

Sustainable Bond Framework of BKS Bank

BKS Bank

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BKS Bank is committed to sustainable corporate governance

Integrity and transparency form the foundation of our corporate culture. BKS Bank aligns itself with clear values, adheres to binding codes of conduct and pursues responsible corporate governance geared towards long-term stability. On this basis, consistent structures and processes are established to integrate sustainability systematically into business operations. This ensures that strategic objectives are implemented effectively while also supporting financial performance.

BKS Bank's sustainability strategy

BKS Bank's sustainability strategy is rooted in the institution's long-term positioning as a responsible universal bank and is designed to create sustainable value for the region. Within the overall strategy architecture, it complements the corporate strategy and the risk strategy. The corporate strategy defines long-term objectives and the economic framework, while the risk strategy ensures the management of opportunities and risks in line with risk-bearing capacity and regulatory requirements. The sustainability strategy complements these two strategies by systematically integrating environmental, social and governance aspects into all relevant areas. This linkage provides the basis for responsible, future-proof and stable corporate development.

In developing the sustainability strategy, various influencing factors were taken into account: based on a re-evaluation of the priority global Sustainable Development Goals (SDGs)¹ and the formulation of a sustainability vision and mission, principles for responsible conduct in corporate governance, environmental matters and social impacts were defined. This overarching sustainability policy was reconciled with the results of the materiality assessment carried out in 2024 in accordance with the requirements of the CSRD² and the ESRS³.

¹ <https://unric.org/en/united-nations-sustainable-development-goals/>

² Corporate Sustainability Reporting Directive (directive (EU) 2022/2646)

³ European Sustainability Reporting Standards

Accordingly, over the coming years BKS Bank will prioritise the following SDGs:

Objective	Description
	<p>Poverty is an issue that is often hidden and disproportionately affects women, older people and large families. Through our pension, savings and investment products, as well as financial education and sponsorships, we aim to alleviate poverty.</p>
	<p>High-quality education is relevant to us in many respects: the professional competence of our employees is an important source of competitive advantage. Equally, education is a key element of financial security for everyone. By supporting educational institutions and through our training and development programme, we make a significant contribution to high-quality education.</p>
	<p>Through responsible lending policies and sustainable investment strategies, we make an active contribution to inclusive and sustainable economic growth. We support our customers in aligning their business activities in a future-oriented and resilient manner. Via our financial products and investments, we mobilise capital that flows specifically into economic development and innovation. As an employer, BKS Bank offers secure, high-quality jobs with fair working conditions. Through targeted people development, ensuring equal opportunities and appropriate remuneration, we promote decent work. In addition, our wage, tax and social security contributions strengthen economic stability and social development in our regions.</p>
	<p>Our institution supports companies as a reliable partner in their sustainable transformation. Through responsible lending, we enable investment in innovative, resource-efficient technologies and future-proof infrastructure, thereby contributing to sustainable regional value creation.</p>
	<p>Access to affordable housing and the climate-friendly development of cities and municipalities are important societal tasks. With suitable financing solutions, our institution can help realise projects in energy-efficient construction, sustainable urban development and social infrastructure. In this way, we support initiatives that improve quality of life and promote resilient, future-proof structures in both urban and rural areas.</p>
	<p>Through green financing and sustainable investment products, we support our customers in implementing investments in environmentally friendly production processes, renewable energy and climate-friendly mobility solutions. In doing so, we jointly promote the transition to a low-carbon and resilient economy.</p>

Stakeholder engagement primarily took place as part of the materiality assessment. Key stakeholder groups considered included employees, customers and representatives of wider society. Nature, as a silent stakeholder, was taken into account through literature review and by involving the Green Finance Alliance. More generally, as part of our engagement activities, we interact with all material stakeholder groups:

Stakeholder groups	Representatives	Engagement
Owners	Investees, shareholders	<ul style="list-style-type: none"> • Information <ul style="list-style-type: none"> - provided at the annual general meeting - in the form of reports and - ad-hoc reports
Employees		<ul style="list-style-type: none"> • Empowerment through training • Involvement in projects • Regular employee surveys
Customers	Retail customers, corporate customers, public sector	<ul style="list-style-type: none"> • Information <ul style="list-style-type: none"> - through newsletters and - events • Regular customer satisfaction surveys
Business partners	Cooperation partners, consultants, certification bodies, suppliers, subsidiaries	<ul style="list-style-type: none"> • Regular engagement within cooperation projects
Other stakeholders	Supervisory Board, Green Finance Alliance, supervisory authorities, legislators, sector specific interests group representatives, NGOs, media	<ul style="list-style-type: none"> • Information <ul style="list-style-type: none"> - Response to inquiries by the Communications Department as part of external corporate communications - Publications on the website

Accordingly, BKS Bank's strategic areas of action are as follows:

Governance

Responsible governance starts with a strong, values-led culture that promotes integrity and transparency. Clear rules and consistent action help prevent corruption and bribery.

