

Sustainability report
2018

FROM THE REGION TO THE REGION

**CO-OPERATIVE
THINKING
LEADS
TO**

**SUSTAINABLE
BEHAVIOUR.**

To improve readability, all terms are used in their male form (if any) in this report;
they are meant to refer to female persons in equal measure.

An extract from our key indicators

2018

Compliance	Unit	VBW Separate*	VBW Group*	Page
Confirmed cases of corruption	Number	0	0	23
Total financial penalties of all kinds	EUR	0	0	23
Data security				
IT security incidents	Number	0	0	26
Regional products				
Share of regional financing in all financing transactions	%	-	98	33
Share of regional financing in all financing savings deposits	%	-	79	33
Subsidised financing transactions				
Subsidised projects	Number	186	186	44
Volume of subsidised projects	EUR	105,700,000	105,700,000	44
Digression/product partners				
Volume of 'der faire Credit' TeamBank VBW customers	EUR	187,408,000	187,408,000	51
Joint customers TeamBank VBW	Number	14,708	14,708	51
VBW volume in Union Investment funds	EUR	1,008,049,317	1,008,049,317	55
Share of sustainable funds in Union Investment volume	%	3.7	3.7	55
New ERGO insurance contracts VBW customers	Number	4,762	4,762	59
New business volume ERGO insurance contracts of VBW customers	EUR	6,374,039	6,374,039	59
Resources				
Specific district heat consumption**	kWh per m ²	80.9	80.9	67
Specific electricity consumption**	kWh per m ²	134.0	134.0	68
Print-out and copying paper	kg per FTE	50.1	50.1	68
Total specific waste	kg per FTE	93.2	93.2	68
Employees & employee representation as at 31 Dec 2018				
Headcount	Number	1,346	1,546	71
Full-time equivalents	FTE	1,125	1,301	71
Men with managerial responsibility****	% number	75.9	76.9	76
Women with managerial responsibility****	% number	24.1	23.1	76
Works council members	Number	14	14	79

*The key indicators of the parent company (VBW Separate) are shown separately from the key indicators of the Group (VBW Group) (cf. page 9).

**Billing cycle: 1 September to 31 August; hence annual consumption data are based on calculations. The calculation of the consumption data per m² is based on the total surface of the Group of 19,788 m² and a pro rata surface of 17,117 m² for VBW Separate.

****Billing cycle: 1 December to 30 November, including electricity from company-owned PV system

****from group manager, branch manager, department manager, division manager onwards (group manager only upwards of three persons); share of all employees with managerial responsibility

*Many little forces unite
to make one big force.*

(Hermann Schulze-Delitzsch)

IN

2018

**VOLKSBANK WIEN AG CONTINUES
ITS SUSTAINABILITY PROGRAMME CONSISTENTLY.**



Sustainability 2018

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Dear readers,

since the publication of our first sustainability report for VOLKSBANK WIEN AG last year many things have happened – but the company's co-operative economic activity "from the region to the region" has maintained its sustainable character. Primary importance is given to the co-operative idea, even more so in the Sustainability Report 2018.

We are proud of having emphasized the importance of sustainability within the scope of our economic activity by joining the United Nations Global Compact. And it is in the present report that we are dealing with the Sustainable Development Goals (SDGs) for the first time.

Moreover, the process of preparing the sustainability report was put on a professional level. An online survey among stakeholders was the basis for defining the key topics that were identified using the materiality matrix shown in the report. The topics have not changed much compared to the previous year, but data security was added as a key topic; data protection was integrated into the compliance topic.

Moreover, the topic of further training was discussed in greater detail, which is organised for VOLKSBANK WIEN AG by Volksbank Akademie. A more detailed description has been provided of internal and external communication (information of stakeholders), and risk management within VOLKSBANK WIEN AG was discussed in greater detail as well.

Our special thanks go to our customers and partners who allowed us to enhance our readers' experience of the sustainable business model through practical examples.

Our co-operative approach

Our co-operative identity and the sustainability values we go by are distinguishing features of VOLKSBANK WIEN AG. Our focus is on customers, partners and employees. We act responsibly, sustainably, quickly and flexibly, with business acumen. We respect human rights and disapprove of any form of discrimination. The fight against corruption is of high priority at VOLKSBANK WIEN AG. These basic principles are set down in our Code of Conduct and honoured by all our employees within the scope of our corporate activities.

In all they do, the employees of VOLKSBANK WIEN AG consistently focus on earning the trust of our customers. The competent and personal service in all financial matters corresponds to a clear commitment to this corporate orientation. And it is precisely in times marked by globalisation and digitisation that VOLKSBANK WIEN AG deliberately chooses to remain a regional bank. In this way, the bank supports the long-term economic success of its customers in the region. Hence, the core elements of the activities of VOLKSBANK WIEN AG are trust, a customer focus and regional dimensions, making it a "relationship bank" in the truest sense of the word: from the region to the region.

One of our main concerns is full risk awareness in managing available resources and the protection of the environment. Owing to its business model, VOLKSBANK WIEN AG is able to minimise risks for its owners, employees and the bank itself. Any compliance risks are systematically taken account of within the risk management process.

Foreword

Our business model

VOLKSBANK WIEN AG is a purely Austrian bank. It only operates within its trading area and on the Austrian market. There are no foreign investors.

Our business strategy is based on combination of regional customer service know-how, on the one hand, and on the services of the central organisation, on the other hand. This means that decisions relevant to customers are taken quickly and directly on the spot where the customers are, while administrative activities are increasingly handled in central units. In this way, cost reductions can be achieved that our customers benefit from.

VOLKSBANK WIEN AG remains committed to the retail branch as an important channel of distribution. It is a central point of contact with our customers and a comprehensive competence centre within the regional trading areas. In all divisions, customers may rely on comprehensively trained account managers. This is emphasized by defining the traditional consultancy-based customer relationship to be the main focus of the business strategy and by holding on to the requirement of quick, customer-oriented decisions directly on the spot where the customers are.

We take care of the core services of a retail bank ourselves: loans, deposits and payment transactions. Other products and services are offered by competent partners. Over the past few years, therefore, the product-related companies were sold and cooperation agreements were concluded with reliable product partners. Our product partners also pursue sustainable business policies – which is of essential importance to us. Through considerable streamlining and standardisation of the product range, transparency is increased for our customers due to a neat array of products.

Our positioning

The aim of VOLKSBANK WIEN AG is to be perceived as the “relationship bank” of business enterprises and private customers within the region. This means that Volksbank and its services are always easily available, and it also includes the presence of retail branches at highly frequented locations, on the one hand, and a stable Volksbank Banking offer, on the other hand. Volksbank offers all the products and services that customers need, but no unnecessarily wide and complex range. The relationship bank is there for its customers, whenever it is needed, and in the long run. It knows its customers and is familiar with their needs – this is the foundation that trust is built on!

In the digital world of finance, VOLKSBANK WIEN AG has evolved into a service provider offering precisely the kind of services that customers actually need – at a high level of quality, based on convenient handling and stable performance.



Gerald Fleischmann
Chairman of the Managing Board of VOLKSBANK WIEN AG

CUSTOMER SERVICE

352,190 CUSTOMERS

QUALITY

84 % CUSTOMER SATISFACTION*

REGIONAL BASIS

87 LOCATIONS
(IN AUSTRIA, INCL. SELF-SERVICE BRANCHES AND SPARDA)

SUBSIDISED FINANCING TRANSACTIONS

186 PROJECTS

PROFESSIONAL ETHICS

CODE OF CONDUCT SINCE 2015

DIGITISATION AND INNOVATION

68 % MOBILE USE OF BANKING

HUMAN RIGHTS

SINCE 2018
UNGC MEMBER

TRAINING AND PROFESSIONAL DEVELOPMENT

10 INTERNAL COURSE PROGRAMMES

SUSTAINABILITY OF BUSINESS MODEL

FOR 150 YEARS

RESOURCES/ ENERGY

22,402 KWH
POWER GENERATION

DATA SECURITY

0 IT SECURITY INCIDENTS

INTERNAL COMMUNICATION

4 ISSUES OF THE STAFF MAGAZINE PER YEAR

REGIONAL PRODUCTS

SHARE OF REGIONAL FINANCING IN ALL FINANCING TRANSACTIONS 98 %

SUSTAINABLE PRODUCTS & SERVICES

2 SUSTAINABLE FUNDS

COMPLIANCE

86.8 % OF EMPLOYEES HAVE RECEIVED SOME KIND OF RELEVANT TRAINING

About the report

At group level, VOLKS BANK WIEN AG is obliged to prepare a consolidated non-financial statement under section 267a Austrian Business Code (UGB). Moreover, as a parent company VOLKS BANK WIEN AG is equally obliged to prepare a consolidated non-financial statement under section 243b Austrian Business Code. The present report summarizes the required information about concepts, results and risks relating to environmental, social and employee matters, the respect of human rights as well as the fight against corruption and bribery. The information provided applies to both the group and the parent company in equal measure. The performance indicators are shown separately in the table of key indicators (VBW Separate and VBW Group).

fully consolidated entities	employees FTE	capital share
3V-Immobilien Errichtungs-GmbH	none	100.00
Gärtnerbank Immobilien GmbH	none	100.00
GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH	none	100.00
VB Rückzahlungsgesellschaft mbH	none	100.00
VB Services für Banken Ges.m.b.H.	165.91	98.89
VB Verbund-Beteiligung Region Wien eG	none	90.51
VOBA Vermietungs- und Verpachtungsges.m.b.H.	none	99.00
VG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.	none	100.00
VB ManagementBeratung GmbH*	9.79	100.00

The following key topics and the associated key indicators are dealt with in operational terms in the banking operation of the parent company VOLKS BANK WIEN AG:

- Subsidised financing transactions
- Product partners
- Digitisation/innovation

Therefore, the key indicators of the parent company (VBW Separate) correspond to the key indicators of the group (VBW Group).

As for the key topic of [Resources](#) (environment), an allocation key is applied, since no clear breakdown on the basis of ACTUAL values is possible. VOLKS BANK WIEN AG, as parent company, has a headcount of 1,125 FTE; the group including VB ManagementBeratung GmbH has 1,301 FTE. Therefore, the key indicators for the parent company, VBW Separate, are calculated using a key of 86.5 %. Due to restructuring activities, no environmental key indicators are currently available for the retail branches, with the available figures referring to the Peregringasse and Kolingasse locations exclusively.

The [Code of Conduct/Compliance](#) topic is only dealt with at group level. The key indicators for the topic of [employees and employee representation](#) are reported based on actual figures for the parent company (VBW Separate) and the group (VBW Group), to the extent possible and reasonable. As for the topic of data security, actual figures have equally been determined for VBW Separate and VBW Group.

The key indicators for the key topic of [regional products](#) are only reported at group level.

We are committed to a corporate culture of sustainability.

VOLKSBANK WIEN AG is part of the Association of Volksbanks, an association of credit institutions organised as a co-operative according to Schulze-Delitzsch, pursuant to section 30a Austrian Banking Act (BWG). The Association consists of VOLKSBANK WIEN AG as central organisation as well as the regional Volksbanks, Ärzte- und Apothekerbank and the affiliated banks, jointly forming a liability and liquidity association.

With 87 locations* in the Vienna, Burgenland, Weinviertel, Waldviertel and Industrieviertel regions, as well as with the SPARDA-BANK brand, VOLKSBANK WIEN AG is the biggest among Austrian Volksbanks. The focus of the regional bank is on sustainable partnerships with customers and continuous improvement of customer service – VOLKSBANK WIEN AG is the relationship bank of customers from the region.

Co-operative principles

VOLKSBANK WIEN AG operates in line with co-operative principles. These values trace back to Hermann Schulze-Delitzsch, co-founder of the co-operative system. Part of our vision is a sustainability-oriented corporate strategy that is based on the values of freedom & responsibility, as well as our competencies of trust & reliability.

Sustainable development is the equivalent of the present-day implementation of co-operative principles. That means finding contemporary answers to economic, ecological and social challenges of our times that include all groups of stakeholders. VOLKSBANK WIEN AG is making a contribution to speed up the evolution of society with a view to increasing sustainability.

Co-operative

Sustainable development is equivalent to future viability. It means adapting to significant social, ecological and economic trends already today. Hence, we are convinced that by acting sustainably VOLKSBANK WIEN AG will be economically successful in the long run by

- opening up new market opportunities and encouraging product innovations,
- increasing cost awareness, honing risk awareness and saving ecological resources,
- strengthening the partnership with our stakeholders, enhancing customer satisfaction and loyalty, and increasing a sense of identity for our employees, and
- contributing to increase attractiveness for investors, both private and institutional.

Co-operative system of VOLKSBANK WIEN AG

A total of eight 'Verwaltungsgenossenschaften' (managing co-operatives) and 'Beteiligungsgenossenschaften' (holding co-operatives) hold participations in VOLKSBANK WIEN AG. They originate from the mergers with banks from today's region of VOLKSBANK WIEN AG. The essential purpose of the co-operatives is to advance the procurement and other economic activities of their members. They realise their mission together with VOLKSBANK WIEN AG. They hold general meetings, promoting a sense of community within the region concerned, and supporting the success of VOLKSBANK WIEN AG. For more than 150 years, one distinguishing feature of credit co-operatives has been that the banks' customers have also been shareholders of the bank via the co-operatives. At VOLKSBANK WIEN AG, this option of participation is guaranteed indirectly through the managing co-operatives.

One of the measures to strengthen the co-operatives in 2019 is to use the sales function to sell more shares in co-operatives, thus winning a greater number of customers as members. At present, the managing co-operatives of VOLKSBANK WIEN AG have a total of 177,000 members. Measures to promote the sale of co-operative shares include various benefits for members.

The sustainable business philosophy describes the values and principles of the bank that determine its attitude and the way it operates its business, as well as the goals pursued on behalf of our stakeholders (e.g. customers, employees, business partners) and the company.

Vision

Volksbank is the relationship bank for business operators and entrepreneurial private individuals in Austria.

Mission

With Volksbank as their partner, our customers will accomplish their goals more fully, more easily and more quickly. This is what makes the Volksbanks more successful than others.

Company philosophy

Volksbank is: trustworthy, honest, competent, reliable, respectable, close to the customer.

1. Mutual respect is in our genes: co-operative society and partnership.
2. We have the courage to put a clear focus on what we are really good at.
3. Volksbank is present in all of Austria and in Austria only.
4. Our employees have the ability and the freedom to make a courageous contribution the way entrepreneurs would do.
5. Executives assume entrepreneurial responsibility, serving as a model to their staff.
6. We combine a contemporary attitude and efficiency in simple financial services with competent individual advice in fundamental financial decisions.
7. A wind of change at Volksbank: At Volksbank, innovations are always based on the needs of our customers.
8. We are continuously improving ourselves and our services in all spheres in line with the market and together with our customers.
9. At Volksbank, membership and loyalty will be rewarded.
10. Our growth is based on recommendations given by happy customers.

Sustainability management already is an integral component of everyday practice at VOLKSBANK WIEN AG and within the entire Association of Volksbanks. The resulting responsibility for the region and its people is of high strategic priority, forming the philosophical basis of future success.

Strategy in sustainability management

Its active management of corporate responsibility in the spheres of economy, ecology and society firmly positions the Volksbank as a successful bank that acts sustainably for private customers and business operators within a purely Austrian Association of Volksbanks.

Principles

- Our activities are aimed at achieving stable success in the long run.
- We are aware of our social responsibility as a business operator.
- We respect our system of values as a regional bank.
- We are striving for stability by focusing on our core business.
- We limit our risks by creating a purely Austrian association of banks.
- The individual – employee, customer or inhabitant of our region – is the centre of our attention.
- We expect our partners and suppliers to respect our system of values.

Sustainability management

- For over 150 years, we have been doing business with our customers within the scope of sustainable partnerships.
- We use all our resources sparingly and with a sense of responsibility.
- Social commitment and making a contribution to society are very important to us.

The sustainability charter of the Association of Volksbanks and hence of VOLKSBANK WIEN AG reflects our sustainable corporate culture.

Who we are

We are a strong Austrian association of banks consisting of independent regional Volksbanks and their central organisation, as well as one special bank and the affiliated banks.

What we stand for

We represent the co-operative core values of self-reliance, self-help and self-administration. We have a sustainable business model, and we know and understand the needs of our customers.

We are truly regional

As a purely Austrian banking group, we are committed to encouraging the positive development of our regions. As a reliable partner of small and medium-sized enterprises and of the population in general, we make a significant contribution to the creation of value and prosperity in the regions of Austria.

Our approach

The individual always is the focus of our efforts. Utmost efficiency and cooperation with strong partners enable us to provide contemporary services on competitive terms.

Materiality analysis

As they form the basis of the sustainability report, the key topics were worked out together with the stakeholders of VOLKSBANK WIEN AG. The key topics were defined considering the impact of the sustainability topics identified, as well as their relevance to the stakeholders. Identification as well as impact assessment of the sustainability topics were effected within the scope of a workshop with the relevant internal departments of VOLKSBANK WIEN AG. During that process, both the effects on the environment and on society were assessed.

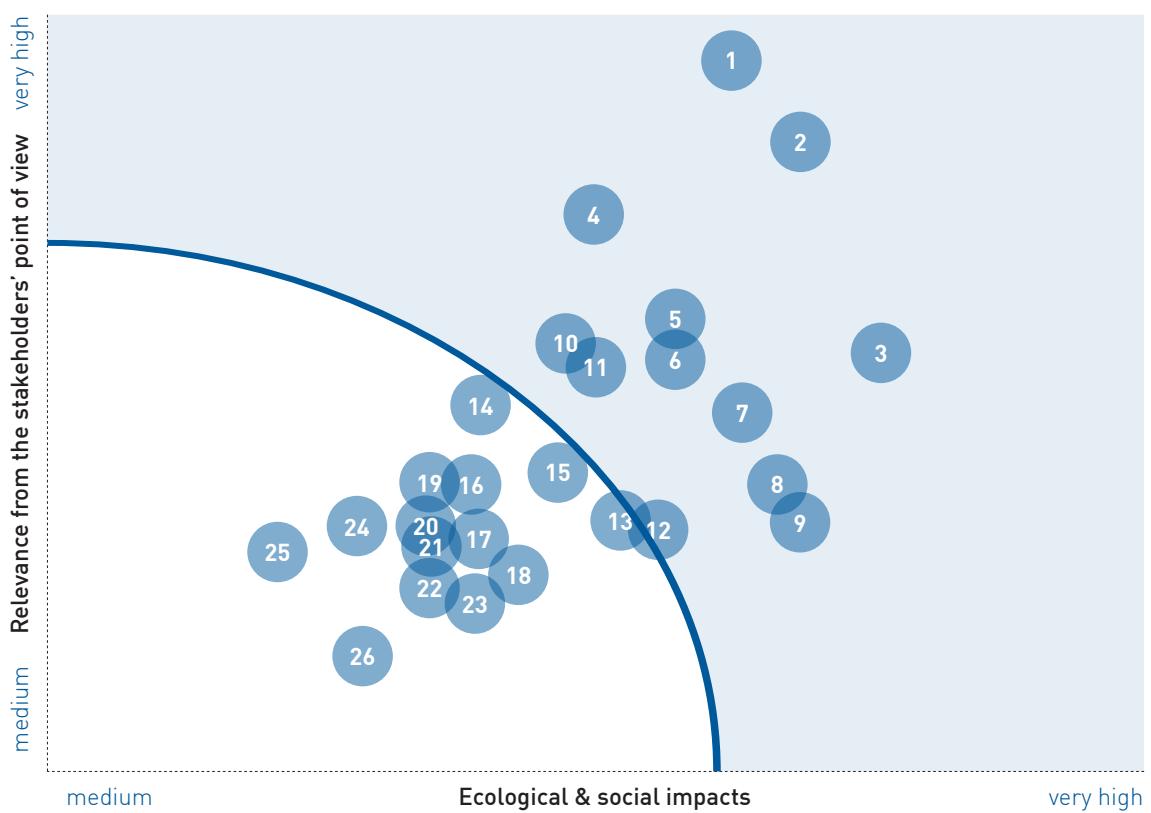
Stakeholder survey

By means of an online questionnaire, stakeholders were asked about the sustainability topics they consider important in relation to VOLKSBANK WIEN AG. The selection of stakeholders for the survey was done on the basis of their interest in and influence on the company.

