return on assets after tax	0.8	0.8	0.6
Cost/income ratio (cost/income coefficient)	53.9	50.2	54.7
Risk/earnings ratio (credit risk/net interest income)	18.3	23.3	16.5
Non-performing loan ratio (NPL ratio)	1.7	2.2	2.1
Leverage ratio	8.0	8.4	7.9
Liquidity coverage ratio (LCR)	158.1	208.9	190.4
Net stable funding ratio (NSFR)	117.2	122.9	118.7
Resources			
Average number of staff	963	986	986
Number of branches	64	64	64
BKS Bank Shares			
Number of no-par ordinary shares (ISIN AT0000624705)	41,142,900	42,942,900	42,942,900
Number of ordinary no-par shares (ISIN AT0000A2HDQD1)	1,800,000	-	-
High (ordinary/ordinary exchange/preference share) in €	16.0/13.6/15.0	16.7/13.8/-	15.9/-/-
High (ordinary/ordinary exchange/preference share) in €	11.3/11.8/10.3	11.3/13.5/-	13.2/-/-
Close (ordinary/ordinary exchange/preference share) in €	12.5/13.6/-	15.3/-/-	14.0/-/-
Market capitalisation in €m as at 31 Dec.	538.8	657.0	601.2
Dividend per share in €	0.12	0.23	0.25 ²
Price/earnings ratio, ordinary/ordinary exchange/preference share	7.3/7.9/-	8.0	9.7/-/-

¹ In the financial year 2022, the accounting method for investment property changed. The values for financial year 2021 have been adjusted accordingly in accordance with IAS 8. A presentation of the changes is given in the chapter "Changes to accounting policy for investment property" (page 156 et seq Annual Report 2022).

² Proposal to the 84th Annual General Meeting of BKS Bank AG on 24 May 2023

GRI 2-4 Restatements of information

GRI 201-1 Direct economic value generated and distributed



Appendix





GRI Content Index

Statement on standards applied:

BKS Bank reported in accordance with GRI standards application for the period 1 Jan. to 31 Dec. 2022.

GRI 1 applied:

GRI 1: Foundation 2021

Applicable GRI industry standard:

None

GRI Standard	Specification	Page number(s)	Comment or omission
General disclosures			
GRI 2: General disclosures 2021			
The organization and its reporting practices			
2-1	Organizational details	13f, 18ff, AR 66	
2-2	Entities included in the organization's sustainability reporting	17, AR 93ff	
2-3	Reporting period, reporting frequency and contact point	168f, 177	
2-4	Restatements of information	147, 150, 157	
2-5	External assurance	175	
Activities and employees			
2-6	Activities, value chain and other business relationships	13f, 15f, AR 90ff	
2-7	Employees	82f, 130f	BKS Bank does not employ persons with non-fixed working hours
2-8	Workers who are not employees		We do not report on this standard. 99.7% of our employees are in salaried employment contracts
Governance			
2-9	Governance structure	AR 85f	
2-10	Nomination and selection of the highest governance body	83, AR 37, AR 41	
2-12	Role of the highest governance body in overseeing the management of impacts	31, 101, 110f	
2-11	Chair of the highest governance body	AR 34 31, 101, 110f, AR 32ff, AR 85f	Chairwoman of the Supervisory Board, Sabine Umik, is not on the Management Board of BKS Bank
2-13	Delegation of responsibility for managing impacts		
2-14	Role of the highest governance body in sustainability reporting	168f	
2-15	Conflicts of interest	AR 33	
2-16	Communication of critical concerns	108f	
2-17	Collective knowledge of the highest governance body	86, 102	
2-18	Evaluation of the performance of the highest governance body	84, AR 40	
2-19	Remuneration policies	84f, 137, 138	
2-20	Process to determine remuneration	84f, 137, AR 38	

GRI Standard	Specification	Page number(s)	Comment or omission
	2-21 Annual total compensation ratio		As the meeting of the Remuneration Committee on the variable remuneration of the Management Board is scheduled after the copy deadline of this report, this ratio cannot be reported.
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	8f	
2-23	Policy commitments	25ff, 31, 32ff, 48f, 50ff, 76ff, 104ff, 106f, 109f	
2-24	Embedding policy commitments	30f, 32ff, 50ff, 104ff	
2-25	Processes to remediate negative impacts	108f, 110ff	
2-26	Mechanisms for seeking advice and raising concerns	108f	
2-27	Compliance with laws and regulations	104ff, 107	
2-28	Membership associations	94f	
Stakeholder engagement			
2-29	Approach to stakeholder engagement	35f, 95, 103	
2-30	Collective bargaining agreements	139	

GRI 3: Disclosures on material topics 2021

3-1	Process to determine material topics	37ff, 49	
3-2	List of material topics	38ff	

Material Topics**G - Governance****Anti-corruption**

GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 99f, 104f, 128f	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	104	100% of operations were audited
	205-2	Communication and training about anti-corruption policies and procedures	104f, 134	
	205-3	Confirmed incidents of corruption and actions taken		In 2022, there were no incidents of corruption