Key topics:

- Corporate culture
- Anti-corruption and anti-bribery

Environment

Through our environmental initiatives, we contribute to the following SDGs



With our sustainability strategy, we aim to combine sustainable growth with environmental responsibility and social progress. We back innovation and infrastructure, support sustainable cities and communities, and drive effective climate action.

Key topics:

- Climate action
- Climate change adaptation
- Energy
- Biodiversity

Social

Through our social initiatives, we contribute to the following SDGs



We want to strengthen social participation and create fair development opportunities. We are committed to overcoming poverty and access to quality education, promoting decent work and inclusive economic growth, and helping to shape sustainable cities and communities. In doing so, we support a society where social justice, economic opportunity and liveable environments go hand in hand.

Key topics:

- Working conditions
- Equal treatment and opportunities for all
- Social inclusion of consumers and/or end-users
- Equal opportunities across society

Sustainable Bond Framework of BKS Bank AG

As part of our sustainability strategy, this Sustainable Bond Framework aims to ensure that our clients have access to financing that helps them make the necessary transition to a sustainable future. This framework therefore sets out how proceeds from sustainable financial products are used. In line with our guiding principle, “Responsibly toward a liveable future,” this framework covers not only environmentally sustainable aspects but also aims to enable financing that has a positive impact on society and/or alleviates social challenges.

Instruments issued under this framework may be of any seniority but will in all cases rank pari passu with any other conventional (non-sustainable) instrument of similar status and subordination.

The Sustainable Bond Framework is aligned with internationally recognised sustainability standards for the issuance of sustainable finance instruments, such as the ICMA Green Bond Principles (GBP)¹ and the ICMA Social Bond Principles (SBP)², which are voluntary guidelines recommending transparency and disclosure and promoting the integrity of the sustainable finance market. The Framework itself comprises the following components:

- Use of proceeds
- Project evaluation and selection process
- Management of proceeds
- Reporting
- External review

In developing this framework, we have ensured that it takes into account both the United Nations Sustainable Development Goals (SDGs) and current developments at the European level regarding the EU taxonomy.

Developments in the above-mentioned guidelines and market practices are continuously monitored. Significant changes will be evaluated and may lead to an adjustment of this framework, if necessary.

Use of proceeds

Defining suitable (project) categories for the use of net proceeds from sustainable finance instruments is a core element of the Sustainable Bond Framework. (Re)financing of loan exposures related to the following categories is eligible for inclusion in BKS Bank AG's Sustainable Finance Pool.

The Pool comprises financing of corporate projects that have a positive impact on the environment and/or society, and/or alleviate social challenges, or support the transition

¹ Green Bond Principles Juni 2025, [Green-Bond-Principles-GBP-June-2025.pdf](#)

² Social Bond Principles Juni 2025, [Social-Bond-Principles-SBP-June-2025.pdf](#)

to a clean, energy-efficient and environmentally sustainable economy, and that comply with the requirements of this Framework.

BKS Bank aims to achieve full allocation within 24 months of each sustainable finance issuance.

Exclusion criteria for the Sustainable Finance Pool

As part of responsible governance, we primarily regulate our business relationships. Restrictions arise from legislation (prevention of corruption and money laundering, counter-terrorism, data protection, etc.), from ethical considerations and from our corporate values. Business relationships to be rejected are listed in the **Anti-Money Laundering policy**.

Exclusion criteria in the environmental area are defined in the current **“Climate and Engagement Strategy”**.