The stakeholders were asked to evaluate the importance of the sustainability topics as well as the commitment of VOLKSBANK WIEN AG to sustainability topics. To improve comprehensibility, each topic was described in greater detail in the questionnaire. More than 380 individuals from the stakeholder groups of retail and corporate customers, employees and works council, shareholders, product partners, politics, Österreichischer Genossenschaftsverband (Austrian Federation of Co-operatives), and housing co-operatives participated in the survey in August and September 2018, thus making an important contribution to defining the main topics of the report.

Materiality matrix of VOLKSBANK WIEN AG

The results of impact assessment and of the stakeholder survey are put together in the materiality matrix of VOLKSBANK WIEN AG. The matrix shows the key topics (topics above the blue line), in other words those of particularly high relevance from the stakeholders' point of view, on the one hand, and with substantial ecological and social impacts on the other hand. Professional ethics & compliance as well as resources/energy are situated on that line and were included.



- 1 Customer service and customer relationship
- 2 Regional dimensions
- 3 Data security
- 4 Quality
- 5 Training, professional development and internal communication
- 6 Sustainability of the business model
- 7 Regional products

- 8 Subsidised financing transactions
- 9 Human rights
- 10 Sustainable products & services
- 11 Digitisation/Innovation
- 12 Professional ethics & compliance
- 13 Resources/Energy
- 14 Work-life balance
- 15 Income

- 16 Investment
- 17 Employee representation
- 18 Mobility
- 19 Employee health and safety
- 20 Diversity
- 21 Sustainable procurement
- 22 Product partners
- 23 Waste
- 24 Sponsoring
- 25 Social commitment
- 26 Sports sponsorships

Sustainability management

UN Global Compact

The UNGC (United Nations Global Compact) is a global convention between the United Nations and business entities aiming to advance globalisation with a view to sustainability. The UNGC was initiated by UN Secretary-General Kofi Annan in 1999. This voluntary commitment comprises 10 basic principles in the spheres of labour standards, human rights, environmental protection and the fight against corruption that are meant to encourage business entities to act sustainably.

VOLKSBANK WIEN AG participates in the United Nations Global Compact with the "Signatory" status. The present sustainability report of VOLKSBANK WIEN AG equally represents the annual progress report in line with UNGC requirements.

Sustainable Development Goals

In 2015, the member states of the United Nations adopted 17 goals for sustainable development: the Sustainable Development Goals (or SDGs in brief). These goals address the topic of sustainability at an economic, social and ecological level. On 1 January 2016, the SDGs entered into force for a term of 15 years. Politics, civil society and the economy are all meant to cooperate to implement the SDGs, and accordingly they are of relevance to VOLKSBANK WIEN AG as well.

Starting in 2018, therefore, specific SDGs were allocated to the key sustainability topics of VOLKSBANK WIEN AG. The SDGs most relevant to VOLKSBANK WIEN AG are:



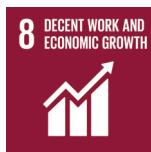
Description of the SDGs relevant to VOLKSBANK WIEN AG:



To guarantee inclusive quality education, equal for all, and enhance options of lifelong learning for all.



To ensure access to affordable, reliable, sustainable and state-of-the-art energy for all.



To promote stable, sustainable economic growth with a broad impact, efficient full employment and decent work for all.



To build up a resilient infrastructure, encourage sustainable industrialisation with a broad impact, and to support innovations.



To reduce inequalities within and between countries.



To ensure sustainable patterns of consumption and production.



To promote peaceful and inclusive societies for sustainable development, to provide all people with access to justice, and to develop strong, accountable and inclusive institutions at all levels.

Sustainability management

Stakeholder information

[„Newsroom“](#)

Press releases are issued in regular intervals containing all relevant corporate news, personnel information or interesting topics from sales, which are published on the website of VOLKSBANK WIEN AG.

A dedicated “Newsroom” has been set up for journalists and all other interested stakeholders, where information about the Managing Board of VOLKSBANK WIEN AG, press releases, dates, annual reports and sustainability reports, market news and information about sponsorships are announced. www.volksbankwien.at/presse

[Customer magazine](#)

For 13 years already, VOLKSBANK WIEN AG has been regularly publishing its customer magazine, reporting on interesting topics relating to the bank. The aim is to provide stakeholders with information about VOLKSBANK WIEN AG.

In the 04/2018 issue, the customer magazine focused on the topic of sustainability. Chairman of the Managing Board Gerald Fleischmann was interviewed on the topic of sustainability. “Wohnwagon”, an Austrian provider of residential concepts and customer of VOLKSBANK WIEN AG, demonstrated the way to make habitation sustainable in future. Interviews were also made with the sustainability project manager at VOLKSBANK WIEN AG, Monika Bäumel, together with Peter Linzner, managing director of denkstatt GmbH, and the managing director of Umweltbundesamt GmbH, Georg Rebernikig. Fred Luks, Head of the competence centre for sustainability at WU Wien, demonstrated “how sustainability works”. The expert and director of the institute for co-operative systems at the University of Münster, Theresia Theurl, was asked about the topic of co-operatives. The 04/2018 issue on the topic of sustainability is available at: www.volksbankwien.at/vm_4_18

*Self-initiative, self-reliance
and team spirit are prominent
features of our sustainable style
of working.*

19

EMPLOYEES ARE ACTIVE
IN THE SUSTAINABILITY TEAM
OF VOLKSBANK WIEN AG.



Our sustainability team

CEO

Chairman of the Managing Board Gerald Fleischmann



Sustainability Project Management

PR & Communication
Monika Bäumel



Corporate Values

Compliance
Karl Angermann

PR & Communication
Wolfgang Layr

Data Security
Thomas Danninger

Products

TeamBank
Denise Kurz

Union Investment
Nicole Adrian

ERGO Versicherung AG
Christian Derler

Sales Management
Florian Dangl

Subsidised Financing
Martin Rosar

Regional Products
Christian Pillwein

Corporate Financing
Robert Walenta

Retail Branches
Bernhard Bregesbauer

Digitisation/Innovation

Digitisation
Horst Weichselbaumer-Lenck

Resources

VB Services für Banken
Ing. Michael Hirschler

Employees

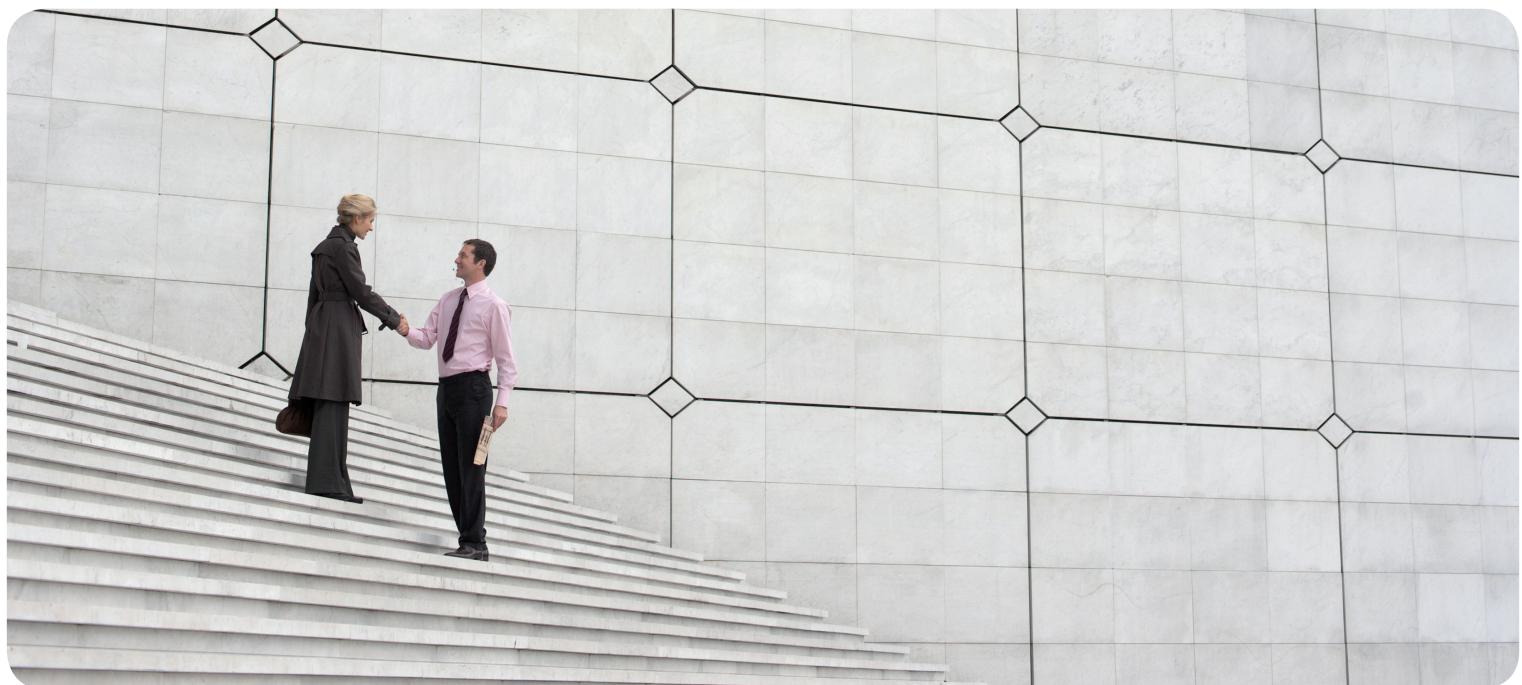
HR Management
Paul Friedrich

Employee Representation
Michaela Pokorny

Volksbank Akademie
Barbara Czak-Pobeheim

Sponsorships

Marketing
Barbara Bleier-Serentschy



*We assume responsibility
and create trust.*

86.8%

OF GROUP EMPLOYEES PARTICIPATED
IN COMPLIANCE TRAINING
EVENTS IN 2018.



Corporate values

CODE OF CONDUCT/COMPLIANCE



In 2018, the Code of Conduct established at VOLKSBANK WIEN AG was the object of intensive training throughout the bank; additionally, a web-based training format was developed that has been used from 2018 onwards.

The Code of Conduct is publicly available on the Internet pages of VOLKSBANK WIEN AG, and internally as a separate chapter in the Compliance Manual, it is part of the written rules of the bank, which guarantees regular reviews and updates by the Compliance Office. All modifications of the Code of Conduct are also submitted to the Supervisory Board.

Trust

By recognising our professional responsibility to the greatest possible extent, we create the trust that we need from our customers and shareholders.

Integrity

Employees will always behave with integrity both within and outside VOLKSBANK WIEN AG. VOLKSBANK WIEN AG explicitly respects human rights and is opposed to child labour.

Respect

VOLKSBANK WIEN AG encourages mutual respect and expects the same from its customers, business partners and competitors. It disapproves of all forms of discrimination – appreciating the dignity of all men and women, their rights and their privacy.

Confidentiality

VOLKSBANK WIEN AG takes all precautions for information to be handled restrictively and for secret data to be kept secret appropriately. Additionally, the provisions of banking secrecy and of the Data Protection Act apply.

The aim for 2019 is going to be the provision of training for top executives and all employees of VOLKSBANK WIEN AG on the content of the Code of Conduct. Apart from classroom training events, a web-based training format will be used where the CEO of VOLKSBANK WIEN AG explains the high relevance of the topic in an introductory video statement.

Undesired branches of industry and business areas

In its Code of Conduct, VOLKSBANK WIEN AG has also defined branches of industry and business segments where it does not want to have any business relationships as a matter of principle, or where a specific approval procedure involving the Compliance Office must be observed. In this way, reputational risks due to financing transactions or investments that may be subject to criticism can be avoided. In the past, the entire customer base was reviewed with respect to connections with undesired branches of industry and business segments; ever since the exceptional approvals granted are checked annually. This minimises the risk of negative effects on human rights and the environment, as well as any associated reputational risk for the bank.

Whistle-blowing

Regardless of statutory requirements, it is part of standard practice nowadays that prudent businesses offer their employees a procedure for them to report certain grievances existing within the bank. The preventive

character of such procedures is of primary importance. VOLKSBANK WIEN AG has decided to use the Business Keeper Monitoring System (BKMS®), a sophisticated web application that all employees can access at any time to report any cases of

- violation against regulatory provisions
- fraud
- corruption
- theft
- breach of trust/embezzlement/misappropriation

with full anonymity. The system is certified, it offers a high degree of anonymity within a protected engineering environment, while nevertheless allowing for communication between the bank and the whistle-blower, if the latter wants this.

The Managing Board has committed itself to the fundamental protection of the whistle-blower and the persons mentioned in the hint.

Information on the BKMS® and about the login details are accessible on the Intranet site of the Compliance Office. Additionally, at the end of each classroom training of the Compliance Office, the BKMS® will be pointed out to the training participants, indicating the login details. In the 2018 financial year, 1,342 employees of the group – that is almost 86.8% of group employees – participated in those Compliance training events. The hints given in the BKMS® are downloaded by the Compliance Office and treated as confidential to the extent appropriate. Hints will be dealt with in accordance with a process notified to all employees. The clearly higher number of trained employees compared to the previous year (2017: 617 group employees) results from intensification of training measures as well as the integration of Waldviertler Volksbank Horn reg.Gen.

Preventing corruption

The fight against corrupt acts is of great importance within VOLKSBANK WIEN AG.

In order to avoid the risk of criminal offences, on the one hand, and the reputational risk due to cases of corruption, on the other hand, when it comes to (accepting and offering) benefits, employees have been acting in line with a “traffic light system” for years, which indicates reasonable limit amounts. However, the fundamental principle here is that everything is forbidden, unless it is allowed explicitly; in case of doubt, therefore, the prohibition applies. This attitude provides employees with security when dealing with individual situations. The rules equally apply to the Managing Board and the Supervisory Board, and they are part of the Compliance Manual.

In the Compliance Office, all enquiries and reports are processed centrally in order to guarantee a standardised view of individual cases. In 2018, the Compliance Office received 167 reports, almost doubling the volume of reports in the previous year. At least once a year, the Compliance Office will carry out a review based on accounting documents and the relevant expense accounts as to whether the instances reported to the Compliance Office are complete or if officials were granted inadmissible benefits. No cases of corruption were found in the 2018 financial year.

Corporate values

CODE OF CONDUCT/COMPLIANCE

Within the scope of each classroom training of the Compliance Office regarding capital market compliance, the rules for accepting and granting any benefits are pointed out to the participants; in the 2018 financial year, 1,342 participants from the group received such training. Additionally, comprehensive rules exist for conflicts of interest and for dealing with sponsorships and donations.

Violations	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
Confirmed cases of corruption*	Number	0	0	0	0	0	0
Total financial penalties of all kinds	EUR	0	0	0	0	0	0
Violations against product information and advertising standards	Number	0	0	0	0	0	0
Financial penalties following violations against product information and advertising standards	EUR	0	0	0	0	0	0

Financial penalties that might be associated with reputational risk need not be recorded.

In 2019, too, the aim of the measures taken to avoid corruption and bribery, such as intensive monitoring of the benefits and invitations granted, is for no violations to be committed at VOLKSBANK WIEN AG.

Lobbying

VOLKSBANK WIEN AG is not involved in any lobbying activities within the meaning of the lobbying act.

Sponsorships

VOLKSBANK WIEN AG considers the support of cultural, social, charitable or sports events and/or organisations through sponsorships as a valuable contribution to society and community life in Austria. The values represented by the events, groups or organisations that we sponsor must not conflict with the values upheld by VOLKSBANK WIEN AG. Without a culture of sponsorship, any business strategy would be affected by reputational risk that might negatively impact on the company.

Environment and safety

A responsible attitude towards nature and the environment are an integral part of the self-image of VOLKSBANK WIEN AG. VOLKSBANK WIEN AG strives to ensure a safe and healthy working environment for its employees. More detailed information about this is contained in the chapters Resources and Social matters.

Information, communication and public relations

Through its reporting, VOLKSBANK WIEN AG provides for transparency vis-à-vis the market and our stakeholders, ensuring compliance with the Data Protection Act and other pertinent statutory provisions.

The company sets great store by the accuracy and completeness of the information prepared and documented by it. All matters that VOLKSBANK WIEN AG gets to know about within the scope of its activity will be treated as confidential in accordance with statutory requirements.

Awareness building

Apart from established topics such as AML or capital market compliance, other compliance topics have increasingly emerged in Austria over the past years, for instance the systematic fight against business crime and other criminal acts that require the proper implementation of awareness building within the population and hence also among the employees.

The Compliance Office has set itself the goal of creating that kind of awareness through training events on the one hand and by consistently incorporating the same in the written rules of the bank on the other hand, and of supporting it through a targeted control environment.

Data protection

Early in 2018, the Compliance Office of VOLKSBANK WIEN AG assumed the tasks associated with implementation of the EU-GDPR and provides the data protection officer for VOLKSBANK WIEN AG and the Association of Volksbanks.

In cooperation with the data protection coordinators in the banks of the Association, a data protection management system was implemented within the scope of the GDPR implementation project, a register of processing operations was created, and the relevant assessment of consequences was effected. For technical adjustments, such as retention and deletion periods in the core banking systems, technical requirements were established and processes for the protection of the rights of data subjects were implemented. In the individual departments, so-called single points of contact (SPOCs) were nominated that will assist the data protection officer as required within the scope of requests for information in case of data collection.

The training of all employees was effected through web-based formats; in addition to that, employees were receiving updated staff information and employee instructions. Documents (e.g. GTC, notices displayed at cashier's desks, and current service contracts) were adjusted in line with the new statutory requirements, and supplementary agreements were concluded. The measures identified on the basis of estimated consequences are regularly updated and the degree of fulfilment is analysed.