Compliance, governance

GRI 3: Material topics 2021	3.3	Management of material topics	37ff, 40f, 99f, 104, 128f	
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Data protection

GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 99f, 106f, 128f	
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches in the protection of customer data and/or losses data loss	106f	

Economic stability and growth

GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 99f, 128f	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	18ff, 157, AR 99ff, AR 104ff, AR 110ff, AR 154	
	201-4	Financial assistance received from government	156	

Focus on the future

GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 99f, 128f	
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GRI Standard	Specification	Page number(s)	Comment or omission
GRI Standard	Specification	Page number(s)	Comment or omission
Customer satisfaction and product responsibility			
GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 99f, 116f, 128f
GRI 417: Marketing and Labelling	417-1	Requirements for product and service information and labelling	116f
	417-2	Incidents of non-compliance concerning product and service information and labelling	116f
	417-3	Incidents of non-compliance concerning marketing communications	116f
S – Society and social engagement			
Occupational health and safety			
GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 76f, 128f
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	87f
	403-2	Hazard identification, risk assessment, and incident investigation	87f
	403-3	Occupational health services	87f
	403-4	Worker participation, consultation, and communication on occupational health and safety	87f
	403-5	Worker training on occupational health and safety	87f
	403-6	Promotion of worker health	87f
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	87f
	403-8	Workers covered by an occupational health and safety management system	87f
	403-9	Work-related injuries	87f, 136
Education and training			
GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 76f, 128f
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	86, 133f
	404-3	Percentage of employees receiving regular performance and career development reviews	134
Diversity and equality			
GRI 3: Material topics 2021	3-3	Management of material topics	37ff, 40f, 76f, 128f
GRI 202: Market presence 2016	202-2	Proportion of senior management hired from the local community	131
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	82f, 131ff AR 41, AR 44
	405-2	Ratio of basic salary and remuneration of women to men	85
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	In 2022, there was one case of discrimination. In Slovakia, there was a complaint about derogatory, sexist remarks made to a female employee. The incident was investigated by Internal Audit. The measure agreed was for the management to raise awareness of appropriate communication and behaviour towards employees. This was organized as an internal event. Evidence of implementation of the measure is available to Internal Audit
BKS Bank indicator: Sponsoring volume of the BKS Bank Group			89f, 91f, 156

GRI Standard	Specification	Page number(s)	Comment or omission
Fair employer			
GRI 3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 76f, 128f	
GRI 401: Employment 2016	401-1 Newly employee hires and employee turnover	135	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	81	
	401-3 Parental leave	133	
	BKS Bank indicator: employee satisfaction	128	
Sustainable investment			
GRI 3-3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 76f, 128f	
	BKS Bank indicator: Volume development of sustainable investments	79f, 146	
Sustainable financing			
GRI 3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 76f	
	BKS Bank indicator: Volume trend of sustainable loans	79f, 146	
E - Environment and climate change mitigation			
Climate neutrality			
GRI 3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 48f, 50ff, 128f	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	65ff, 147ff	As we receive timely environmental data for the preparation of the sustainability report on our properties only in some cases, the information is based on projections.
	305-2 Indirect (Scope 2) GHG emissions	65ff, 147ff	
	305-3 Other indirect (Scope 3) GHG emissions	59ff, 65ff, 147ff, 149ff	
	305-4 GHG emissions intensity	65ff, 146, 147, 148, 150, 151, 152, 153	
	305-5 Reduction of GHG emissions	65ff, 147ff, 149ff	
Energy consumption			
GRI 3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 48f, 50ff, 128f	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	71, 154f	As we receive timely environmental data for the preparation of the sustainability report on our properties only in some cases, the information is based on projections.
	302-4 Reduction of energy consumption	71, 154f	
Sustainable investment			
GRI 3-3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 48f, 50ff, 128f	
	BKS Bank indicator: Volume development of sustainable investments	56f, 145	
Sustainable financing			
GRI 3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 48f, 50ff, 128f	
	BKS Bank indicator: Volume trend of sustainable loans	54f, 145	
Environment and climate change mitigation			
GRI 3: Material topics 2021	3-3 Management of material topics	37ff, 40f, 48f, 50ff, 128f	

Disclosure on implementation of TCFD recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 to develop recommendations for the financial sector on meaningful and comparable disclosures on climate-related financial information for the entire industry. The focus is primarily on the management of climate-related risks. The "Guidelines on non-financial reporting: supplement on reporting climate-related information" published by the European Union in 2019 include several explicit references to the TCFD recommendations.

At BKS Bank, many of the requirements have already been well implemented. Other requirements contain additional potential improvements, as shown in the following implementation overview at our bank.