Data protection	Unit	2018	2018	2017	2017
		VBW Separate	VBW Group	VBW Separate	VBW Group
Justified complaints relating to data privacy violations and the loss of customer data*	Number	0	0	**	**

At VOLKSBANK WIEN AG the complaint management process is set down in the Compliance Manual. Each complaint and all pertinent activities are documented using a software application, and observance of the deadlines is checked by a central unit within the Compliance Office. The plan is for the central unit to determine the data protection relevance of the complaints received in future and to provide the data protection team with a corresponding report on complaints relating to a violation of data protection and the loss of customer data. No proceedings were initiated by the Austrian Data Protection Agency vis-à-vis VOLKSBANK WIEN AG. During the period under review, no data leaks, theft or loss of customer data were found by the IT Security function.

*Written statement addressed to the organisation by a regulatory authority or equivalent authority where violations of the protection of customer data are described or a violation is considered legitimate by the organisation. The term "complaint" was derived from the guidelines of the Joint Committee of the European Supervisory Authorities on the processing of complaints for the sphere of securities trading (ESMA) and banking (EBA). A complaint is a "statement of discontent" addressed to a credit institution by an individual or a legal entity together with a specific request for relief, and relating to a specific business transaction – this also includes oral statements.

**not collected in the 2017 reporting year

Corporate values

MANAGEMENT OF COMPLAINT SYSTEM

Management of complaints

VOLKSBANK WIEN AG uses its best endeavours to provide its services in such a way that there should not be any reason for complaint. Nevertheless, the company is aware that

- even with optimally trained employees, who have received appropriate instructions, human error can never be totally excluded;
- although the technology required to provide the services is regularly tested and adjusted to the latest requirements, it can never be perfect and flawless, and
- regardless of our permanent endeavours to improve and optimise the organisation of our bank, it may occasionally show some weaknesses.

Additionally, VOLKSBANK WIEN AG continuously evaluates the complaint management system that was set up a long time ago, for customers and other parties to be able at any time to quickly notify the bank of any shortcomings, and for the bank to get a chance to promptly remedy the same.

The measures of VOLKSBANK WIEN AG to ensure professional complaint management comprise:

- Each account manager must complete the e-learning seminar on complaint management and will receive regular training (at least every 2 years or in case of innovations) on complaint management.
- a separate complaint management policy for all employees
- a complaint management system for the collection and documentation of complaints
- a predefined escalation process with preset throughput times for the processing of complaints; Should any deadlines be exceeded, the next escalation level will be informed, up to the Managing Board.

VOLKSBANK WIEN AG is consistently striving to maintain and improve the quality of its services in this sphere as well. Hence, complaint management has been integral to quality assurance for many years, providing an opportunity to improve workflows, to learn from mistakes and to avoid repeating them.

At VOLKSBANK WIEN AG complaints may be submitted orally or in writing using all communication channels. As a general rule, due to knowledge being available about business processes and the facts relevant to the complaint, the branch or unit where the incident occurred will best be able to help quickly and efficiently. If no solution is found on that level, or if the customer does not consider it constructive, it is also possible to get in touch with the ombudsperson's office of VOLKSBANK WIEN AG.

Professionally organised complaint management minimises the risk of negative effects on customer relationships and reputational risk of the bank.

Data security

Banking transactions are a matter of trust. We consider the trust of our customers in the Volksbank brand as an obligation to pursue a comprehensive, diligent and responsible approach to the topic of data security, in order to avoid any violation of personal rights of our customers and employees, and the associated reputational risks.

Aiming for a consistently standardised level of security is of utmost importance to VOLKSBANK WIEN AG. Relying on its security policy that corresponds to present-day threats, VOLKSBANK WIEN AG is fit for the future.

VOLKSBANK WIEN AG considers the following to be key aspects of data security and the fight against cyber-crime:

- a secure IT landscape
- comprehensive training of employees, and
- stringent contracts with business partners

IT security

The governance of IT security is determined centrally by VOLKSBANK WIEN AG together with the other Volksbanks of the Association.

Binding requirements applicable to all employees of VOLKSBANK WIEN AG are described in policies the observance of which is regularly checked on by the Security and IT Risk Management Team. New laws, requirements and recommendations are included in the respective policies. All policies are accessible to all employees at any time on the Intranet. Should any weaknesses be found by the Security and IT Risk Management Team, they will be eliminated based on the respective risk. Security incidents are managed centrally at VOLKSBANK WIEN AG and will subsequently be included in the training of employees and customers.

Number of IT security incidents at VOLKSBANK WIEN AG that caused any relevant damage:

IT security incidents	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
IT security incidents	Number	0	0	0	0	0	0

In case of outsourced IT services, the relevant IT security requirements are imposed upon the supplier.

Training of employees

Another important aspect is awareness raising among employees and customers of VOLKSBANK WIEN AG on the topic of information security.

New employees will be invited directly to attend the information security training that must absolutely be completed by all employees of VOLKSBANK WIEN AG every year. All employees are aware of the confidentiality of customer data and have signed a non-disclosure agreement.

Corporate values

DATA SECURITY MANAGEMENT



Training events/information security	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
Employees who received training on the topic of information security		% number	96 %	94 %	94 %	92 %	

These training measures lead to increased IT security skills among employees of VOLKSBANK WIEN AG, which in turn contribute to raising customers' awareness of the topic of IT security through direct communication with them in counselling sessions.

Stringent contracts with business partners

No transmission of customer data will take place except within the scope of contract performance and observing statutory requirements.

The data are encoded during transmission, depending on their security classification. The recipients are obliged under the contract to observe confidentiality and data security. Business partners and also employees of VOLKSBANK WIEN AG who need to inspect or have access to sensitive company data must submit to appropriate confidentiality obligations in other spheres as well.

Outsourcing agreements are reviewed, regularly monitored, controlled and checked annually in terms of their compliance with the law, in order to reduce the risk of non-performance, the bank's reputational risk, and to protect the personal rights of customers and employees.



*We are the trustworthy
financial partner within the region.*

11.51*

BILLION EUROS ARE REPORTED
AS TOTAL ASSETS
BY VOLKSBANK WIEN AG.



Economy

REGIONAL PRODUCTS



For over 150 years, the Volksbanks have been the local providers of financial services in your region. Right from the start, the focus has always been on “servicing medium-sized businesses in the retail and trade sectors” (circular of the Association of 20 June 1960). VOLKSBANK WIEN AG has held on to this main focus until today, accommodating its traditional values of freedom, responsibility and self-reliance in its retail and SME business as well.

VOLKSBANK WIEN AG is making an essential contribution to creating value and prosperity in its regions, by fulfilling the following core functions for private households as well as small and medium-sized business enterprises in a very special way: financing investments, ensuring payment transactions, and facilitating needs-based financial investments that offer a risk/return profile appropriate to the respective goal.

The products offered are clearly based on the customers' needs. The individual person is at the centre of our endeavours. Another clear sign of customer orientation is the fact that customer satisfaction and the recommendation rate of Volksbank customers are important parameters of corporate success.

The retail branches and offices of VOLKSBANK WIEN AG are directly visible sales and consultancy units for customers to actually experience the bank's service themselves, where customers can be provided with comprehensive bundles of know-how. Among others, this concerns personal pension schemes, the realisation of dream houses, or assistance with business issues. The consultancy services, the relationship between customers and their account managers is based on trust and professional competence.

- Private Customers

VOLKSBANK WIEN AG is a competent investment, retirement pension provision and housing bank for private customers. In the service business, the bank relies on strong cooperation partners like TeamBank, Union Investment and start:bausparkasse.

Austria is a growth market when it comes to housing financing. The population is increasing in the regional conurbations in particular. Hence, the need for housing loans remains high. Refurbishment projects also play an important role, especially with respect to energy efficiency, and they require a functioning market for appropriate financing solutions.

- Small and medium-sized enterprises

With its focus on small and medium-sized enterprises, VOLKSBANK WIEN AG is working with the lifeblood of the economy in their area of operation. In Austria, this customer group not only reports the highest shares in value creation and employment, but also a high share of extremely successful niche producers.

As a bank for SMEs, VOLKSBANK WIEN AG offers professional competence throughout the full product range of corporate financing, and in all other spheres of finance, for instance investment and subsidies. The account managers of VOLKSBANK WIEN AG dispose of in-depth knowledge of regional customers and of prevailing local conditions, processing investment and capital loans swiftly in line with customers' needs.

BEST PRACTICE

SEFRA – experience and tradition for a colourful future!

SEFRA is not only a paint stockist with a long tradition, but also a pioneer of modern, environmentally compatible wall coatings. SEFRA interior wall paints from their own production are ecological, non-toxic, sustainable, and produced with the support of VOLKSBANK WIEN AG; for many years now, the paints have been certified under the Austrian eco-label. Whether it be tricky coatings in wet rooms like kitchen or bathroom, a hard-wearing variety of colours in highly exposed rooms like nurseries, or individual shades of colour for feel-good rooms: customers can always rely on SEFRA consultancy to get the hue just right. "SEFRA brings colour to life" is not only the company's motto, it is the company's mission! More than 50,000 hues can be produced by means of the SEFRA tinting system, and customers may choose from the biggest choice of modern wallpaper collections.

McDonald's – We assume responsibility. We think about the future already today.

McDonald's Austria wants to do business responsibly and sustainably, leading the way in Austria, in this respect. The global sustainability strategy of McDonald's is the strategic roof of sustainable orientation. Within the spheres of food, supply chain, environment, employees and society, McDonald's is pursuing its mission of joint value creation for society and the company on a global scale. McDonald's franchisee Martina Jansky, customer of VOLKSBANK WIEN AG, is realising this mission at her locations in an exemplary way. All restaurants have already switched to the new ordering system, which substantially reduces food waste, as the goods are only prepared when the customer places his/her order at the kiosk. Investing in an air conditioning system provides additional benefits to the location. As much as 90 % of waste are being recycled already; biodiesel is produced for the commercial vehicle fleet from 1,300 tonnes of used cooking oil, and 544 tonnes of CO₂ have already been saved by switching to rail-bound transport. For more information about the sustainability programme in Austria go to nachhaltigkeit.mcdonalds.at

- Subsidies

VOLKSBANK WIEN AG is committed to the development of innovative and sustainable banking products, both for the private and the commercial sector, taking into account the best possible subsidy approach.

Subsidies and financing solutions for companies and private individuals contribute to the supported projects paying off, and hence also generating a sustainable benefit for people and the environment. In joint projects, VOLKSBANK WIEN AG wants to intensify sustainability in the core segment of small and medium-sized enterprises and to increase environmental investments.

Apart from personal advice on the spot at the Volksbank branch or directly at the customer's office, the subsidy-related services of VOLKSBANK WIEN AG and of the Association of Volksbanks comprise an online subsidy check providing an initial analysis of subsidy options available to customers, an online database with all information around the topic of subsidies, a newsletter on changes in the field of subsidies, as well as subsidy management from filing the application through to settlement.

Economy

REGIONAL PRODUCTS

- Municipalities

Local authorities within the catchment area are equally important as regional points of contact and business partners. Municipalities with all their downstream institutions and facilities constitute a group of target customers. Our activities in this field are also meant to emphasise our regional and local focus.

In the sphere of services for local authorities, VOLKSBANK WIEN AG offers swift, straightforward processing and flexible contract design, thus supporting municipalities and their enterprises in realising sustainable long-term projects for the benefit of the general public.

BEST PRACTICE

The municipality of Zistersdorf

VOLKSBANK WIEN AG is particularly pleased that it has been able to support the municipality of Zistersdorf in their large-scale project "K9" (stands for "Kultur und Kommunikation", culture and communication, as well as the 9 cadastral communities of Zistersdorf) as a reliable financing partner with great success. The result of many years of planning is a school in line with state-of-the-art standards and a building for events in the sphere of "culture and communication". Alfred Pohl, headmaster of the local polytechnic, emphasises the importance and trend-setting dimension of this project for the region.

Market town of Leopoldsdorf

Resolved upon in March 2017, opened in February 2018. In order to meet the constant need for child care places, a new, additional kindergarten was built in record time. This is the speed of realisation of a project in Leopoldsdorf with VOLKSBANK WIEN AG as financing partner. "Our children are our future!", says mayor Fritz Blasnek.

- Other brands of VOLKSBANK WIEN AG

Apart from the "Volksbank" brand, SPARDA-Bank, Gärtnerbank and LiveBANK are important, valuable components of the brand strategy due to their well-established branding. They are briefly described in the sustainability report of VOLKSBANK WIEN AG. Subsequently, no further details will be provided on these brands.

The SPARDA-Bank brand

SPARDA-Bank is a brand of VOLKSBANK WIEN AG for private customers throughout Austria. The clear focus is on servicing employees and retirees, as well as young persons, pupils, apprentices and students. SPARDA-Bank was founded as a co-operative society by railway workers for railway workers almost 80 years ago and is the only bank in Austria that concentrates on employees exclusively. For many years, there has been close cooperation with the transport and service workers union, vida. Having been a member of the Association of Volksbanks for many years, SPARDA-Bank was merged with VOLKSBANK WIEN AG in mid-2017 and, as an independent brand, has been part of the Austrian bank ever since.

The Gärtnerbank brand

As a co-operative bank according to Schulze-Delitzsch, Gärtnerbank was founded as a special-purpose institution of Wiener Gartenbau (horticultural association of Vienna) by gardeners for gardeners in 1920 and dedicated itself to servicing the Wiener Gartenbau association. Ever since the merger of Gärtnerbank with VOLKSBANK WIEN AG in 2014, the work with the target groups of horticultural farms, market gardens, gardening centres and cemetery gardeners has been continued. Additionally, services and support is provided to all professional institutions, such as the chambers of agriculture of Vienna and Lower Austria, the federal association of commercial gardeners of Austria, Österreichische Blumenwerbung, the regional gardening associations, Wiener Bauernbund (Vienna farmers association), Junggärtnervereinigung (association of young horticulturists), as well as the various groups in Vienna's municipal districts. The focus is on financing: annual advance financing of seasonal cultivation costs, e.g. seedlings, energy and wages, on the one hand, and the financing of investments of all kinds, on the other hand. Owing to the close cooperation with the Vienna and Lower Austrian chambers of agriculture and the Federal Ministry of Sustainability and Tourism, Gärtnerbank has evolved into an expert for agricultural investment loans (AIK, Agrar-Investitions-Kredite).

The LiveBank brand

LiveBANK is a brand and a distribution channel of VOLKSBANK WIEN AG for the purpose of online distribution of straightforward banking products throughout Austria. The target group is online-oriented Austrians over the age of 18 who want to conclude their savings and/or instalment credit transactions online with an Austrian bank (deposit guarantee scheme). The focus here is mainly on urban areas. LiveBANK does not have any retail branches. All transactions are carried out online. The entire communication and interaction with the customer takes place electronically or within the scope of remote sales.

Customer-oriented financial service provider in the region

VOLKSBANK WIEN AG focuses on customers in Austria. In regions close to the border, VOLKSBANK WIEN AG offers its services to selected foreign customers upon request. No active foreign expansion activities are planned. Rather, the role as regional financial service provider is meant to be consolidated even further. In order to ensure sustainable business management, it was defined among others that a maximum of 5 % of loans and receivables to customers are allowed to exist in neighbouring countries. A limitation was effected in this respect in the risk strategy, which is monitored continuously, with appropriate reporting to the Managing Board.

Business orientation is towards loans, deposits and payment transactions, other products or services are purchased from external providers. Consumer credits are offered in the form of the TeamBank credit. Due to the business model, diversification by customer groups, regions and branches of industry are of particular importance.

This business model minimises the risk of negative effects on human rights and the environment, as well as any associated reputational risk for the bank.

Economy

REGIONAL PRODUCTS

Regional investment and share of foreign financing transactions*	Unit	2018 VBW Group	2017 VBW Group
Volume of all financing transactions for regional corporate customers	Euro thousand	2,762,409	2,587,941
Volume of all financing transactions for regional private customers	Euro thousand	2,270,553	1,899,007
Total of all regional financing transactions	Euro thousand	5,032,962	4,486,948
Total of all financing transactions for corporate customers	Euro thousand	2,832,434	2,643,095
Total of all financing transactions for private customers	Euro thousand	2,300,962	1,926,128
Total of all financing transactions	Euro thousand	5,133,396	4,569,223
Total of all financing transactions abroad with private and corporate customers	Euro thousand	100,434	82,276
Share of regional financing transactions in all financing transactions with corporate customers	%	98	98
Share of regional financing transactions in all financing transactions with private customers	%	99	99
Share of regional financing in all financing transactions	%	98	98
Total of all financing transactions abroad with private and corporate customers	%	2	2
Total of all savings deposits	Euro thousand	6,344,232	5,791,374
Share of regional financing in all savings deposits	%	79	77

*Due to the merger with the SPARDA brand, which operates throughout Austria, in mid-2017, the catchment area of VOLKSBANK WIEN AG was expanded to all of Austria. The entire volume of domestic financing in the Private Customers and Corporates segments was defined as "regional financing transactions". To ensure comparability, the 2017 figures were appropriately adjusted as well.

Customer satisfaction and recommendation survey

In line with the special importance of the customer relationship, surveys of customer satisfaction and the rate of recommendation constitute important parameters of the company's success. This is why customer satisfaction in retail and corporate banking is assessed in regular intervals, with measures being derived for further improvement of customer service.



Telemark Marketing

- Private Customers – customer satisfaction

Within the scope of the VOLKSBANK WIEN AG customer satisfaction survey, 809 customers of VOLKSBANK WIEN AG were interviewed on the telephone in October/November 2018. Overall satisfaction is positive: a grade of 1 or 2 from 84 % of customers – which is clearly above-average. The fact that the result is constant across all customer categories is remarkable.

And we are particularly pleased that 90 % of the target group of young persons, which is of critical importance to the bank, are satisfied with our service (grades of Very Good and Good). However, there are considerable differences between regions. The result illustrates the great importance of personal advice. This is considered as decisive or at least “very important” by 71 % of customers. In this context, Volksbank account managers are rated as “Very Good”.

- Corporate Customers – customer satisfaction

In June and July 2018, 900 corporate customers throughout Austria were called and asked about their satisfaction with Volksbank.

83 % rated the bank according to the school grade system to be 1 or 2 (43 % of them awarded a “Very Good”). What Volksbank corporate customers consider extremely important is personal advice: almost 70 % consider this to be the decisive or at least a very important factor in the customer relationship. Volksbank account managers achieve high scores in this respect (grades 1+2 from 94 % of customers). Overall, Volksbank corporate customers may be considered as perfectly satisfied customers.

FMVÖ-Recommender

The Finanz-Marketing Verband Österreich (Austrian financial marketing association) has been acting as a knowledge and information platform for persons in charge of marketing, communication and sales within the banking and insurance sector in Austria since 1990. Each year, the “FMVÖ-Recommender Award” serves to determine the satisfaction of customers of Austrian banks, insurance companies and building societies. For the 12th time already, the banks and insurance companies with the highest rate of recommenders among its customers were distinguished on the occasion of the FMVÖ-Recommender gala dinner 2018. The special awards for best customer service in the banking sector went to the Association of Volksbanks this year, meaning that employees were also distinguished by FMVÖ for the first time ever.

Assuming and professionally managing the risks associated with the business activities is a core function of every bank. Detailed information on risk management is available in the Annual Report of VOLKSBANK WIEN AG. This is an extract.

In its capacity as central organisation of the association of credit institutions under section 30a Austrian Banking Act, consisting of VOLKSBANK WIEN AG and the affiliated banks of the Volksbank-Sector, VOLKSBANK WIEN AG performs this central task for the Association of Volksbanks, so that the latter has in place administrative, accounting and control procedures for the recognition, assessment, management and monitoring of the risks associated with banking transactions and banking operations as well as of the remuneration strategy and practices (section 39 (2) Austrian Banking Act). The implementation of control within the Association of Volksbanks is effected through General, and, if necessary, Individual Instructions and corresponding working practice guidelines in the affiliated banks.

The following risks are classified as material within the Association of Volksbanks in the course of the risk inventory process:

- Credit risks
- Market risks
- Liquidity risks
- Operational risks
- Other significant risks (e.g. investment risk, strategic risk, reputational risk, equity risk, and business model risk)

Risk policy principles

The risk policy principles of VOLKSBANK WIEN AG comprise the standards for the management of risks that are applicable within the Association of Volksbanks and are defined by the Managing Board together with the risk appetite. A common understanding of risk management is the basis for developing risk awareness and a risk culture within the company. The Association of Volksbanks carries on its activities subject to the principle that risks will only be accepted to the extent this is required to achieve strategic business goals. The associated risks are managed under an overall perspective subject to risk management principles by creating an appropriate organisational structure and corresponding business processes.

Organisation of risk management

VOLKSBANK WIEN AG has taken all required organisational precautions to meet the requirements regarding modern risk management. There is a clear separation between trading and back office. A central, independent risk controlling function has been established. At Managing Board level, the Chief Risk Officer (CRO) is the head of Risk Controlling. Within the Managing Board responsibilities of the CRO, there is a separation between risk controlling and operational credit risk management. Risk assessment, risk measurement and risk control are carried out according to the dual-control principle. For the purpose of avoiding conflicts of interest, these tasks are performed by different organisational units.

The business model requires risks to be identified, assessed, measured, aggregated and controlled effectively. Risks and capital are managed by means of a framework of principles, organisational structures as well as measuring and monitoring processes that are closely aligned with the activities of the departments and divisions.

As a prerequisite and basis of solid risk management, the Risk Appetite Framework (RAF) for the Association of Volksbanks is continuously being developed also within VOLKSBANK WIEN AG, in order to define risk appetite and/or the level of risk tolerance (primarily by determining and verifying appropriate limits and controls) that VOLKSBANK WIEN AG is prepared to accept to achieve its defined goals. The framework is regularly verified and adjusted to any regulatory changes, changes of the market environment or the business model. VOLKSBANK WIEN AG aims to develop, by way of this framework, a disciplined and constructive control environment where all employees understand their role and responsibility.

Within the Association of Volksbanks, risks are controlled by three decision-making bodies in VOLKSBANK WIEN AG: (i) Risk Committee (RICO), (ii) Asset Liability Committee (ALCO), (iii) Credit Committee (CC). The responsibilities of these committees include both subject areas of VOLKSBANK WIEN AG as a single institution and matters concerning the entire Association of Volksbanks pursuant to section 30a Austrian Banking Act. Risk reporting in the affiliated banks takes place in the respective local bodies.

Regulatory requirements

The regulations regarding equity base at VOLKSBANK WIEN AG are implemented as follows:

Pillar 1: Minimum capital requirements

The implementation of Pillar 1 at VOLKSBANK WIEN AG as central organisation is aimed at meeting minimum regulatory requirements. With respect to both credit risk and market risk, and also for operational risk, the respective regulatory standard approaches for determining the minimum capital requirements apply.

Pillar 2: Internal Capital & Liquidity Adequacy Assessment

Regulatory control and minimum requirements of Pillar 2 are implemented within the scope of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). In this context, the Association of Volksbanks implements all measures required to ensure sufficient own funds and liquidity, at all times, for current business activities and also for those planned in future, as well as the associated risks.

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure regulations pursuant to Regulation (EU) no. 575 / 2013 (CRR) and Directive 2013/36/EU (CRD IV) on the bank's own website under Volksbanken-Verbund (Association of Volksbanks) / Verbund-Offenlegung (disclosure by the Association).

Risk management across the Association

The risk controlling function of VOLKSBANK WIEN AG as central organisation is responsible for risk governance, methods and models for strategic risk management issues across the Association, as well as the regulations for control at portfolio level. For the purpose of performing its steering function, the central organisation has issued General Instructions (GI) for the affiliated banks. The GI ICAAP, GI ILAAP, GI Principles of Credit Risk Management (PCRM) and the downstream manuals of the Association govern the risk management function in a binding and uniform manner. The risk strategy and the NPL strategy for the Association of Volksbanks are also issued in the form of a GI. The aim is to comprehensively and verifiably document and set down general conditions and principles, consistently throughout the Association, for the assessment and management of risks, and for the creation

of processes and organisational structures. Within the scope of their general duty of care, the members of the Managing Board and the managing directors of all affiliated banks must ensure, without exception and restriction, in the interest of the respective companies, that the General Instructions are put into effect formally and de facto. Any deviations and special regulations concerning the General Instructions shall only be permissible in exceptional cases and must be coordinated with VOLKSBANK WIEN AG as the central organisation and approved by the latter in advance.

Within the Association of Volksbanks, comprehensive communication about risks and a direct exchange of information is considered extremely important. In order to allow for professional exchange in a working context, an expert committee was set up for risk controlling. Each affiliated bank must dispose of its own Risk Control Function (RCF) that is responsible for independent monitoring and communication of risks within the respective affiliated bank. The risk controlling expert committee facilitates an exchange of information between the Risk Control Function of VOLKSBANK WIEN AG as central organisation and the RCF of the affiliated banks.

Risk governance as well as the methods and models are regularly refined and adjusted to currently prevailing basic conditions by the Risk Control Function of VOLKSBANK WIEN AG as central organisation. Apart from regular remodelling, recalibration and validation of the risk models, the methods in the ICAAP & ILAAP are being improved continuously, with new regulatory requirements being monitored and implemented in a timely fashion.

a) Internal Capital Adequacy Assessment Process

To ensure a sustainable, risk-adequate capital base, VOLKSBANK WIEN AG, in its capacity as central organisation of the Association of Volksbanks, has set up an Internal Capital Adequacy Assessment Process (ICAAP) as a revolving control cycle, in line with international best practices, that both VOLKSBANK WIEN AG and all affiliated banks are subject to. The ICAAP starts by identifying the material risks, followed by a risk quantification and aggregation process, determination of risk-bearing capacity, limitation, and concludes with ongoing risk monitoring and the measures derived therefrom. Explanations regarding the ILAAP are presented in item d) Liquidity risk.

The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for preparing the risk-bearing capacity statement, annually for risk inventory and determination of the risk strategy). All the activities described within the cycle are reviewed for up-to-dateness and adequacy at least annually and adjusted to the respective current general conditions if necessary; they are approved by the Managing Board of the central organisation.

- Risk inventory
- Risk strategy
- Risk Appetite Statement (RAS) and limit system
- Risk-bearing capacity statement
- Stress testing
- Risk reporting
- Restructuring and liquidation planning

b) Credit risk

Credit risk refers to potential losses that occur because a contract partner fails to meet its payment obligations.

Operational credit risk management

Lending principles

- Lending business is necessarily based on decisions involving borrower-specific limits.
The determination and monitoring of certain limits is subject to uniform regulations at the level of the Association.
- The rating obligation applies to all borrowers with exposures above the defined minimum amount.
The rating process is based on the dual-control principle and is applicable across the Association.
- In selecting collaterals, attention is paid to the cost-benefit ratio, and therefore recoverable collaterals that cause little administrative effort and are not very cost-intensive will preferably be resorted to, as well as actually realisable collaterals. For this reason, physical collaterals, such as real estate collaterals, and financial collaterals, such as cash collaterals or collaterals in the form of securities, are given priority. The recoverability and enforceability of collaterals must basically be assessed prior to any credit decision. Principles for the management of collaterals and uniform rules for the selection, provision, administration and valuation of collaterals apply at the level of the Association.
- Foreign currency and repayment vehicle loans are basically no longer offered or granted.
- The principal market for lending business is the Austrian market.
- Syndicated credits will basically be concluded together with the CO.

Decision-making process

In all units of VOLKSBANK WIEN AG that generate credit risk, there is a strict separation of sales and risk management functions. All decisions in individual instances are taken strictly observing the dual-control principle; clear processes have been defined for this purpose. Limit systems play an important role in this context, as they provide a framework for the decision-making powers of the individual units.

Monitoring of exposures and collaterals

The processes for the review of exposures and collaterals are governed by uniform regulations across the Association and must be observed by all affiliated banks.

Limits

The monitoring, control and limitation of the risk of individual exposures and of risk clusters is effected according to the differentiated limit categories.

Within the Association of Volksbanks, the group of connected clients (GcC) is used as the basis for limits in case of new lending and for current monitoring. As regards the limits, the requirements on the level of the Association of Volksbanks differ from those applicable to the individual banks. A review of the limits on individual transaction level takes place continuously within the credit risk management function of the affiliated bank and is monitored by the credit risk management function of VOLKSBANK WIEN AG in its role as central organisation, using centralised analyses.

In connection with portfolio limits, within the Association of Volksbanks, mainly limits for external financing transactions and materiality limits for regions and industry sectors are being defined at present. These limits are relevant for the lending process and are monitored in monthly intervals by Risk Controlling.

In order to achieve a sustainably healthy portfolio quality, requirements exist for transactions with new customers and increases of the exposure of existing customers; these depend on the customer's credit rating and are applicable across the Association.

Intensified credit risk management

Within the Association of Volksbanks, and accordingly also within VOLKSBANK WIEN AG, intensified credit risk management means the special monitoring of customers with payment difficulties and/or customers threatened by default. Among others, intensified credit risk management comprises processes relating to the early detection of customers threatened by default, the dunning procedure, forbearance processes, as well as default identification.

Problem Loan Management

Within the Problem Loan Management system (PLM) applicable throughout the Association, customers are classified on the basis of clearly defined indicators applied consistently across the Association. Subsequently, a distinction is made between customers

- under intensive supervision (negative change of risk assessment, but not defaulted yet)
- in the process of restructuring (imminent risk of default or defaulted already, but customer is eligible for restructuring), and
- subject to debt enforcement (defaulted customers not eligible for restructuring)

and appropriately differentiated processing routines have been put in place consistently throughout the Association of Volksbanks.

Quantitative credit risk management and credit risk controlling

Measurement and control of credit risk

The development of sophisticated models as well as of systems and processes tailored to the bank-specific portfolio is required for the measurement and control of credit risk. In this way, the credit decision is meant to be structured and improved on the one hand; on the other hand, these instruments and/or their results also form the basis of portfolio management.

The results of credit risk measurement are reported to the Managing Board within the scope of the Risk Committee on a monthly basis. The most important objective of the use of the credit risk models and tools is to avoid losses through early identification of risks.

Credit risk reporting

Credit risk reporting takes place monthly with the aim to provide a detailed presentation of the credit risk existing at a certain reporting date and to report the same to the entire Managing Board. Relevant reports are prepared for VOLKSBANK WIEN AG, its major units and their key areas of business. The information is also included in the credit risk portions of the overall risk report.

The reports comprise a quantitative presentation of credit risk information relevant for risk control, which is supplemented by a brief assessment of the situation and additional qualitative information, if applicable.

The following analyses are part of the monthly report:

- Portfolio distribution
- Development of new business
- Distribution of credit ratings
- Non-performing loans (NPL)
- Forbearance
- Credit risk concentrations
- Country group analysis
- Customer segments
- Distribution across industry sectors

c) Market risk

Market risk is the risk of changing prices or rates of value-determinant market risk factors (e.g. interest rates, exchange rates, interest rate and foreign exchange volatilities). VOLKSBANK WIEN AG distinguishes the following types of market risk:

- Interest rate risk in the banking book
- Credit spread risk
- Market risk in the trading book
- Foreign exchange risk (open FX positions)

d) Liquidity risk

As the central organisation of the Association of Volksbanks, VOLKSBANK WIEN AG is responsible for liquidity management across the entire Association and acts as lender of last resort for the affiliated banks. The affiliated banks cover their refinancing requirements and invest their excess liquidity via VOLKSBANK WIEN AG.

The most important source of refinancing of VOLKSBANK WIEN AG consists of customer deposits, which have proven to be a stable source of funding in the past. Obviously, this is responsible for the major part of liquidity risk. The capital market offers additional opportunities for refinancing through securities issues, mainly covered bonds.

The ALCO is responsible for controlling the liquidity position of VOLKSBANK WIEN AG within the scope of risk limits defined by Risk Controlling and approved by the Managing Board within ALCO. The ALCO is the central body for the management of liquidity risks. Liquidity risk reporting within ALCO is taken care of by the Market and Liquidity Risk Controlling department.

Within liquidity risk, VOLKSBANK WIEN AG distinguishes between illiquidity risk and funding risk. Illiquidity risk is the risk to be unable to settle payment obligations when they are due. In case of illiquidity risk, additional subcategories, e.g. refinancing risk (roll-over risk), call risk and market liquidity risk are distinguished, which are of relevance especially in the context of liquidity stress testing. For VOLKSBANK WIEN AG as a retail bank, illiquidity risk typically consists in the risk of a bank run. This occurs when, due to a loss of confidence, customers withdraw large deposit volumes and at the same time alternative funding sources are not accessible (any more).

Illiquidity risk is managed by holding a sufficient liquidity buffer. VOLKSBANK WIEN AG is responsible for the central management of the liquidity buffer for the whole of the Association. The liquidity buffer mainly consists of highly liquid bonds that are LCR-eligible for the major part, of deposits with the national bank, of ECB tender potential, and covered bond issue potential. The liquidity of the liquidity buffer is tested regularly. The Liquidity Management department within the Treasury division is responsible for the current management of the liquidity buffer within the Association.

At VOLKSBANK WIEN AG, funding risk is defined as a negative income statement effect that occurs due to potential future increases of refinancing costs on the money and capital markets as well as in the retail sphere. This risk is taken into account in the risk-bearing capacity calculation within the scope of the ICAAP. Said risk is of minor importance at VOLKSBANK WIEN AG, as the company is hardly dependent on the capital market, and little price sensitivity is observed in the sphere of customer deposits.

The measurement and limitation of illiquidity risk is effected through the regulatory indicators LCR and NSFR, the survival period from internal liquidity stress testing, and through additional operational indicators.

The funding risk is measured by way of a scenario analysis that takes into account the effect on funding costs, considering general planning uncertainties and adverse idiosyncratic conditions. These calculations provide input to the ICAAP as well as stress testing activities across the Association.

Operational liquidity management

The Liquidity Management department in the Treasury division is responsible for operational liquidity management. The department is the central unit at VOLKSBANK WIEN AG and within the Association of Volksbanks for matters regarding the pricing of liquidity (transfer pricing), the central management of collaterals across the Association, the determination of the funding structure, the disposition of available liquid funds, and compliance with the refinancing strategy; it takes care of the following essential duties:

- Cash management (settlement of all transactions of the Association as well as disposition of the banking connections maintained by VOLKSBANK WIEN AG)
- Collateral management: ECB-eligible collaterals of the Association (bonds and credit claims) and underlying stock management for covered bonds
- Issue planning
- Daily liquidity forecast for the following 31 days, and weekly for the following 12 months
- Monitoring of refinancing positions of the Association of Volksbanks, and the control system put into effect by VOLKSBANK WIEN AG as central organisation with the approval under section 30a Austrian Banking Act, for the affiliated banks – a.o. liquidity reports, refinancing management, utilisation of collaterals, early warning system
- Compliance with minimum reserve regulations for the Association of Volksbanks
- Reporting to the Managing Board of the central organisation and to the ALCO

e) Operational risk

VOLKSBANK WIEN AG defines operational risk as the risk of losses due to the inadequacy or failure of internal procedures (processes), people, systems or to external events, and the associated legal risks. The reputational, conduct, model, IT and security risks are closely associated with operational risk and are actively taken into account. The calculation of regulatory capital adequacy requirements is effected using the standard approach. As of 1 January 2018, an internal method based on loss data and scenarios is used for the economic perspective.

Methods for the management of operational risks

Within the scope of operational risk management, both quantitative and qualitative methods are used. Quantitative elements comprise – for instance – the execution of risk analyses, the performance of stress tests at the level of the Association, the determination and monitoring of risk appetite and of the risk indicators, as well as the preparation of the incident database. Qualitative control measures are reflected in the implementation of training events, awareness building measures, risk analyses, the preparation of the incident database incl. analysis of causes, the implementation of uniform ICS checks, as well as in the analysis of the risk reports.

If the key indicators defined for operational risk are exceeded, the defined escalation process is applied. This process provides for a detailed analysis of causes and subsequently initiation of adequate measures.

Operational risk management and risk controlling function

The following principles, derived from the risk strategy of the Association of Volksbanks, apply in OpRisk Management at VOLKSBANK WIEN AG:

- The primary aim of the entire OpRisk Management system is to optimise processes to decrease the likelihood of incidents occurring and/or the impact of operational losses.
- Incidents are documented fully and in a sufficiently transparent manner via an electronic platform to enable third-party experts to benefit from the documentation. Operational incidents are recorded in a uniform manner across the Association. The resulting transparency with respect to the occurrence of incidents allows for risk assessment to be derived from historical facts.
- The methods, systems and processes in OpRisk Management are defined by the central organisation and must be complied with by the respective banks.
- The appropriateness of the risk control and monitoring measures and other risk-minimising measures is assessed on an on-going basis, but at least once a year, and reported to the Managing Board. Measures for risk control comprise, for instance, awareness building measures/training events, the monitoring of the OpRisk indicators, maintaining the confidentiality, availability and integrity of customer and corporate data, as well as business continuity planning, but also – and in particular – the adequate separation of responsibilities, as well as observance of the dual-control principle. Operational (residual) risks that cannot be avoided, reduced or transferred must be accepted formally and demonstrably by the management.
- The efficiency of OpRisk Management is confirmed through periodic and independent internal audits.

Internal control system

Within VOLKSBANK WIEN AG, an internal control system (ICS) has been put in place according to the principles of the internationally recognised standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Detailed descriptions of ICS processes and control measures are available. The responsibilities

and roles relating to the ICS are clearly defined. Regular reporting takes place for the ICS. Control activities are documented and reviewed, ICS-relevant risks are regularly evaluated and adjusted. Accordingly, a continuous optimisation process is ensured. Internal Audit, in its capacity as independent supervisory body, audits the ICS. Both the effectiveness and adequacy of the ICS, as well as compliance with instructions are audited. The OpRisk and ICS framework describes the inter-related components implemented within the Association of Volksbanks with a view to identifying, measuring, monitoring and controlling operational risk. The close interlocking of OpRisk Management with the internal control system ensures appropriate consideration of operational risks within the Association of Volksbanks.