Overview of implementation of TCFD recommendations at BKS Bank



TCFD Disclosure Recommendations	Disclosure at BKS Bank	Page(s) in report
Governance		
Disclose the company's governance of climate-related risks and opportunities.		
Recommended information a) Describe the Management Board's oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> • Explain the Management Board's accountability. • Establish a governance structure that addresses and helps mitigate climate-related risks and takes advantage of opportunities. 	31, 101 et seq, 110
Recommended information b) Describe the role of management in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> • A description of the identification, evaluation and managing of ESG risks including climate risks at BKS Bank, the role played by the Management Board and Supervisory Board, and the information processes defined for the company are available 	31, 69 et seq, 101 et seq, 110
Strategy		
Present the actual and potential effects of climate-related risks and opportunities on business activities, strategy and financial planning.		
Recommended information a) Describe the risks identified by the company for the short, medium and long term climate-related risks and opportunities.	<ul style="list-style-type: none"> • Samples of the opportunities and risks identified are described; a description is also given of risks considered to be of relevance for the short, medium and long-term. 	48 et seq, 50 et seq, 110 et seq
Recommended information b) Describe the impact of climate-related risks and opportunities on the business, strategy and the financial planning of the company.	<ul style="list-style-type: none"> • Selected explanations of the impact of climate risk on the business model as well as on the critical infrastructure of BKS Bank. 	50 et seq, 99 et seq, 110 et seq
Recommended information c) Describe the resilience of the company's strategy considering the various climate-related scenarios, including one of 2°C or lower.	<ul style="list-style-type: none"> • An explanation of the strategy and key strategic initiatives that help mitigate climate risk is available. 	50 et seq, 110 et seq
Risk Management		
Disclose how the company identifies and manages climate-related risks.		
Recommended information a) Describe the company's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> • A statement on the due diligence processes used by BKS Bank to identify and assess climate-related risks has been provided. • It explains how ESG risks were assessed, and in some cases also presents detailed results from the review processes. 	31
Recommended information b) Describe the company's processes for managing climate-related risks.	<ul style="list-style-type: none"> • A description of climate change mitigation measures is available as well as a description of how opportunities that may arise from climate change are taken advantage of. 	110 et seq
Recommended information c) Describe how the company's processes for identifying, assessing, and managing climate-related risks are embedded in the company's risk management system.	<ul style="list-style-type: none"> • The management of climate risks in the context of overall bank risk management is explained. 	69 et seq

TCFD Disclosure Recommendations	Disclosure at BKS Bank	Page(s) in report
Metrics and targets		
Disclose metrics and targets used to assess and manage the relevant climate-related risks and opportunities.		
Recommended information a) Provide the information required by the company to assess climate-related risks and opportunities in accordance with metrics used in the strategy and risk management process.	<ul style="list-style-type: none"> A description is given of the targets, metrics attained and KPIs of the sustainability strategy in which we also address climate risks. Information is available on the influence of non-financial performance indicators on management remuneration. 	40 et seq, 84 et seq, 128 et seq
Recommended information b) State greenhouse gas (GHG) emissions according to Scope 1, Scope 2 and, if applicable, Scope 3 and associated risks.	<ul style="list-style-type: none"> The carbon footprint has been published. Financed emissions are presented in accordance with the standards of the Partnership for Carbon Accounting Financials for corporate loans, vehicle loans and lease finance, asset management and the treasury investment fund portfolio. We disclosed the impact of our green bonds in terms of CO₂ reduction. 	57, 59 et seq, 65 et seq, 146 et seq, 149 et seq
Recommended information c) Describe the targets used by the company to manage climate-related risks and opportunities and the degree of target attainment.	<ul style="list-style-type: none"> We have published the targets and metrics achieved as well as KPIs of the sustainability strategy in which we also address climate risks. Targets for decarbonizing the treasury investment fund portfolio have been presented. Key figures on the development of sustainable products have been disclosed. Development of energy consumption and greenhouse gas emissions are reported. 	50 et seq, 54 et seq, 56 et seq, 59 et seq, 71, 79 et seq, 128 et seq, 144 et seq, 146 et seq, 149 et seq

Contribution to SDG target attainment in 2022

The SDGs provide an important framework for sustainable development. It is important to us to make a contribution. In 2022, for example, these were our contributions.