In 2018, one focus was on revising the training concept and process-related adaptation of the ICS based on the qualitative risk analysis at VOLKSBANK WIEN AG within the scope of its function as central organisation, which is then also carried out in the other banks.

f) Other risks

In terms of other risks, VOLKSBANK WIEN AG is confronted with strategic, reputational, equity, direct real estate, as well as business risks.

Non-standard risks and/or non-financial risks (reputational risks, conduct risks, compliance risks, legal risks, model risks, as well as IT and system risks) are taken into account, among others, in the compliance framework and the framework for operational risks.

Organisational and process-based measures, in particular, have been implemented to manage other risks.



*Lasting values for your
private personal pension provision.*

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SUBSIDISED PROJECTS
WITH A VOLUME OF EURO 105.7 MILLION
WERE FINANCED BY VOLKSBANK WIEN AG IN 2018.

Economy

SUBSIDISED FINANCING TRANSACTIONS



For decades already, VOLKSBANK WIEN AG has been active in the sphere of builder-owner models, where due to the building measures to be implemented as well as due to statutory and fiscal requirements, state-subsidised housing financing has traditionally been and still is an integral component of the financing mix.

On the one hand, this has permitted the preservation of old built volumes until today, the refurbishment of housing space in line with contemporary standards, and the creation of additional low-priced housing space without taking up more land by adding storeys and converting attics. Due to statutory requirements associated with subsidies, a positive side effect was the creation of low-cost housing space for tenants, meaning that the general upsurge in prices did not apply to these properties over the past years.

Since 2017 the financing of non-profit developer projects has come to the fore again, where increasing growth is aimed for and with subsidised housing financing being an essential component; these projects guarantee the creation of sustainably low-cost housing space in the catchment area of VOLKSBANK WIEN AG.

Subsidised housing financing is an instrument of political leverage that can be used to create affordable, high-quality living space that meets the needs of the market. Apart from affordability, this can also be used to realise regional planning and socio-political steering potentials. Finally, housing subsidies also allow for climate policy targets to be realised more efficiently, thus making an essential contribution to climate protection.

Ever since the late 1980ies, housing subsidies have been within the sphere of competence of the federal Länder. Subsidy legislation, which previously was uniform across the federal territory of Austria with Länder-specific implementing regulations, was transferred to the sphere of competence of the federal Länder, which has caused subsidy provisions to diverge considerably, so that competent financing advice and adequate financing know-how are required from the bank more than ever before.

The following well-known instruments are available for subsidising owner-occupied dwellings or the construction or modernisation of lettable housing space (both new building and initial purchase as well as refurbishment):

- government grants as non-repayable amounts
- loans (bank or direct loans) with favourable interest rates, by comparison with the capital market, or
- equity support in the form of asset guarantees (usually by the federal Land)

Politically, the following goals are pursued through housing subsidies:

- ecological orientation through improved heat insulation and other measures to reduce energy consumption
- the provision of certain population groups with sufficient living space by earmarking housing subsidies
- limitation of rent to economic rent to provide tenants from lower income tiers with living space through appropriation and price fixing when granting the respective subsidy

Due to the high degree of involvement of VOLKSBANK WIEN AG in the field of real estate financing, both traditionally and based on the relevant catchment area, the company has made an important contribution to achieving sustainable development in creating and improving living space and in making the same more ecological, by including subsidised financing and by being highly active in the sphere of builder-owner financing transactions.

This contribution is meant to be further increased through the Real Estate Financing division that was newly created in the front office area early in 2017, allowing for further specialisation and a clearer focus on the creation of housing space; the resulting sustainability issues are meant to be increasingly taken into account.

The target for 2019 will be to increase the volume of financing to euro 110 million. This is going to be achieved primarily by even more intensive efforts in the non-profit housing sector (Gemeinnütziger Wohnbau), where remarkable success was achieved in 2017 already.

BEST PRACTICE

[Project Goldschlagstrasse – Out with the old, in with the new, revitalisation supplemented by intelligent new building on a grand scale](#)

The Goldschlagstrasse project consists of a complex of five vintage multi-storey dwellings and a plot of land with a total surface of approx. 3,700 m². The buildings erected in the Gründerzeit period around 1900 are distinguished by their façades preserved until this day and the vintage apartments with large windows, high ceilings and parquet flooring. These residential units were comprehensively refurbished together with the common parts of the building, treating the basic fabric with great care.

A top-quality new development was erected on the plot of land at Neubaugürtel 15. Both for the refurbishment and the new development, subsidies provided by the City of Vienna (WWFSG 1989; Vienna Housing Subsidies and Refurbishment Act) were made use of. Overall, 140 well appointed apartments, their floor spaces ranging from 30 m² to 100 m², as well as four business premises were created. An underground car park with 26 parking spaces was built in the generously dimensioned courtyard. The buildings comprise two greened courtyards with a total area of approx. 1,000 m². Construction was planned to start in December 2015, with completion in Q4/2018, with PREMIUM Immobilien AG acting as developer. The modern, premium-quality attic conversion combines with the vintage old buildings underneath to create an impressive architectural ensemble. A total of six properties (Goldschlagstrasse 2, Löhrasse 18/Stg. 1–4, Neubaugürtel 15) were blended to form a harmonious whole.

The Goldschlagstrasse project was financed by VOLKSBANK WIEN AG, i.e. both the purchase and the refurbishment of the building's base and the two-storey conversion of the property's attic. Valuable housing space offering a high quality of living in a central location was obtained by merging six individual properties and redesigning them completely. The apartments have intelligent floor plans, a well-thought-out room layout with optimal room dimensions, they underwent premium refurbishment and were finished to turn-key standards. 92 investors participated in this successful project that combines state-subsidised refurbishment with a high share of new development, providing affordable top-quality living space for tenants, due to requirements under state subsidies legislation.

[Project Pitten Wr. Neustädter Strasse 67, new development of multi-family dwellings and terraced houses that are affordable and have an ecological perspective](#)

The project is situated in the eastern part of the municipal territory of Pitten with access by car from Wr. Neustädter Strasse and a footpath connecting it to Hofwiesenweg. The project, which was constructed in several parts, disposes of 44 apartments as well as 9 terraced houses; it is an ideal example of the combination of affordable living space with construction optimised in terms of energy.

Economy

SUBSIDISED FINANCING TRANSACTIONS

The arrangement of the buildings around the residential street creates an inviting clear space that contributes to an increase in the quality of living. This is the social meeting place of the residents, promoting a sense of identity and serving as the heart of the new quarter. Different forms of living adjusted to the individual needs and concerns of the residents as well as generously dimensioned, brightly lit staircases, perfect side rooms, and a well-thought-out room layout in the apartments provide for high comfort and encourage the tenants' identification with the property.

The housing development (both the terraced houses and the multi-storey dwellings) is heated via a central heating system with biogas equivalent to the extent of at least 33 % in combination with a solar energy plant. Both for the terraced houses and the dwellings block 1-4, controlled room ventilation with heat recovery has been implemented.

In order to make use of the maximum amount of subsidy, the building is completed with controlled room ventilation and air-tight building shell, in addition to demanding requirements in terms of energy efficiency with respect to the cladding. Energy-optimised arrangement of the apartments to the south and west allows for optimal lighting conditions of the main rooms for residents.

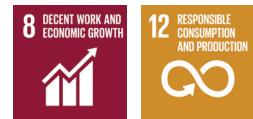
In addition to accessibility in the staircases, the bathrooms and toilets of all apartments have been prepared for adjustment to the needs of handicapped persons in accordance with the Lower Austrian building regulations. This does not include accessibility for balconies/terraces/roof terraces and does not meet the criteria under ÖN-B1600.

*Through strong partnerships,
the needs of our customers
can be met comprehensively,
and we can make a positive
contribution to their future.*

3

**STRONG PARTNERS SUPPORT
THE ACCOUNT MANAGERS OF VOLKSBANK WIEN AG IN
PROVIDING OPTIMAL SERVICES TO ITS CUSTOMERS.**





COOPERATING WITH PRODUCT PARTNERS

VOLKSBANK WIEN AG has decided to increase its strategic cooperation with Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken (Geno FinanzGruppe) in Germany. At product level, TeamBank has been co-operating with Geno FinanzGruppe successfully in the consumer financing sphere for several years already; in 2015 the cooperation was further reinforced through the sale of Volksbank Investments KAG to Union Investment Service Bank AG.

The cooperation with the product partners was highly successful in 2018 as well; with TeamBank and Union Investment, in particular, VOLKSBANK WIEN AG achieved record results once again, with two-digit growth rates. In the sphere of investment funds, the third year of cooperation with Union Investment was very encouraging again; the excellent products of this international investment company were highly appreciated by the Austrian market.

A cooperation with ERGO Versicherung AG has been in place since 1985. An ERGO PlusPunkt representative is present in most retail branches of VOLKSBANK WIEN AG, offering comprehensive advice across the entire product range. Hence, a competent contact person is available to customers in all insurance matters. A new insurance strategy will be worked out for 2019.

These successful cooperations have enabled VOLKSBANK WIEN AG to achieve yet another milestone towards becoming a strong and efficient regional bank.

Our economic activity is based on values, and we contribute to achieving sustainable development.

8

DISTINCTIONS FOR
THE QUALITY OF SERVICE AND CONSULTANCY
OF 'DER FAIRE CREDIT' AWARDED BY TÜV AUSTRIA.



TEAMBANK AG

TeamBank AG has been a close and reliable partner of VOLKSBANK WIEN AG ever since the year 2008. With the retail credit 'der faire Credit', it offers secure financing with clearly arranged contract terms.

VOLKSBANK WIEN AG sets great store by making it completely transparent to customers what they have to expect when taking up a retail credit. The risk of debt overload is a serious issue, as the parties concerned are not only affected by the debt itself, but also by a loss of quality of life and often considerable psychological stress. Therefore, the account managers of VOLKSBANK WIEN AG provide unbiased, responsible advice on financial leeway, optimal credit instalments and the maximum credit limit. This is supported by an objective scoring procedure based on the long-term experience of TeamBank AG. Additional flexibility is created through variable adjustment of instalments, the option to suspend the payment of instalments or to extend the term of the loan.

Moreover, it is possible to take precautions against unforeseeable events by contracting credit insurance to protect against overindebtedness. This is an important element of security for borrowers and their families in case of financial bottlenecks due to unfitness for work, unemployment, reduced hours, divorce or death.

TeamBank AG	Unit	2018 VBW Separate	2018 VBW Group	2017 VBW Separate	2017 VBW Group
Volume of 'der faire Credit' with VOLKSBANK WIEN AG	EUR	187,408,000	187,408,000	157,584,000	157,584,000
Joint customers with VOLKSBANK WIEN AG	Number	14,708	14,708	13,511	13,511

Sustainability as a matter of principle

Fairness is an attitude that defines the way that our partner, TeamBank, acts: in business relationships with customers and partners. Translating fairness into social commitment means using one's own strengths to support projects that create a benefit for society and secure the future.

As a member of the "Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken" in Germany, and due to the associated special value orientation, TeamBank sets extraordinary store by social commitment.

The United Nations Global Compact

TeamBank has signed the UN Global Compact, undertaking to support and advance its ten principles. TeamBank has committed to sustainable and responsible Corporate Governance. This includes observing values and principles as well as ensuring legal compliance. For the company, sustainable management must be based on a value creation process with a responsible long-term perspective, combined with a concept of forward-looking Corporate Governance, voluntary ecological commitment, and social responsibility.

BEST PRACTICE

Quality of service and consultancy of 'der faire Credit' confirmed again by TÜV AUSTRIA

With 'der faire Credit', TeamBank AG is Austria's instalment credit expert and as such has successfully obtained recertification by TÜV AUSTRIA in the "Service and consultancy quality" category. Partner banks in Austria and the branch establishment of TeamBank AG in Vienna were audited in the course of comprehensive audits. For the eighth time already, TÜV AUSTRIA awarded a distinction to 'der faire Credit' for the quality of service and consultancy. This certification confirms a high degree of customer friendliness as well as an unbiased, transparent credit decision.

As in previous years, the main focus of the audit was on the consultancy process, the qualification of employees, and customer satisfaction (B2B and B2C). Moreover, the friendliness, comprehensibility and transparency aspects within customer service were examined. One focus of this year's audit was the inclusion of the customer portal within the scope of person-to-person consultation.



Distinction for financial education

Only persons who are knowledgeable about economic contexts and accurately appraise their own situation will be able to take well-founded decisions and to avoid, for example, overindebtedness. So it is entirely within the spirit of the co-operative value of partnership that TeamBank has been supporting projects to advance financial education in Germany and Austria together with its partner banks for eight years now. The funded projects range from workshops, seminars and lectures via the creation of teaching material through to the initiation of theatre or film projects or games. So far, TeamBank has supported more than 4,000 projects in the amount of more than euro 7.5 million. 2018, too, saw many great impulses, moments and encounters in the sphere of financial education. At present, a successor concept is in the making.



For more information, please go to www.finanzielle-bildung-foerdern.at

The customer portal: making profitable use of the opportunities of the digital world

The interconnected world offers numerous possibilities to intensify existing customer service and to communicate interesting offers. In order to stay competitive in an increasingly digitised world, it is necessary to develop and use appropriate solutions. Another component of the ecosystem of 'der faire Credit' is the customer portal. It provides customers with the possibility to carry out self-service transactions or directly check their financial reserves through the customer portal – 24 hours a day, seven days a week. The responsive design enables customers to use the portal even en route via mobile terminal devices.

Our self-image based on co-operative ideas includes a clear commitment to acting sustainably.

41.4*

**BILLION EUROS ARE MANAGED BY UNION INVESTMENT
IN SUSTAINABLY MANAGED FUNDS AND MANDATES.**



UNION INVESTMENT

Since 2016, Union Investment has been a reliable product partner of VOLKSBANK WIEN AG. The investment company with over 60 years of experience in the field of financial investments has received several distinctions. Union Investment funds offer numerous opportunities – for the purpose of investing existing wealth, for asset structure optimisation or continuous asset accumulation.

In line with the legal setting, customers have always expected utmost transparency and stability in the field of financial investments from VOLKSBANK WIEN AG – and they have never been disappointed. The bank's focus is on the customers, and therefore it is extremely important to find the ideal investment solution for our customers. One of the great concerns of the bank is to ensure the highest possible degree of security for investors when selecting their investment strategy, and to reduce the risk of selling them any securities that fail to meet their risk appetite or level of knowledge, that might cause unexpected losses.

In January 2018, MiFID II entered into force, another legal obligation primarily aiming at enhancing investor protection. The implementation of MiFID II included further investor protection measures benefitting the customers of VOLKSBANK WIEN AG: The product standards for securities were accurately determined, clearly defining the customers that a certain investment product is meant for. Investor protection increases, as the customers' investment goals, experience and knowledge are checked even more comprehensively and reconciled with the product features defined. The resulting investment recommendations precisely match the needs of our customers.

On the occasion of the introduction of MiFID II, we have enhanced our very high standards of account manager training even further. Intensive training programmes for our account managers were started together with our partner Union Investment very early on. In practice, Volksbank ensures quality through detailed records of person-to-person consultation. The transparent presentation of all costs, a more stringent regulation of the markets, and the obligation to maintain the best possible price are components of another, even more essential pillar of MiFID II that was implemented at VOLKSBANK WIEN AG, namely to increase the safety, transparency and efficiency of European financial markets.

Since 1 August 2017, VOLKSBANK WIEN AG has been carrying the "UniRak Nachhaltig Konservativ" fund in the master list for the sale of securities, as well as the "UniNachhaltig Aktien Global" in the extended master list since Q3 2018. VOLKSBANK WIEN AG is striving to increase the sale of sustainable funds in the years to come.

			2018	2018	2017	2017
Union Investment		Unit	VBW Separate	VBW Group	VBW Separate	VBW Group
VBW volume in						
Union Investment funds		EUR	1,008,049,317	1,008,049,317	988,311,162	988,311,162
Share of sustainable funds in						
Union Investment volume	%		3.7	3.7	0.6	0.6
Securities accounts with fund units						
of Union Investment	Number		19,398	19,398	17,456	17,456
Securities accounts with shares						
in sustainable funds of						
Union Investment	Number		2,254	2,254	207	207

Leading German asset manager in the field of sustainable investment

As award-winning and leading German asset manager for sustainable investment, Union Investment takes a clear stance: Considering sustainability criteria within the scope of the investment process reduces risks and creates added value beyond the mere return of the investment in the long run. As at the end of December 2018, Union Investment manages more than euro 41 billion in sustainable funds and mandates. For the fifth time in a row and the sixth time overall, Union Investment won the prestigious Scope Award in the Socially Responsible Investing category in 2018.

Sustainability criteria in the investment process

Sustainability criteria have been taken into account in the investment process of Union Investment for many years already. They comprise ecological and social considerations as well as certain aspects of corporate governance. In the compilation of sustainable funds, the fund management follows a predefined procedure:

- Union Investment checks if businesses or even states violate against any relevant sustainability factors. The relevant factors include, among others: energy supply (no nuclear energy), compliance with labour standards, waiver of child labour or animal experiments. Investment opportunities that violate against the standards are excluded from the investment universe by the portfolio management.
- The portfolio management will submit eligible companies and countries to an ESG analysis (Environmental Social Governance analysis). The result is expressed in the so-called ESG score. In other words, the ESG score evaluates the extent to which any company or state acts sustainably with a view to the environment, social factors and Corporate Governance. In case of companies, the business model is analysed as well. During this process, the portfolio manager can rely on the company's own sustainability platform SIRIS, which has been in use since 2013. On this platform, they will find comprehensive data from selected external research companies, as well as from the analysts employed with Union Investment.
- In the last step, portfolio managers will check if the investment not only meets sustainability criteria, but also economic requirements and whether a positive effect is to be expected for the fund. Only if all valuations are positive, the investment will be carried out.

BEST PRACTICE

Commitment in the investors' interest

Union Investment is an active investor. This means that, in contrast to funds of other providers that are managed by machines (so-called ETFs), the fund's portfolio managers will specifically get in touch and exchange information with businesses and states that they invest in. Part of this so-called stakeholder engagement approach are more than 4,000 investor talks and the participation in votes at more than 2,000 general meetings in the year 2018 alone. The aim of this endeavour is to actively influence companies, in the interests of investors, to make themselves fit for the future in economic terms by acting sustainably.

Sustainability by tradition

Due to its co-operative self-image, Union Investment has always considered sustainability to be highly important. This is expressed, among others, in the declared values of the company: A spirit of cooperation and respect in dealing with each other, as well as solidarity and a professional attitude make sure that the employees of Union Investment take clear-sighted decisions in the interests of their customers. More than 20 years ago already,

Union Investment launched the first fund taking sustainability factors into account. The company has developed this know-how consistently over the past years. Today, it can rely on a sustainable investment process and on the experience of numerous employees in the sphere of sustainability and related topics.

As one of Germany's biggest asset managers, Union Investment assumes its responsibility for a sustainable transformation of the economy also by contributing to many initiatives and through its membership in relevant associations. In this way, the company is making an active contribution to increasing the acceptance and implementation of sustainability principles within the investment industry.

*In a constantly changing world,
VOLKSBANK WIEN AG has always
been and will always be
a reliable partner.*

35,399*

JOINT CUSTOMERS
ARE SERVED BY VOLKSBANK WIEN AG
TOGETHER WITH ITS PARTNER ERGO.



ERGO VERSICHERUNG AG

ERGO Versicherung AG has been a successful product partner of the Volksbanks since 1985. The focus is on insurance solutions for private customers who are offered high-quality products ranging from comprehensive life and accident insurance contracts up to property insurance such as automobile liability and household insurance. Beyond that, ERGO also provides commercial and industrial insurance solutions to corporate customers in Austria.

Through its pronounced commitment to sustainability, ERGO Versicherung AG fits in very well with the supply chain of VOLKSBANK WIEN AG.

ERGO Versicherung AG	Unit	2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group
Number of ERGO insurance contracts of customers of VOLKSBANK WIEN AG	Number	51,906	51,906	57,588	57,588
VOLKSBANK WIEN AG and ERGO customers	Number	35,399	35,399	41,587	41,587
New insurance contracts concluded with customers of VOLKSBANK WIEN AG	Number	4,762	4,762	6,013	6,013
Volume of new business in ERGO insurance contracts from customers of VOLKSBANK WIEN AG	EUR	6,374,039	6,374,039	6,915,290	6,915,290

Projects

Numerous projects, such as a new canopied bike park, closed loop recycling management for office supplies, printer readjustment, installation of a video conference system to cut down on business trips, or projects to raise the employees' awareness like "ERGO Umwelttage" (environmental days) that are held regularly, as well as participation in campaigns like "Österreich radelt zur Arbeit" (Austria cycles to work) and the Climathon Vienna, demonstrate the commitment of ERGO Versicherung AG in the sphere of sustainability.

Insurance group with a sustainable attitude

ERGO Versicherung AG is part of the ERGO Group based in Düsseldorf, Germany. The Corporate Responsibility policy of the entire ERGO Group is aligned with the so-called shared value approach. Within the scope of its business activity, ERGO wants to combine economic success with social progress, thus facing essential global challenges that can only be solved jointly with others. In this endeavour, the company lets itself be guided by the Sustainable Development Goals of the United Nations.

The insurance group has identified three challenges that are of special importance to the company, its customers and society:

1. mitigating the consequences of climate change,
2. improving access to healthcare services, and
3. enhancing risk awareness.

ERGO disposes of the skill set, resources and risk know-how to develop new approaches to solutions and to use business opportunities. Closely cooperating with accredited partners, it creates added value by contributing not only financial means, but above all expert knowledge.

Social responsibility is assumed in four spheres of activity:

- Sustainable business management: taking into account environmental, social as well as governance aspects in insurance business as well as in investment management
- Environment: development of an environmental management system that is applied across the group, CO2 neutral since 2015
- Commitment: Through its social commitment, ERGO is living up to its responsibility as a business enterprise, and in doing so also relies on projects bearing a close relation to its core business.
- Reporting: regular reports on activities and consultation with stakeholders to understand their needs even better

In this context, voluntary commitments like the Ten Principles of the UN Global Compact, the Principles for Responsible Investment, and the Principles for Sustainable Insurance form the basis of all activities.

BEST PRACTICE*

ERGO environmental policy 2020

Additionally, in 2016 for the first time, ERGO Versicherung AG established its own environmental policy based on existing joint policies of ERGO Group AG. By 2020, ERGO Versicherung AG intends to further improve the following four areas:

- Energy & efficiency
- Transport & CO2
- Waste & resources
- Communication & monitoring

Apart from employees, buildings & equipment, the corresponding targets and measures are going to concern products and customers as well.

In 2018, the focus was on measures in the field of buildings & equipment and on raising employees' awareness of the topic, but also on evaluating the options in the sphere of products & customers. For this purpose, apart from products such as the solar power system insurance and bicycle insurance, which can be contracted online, also financial investments are subjected to a sustainability analysis in quarterly intervals.

Environmentally compatible office building

ERGO Versicherung AG is aware of its responsibility for the environment and advocates carbon neutrality. By using an environmentally compatible office building that was certified as "Green Building+" by the Austrian Energy Agency, ERGO Versicherung AG is banking on energy efficiency in a work context. Measures to optimise the reduction of CO2 emitted by the company are continuously developed by the environmental management team.

Distinctions

Service Champion in the sphere of customer service experience four times in a row

In 2018, ERGO Austria was again distinguished as Service Champion in the insurance industry. One particularly encouraging aspect was the fact that the result was again improved compared to the previous year, with a significantly greater number of customer reviews on service satisfaction being analysed in 2018.

Once a year, ServiceValue GmbH and Goethe University Frankfurt jointly prepare Austria's most comprehensive service ranking, a broadly based survey on customer service experience based on customer reviews. In 2018, some 109,000 Austrian customers were asked about their service satisfaction in relation to 401 companies from 42 branches of industry, hence significantly more than in previous years.

With a service experience score of 75.3 %, ERGO Versicherung AG clearly exceeds the industry average of 67.5 % and hence ranks first in its industry, having improved the 2017 score (74.6 %) considerably. Moreover, in the overall ranking, ERGO is among the Top 100 companies, accordingly winning a "bronze medal". Overall, customer reviews on 24 Austrian insurance companies were analysed – ten more than in 2017.

AAA label of excellence for household and residence insurance

Additionally, the household and residence insurance "ERGO fürs Wohnen" (ERGO for living) that was launched in 2018 was distinguished with the label of excellence ("Very Good") of Assekuranz Award Austria.



*Continuous improvement
of the convenience and
safety of digital services.*

68%*

**USE VOLKSBANK
MOBILE BANKING.**



Economy

DIGITISATION/INNOVATION



At VOLKSBANK WIEN AG a separate unit has been set up around the topic of digitisation in order to extend the person-to-person services offered in the retail branches by digital products and services, responding to changes in customer behaviour due to increasing digitisation. The aim is always to ensure safety and easy operability for customers of VOLKSBANK WIEN AG.

Massive increase of mobile use of banking

Customer interaction through mobile devices remains at a high level, hence justifying investments in mobile banking applications. In future, all use cases will be designed "mobile first" in order to take account of this global development.

In the first quarter of 2018, a comprehensive modernisation of the banking application (browser and app use) was completed throughout Austria. The most important changes are, among others, the provision of simple login procedures, e.g. login by Quick-ID (4-digit code), Touch-ID (fingerprint) or Face-ID (face recognition). In this way, mobile use of the Banking interface was increased from 55 % (January) to 68 % (December) in 2018. This increase of mobile use by 13 % is assumed to be due to the extension of the banking functions and the facilitation of login procedures through Quick-ID, Touch-ID and Face-ID. Extended functions, for instance enhanced options for personalisation (individual configuration of welcome page, accounts, presentation of account transactions) or the introduction of the payment form scan, have increased both user comfort and the rate of use.

The functional universe of digital applications is getting ever more complete in 2018.

At the end of 2018, VOLKSBANK WIEN AG performed a silent launch of Multibanking, the viewing function for customers with multiple bank connections. Within a period of four weeks, more than 400 customers of VOLKSBANK WIEN AG were using that function. By introducing the Multibanking function, Volksbank is one of the first Austrian credit institutions to offer one important function under PSD2 (Payment Service Directive 2) of the EU prior to its official launch in September 2019. Multibanking enables users to view all accounts through Volksbank Banking at a glance – thus enabling customers of VOLKSBANK WIEN AG to keep track of their financial affairs more conveniently and making everyday life easier for them. The inconvenience of handling several banking apps with different login details, different user interfaces and functions is eliminated. However, only the customers themselves decide on the way the data are displayed or processed by other financial service providers.

In 2018, the process of moving an account to VOLKSBANK WIEN AG became digital. Owing to automatic turn-over analysis of the account data of the ceding bank, the process is greatly simplified for future customers of VOLKSBANK WIEN AG. The standardised online process is provided in cooperation with the German FinTech company FinReach. At present, the accounts of private individuals, associations and also business enterprises can be moved online. Upon the customer's approval, salary credit entries, standing orders and debit entries are read out from the old account and presented conveniently. In this way, it is not possible to forget or overlook any contractual relationship. Payment partners are informed directly, and even the closing of the account with the other bank can be commissioned directly via the online service.

In 2018, 86 % of all registered customers transferred their accounts directly online, thus easing the burden on employees in retail branches and supporting units. The procedure is simple, time-saving and completely paperless. An extension with a view to the digital transfer of securities accounts is planned for 2019.

Due to continuous extension and improvement of the [Digital Banking](#) (Internet banking) function of VOLKSBANK WIEN AG, this solution is among the most perfect ones in the Austrian market.

One essential feature in this context is the introduction of the “shopping trolley” in Digital Banking. The background of this is a variable platform that enables product and service orders to be placed quickly and easily. In the course of 2019, the Volksbanks are going to continuously extend the options of their customers carry out simple orders by digital means quickly and easily. In doing so, care will be taken to constantly improve the customer’s experience in these procedures. The aim is to make as little demands as possible on the time of VOLKSBANK WIEN AG customers, keeping the customers’ input to a minimum. For procedures where the customers want this or where this is required for technical reasons, there will be a possibility to initiate orders and complete them at the retail branch.

This function will be supplemented by the use of Robotix – a form of robot-based process automation – thus increasing processing speed, creating a 24/7 experience for customers in many transactions, without depending on expensive software development procedures. Obviously, the results achieved by the robots are verified by VOLKSBANK WIEN AG experts continuously.

The key figures for the products of VOLKSBANK WIEN AG in the Banking shopping trolley will be captured for 2019 and included in the 2019 sustainability report.

Further outlook for 2019

The login procedure for [Digital Banking](#) will be made even more simple. VOLKSBANK WIEN AG is going to switch from today’s three identification features to the two access features (user name and password) common in the market, securing the login with a one-time access code that is transmitted in encoded form via a separate app. With this procedure, Volksbank complies with the latest login standard under the PSDII. That makes Digital Banking easier to use and safer at the same time. The same procedure will also be used for the approval of transactions, such as signing remittances.

The switch of login data and/or introduction of a new app will take place between April and September 2019, through an exclusively digital process directly in Volksbank Banking.

VOLKSBANK WIEN AG is also going to provide one of the most important consulting processes – [housing financing](#) – in a digital form. This process will allow customers and account managers to jointly organise future living space in the course of a transparent process based on partnership. Special attention will be paid in this project to convenience and total transparency of process and product. In a few comprehensible steps, an overall picture worked out together with the customers of VOLKSBANK WIEN AG that illustrates the affordability and the financing scheme of the owner-occupied dwelling project for the customers. The interrelations and the overall picture are transparently and conveniently presented in graphic charts. And whenever it makes sense for the customers of VOLKSBANK WIEN AG, they can switch between developing the relevant concept from their homes and together with their account managers at VOLKSBANK WIEN AG. Hence the financing scheme will turn out exactly the way the customers want.

By increasingly involving customers in the organisation of customer processes and by continuously measuring and eliminating any process issues, VOLKSBANK WIEN AG is going to improve this as well as all other customer processes consistently throughout the entire Association of Volksbanks.

Economy

DIGITISATION/INNOVATION

Customer Effort Score (CES)

For 2019, these figures will be determined through customer surveys for digital products for the first time.

Definition: The Customer Effort Score serves to measure customer satisfaction with a single question. The idea behind is that organisations will succeed in winning loyal customers by reducing their effort (customer effort index).

The aim is to measure achievement of the goal of VOLKSBANK WIEN AG to enhance customer satisfaction by making the digital offering user-friendly, and to achieve that goal by means of the CES and the actions derived therefrom.

BEST PRACTICE

Fintech Week Vienna – The growth strategies of successful Austrian Fintech companies



On 20 November, within the scope of "Fintech Week Vienna" initiated jointly by the Vienna Business Agency and the Association of Austrian Banks, VOLKSBANK WIEN AG invited its guests to come to the atrium in Kolingasse for a very special Fintech event. In a relaxed setting, the five biggest and most successful Austrian Fintech companies were talking about winning over customers, partners and also investors to their projects within a short period of time. Many interesting questions were raised at the event, for instance as to how these young companies had managed to make themselves known even beyond the borders of Austria using specific growth hacks. Growth hacking is a new term from the sphere of startups, primarily designating the combination of (online) marketing and product measures to achieve best possible growth with limited resources. The biggest challenges along this path were discussed, as were the plans of the Fintech companies for the future.

VOLKSBANK WIEN AG provided interested participants consisting of Fintech companies, investors, other start-ups and bankers from all sectors of the Austrian economy with a possibility to expand their regional networks, inform themselves about new business models and companies, and to meet their founders, making themselves familiar with their visions of the future.

The event was very well attended, making it a great success. Hence, in 2019 again, VOLKSBANK WIEN AG is going to offer a regional platform for a lively exchange of knowledge and to host the Fintech Week Vienna 2019.



*A careful, responsible attitude
towards nature and the environment.*

22,402

KWH OF ELECTRICITY
WERE GENERATED IN OUR OWN PHOTOVOLTAIC
POWER PLANT IN 2018.



Ecology RESOURCES



Basically, the banking business itself causes much less environmental stress than, for instance, production plants. All the same, VOLKSBANK WIEN AG makes a contribution to climate and environmental protection in terms of energy, heat and power consumption as well as waste-paper and other waste.

The environmental risks arising from the activity of VOLKSBANK WIEN AG were primarily found in the sphere of reputational risk due to improper handling of resources and waste. This risk is classified as irrelevant and hence negligible.

The figures indicated in the area of resources refer to the locations Kolingasse 14-16 as well as Peregringasse 4, both in 1090 Vienna. VB Services für Banken Ges.m.b.H. is in charge of facility management and, being a consolidated subsidiary of VOLKSBANK WIEN AG, captures all figures from the report that relate to resources.

The analysis of the resources-based figures indicated below for the individual retail branches of VOLKSBANK WIEN AG is not contained in the current report, the reason being that only a few of the 87 locations are situated in buildings owned by VOLKSBANK WIEN AG – many of them have rented premises in third-party buildings. For these locations, no direct charging to VOLKSBANK WIEN AG is effected for resources. Hence, VOLKSBANK WIEN AG has no steering options, the figures bear no relevance to controlling. As for the remaining buildings owned by VOLKSBANK WIEN AG that accommodate retail branches, the plan is to sell them within the years to come.

Energy

When purchasing energy, VOLKSBANK WIEN AG takes care that no CO₂ emissions are caused through power generation. An energy audit was carried out in 2015, pursuant to the Austrian Energy Efficiency Act (Energieeffizienzgesetz). On the basis of this audit, a mini-formation on energy efficiency was organised for employees, which was implemented on the Intranet under the motto "Zusammen ENERGIE SPAREN" (saving energy together). Statutory provisions require us to carry out an energy audit again in 2019.

Heat

The share of office premises heated by means of district heating was increased and completed at all locations where the technical prerequisites for a changeover were available. Hence, 100 % of office premises are heated through district heating. The difference in heat consumption compared to the previous year is due to the mild winter that caused heating requirements to be below average.

Heating	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
District heat consumption*	kWh	1,383,905	1,599,890	1,411,170	1,631,410		
Specific district heat consumption* kWh per m ²		80.9	80.9	82.4	82.4		

Electricity

VOLKSBANK WIEN AG has obtained a hydropower certificate from its electricity supplier, guaranteeing that no CO₂ emissions are caused during the generation of electricity for VOLKSBANK WIEN AG. 100 % of the required electricity are sourced from hydropower plants and the photovoltaic power plant, and accordingly from renewable energy sources. Until 12/2019, the contract was concluded as early as 30 November 2017. The lower consumption of electricity is due to servers at Peregringasse being outsourced to the computing centre of VOLKSBANK WIEN AG.

*Billing cycle: 1 September to 31 August; hence annual consumption data are based on calculations. The calculation of the consumption data per m² is based on the total surface of the Group of 19,788 m² and a pro rata surface of 17,117 m² for VBW Separate.

Electricity	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
Electricity generation from our own photovoltaic power plant	kWh	19,378	22,402	20,619	23,837		
Total electricity consumption*	kWh	2,289,345	2,646,642	2,491,771	2,880,660		
Specific electricity consumption*	kWh per m ²	134	134	145.6	145.6		

Paper

The consumption of print-out and reprographic paper amounts to 65,135 kg in the current reporting year. This year's consumption is higher than in the previous year, as the consumption of SPARDA-Bank and of Waldviertler Volksbank Horn reg.Gen. was also taken into account in these figures for the first time. The mergers with the two credit institutions took place late in August 2017 and late in June 2018, respectively, with each bank procuring the paper it required independently until then. Therefore, no accurate comparison with the previous year's figure is possible. The standard setting of all printers available in the pools at HQ is two-sided print. This is meant to further reduce paper consumption in the future. Moreover, VOLKSBANK WIEN AG sources environmentally compatible paper with EU eco label to cover 100 % of its requirements.

Consumption of print-out and reprographic paper	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
Print-out and reprographic paper	kg	56,342	65,135	45,764	52,906		
Print-out and reprographic paper	kg per FTE	50.1	50.1	39.7	39.7		

Waste

At the central location and in the building at Peregringasse 4, the waste separation system was replaced by a standardised separation system for general waste, glass, plastics and metal. Each workstation was provided with a labelled container for waste-paper/printing-related waste as well as a general waste compartment. Corresponding information is provided in the tea kitchens (what should be put into which container, contact details for help). The increase in waste-paper and waste from cardboard packages is due to a "decluttering campaign" at the end of 2018. With a view to moving into the headquarters "VB Forum", which is going to be a paperless office, old documents have been archived and destroyed.

Waste	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
General waste	kg	52,333	60,500	52,047	60,170		
Waste-paper and cardboard packages	kg	42,591	49,238	36,832	42,580		
Other secondary materials without waste-paper/cardboard packages	kg	9,590	11,087	9,456	10,932		
Hazardous waste or special waste	kg	394	456	366	423		
Total waste	kg	104,908	121,281	98,701	114,105		
Total specific waste	kg per FTE	93.2	93.2	85.5	85.5		

BEST PRACTICE

The present headquarters of VOLKSBANK WIEN AG

One of the key measures to achieve climate protection is to reduce the consumption of energy. The consumption of heat in the office buildings of VOLKSBANK WIEN AG is one of the central causes of direct environmental effects. Therefore, it was decided for the new building to use district heat, one of the most environmentally benign forms of energy utilisation available in Vienna. The winter of 2010/2011 was the first heating period for 100 % of our own properties to be supplied with district heat. This has enabled us to achieve two goals at a time: a reduction of CO₂ emissions and straightforward, low-maintenance operation. A fact that increases the value of the properties concerned.