Target	Selected contributions to the respective SDGs
	Goal 1: No poverty <ul style="list-style-type: none"> • Key sponsor of project “Kärntner in Not” • Generous donations for storm victims in Carinthia and for Ukraine aid • Financial support for children living in the SOS Children's Village; sponsorship of one house • Advisory services for customers on wealth creation and retirement planning • Support for non-profit organizations with 279 hours of corporate volunteering
	Goal 4: Quality education <ul style="list-style-type: none"> • Our employees spent around 42,000 hours in training and further education courses • Training on job applications offered to new hires • “Learncafé” of Caritas Carinthia in Spittal an der Drau sponsored • Sponsoring for Volkshilfe Wien’s Care-Leaver project with a monthly scholarship • Events to increase financial knowledge of customers
	Goal 5: Gender equality <ul style="list-style-type: none"> • We exceeded our target of achieving a 35% share of women in management positions again, reaching a share of 35.9% • LBTGQI Business Group established • Organized diversity workshops • Gender pay gap has decreased from 19.2% to 16.7% since 2016
	Goal 7: Affordable and clean energy <ul style="list-style-type: none"> • We financed the construction of 59 photovoltaic installations by Stadtwerke Klagenfurt by issuing a green bond. The expected annual electricity production of the plants is 22 GWh • Since 2019, 541 MWh of solar energy has been produced with our own photovoltaic systems • Construction on three more photovoltaic plants has been started
	Goal 8: Decent work and economic growth <ul style="list-style-type: none"> • Member in the UN Global Compact • EUR 13.9 million paid in taxes and charges • Workplace health promotion programme with 202 participants completed • Diversity campaign to show that diversity is an opportunity • Lending volume increased again by 3.1% to EUR 7.2 billion
	Goal 9: Industry, innovation and infrastructure <ul style="list-style-type: none"> • Digital range of products enlarged • Built 1,600 m² of commercial space in Eisenstadt with “BKS-Lebenswert” • ÖGNI Gold Standard certificate awarded to “BKS-Holzquartier” and “Urban Living” • We engaged in a lively exchange with companies from other industries on innovation at “weXelerate”s “Innovation Master Class”
	Goal 11: Sustainable cities and communities <ul style="list-style-type: none"> • Provided financing to enabled expansion of sustainable infrastructure for cities and municipalities • Provided financing for a health centre in St. Pölten by issuing a sustainability bond • Our 64 branches in towns and municipalities are an important part of municipal infrastructure and also enable older and less mobile persons to conduct their banking transactions locally and conveniently

Goal	Selected contributions to the respective SDGs
	<p>Goal 12: Responsible consumption and production</p> <ul style="list-style-type: none"> • EMAS assessment and Green Brands certification completed successfully • Our photovoltaic systems have reduced emissions by around 101 t CO₂ equivalents since 2019. • We granted EUR 925 million in sustainable financing • Share of sustainable investment components in asset management raised to around 30%
	<p>Goal 13: Climate action</p> <ul style="list-style-type: none"> • Joined the Green Finance Alliance • Covered 65% of total energy consumption from renewable energy sources • Supported the creation of an amphibian aquatic ecosystem in the Natura 2000 protected area near Spittal an der Drau • Around 1,600 m² of space no longer used for banking operations converted into residential space • 912 devices no longer usable in banking operations put into the re-use system via AfB • Initiated the planting of 10,000 trees under the scheme of the Natur & Zukunft account

Information on the report

This sustainability report covers the Group-wide CSR activities of BKS Bank for the financial year 2022. BKS Bank publishes non-financial information in accordance with § 243b Austrian Business Code (Unternehmensgesetzbuch, UGB) and § 267a Austrian Business Code (NaDiVeG, Nachhaltigkeits- und Diversitätsverbesserungsgesetz) in this separate Sustainability Report. We provide information on concepts, processes and measures relating to environmental, social and employee issues as well as human rights and anti-corruption.

The report was prepared in accordance with “GRI Standards: Universal Standard”. The key figures published cover the BKS Bank Group and correspond to the figures disclosed in the Annual Report. The group of consolidated companies are listed on page 17. If, in some cases, a key indicator or a reporting period differs from those used for the financial year 2022, we point this out in the text. A financial year of BKS Bank covers the period from 1 January to 31 December of the respective year.

The single-entity financial statements of BKS Bank AG are not presented. The reason is that the single-entity has a dominant position within the Group and its non-financial performance indicators differ only minimally from those of the BKS Bank Group. Data is collected using standardized, internal processes. The carbon footprint and financed emissions are calculated in cooperation with external partners. We have taken the greatest possible care in the collection and preparation of the data. However, slight deviations due to rounding differences are possible.

Role of the highest governance body in sustainability reporting

The Sustainability Report is prepared in close cooperation with the Chairwoman of the Management Board and approved by the full Management Board. Subsequently, the report is submitted to the Supervisory Board for approval of the published content prior to publication. To facilitate the Supervisory Board's review of the information and key figures reported, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. was engaged as an external auditor for an independent limited assurance review. The report on the audit is available on page 174 et seq.

Report audience and frequency of publication

The Sustainability Report is written for all stakeholders of BKS Bank. The Sustainability Report addresses men and women equally.

BKS Bank publishes the Sustainability Report annually at the same time as the Annual Report (German version). The last publication preceding this report was in April 2022.

The current Annual Report and Sustainability Report are available on our website at www.bks.at/investor-relations/berichte-und-veroeffentlichungen, as well as the reports from previous years. The Sustainability Report is not printed for environmental reasons. Basic information about the company can also be found on our website at www.bks.at.

Forward-looking statements

This sustainability report contains information and forecasts relating to the future development of the BKS Bank Group. The forecasts are estimates based on the information at our disposal on the copy deadline 10 March 2023. Should the assumptions

regarding such forward-looking statements prove incorrect or should risks materialize to an extent not anticipated, the actual results may vary from those currently expected. This Sustainability Report does not constitute a recommendation to buy or sell shares of BKS Bank AG.