VB Forum – the new headquarters of VOLKSBANK WIEN AG

As of November 2019, some 1,100 employees are going to move to the new main building of VOLKSBANK WIEN AG in Dietrichgasse 17-25 in Vienna's 3rd district.

The move is aimed at establishing a new corporate culture through realisation of a new office concept: future-oriented, flexible room layout and modular office landscapes will encourage employees of all divisions and departments to collaborate and to communicate openly. The way people collaborate will get more process-based and more transparent. The functional working environment and modern technologies will bring new approaches to work, enhancing the attractiveness of VOLKSBANK WIEN AG as employer in the process.

Remote working is going to reduce travel times, thus improving the work-life balance for many employees. Due to the mergers, long travel times have emerged for some employees. Moreover, remote working reduces the environmental impact caused by daily travels to and from the workplace and the risk of accidents involving employees.

What were the criteria used for deciding on the future location?

- merging the locations* in company headquarters (one location) is possible
- public transport connections
- accessibility of the building
- excellent existing infrastructure in the vicinity and/or within the building
- a spirit of optimism through future-oriented work approaches and company processes
- demonstrating energy and cost awareness with a new location policy

The entire building is equipped with energy-saving LED lighting. Already in 2018, during preparation for the relocation, the servers located at the Peregringasse site are gradually transferred to the computing centre of VOLKSBANK WIEN AG, which is reflected in a reduction of electricity consumption as shown in the present report.

Employees will be provided with mobile IT components, thus ensuring the infrastructure required for mobility and flexible approaches to work. The new devices encourage people to use media and resources efficiently in work processes (paperless office, video conferences, chats etc.) as well as efficient operational service processes.



*We support the development
of our employees.*

1,546*

EMPLOYEES
WORK FOR VOLKSBANK WIEN AG.



Social matters

EMPLOYEES



At present, VOLKSBANK WIEN AG employs 1,546 employees; they constitute the most important asset with a view to the successful development of the company. VOLKSBANK WIEN AG is striving to be an attractive employer. Therefore, VOLKSBANK WIEN AG sets great store by equal opportunities and diversity, an encouraging working environment and the consistent integration of employees through good internal communication. Additionally, VOLKSBANK WIEN AG offers attractive training and development options.

The figures indicated in the employee area refer to those employees that were employed by the company (VOLKSBANK WIEN AG, VB Services, VB Management) on 31 December of the reporting year. The figures indicated are exclusive of the four Managing Board members of VOLKSBANK WIEN AG, but including apprentices. As at 31 December 2018, no trainees were employed in the company. Full-time equivalents are rounded in line with mathematical rules.

Employment development

In 2018, the last merger was completed by merging VOLKSBANK WIEN AG with Waldviertler Volksbank Horn reg.Gen. At the same time, restructuring measures were implemented. The major part of these reductions was achieved through retirement.

Additionally, a great focus was on internal mobility (internal job market). The restructuring process was carried out with a high sense of responsibility. Obviously, the works council was involved at all times. In cases of particular hardship, additional support measures were agreed and the option of a labour foundation was offered.

Employees	Unit	2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group
Headcount	Number	1,346	1,546	1,375	1,580
Employees by full-time equivalents	FTE	1,125	1,301	1,154	1,334
Male white-collar	FTE	560	640	577	665
Female white-collar	FTE	564	654	575	661
Male blue-collar	FTE	0	6	0	6
Female blue-collar	FTE	2	2	2	2
Male employees total	FTE	560	646	577	671
Female employees total	FTE	565	655	577	663

Health and safety

The measures indicated below apply to both VOLKSBANK WIEN AG employees and to the Group. It is of great concern to VOLKSBANK WIEN AG to maintain a successful work-life balance in the long run. This is especially important in economically difficult periods. The coaching pool was expanded to increase people's awareness of the topic. It is above all executives who are supported in this sphere. Apart from the coaching pool, a company physician and a company psychologist are available in case of personal stress.

Average sick leaves at VOLKSBANK WIEN AG amounted to 10.25 days per employee (2017: 11.8 days) in the reporting period. As stress constitutes an essential health risk, clearly visible measures are taken in the sphere of work-life balance. This value is not shown for VBW Separate, due to its calculation being highly complex.

Diverse offers and preventive measures are available to help employees to stay healthy; these measures are organised by the HR department, the works council and the company physician. For instance, a gratuitous health check is performed every two years, most recently in September 2017. The next campaign takes place in the first half of 2019. During working hours, other healthcare offers may be used as well, throughout the year, such as immunisation campaigns against TBE or influenza. The measures offered also include blood drives.

Regular inspections of workstations including ergonomic advice, up to individual workstation layout, are encouraged by both HR and the works council. After bank robberies, in case of stress or burnout, employees can turn to a company psychologist. Additionally, the Pilates and yoga classes of the "Volksbank Aktiv" programme are available for employees to benefit from. Employees of VOLKSBANK WIEN AG are also entitled to get reduced rates within the scope of group health insurance schemes.

In the company's own sports groups, employees of VOLKSBANK WIEN AG can keep themselves fit with running, cycling, football, badminton, squash, skiing, and cross-country skiing. Spaces for parking bicycles, including showers and lockers, as well as inexpensive annual bike checks further encourage employees to go to work by bicycle, thus promoting a healthy lifestyle. The canteen located in the headquarters provides employees with healthy, energising set meals that are prepared in environmentally compatible ways based on a sustainable purchasing policy.

Employees are also assisted by a disabled persons representative.

Safety

In spite of comprehensive safety measures, the risk of robberies cannot be excluded completely in the banking sector. One robbery occurred in the retail branches in 2018. Psychological emergency care is available if required. The personal risk is further minimised through security training events for employees at retail branches. The number of trained employees in the retail branches corresponds to that within the Group as a whole, as no training takes place in subsidiaries.

In 2018, one training event was organised for employees in the Retail Branches division. The next event will take place in the first half of 2019. The number of trained employees was relatively high in 2017, by comparison with 2018, as after completion of the numerous mergers the employees of the banks involved in the mergers were also offered this training option.

Safety training events	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Separate	VBW Group	VBW Group
Trained employees	Number	25	25	158	158	158	158

Leave not taken and overtime

In 2017, a new company deal entered into force that governs working hours. This allows employees to benefit from modern flextime regulations – moreover, all staff members can make use of flextime days (compensatory time off) for additional recreational value.

Social matters

EMPLOYEES

Reducing any remaining vacation entitlement (by taking days off) contributes to a reasonable work-life balance and also provides savings potentials. The aim was to further reduce the average remaining vacation entitlement by the end of 2018. In the reporting year, the average remaining vacation entitlement per FTE within the Group amounted to 7.57 days (2017: 9.5 days). A monthly progress report is submitted to the Managing Board and to the division managers. This value is not shown for VBW Separate, due to its calculation being highly complex.

Part-time employment

The compatibility of private life, family and job is getting increasingly important; in the long run, it is an important health factor. This topic is actively addressed through models of flexible working hours, teleworking options in certain instances, and the positive approach to part-time employees within the organisational structure.

Part-time employment	Unit	2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group
Share of part-time employees in total employees	% number	31.4	30.6	29.5	28.8
Number of full-time employees	Number	923	1,073	969	1,125
Number of part-time employees	Number	423	473	406	455

Maternity leave and "Papamonat"

In 2018, the entitlement to one month of paternity leave ("Papamonat"), as stipulated in the collective bargaining agreement section 2g, was exercised by 6 male employees (2017: 3 men) of VBW Separate.

Employees who returned from parental leave	Unit	2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group
Male employees	Number	1	1	10	10
Female employees	Number	19	25	23	26

Further Training

In a modern service institution like VOLKSBANK WIEN AG, comprehensive and ongoing training and development are of essential importance. Volksbank Akademie celebrated its 43rd anniversary on 18 December 2018; since 2015, it has been the central, independent training institution of the Association of Volksbanks. Its skill set ranges from the selection of trainers/examiners, the preparation of training courses in terms of content and didactics, through to certification, quality assurance and development of the Moodle learning platform.

Throughout Austria, Volksbank Akademie serves all Volksbanks including their employees, managing board and supervisory board members. That means 26,901 bookings for training events in 2018, of which 8,184 from VOLKSBANK WIEN AG. In relation to VOLKSBANK WIEN AG, 36,220 hours of training were provided through online and classroom training events. Considering that one hour of training has 60 minutes and one training day counts 8 hours, that amounts to an average of 23.4 hours of training per employee (headcount) of VOLKSBANK WIEN AG per year.

At present, Volksbank Akademie offers the following 10 training courses:

1. Accounting clerk
2. Account manager
3. Account manager Corporates
4. Investment adviser
5. Branch manager
6. Mentor
7. Trainer
8. Executives Professional/Senior
9. Compliance
10. Fit & Proper for key personnel, supervisory board and managing board members

Throughout Austria, 95 persons have successfully completed certified training courses, 26 of which in Vienna.

In 2016, the first account manager course was held, consisting of 15 modules. This training course was completed successfully by 45 persons, 9 of which were employees of VOLKSBANK WIEN AG.

This blended learning course serves as “Master” for all training courses of the academy. Based on the respective job profile, a syllabus is worked out, including learning objectives and skill sets, and the contents and exam questions are derived accordingly. Digital and collaborative learning methods are primarily applied for the purpose of conveying knowledge and applying it appropriately.

The blended learning concept supports a good work-life balance of the employees of VOLKSBANK WIEN AG, as they are enabled to organise their digital learning modules themselves. This increases the attractiveness of Volksbank as an employer, also reducing environmental impact due to a reduced amount of travelling on the part of the employees.

In 2018, the Corporates account manager course was held for the first time – again in a blended learning format – modelled after the successful example of the account manager training course.

On 12 September, Volksbank Akademie, through Sabine Prohaska, received the European gold award for training, consultancy and coaching in Cologne for its “Train the Trainer” course. The distinction was awarded to the blended learning format that forms the basis of all Volksbank Akademie training courses. The panel was particularly impressed by social learning and collaborative work in virtual space. The course for trainers was completed by 10 participants throughout Austria in 2018; two among them were staff members of VOLKSBANK WIEN AG.

The certified training course for financial advisers was completed by 17 participants throughout Austria, 10 of them being employees of VOLKSBANK WIEN AG.

More than 270 training events are state-of-the-art; hence the academy is making an active contribution to the digital transformation of the Association of Volksbanks, and accordingly also at VOLKSBANK WIEN AG, with 23 in-house trainers and examiners.

Social matters

EMPLOYEES

Further training	Unit	2018	2018	2017	2017
		VBW Separate	VBW Group	VBW Separate	VBW Group
Completion of certified training courses	Number	26	26	*	*
Account manager course with 8 modules completed	Number	9	9	*	*
Employees having completed the internal "Train the Trainer" course	Number	2	2	*	*
Financial adviser training course completed	Number	10	10	*	*

In 2018 again, the comprehensive high-quality educational programme offered by Volksbank Akademie has provided excellently qualified internal sales experts and professionals. This was also reflected by the FMVÖ Recommender Award that was granted to the Volksbanks.

On 30 October 2018, Volksbank Akademie kicked off its Virtual Reality (VR) project within the account manager training. Through the use of 360° videos, the learning process is made more efficient, more innovative and also more entertaining for Volksbank employees. Specific consultancy settings are trained and simulated using VR in a way that is close to reality. The prospective account managers are accompanied by a special VR Coach, guiding them through the entire training course in terms of content and technology. The rollout of this training format will start in 2019.

For 2019, Volksbank Akademie has set itself the following goals:

1. Training of Volksbank employees comprehensively on the topic of digital skills, within the scope of implementing the "Office 365 Collaboration Tools".
2. Consolidating the position of Volksbank Akademie as first mover in the sphere of digital financial training within the Association of Volksbanks and in terms of press coverage.
3. Sustainable implementation of sales training using Virtual Reality in the account manager training course with internally trained Virtual Reality Coaches throughout Austria.

Appraisal interview

The appraisal interview is an essential leadership tool to develop a communication and leadership culture. In 2018, a new digital appraisal interview was introduced.

Based on this technological support of the former appraisal interview, VOLKSBANK WIEN AG provides employees and executives with a simple, standardised questionnaire, regardless of the location. This also ensures integration of the different corporate cultures in respect of target agreement and feedback processes, as well as quality assurance with respect to HR development measures.

Diversity

Employees with managerial responsibility*	Unit	2018 VBW Separate	2018 VBW Group	2017 VBW Separate	2017 VBW Group
Employees with managerial responsibility	Number	162	186	164	189
Male employees with managerial responsibility	Number	123	143	124	145
Female employees with managerial responsibility	Number	39	43	40	44

Share of women

The share of women at VOLKSBANK WIEN AG is 57 %, within the Group 56.9 %, that of women in positions with managerial responsibility is 24.1 %, within the Group 23.1 %.

Proportion men/women	Unit	2018 VBW Separate	2018 VBW Group	2017 VBW Separate	2017 VBW Group
Share of male employees in total employees	% number	43.0	43.1	43.1	43.5
Share of female employees in total employees	% number	57.0	56.9	56.9	56.5
Male employees	Number	579	667	593	688
Female employees	Number	767	879	782	892
Men in positions with managerial responsibility*	% number	75.9	76.9	75.6	76.7
Women in positions with managerial responsibility*	% number	24.1	23.1	24.4	23.3
Share of men with part-time employment in total employees	% number	4.3	4.0	3.3	3.0
Share of women with part-time employment in total employees	% number	27.1	26.6	26.3	25.8

Female high potentials

In 2018, VOLKSBANK WIEN AG initiated a new programme for the advancement of female high potentials. One central objective of this programme is to increase the share of female executives in the years to come.

Female employees that demonstrate above-average commitment, a constant striving for further education/training, and who are willing to get involved in projects within their own division or across divisions are eligible members of this target group. Additionally VOLKSBANK WIEN AG offers an internal mentoring programme that enables female participants to think outside the familiar box even within the company.

*from group manager, branch manager, department manager, division manager onwards (group manager only upwards of three persons); share of all employees with managerial responsibility

Social matters

EMPLOYEES

Talent training course

Together with Volksbank Akademie, the division has designed a talent training course that aims to offer its participants a profound education to strengthen their skills and personality. Decision-making and responsibility are reinforced and professionally trained. Ideal prerequisites are created to assume subsequent managerial functions, professional activities or comprehensive project tasks.

The High Potential programme for women at VOLKSBANK WIEN AG is going to include a separate component in this respect.

Diversity management

We think that diversity is an asset. Therefore, VOLKSBANK WIEN AG supports its executive personnel with a workshop on the topic of Diversity Management as of 2019.

Apart from extensive information about the topic of diversity, the agenda includes the introduction and the basis of equal treatment, the Austrian Equal Treatment Act [Gleichbehandlungsgesetz], the assessment of various cases of discrimination, as well as the consideration of internal policies.

Age

Due to the long-standing company affiliation of employees of VOLKSBANK WIEN AG, the share of Group employees over the age of 50 is around 27 %.

Age structure	Unit	2018		2018		2017	2017
		VBW Separate	VBW Group	VBW Separate	VBW Group		
Employees < 30 years	% number	14.3	13.7	15.0	14.8		
Employees 30-50 years	% number	60.0	59.6	63.4	62.6		
Employees > 50 years	% number	25.7	26.8	21.7	22.7		
Company affiliation	Unit	VBW Separate	VBW Group	VBW Separate	VBW Group		
Employees < 5 years	% number	26.9	25.7	25.8	24.7		
Employees 5-25 years	% number	54.6	55.1	57.1	57.5		
Employees > 25 years	% number	18.5	19.2	17.1	17.9		
Persons with disabilities	Unit	VBW Separate	VBW Group	VBW Separate	VBW Group		
Number of employees	Number	*	34	*	36.0		
Share of employees with disabilities in total employees	% number	*	2.2	*	2.3		

Company pension plan

A pension fund exists with BONUS Vorsorgekasse AG to provide for the employees of VOLKSBANK WIEN AG. All employees with at least five years of service in the company are entitled to benefits from this fund. The employer contributes at least 2.0 % (in accordance with the collective bargaining agreement and/or the relevant company deals) of the pension assessment basis per employee and year to the pension fund.

Persons participating in the company pension scheme	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
Share of employees (white-collar)	% number	*	78.7	*	79.2		

Internal communication

VOLKSBANK WIEN AG is striving to provide its employees with transparent communication in a timely manner. This is why, apart from the Intranet where all relevant information is collected and published, an e-mail ticker has been set up to provide employees with the latest news on current events. Moreover, an internal magazine – “Vorstandsinformation” (information by the Managing Board) – is published in regular intervals. In this magazine, each Managing Board member reports about any news from his/her preserve; divisions are presented and current events reported on.

The Managing Board members also take the time to report on current topics in the bank in small groups, and will answer any questions. The formats “Frühstück mit dem Generaldirektor” (breakfast with the CEO) or “Finanzdialog” (financial dialogue) are extremely popular.

The aim of the “VB Inside” employee magazine, published throughout the Association, is to further consolidate communication and identification within the Association of Volksbanks across regional borders.

Any major technological or organisational changes affecting the company’s employees are supported by active change management, in order to get all employees involved in the process and to smoothly manage the change.

BEST PRACTICE

Distinction as leading employer delivering apprenticeships

The Vienna Economic Chamber awarded a distinction to banks and insurance companies with outstanding achievements in delivering apprenticeships in April 2017. VOLKSBANK WIEN AG was among the award winners. In the coming year again, four new apprenticeships will be offered. In this way, we promote the education of young talent.

Distinction as family-friendly employer

Each year, the national seals of quality “berufundfamilie” and “hochschuleundfamilie” are awarded to companies and institutions that have successfully participated in the audit, and created need-based general conditions for a more family-friendly world of work and studies. The aim is to provide employees with the largest possible amount of flexibility. The spectrum of individual measures is wide, ranging from flexible working hours models via child care allowances through to teleworking options in certain instances. Even in the sphere of part-time models after expiry of the statutory entitlement to parental part-time work, VOLKSBANK WIEN AG is striving to accommodate the needs of employees with children to the greatest possible extent.

Another measure planned by VOLKSBANK WIEN AG in the coming year is information management for employees with child care duties. Challenges occurring in the professional and family spheres can never be separated completely. To a certain extent, private issues will always play a role at the workplace. As an employer, VOLKSBANK WIEN AG is not indifferent to these problems. Various services and offers are going to be provided that are meant to support and take the load off our employees in this respect, for them to fully concentrate on their jobs.

Social matters

EMPLOYEE REPRESENTATION



Sustainability is an essential factor of success for any competitive business and especially an important instrument to strengthen the confidence of employees in their own company. The works council members of VOLKSBANK WIEN AG are committed to sustainable principles:

Sustainability principles of the works council

The members of the works council of VOLKSBANK WIEN AG

- represent, protect and promote the labour law-related, economic, social, healthcare-related and cultural interests of the company's employees,
- live up to and represent the principle of equal treatment,
- act as partners for the sustainable development of the corporate culture,
- are committed to representing the interests of all employees,
- attend to conflicts with a view to a reconciliation of interests, and
- are committed to employee representation through elected works councils throughout the Group.