Klagenfurt am Wörthersee, 10 March 2023



Herta Stockbauer
Chairwoman of the
Management Board



Dieter Kraßnitzer,
Member of the
Management Board



Alexander Novak
Member of the
Management Board



Nicholas Juhász
Member of the
Management Board

Glossary

The target of **1.5°C** refers to the goal of limiting global warming to 1.5 degrees Celsius above pre-industrial levels.

The EU presented the **Action Plan for Financing Sustainable Growth** in 2018. Its goals include increasing transparency in sustainability financing and channelling funds into sustainable financing and investments.

The **Universal Declaration of Human Rights** (Resolution 217 A (III) of 10 December 1948) consists of 30 articles, adopted by the United Nations, and aims to achieve the greatest possible protection of all human beings.

The **audit certificate “berufundfamilie”** is a state quality label awarded to family-friendly companies in Austria.

Exclusion criteria in the context of sustainability refers to criteria that define transactions and investments a company does not enter into.

Biodiversity or biological diversity stands for the variety of life on earth, including all living beings, species, ecosystems and landscapes.

The **BKS Portfolio-Strategie nachhaltig** refers to the asset management strategy that invests exclusively in investment funds from the sustainability segment. These investment funds are subject to strict criteria, and compliance is continuously monitored both internally and externally.

The **carbon footprint** is a measure of the total amount of carbon dioxide emissions generated or caused directly or indirectly by the activities or life stages of products or persons.

The **Diversity Charter** is an initiative to promote appreciation towards all members of society.

A **CO₂ equivalent** is a unit of measure used to standardize the climate impact of the various greenhouse gases.

CO₂ compensation is an instrument of climate change mitigation. This offsets greenhouse gas emissions by investing in projects that reduce greenhouse gas emissions.

Carbon sink is the term used to describe natural ecosystems or geological reservoirs that can absorb CO₂ such as forests, soils, oceans.

A **code of conduct** is a set of rules for behaviour.

The term **compliance** refers to compliance with statutory provisions by companies. The term compliance is also used to refer to the creation of organizational structures within companies to ensure adherence to regulations – both statutory and internal company guidelines.

Corporate governance is the legal and factual regulatory framework for managing and monitoring companies for the benefit of all relevant stakeholders and stands for good corporate governance.

The concept of **corporate social responsibility** describes the voluntary contribution of businesses to sustainable development that goes beyond the statutory requirements.

The **Corporate Sustainability Due Diligence Directive (CSDDD)** – which is only available as a draft to date – of the EU regulates which sustainability obligations companies must comply with along the supply chain.

The **Corporate Sustainability Reporting Directive (CSRD)** is a EU Directive that defines future sustainability reporting.

COVID-19 (Coronavirus Disease 2019) or coronavirus is a highly contagious infectious disease.

CLIMAID is a tool for calculating sustainability risks.

Decarbonization refers to the transformation the economy, specifically the energy sector, in order to lower the output of carbon dioxide (CO₂) by phasing out fossil fuels.

Diversity refers to the conscious handling of diversity in society related not only to gender but also to other characteristics such as race, social background, age, religion, sexual orientation and disability.

Dividend is the share in the profit of a joint stock company distributed to shareholders.

Due diligence is the careful scrutiny and analysis of a company with regard to its economic, legal, tax and financial circumstances.

The **EFQM model** is the most widely used quality management system in Europe. EFQM stands for European Foundation for Quality Management.

Own investments refers to investment transactions a bank carries out for its own account.

EMAS (Eco-Management and Audit Scheme) is one of the most widespread and stringent environmental management systems in Europe.

Issues in a financial context refer to the issuance of securities or money. **Emissions** refer to the emission of gases or particles that pollute the air, soil or water.

Renewable energy or regenerative energy refers to energy sources that are virtually inexhaustible in the human time horizon for sustainable energy supply or are renewed relatively quickly. Examples include solar and wind power.

ESG, Environmental, Social and Corporate Governance, refers to the three key factors when measuring the sustainability and social impact of an investment in a company or business.

The **EU Ecolabel** is a sustainable quality label of the European Union.

The **European Green Deal** is a scheme presented by the European Commission in 2019 with the goal of reducing net greenhouse gas emissions in the European Union to zero by 2050, making it the first continent to become climate neutral.

EXIOBASE is a database for the determination of CO₂ emissions.

Financial literacy refers to a general education in financial topics.

Financed emissions include CO₂ emissions caused by loans granted and investment products.

The programme **"Fit for 55"** describes the numerous EU regulations that aim to reduce CO₂ emissions by 55% by the year 2030 compared to the year 1990.

Money laundering is the term used to describe the process of smuggling illegally generated funds or illegally acquired assets into legal financial and economic cycles.

The **gender pay gap** describes the disparity between the average income of women and men.

The **GHG Protocol (Green House Gas Protocol)** is an internationally recognized standard for greenhouse gas emissions accounting and reporting for companies.

The **Global Reporting Initiative** is a provider of guidelines for the preparation of sustainability reports by corporations, small and medium-sized enterprises, governments and non-governmental organizations.

The **green asset ratio** is a ratio that indicates the proportion of a bank's business classified as sustainable in accordance with Regulation (EU) 2020/852 ("Taxonomy Regulation").

A **green bond** is a bond with positive environmental and/or climate characteristics.

Green Brands is an international, independent and autonomous organization that evaluates brands, and awards the Green Brand quality seal to ecologically-sustainable brands. It is an EU certification mark.

Green finance stands for environmentally-sustainable financing and is often also used as a general term for a more sustainable financial industry.

Green investments also referred to as **ecological investments** are environmentally-friendly investments on the capital market.

Green leasing refers to lease financing for environmentally-sustainable commodities.

Impact refers to the effects of measures on the environment or society.

International Labour Organization: The International Labour Organization (ILO) is a specialized agency of the United Nations charged with promoting social justice, human rights and labour rights.

ISS ESG is an internationally-recognized sustainability rating agency and consultancy firm.

Climate neutrality means that a process or activity does not affect the climate.

Climate change is the globally occurring change in the Earth's climate.

Circular economy is a production and consumption model. The model aims to ensure that existing products and materials are shared, repaired,

refurbished or recycled as long as possible so as to extend the lifecycle of the products and materials.

MAMFORCE®: In Croatia, the MAMFORCE® organization defines standards for work-life balance.

MSCI ESG is a global provider of sustainability research analysis and sustainability ratings.

In **sustainable procurement** purchasing is based on minimum ecological and social standards.

Sustainable financing: This refers to financing that is used for a sustainable purpose.

Sustainable investment refers to investments in which the issuer is obliged to invest the proceeds in projects or technologies that are climate-relevant or environmentally-friendly.

Sustainability means meeting the needs of the present without compromising the needs of future generations.

The **Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG)** is the legal basis for sustainability reporting in Austria.

The **net promoter score** is an international metric for measuring the willingness of customers to recommend a company to others.

Offshore banking: Offshore banking refers to banking transactions in a currency other than that of the country of domicile. Offshore banks are often located in low-tax locations with only rudimentary banking supervision. Their purpose is usually to facilitate tax avoidance and evasion.

ÖGNI: The Austrian Society for Sustainable Real Estate (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft) is a non-governmental organization promoting sustainability in all aspects of the construction and real estate industry in Austria.

The term **eco-electricity or green power** usually refers to electrical energy from environmentally-friendly renewable energy sources.

The **Austrian Society for Consumer Studies (ÖGVS)** as an independent research institute, has set itself the task of providing consumers with orientation through empirical and objective industry studies, thus making the selection of products or services easier.

The **Austrian Ecolabel for Sustainable Financial Products** certifies ethical projects and companies from the financial sector that generate profits through sustainable investments.

Paris Climate Agreement: The Paris Agreement was signed by the international community of states in 2015 with the goal of reducing global warming to below 2 degrees Celsius.

The **Partnership for Carbon Accounting Financials (PCAF)** is a global initiative of the financial industry to standardize the measurement of greenhouse gas emissions for the financial sector.

In the context of climate change, risks that arise directly from the consequences of climate change are referred to as **physical risks**.

Positive criteria refer to the services, technologies and business practices of companies and to the activities and practices of countries that comply with the principles of sustainability and are therefore assessed positively in business transactions.

Recycling is the processing and reuse of discarded raw materials into a new product.

respACT - austrian business council for sustainable development is Austria's leading business platform for corporate social responsibility (CSR) and sustainable development.

Re-use means the re-use of a product either for a new purpose or after the product has been refurbished for further use.

rfu - designates the company Mag. Reinhard Friesenbichler Management Consulting.

Science-based targets (SBT) are reduction targets for relevant greenhouse gas emissions calculated on a scientific basis in accordance with the standards defined by the Science Based Targets Initiative (SBTi).

Scope 1: All direct greenhouse gas emissions, i.e. those generated by combustion at our own facilities.

Scope 2: All greenhouse gas emissions associated with purchased energy (e.g., electricity, district heating).

Scope 3 emissions refer to the greenhouse gas emissions that are generated before (upstream) or after (downstream) the company's activities.

Second party opinion is an opinion prepared by external experts on the sustainability of a financial product.

Social bonds: These are bonds whose proceeds are used to finance socially sustainable projects.

A **stakeholder** is a person or group of persons with a legitimate interest in the course or outcome of a process or project.

Stranded assets are generally understood to mean assets (e.g. shares in a company, technical equipment or inventories) whose earnings power or market value falls steeply and unexpectedly to the point at which they are largely or completely worthless.

The **Sustainable Development Goals (SDGs)** are 17 goals for sustainable development. These goals of the United Nations serve to ensure sustainable development on an economic, social and ecological level worldwide.

The so-called **Task Force on Climate-related Financial Disclosures (TCFD)** was established to develop voluntary, standardized disclosures on climate-related financial risks for companies.

The **Taxonomy of the European Union** provides binding definitions for environmentally-sustainable activities and investments.

TEG (Technical Experts Group): The EU Technical Experts Group on Sustainable Finance advises the European Commission on the implementation of the Action Plan for Financing Sustainable Growth.