14 elected works council members (5 of them women) represent the interests of all employees of VOLKSBANK WIEN AG. The works council has delegated five of its members to the Supervisory Board of VOLKSBANK WIEN AG and to various supervisory board committees (3 men, 2 women).

Works council members, health	Unit	2018		2018		2017	
		VBW Separate	VBW Group	VBW Separate	VBW Group	VBW Separate	VBW Group
Works council members	Number	14		14		14	14
Works council members at the Supervisory Board and in various committees	Number	5	5	5	5	5	5
Sports sections	Number	8	8	9	9	9	9
Training courses "Aktiv" programme	Number	4	4	4	4	4	4
Participants "Aktiv" programme	Number	80	80	80	80	80	80

To protect employees' interests, company deals are worked out, negotiated and concluded by the works council. Measures in the sphere of employee healthcare and safety are organised by the works council for the major part (e.g. health check, influenza and TBE immunisation etc.) Once a week a company physician is present to be consulted by employees.

Employees dispose of a great variety of services at favourable terms. The "CorpLife-Mitarbeiterwelt" platform was installed to extend these services. New offers for employees in the spheres of culture, sports & leisure, living and many others are regularly made available on that platform.

The sports sections and the VB-Aktiv yoga and Pilates courses round off the range of available services.

Topics like #metoo (sexual harassment at the workplace), bullying or discrimination have become buzzwords in our everyday lives. Since autumn this year, a women's affairs officer/conflict mediator has been available within the works council. In case of need, employees may contact this person in all confidence.

One big project is the relocation to a new main building, the VB Forum. The works council is involved in the VB Forum working group, representing the requests, suggestions and rights of the employees.



*We are running for all those
who cannot run themselves!*

160

VOLKSBANK PARTICIPANTS AT THE
WINGS FOR LIFE WORLD RUN ON 6 MAY 2018



Social matters

SPONSORSHIPS

Assuming responsibility and making a contribution to common welfare is an integral part of the vision of VOLKSBANK WIEN AG. The company considers it as part of its mission to support social and arts facilities as well as sports associations in a spirit of partnership. The focus here is on long-term, integral concepts and mutual learning from each other.

Sponsorship is a marketing instrument allowing to support and achieve a great number of communication and business goals sustainably. Hardly any other form of communication is equally suited to charge a brand with strong, positive values, to create an emotional bond with customers, and to make products come alive. The basic criteria for any cooperation to be consistent and relevant for Volksbank are defined precisely. What is especially important here is for the sponsored sport, event or athlete to have a positive image and to stand for values that are clearly compatible with those of Volksbank, thus potentially contributing to the accomplishment of the company's declared communication and business goals.

One essential aspect of the sustainability policy of Volksbank is to support sports, cultural and social/charitable activities, thus making an important contribution to society at large. Sports and athletics play an extremely important role within society. Volksbank focuses on providing children and young people with opportunities to do sports. The targeted promotion of Austrian sports activities and the associated enhanced presence of such activities in the population may lead to increased sports enthusiasm and hence improved physical and mental fitness in the long run.

The following sponsorships are taken as examples for the commitment of VOLKSBANK WIEN AG:

Sponsorship examples

**Volksbanken Management Circle
donates in favour of social projects.**



The former special interest group of Austrian Volksbank managers dedicates the assets of its association to ten Austrian service organisations, whose members are also part of the Volksbanken Management Circle.

The objective of the former "Club der Geschäftsleiter" or managers' association, founded on 18 June 1985, and today's Volksbanken Management Circle was to represent the interests of Austrian managers. For decades, some 125 managers have regularly met for events, study trips, conferences and the annual general meeting.

During the restructuring of the Association of Volksbanks into eight strong regional banks, this association was renamed "Volksbanken Management Circle". In the course of this year's general meeting on 22 June 2018, the dissolution of the association and dedication of its assets in favour of Austrian service organisations that include members of the Management Circle were resolved upon. Thus, a substantial amount of euro 67,000.- can now be used in a meaningful way for various social projects throughout Austria.

The three most well-known service organisations are Rotary, Lions and Kiwanis. What they all have in common is their social commitment in favour of the more vulnerable members of society, and their fundraising activities. Some employees of the Association of Volksbanks spend part of their leisure time in those service organisations, but also in a great number of non-profit associations. Hence, co-operative values such as partnership, regional basis and solidarity are made part of each individual's reality in their private, local environment, in addition to their professional careers.



Wings for Life World Run

Under the motto "We are running for all those who cannot run themselves!", thousands of people have been running countless kilometres in their running shoes, in favour of spinal cord research, at more than 100 different event locations each year ever since 2014. What's special about this: instead of running a predefined distance, participants run against the so-called Catcher Car that starts 30 minutes after the runners, pursuing them at increasing speed. Anyone who is overtaken by the car will drop out of the race. And the best thing about it: by participating, all runners make an important contribution to funding the research of curative therapies for spinal cord injuries. For 100 % of all entry fees and donations go to scientific research projects via the Wings for Life foundation. In 2018, Volksbank was the first and only bank to sponsor the Wings for Life World Run in Austria. For ten thousand participants, the starter's gun was fired on 6 May 2018 at 1:00 p.m. For each kilometre covered by the team, Volksbank made a donation to the state-approved charitable foundation for spinal cord research "Wings for Life". The common goal: to find a cure for paraplegia. The donations are used by the foundation to sponsor promising research projects and clinical trials to cure spinal cord injuries all over the world. In 2019, Volksbank will be ready again to run for a good cause on 5 May. The ambitious goal is to win over 300 enthusiastic runners for the Volksbank team, thus increasing the amount of donations even further.



Goldi Talente Cup

Andreas Goldberger, one the most successful ski jumpers of our times, has made it his mission to look for ski jumping talents throughout the country; in 2018 for the 11th time already. The next round of this successful talent scouting campaign takes place in 2019. In a total of five competitions, girls and boys aged between six and ten years are getting a chance to take off from a ski jump for the first time and to find out if they like it. At the end, the best young would-be ski jumpers from all over Austria will compete against each other in the final competition. It is a great concern of Volksbank, as a long-standing partner of the ÖSV ski jumping stars, to sponsor the Goldi Talente Cup and the Goldi Camps for young talents, thus contributing to the encouragement and support of children and adolescents who are enthusiastic about the sport.

Social matters

SPONSORSHIPS



VOLKSBANK Galaxy Judo Tigers

The VOLKSBANK Galaxy Judo Tigers were founded in 2011 and are considered to be the best judo club in Austria. A distinguishing feature of the club is its very strong young talent, some of them quite successful even internationally. In 2018, the club was even more successful than in the – already very successful – previous years. The young talents of the Judo Tigers, in particular, have made themselves a name across regional borders. Events and successes are summarised in a detailed annual report. VOLKSBANK WIEN AG supports the club through sponsorship in order to advance and encourage young talent and integration in this sport.



Basketball-Talentewettbewerb Vienna D.C. Timberwolves

The D.C. Timberwolves association organises the “Basketball-Talentewettbewerb”, or basketball talent challenge, where the registered school or classes are offered a PE lesson in work stations mode. The Wolves have been cooperating with VOLKSBANK WIEN AG for five years, and with great success. In the past school year, more than 3,000 pupils were addressed; the 150 best of them finally met in the WOLVES DOME in Donaustadt (Vienna) on the occasion of the FINAL DAY. Here again, VOLKSBANK WIEN AG sponsors the club in order to support and encourage young talent and integration in this sport.



Beach Volleyball Major

Following the great success at the World Cup in the summer of 2017, Vienna was chosen to organise the World Series for the years 2018 to 2020 as well. For 20 years, Volksbank has been accompanying event organiser Hannes Jagerhofer during his career. Many years ago, when the successful entrepreneur and Volksbank customer started his beach volleyball events in Carinthia, Volksbank realised the potential of beach volleyball in Austria and trusted him to do the right thing. Through this sponsorship Volksbank intends to get as many fans as possible enthusiastic about this sport and also about physical exercise.



*Sustainable advertising material
made in Austria.*

IN

2012

THE SUSTAINABLE
PROMOTION MATERIAL WAS PROCURED.



Social matters

MARKETING

Sustainable and regional procurement in marketing

Most suppliers of advertising material of VOLKSBANK WIEN AG are Austrian businesses, many of them in the proximity of Vienna. Generally it may be said that transport routes are kept short, as most articles are purchased within Austria, and only partially in Germany. As the central organisation of the Association of Volksbanks, VOLKSBANK WIEN AG is also in charge of central purchasing for all regional Volksbanks. In this context, the company sets great store by sustainable products, regional suppliers and, if possible, environmental certificates. Due to the fact that most suppliers are Austrian companies, the risk of human rights violations is minimal.

Suppliers

The topics of sustainability and social responsibility are firmly embedded in the business policies of printing shops and many suppliers of advertising material in particular. Moreover, the purchasing function of the Association is striving to include other sustainable products in the range as well.

In selecting the printing shops, VOLKSBANK WIEN AG pays attention to their environmental certifications.

Promotion material

The flying banners of Volksbank are equally used in an environmentally compatible manner: once produced, they are subsequently presented during events time and again, and combined with high-quality inflatable promotion desks, tables and chairs, which have been in use since 2012.

Give-aways

The area of give-aways has been reorganised in several steps. In the meantime, only one small range of customer give-aways remains. This reorganisation was performed due to environmental considerations. In the target group of young people, we rely on vouchers and online processing. On International Savings Day, no gifts are given away, except for a small sustainable gift for children.

*We act sustainably and
assume responsibility.
For society, the environment
and the economy.*

2018

WAS THE YEAR VOLKSBANK WIEN AG
JOINED THE UNITED NATIONS GLOBAL COMPACT.



Memberships

SUSTAINABILITY ALSO MEANS TO JOINTLY SET PRIORITIES BOTH INTERNALLY AND EXTERNALLY. BY CONSCIOUSLY SELECTING ITS MEMBERSHIPS, VOLKSBANK WIEN AG IS DEMONSTRATING ITS DEDICATION AND COMMITMENT.

respACT
austrian business council
for sustainable development

respACT
austrian business council
for sustainable development

VOLKSBANK WIEN AG stands for acting on the basis of social responsibility within its immediate environment. respACT is a valuable partner to realise ecological and social objectives. respACT supports its member organisations in achieving ecological and social objectives economically and self-reliantly.

Internationale Volksbanken-Vereinigung
Confédération Internationale des Banques Populaires [CIBP]



Confédération Internationale des Banques Populaires [CIBP], the international confederation of co-operative banks, is a special interest group consisting of banks, financial institutions and banking associations whose business model is based on co-operative principles and values. The primary goal of CIBP members is to advance the development of its customers – for the major part small and medium-sized enterprises.

Oikocredit Austria
OILOCREDIT in Menschen investieren (investing in people)

OIKO CREDIT
in Menschen investieren

Oikocredit is an international co-operative society that refinances microfinance institutions, co-operatives, as well as small and medium-sized enterprises in so-called developing countries. The capital required for the granting of credits in Africa, Latin America and Asia is currently provided by some 56,000 private individuals and organisations supporting the charitable organisation with minimum investments of euro 200. Oikocredit will grant loans irrespective of religion, culture, age or sex.

UNGC
United Nations Global Compact

WE SUPPORT
UN GLOBAL COMPACT

The UN Global Compact is the world's largest initiative in the sphere of Corporate Social Responsibility and sustainable development. The aim of this truly global movement originating from the spheres of politics, the economy and civil society is for globalisation to become more socially minded and more ecological. The 10 universal principles and the support of the 17 Sustainable Development Goals of the United Nations are considered as key elements of the UN Global Compact.

The Managing Board

Vienna, 13 March 2019

Gerald Fleischmann m.p., CEO

Rainer Borns m.p., Member of the Managing Board

Thomas Uher m.p., Member of the Managing Board

Legal notice:

VOLKSBANK WIEN AG

A-1090 Vienna, Kolingasse 14-16

Telephone: +43 (1) 40137-0

e-mail: information@volksbankwien.at

Internet: www.volksbankwien.at

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Monika Bäumel, Christina Eder and members of the sustainability team (page 19).

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create sustainable value

Association of Volksbanks

Apart from the primary banks, VBVM (Volksbank Vertriebs- und Marketing eG) is also part of the Association of Volksbanks.

Volksbank primary banks

8 regional Volksbanks, 1 special bank (Österreichische Ärzte- und Apothekerbank AG).

In spite of careful research and data collection, no liability can be accepted for the accuracy and completeness of the information and data provided.

*Presentation of risks from the activity
of VOLKSBANK WIEN AG pursuant
to the Austrian Sustainability and
Diversity Improvement Act (NaDiVeG)*

Annex

Environmental issues

Sustainability topic	Risks for the business activity	Risks for people & the environment
Energy efficiency and reduction of emissions	<ul style="list-style-type: none"> Reputational risk 	<ul style="list-style-type: none"> Negative effects on the environment
Sustainable procurement and waste management	<ul style="list-style-type: none"> Reputational risk 	<ul style="list-style-type: none"> Negative effects on the environment

Employee-related and social matters

Sustainability topic	Risks for the business activity	Risks for people & the environment
Health and safety of the employees: (new) statutory provisions, absenteeism (industrial accidents, sick leaves, etc.)	<ul style="list-style-type: none"> Sick leaves (due to stress and burn-out) Robberies 	<ul style="list-style-type: none"> Negative effects on human rights Negative effects on employees' health
Diversity management and equal opportunities: attractive employer, employee satisfaction, diversity, driver of innovation, women's advancement	<ul style="list-style-type: none"> Reputational risk 	<ul style="list-style-type: none"> Risk of discrimination
Work-life balance: attractive employer, employee satisfaction, employee turnover, absenteeism (industrial accidents, sick leaves, etc.)	<ul style="list-style-type: none"> Risk of employees being absent Disadvantages in recruiting highly qualified employees 	<ul style="list-style-type: none"> Negative effects on human rights Negative effects on employees' health
Training and development: attractive employer, employee satisfaction, development of special skills within the company, knowledge management	<ul style="list-style-type: none"> Lack of qualified employees Knowledge drain Lack of innovation and optimisation 	<ul style="list-style-type: none"> Risk of traffic accidents for employees Stress through frequent business trips (also safety) No individual development
Mobility of employees (way to work, business trips)	<ul style="list-style-type: none"> Risk of traffic accidents and hence risk of employees being absent 	<ul style="list-style-type: none"> Stress due to long travel times Risk of traffic accidents for employees
Sponsorships	<ul style="list-style-type: none"> Reputational risk 	
Social commitment	<ul style="list-style-type: none"> Reputational risk 	
Sustainable procurement – supply chain (give-aways etc.)	<ul style="list-style-type: none"> Suppliers not compliant 	<ul style="list-style-type: none"> Negative effects on human rights Negative environmental effects

Employee-related and social matters

Sustainability topic	Risks for the business activity	Risks for people & the environment
Handling of data and new technologies	<ul style="list-style-type: none"> • Reputational risk • Data security 	<ul style="list-style-type: none"> • Violation of personal rights
Innovation/Digitisation	<ul style="list-style-type: none"> • Missing trends in the market • Loss of customers • Lack of innovation and optimisation 	

Fight against corruption and bribery

Sustainability topic	Risks for the business activity	Risks for people & the environment
Instances of corruption (whistle-blowing)	<ul style="list-style-type: none"> • Criminal consequences • Reputational risk 	
Financial penalties	<ul style="list-style-type: none"> • Reputational risk 	
Avoiding critical investments	<ul style="list-style-type: none"> • Reputational risk 	<ul style="list-style-type: none"> • Negative effects on human rights
Financing of critical investments (e.g. power plants) – list: undesired industries	<ul style="list-style-type: none"> • Financial risk – lending 	<ul style="list-style-type: none"> • Negative effects on the environment

Specific business model: products and services

Sustainability topic	Risks for the business activity	Risks for people & the environment
Credit risk	<ul style="list-style-type: none"> • Risk of customer defaults 	<ul style="list-style-type: none"> • Overindebtedness
Market risk	<ul style="list-style-type: none"> • Losses for the bank 	<ul style="list-style-type: none"> • Loss of capital for customers
Operational risk	<ul style="list-style-type: none"> • Losses for the bank 	<ul style="list-style-type: none"> • Loss of capital for customers
Liquidity risk	<ul style="list-style-type: none"> • Withdrawal of customer deposits 	<ul style="list-style-type: none"> • Loss of capital for customers



This report is a translation of the original report in German, which is solely valid. --

To the Board of Directors of Volksbank Wien AG

Independent Assurance Report on the Non Financial Reporting

We have performed an independent assurance on the information and key figures of sustainability performance for the financial year 2018 as contained in the "Sustainability Report 2018" ("NFI-report") of

**Volksbank Wien AG
Vienna**

("the Company").

Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI-Report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) as reporting criteria and publishes the NFI-report as "Sustainability Report 2018".

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for non-financial reporting (especially the selection of material topics) as well as the use of assumptions and estimates for individual non-financial disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems, processes and internal controls relevant for the preparation of the sustainability reporting in a way that is free of – intended or unintended – material misstatements.

Auditors' Responsibility and Scope of the Engagement

Our responsibility is to state whether, based on our procedures performed, anything has come to our attention that causes us to believe that the NFI-Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b und 267a UGB) in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000 Revised) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance, thus providing reduced assurance. In spite of conscientious planning and execution of the engagement it cannot be ruled out that material mistakes, unlawful acts or irregularities within the non-financial reporting will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:



- Inquiries of personnel on corporate level, which are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of the Company;
- Conduct of a media analysis on relevant information concerning the sustainability performance of the Company in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the disclosures on environmental, social- and employees matters, respect for human rights and anti-corruption and bribery, including the consolidation of the data;
- Inquiries of personnel on corporate level responsible for providing and consolidating and for carrying out internal control procedures concerning the disclosures on concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Inquiry of employees as part of site visits at Volksbank Wien AG (1090 Vienna, Kolingasse) to assess local data collection and reporting processes and the reliability of the reported data;
- Analytical evaluation of the data and trend explanations of quantitative disclosures that were submitted by all sites for consolidation at corporate level;
- Evaluation of the consistency of the for the Company applicable requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) with disclosures and indicators of the NFI-report;
- Evaluation of the overall presentation of the disclosures by critical reading of the NFI-report.;

The procedures that we performed do not constitute an audit or a review in accordance with Austrian professional guidelines, International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE). Our engagement did not focus on revealing and clarifying of illegal acts such as fraud, nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to review future-related disclosures, figures from previous periods and statements from external information sources and expert opinions. The chapter “DIGRESSION” was not part of our mandate either. Disclosures which were audited within the scope of the Annual Financial Statement were assessed for correct presentation (no substantial testing).

This assurance report is issued based on the assurance agreement concluded with the Company. Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions. The respective latest version of the AAB is accessible at <http://www.kpmg.at/aab>.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFI-Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b und 267a UGB) in all material respects.

Vienna, 13 March 2019

KPMG Alpen-Treuhand GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Peter Ertl
Austrian Chartered Accountant