Greenhouse gases (GHG) are gases that contribute to the greenhouse effect and which may be of natural or anthropogenic origin. They absorb a portion of the long-wave thermal radiation emitted by the ground, which would otherwise escape into space.

TRIGOS: The TRIGOS Award is an Austrian award for responsible businesses. It has been awarded both nationally and regionally since 2004.

Transition risks or transitory risks

in the context of climate change refer to those risks that arise from the transition to a climate-neutral economy.

UN Global Compact is the world's largest network for corporate responsibility. The members commit to

comply with 10 principles. The goal is to make the world more social and ecological.

VÖNIX is the sustainability index of the Vienna Stock Exchange.

In a monetary economy, **value creation** is the objective of productive activity. This transforms existing goods into goods with a higher monetary value.

The **materiality analysis** serves to identify the sustainability issues that are significant for a company and its stakeholders.

The CSR topics of relevance for the company and its stakeholders are identified and presented in the **materiality matrix**.

List of Abbreviations

3BIT	3 Banks IT Company	ILO	International Labour Organization
AfB	"Arbeit für Menschen mit Behinderung" (Work for people with disabilities); mildtätige und gemeinnützige GmbH (charitable and non-profit limited liability company)	ISO	International Organization for Standardization
AG	Aktiengesellschaft (public limited company)	IT	Information technology
AML	Anti-Money-Laundering	n.a.	Not available
ALM	ALM assets/liabilities management	SME	Small and medium-sized enterprises
ASRA	Austrian Sustainability Reporting Award	kWh	Kilowatt hours
BGF	Betriebliche Gesundheitsförderung (Workplace Health Promotion)	kWp	Kilowatt peak
BWG	Bankwesengesetz (Banking Act)	LCR	Liquidity coverage ratio
BTv	Bank für Tyrol und Vorarlberg	NFRD	Non-Financial Reporting Directive
CapEx	Capital Expenditures (capital spending)	m ²	Square meter
CH ₄	Methane	m ³	Cubic meter
CO ₂	Carbon dioxide	MWh	Megawatt hours
COVID-19	Coronavirus disease 2019	MWp	Megawatt peak
CSDDD	Corporate Sustainability Due Diligence Directive	N ₂ O	Nitrous oxide
CSR	Corporate social responsibility	NF ₃	Nitrogen trifluoride
CSRD	Corporate Sustainable Reporting Directive	NGO	Non-governmental organization
DB-equ.	Dichlorobenzene equivalent	NPO	Non-profit organization
DGNB	Deutsche Gesellschaft für nachhaltiges Bauen (German Sustainable Building Council)	ÖCGK	Austrian Code of Corporate Governance
GDPR	EU General Data Protection Regulation	OECD	Organization for Economic Cooperation and Development
EFQM	European Foundation for Quality Management	ÖGNI	Austrian Society for Sustainable real estate management (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft)
EIP	European Investment Practitioner	OpEx	Operating expenses
EMAS	Eco-Management and Audit Scheme	OR	Operational risk
ESG	Environmental, Social, Governance	PCAF	Partnership for Carbon Accounting Financials
EU	European Union	QI	Qualified intermediary
ECB	European Central Bank	respACT	respACT- austrian business council for sustainable development
FATCA	Foreign Account Tax Compliance Act	SDGs	Sustainable Development Goals; UN targets for sustainable development
Fe-equ.	Iron equivalent	SF ₆	Sulfur hexafluoride
HFC	Hydrofluorocarbons	SFDR	Sustainable Finance Disclosures Regulation
FMA	Austrian Financial Market Authority	SPO	Second party opinion
GAR	Green asset ratio	t	Tons
AR	Annual report	TCFD	Task Force on Climate-related Financial Disclosures
GHG	Greenhouse gas	GHG	Greenhouse gas
GRI	Global Reporting Initiative	UN	United Nations
GWh	Gigawatt hours	VÖNIX	VBV Österreichischer Nachhaltigkeitsindex (VBV Austrian Sustainability Index)
HFC	Halogenated fluorocarbons	WAG	Wertpapieraufsichtsgesetz (SSA, Austrian Securities Supervision Act)
IDD	Insurance Distribution Directive	WBI	Wiener Börse Index (Vienna Stock Exchange Index)
IFRS	International Financial Reporting Standards	WWF	World Wide Fund for Nature
ICS	Internal control system		
ICT	Information and communication technology		

To the Members of the Management Board and the Supervisory Board of BKS Bank AG

Klagenfurt am Wörthersee

Report on the independent audit of the non-financial report 2022

We have performed an audit of the Sustainability Report 2022 prepared in accordance with the provisions pursuant to § 243b Austrian Business Code (UGB) and § 267a Austrian Business Code (UGB, NaDiVeG) and in accordance with the EU Taxonomy Regulation as well as the GRI Standards (Update 2021) to obtain limited assurance (hereafter "audit") of BKS Bank AG (hereafter BKS), Klagenfurt am Wörthersee.

The audit covered the 2022 sustainability reporting as follows:

The separate Sustainability Report 2022 with respect to the disclosures and references to the GRI Content Index in the reporting for the financial year 2022.

Statement by the company's legal representatives

The proper preparation of the 2022 sustainability reporting in accordance with § 243b Austrian Business Code (UGB) and § 267a Austrian Business Code (UGB) as well as the GRI Standards³ and the EU Taxonomy Regulation⁴ is the responsibility of the company's legal representatives.

We have a statement of completeness signed by the legal representatives in our files.

Responsibility of the auditor

Our responsibility is to express an opinion, based on our audit activities and the evidence we have obtained, as to whether any matters have come to our attention that may cause us to believe that the Sustainability Report 2022 has not been prepared, in all material respects, in accordance with § 243b Business Code and § 267a Business Code NaDiVeG)

including the EU Taxonomy Regulation, as well as the GRI standards.

We conducted our audit in accordance with the standards of the "International Federation of Accountants' ISAE 3000 (Revised)".

These standards require that we comply with professional ethical requirements including the rules on independence, and that we plan and execute the tasks taking into account the principle of materiality so as to be able to present our opinion with degree of certainty.

Our liability is limited under the "General Terms and Conditions of Contracts for the Certified Public Accounting Professions". The Terms state that persons belonging to these professions shall only be liable if they breach their obligations by wilful intent or gross negligence. In cases of gross negligence, the maximum liability amount towards clients and any third parties is limited to a total of EUR 726,730.

Our audit activities were performed to obtain a certain auditing assurance as a basis for our opinion. The scope of the auditing activities to obtain audit evidence is narrower than the scope for obtaining sufficient auditing assurance (such as for an audit of financial statements), therefore, the level of audit assurance is lower.

Auditors select the audit procedures using their professional judgment. These included the following activities:

- Obtaining a general overview of the company's business activities and its organizational structure and workflows;

¹ <https://www.ris.bka.gv.at/Dokumente/Bundesnormen/NOR40189008/NOR40189008.pdf>

² <https://www.ris.bka.gv.at/Dokumente/Bundesnormen/NOR40189009/NOR40189009.pdf>

³ <https://www.globalreporting.org/standards>

⁴ <https://eur-lex.europa.eu/eli/reg/2020/852/>

- Interviews with company officers to understand the relevant systems, processes, and internal controls relating to the content of the report audited that support the gathering of information for reporting;
- Review of the relevant documents relating to the group, top management and management staff to assess awareness and priorities of the non-financial reporting topics and to understand how the processes and controls have been implemented;
- Survey of risk management and governance processes in relation to sustainability, and critical evaluation of their presentation in non-financial reporting;
- Conduct analytical audit procedures at the entity level;
- Random samples of data and processes were taken to check if they have been appropriately adopted, consolidated and reported at the group level. This activity included assessing if the data reported was accurate, reliable, and complete;
- Assessment of the reporting of material topics, which are addressed in communications with stakeholders, which the media reports on, and to which major competitors make references in their environmental and social reports;
- Evaluation of the company's internal materiality analysis, taking into consideration industry-specific mega-trends as well as GRI aspects;
- Assessment of whether the requirements of § 243b Business Code and § 267a Business Code were adequately addressed;
- Sample testing of the statements on the audited report contents in the Sustainability Reporting 2022 based on the reporting principles of the GRI Standards.
- Assessment of whether the GRI Standards (Update 2021) have been applied in a compliant manner.
- Assessment of whether the requirements of the EU Taxonomy Regulation have been adequately addressed.

Our mandate was not to conduct an audit of the financial statements or a review of historical financial information. We did not audit the performance indicators and statements audited as part of the audit of the annual financial statements, or the information contained in the corporate governance report and in the risk report. We only checked for the GRI-compliant presentation of this information in the report. Likewise, neither the detection and clarification of criminal offences, such as embezzlement or other acts of fraud and administrative offenses, nor the assessment of the effectiveness and efficiency of the management was the subject of our engagement. Furthermore, reviewing figures from external studies, forward-looking statements and prior years were not part of our mandate. In the report, the references listed in the GRI Content Index were reviewed, but not any additional (web) references beyond these.

In our opinion, the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our summarized assessment.

We have prepared this report on the basis of the contract we have signed with you, which is based on the "General Terms and Conditions of Contracts for the Certified Public Accounting Professions"⁵ and is also effective for third parties.

Summary of our assessment

Based on our audit procedures and the evidence obtained, no facts have come to our attention that give us cause to believe that the Sustainability Report 2022 has not been prepared in all material respects in accordance with § 243b Business Code and § 267a Business Code (NaDiVeG) including the EU Taxonomy Regulation and the GRI Standards (Update 2021).

Vienna, 10 March 2023

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Stefan Uher i.V.

DI Georg Rogl

⁵ Version of April 18, 2018, issued by the Chamber of Certified Public Accountants, Chapter 7, http://www.kwt.or.at/PortalData/1/Re-sources/aab/AAB_2018_de.pdf

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