Companies with severe and/or systematic breaches of one or more of the ten UN Global Compact principles are excluded. These ten core principles are grouped into the following four areas:

- Violations of human rights
- Violations of labour rights (five ILO core labour standards)
- Violations of environmental law and severe environmental destruction
- Corruption and bribery

Furthermore, companies operating in or projects within the following business sectors are excluded from investment or financing under the Sustainable Bond Framework:

- Nuclear energy:
 - Production and processing of nuclear fuels
 - Power generation from nuclear fuels/operation of nuclear power plants
 - Production and supply of key components required for nuclear power generation
- Fossil fuels (peat, coal, oil, natural gas)
 - Exploration, extraction, processing, and distribution of fossil fuels
 - Power generation from fossil fuels
 - Production of key components used in fossil-fuel extraction
- Weapons and armaments
 - Manufacturers of controversial weapons and/or their essential components
 - Manufacturers of conventional weapons and/or their essential components
 - Production of military-specific equipment other than weapons (non-weapons)
- Genetic engineering
 - Production and cultivation of genetically modified organisms or products
 - Research involving human embryonic stem cells
- Tobacco:
 - Production and trade of tobacco products

Furthermore, projects directly related to the following are excluded:






- Construction and expansion of fossil fuel infrastructure
- Operation of fossil-fuel-powered technologies
- Efficiency improvements in the fossil energy sector
- Carbon capture and storage (CCS)
- Unsustainable logging
- Large hydropower dams

Loans eligible for the Sustainable Finance Pool

Only loans that—based on the reporting date of 31 December of the completed financial year—were predominantly originated within the past 24 months are included in the Sustainable Finance Pool.

In addition, the loan categories listed in the following tables form part of the Sustainable Finance Pool. The cited criteria refer primarily to financing for the construction, renewal and maintenance of the eligible projects.

Green credit categories







Green credit categories	Green Subcategories	Eligibility criteria	SDG
Energy-efficient buildings	New construction: Residential buildings Office buildings	Construction and acquisition of buildings with: <ul style="list-style-type: none"> • ÖGNI/DGNB certification at least Gold Standard or • BREEAM certification at least excellent or • LEED certification at least Gold or the primary energy demand is 10% below the national plan ¹	  
	Renovation	The renovation will lead to a reduction in primary energy demand of at least 30% or in line with the national plan ²	
Renewable energy	Electricity generation from renewable energies	Construction, acquisition, and modernisation of electricity generation facilities using: <ul style="list-style-type: none"> • Photovoltaic Technology • Solar Energy Concentration (CSP) • Wind turbines • Hydroelectric power plants • Biomass³ • Financing to renewable energy communities within the meaning of the Renewable Energy Expansion Act • Energie- & Zukunft-Kredit from BKS Bank 	 
	Infrastructure related to renewable energy	Infrastructure → Extension of electricity networks (including medium-voltage lines, substations, switching points and transformers, low-voltage lines, power boosters, smart meters)	
	Heat/cooling generation from bioenergy	Biomass ⁴ , solar thermal energy, geothermal energy, renewable fuels, bioenergy, waste heat	

¹ Based on the technical screening criteria of the EU Taxonomy, Delegated Regulation (EU) 2021/2139 Annex I, sections 7.1 and 7.7




² Based on the technical screening criteria of the EU Taxonomy, Delegated Regulation (EU) 2021/2139, Annex I, Section 7.2

³ Based on the technical screening criteria of the EU Taxonomy, Delegated Regulation (EU) 2021/2139, Annex I, Section 4.8






⁴ Based on the technical assessment criteria of the EU Taxonomy, Delegated Regulation (EU) 2021/2139 Annex I, sections 4.21 – 4.25

Green credit categories	Green Subcategories	Eligibility criteria	SDG
	Infrastructure related to heating/cooling from bioenergy	Construction, modernisation and operation of pipelines and associated infrastructures for heat and cooling distribution ¹	
	Electrical energy storage	Battery storage, heat storage, hydrogen storage	
Clean mobility	Motor vehicles, rail vehicles and charging infrastructure	<ul style="list-style-type: none"> Cars, buses, and commercial vehicles with electric and hydrogen drives Electrically powered rail vehicles Expansion and development of e-charging and hydrogen charging infrastructure 	
Infrastructure	Local public transport infrastructure	<ul style="list-style-type: none"> Construction and maintenance of infrastructure for local public transport (except road construction) Cycle and footpaths 	
	Communication networks	<ul style="list-style-type: none"> Fiber-optic network expansion Modern communication networks in the context of digitization 	
	Energy-efficient street lighting	<ul style="list-style-type: none"> LED or PV-powered lighting systems 	
	Water management	<ul style="list-style-type: none"> Construction and maintenance of sewer systems, wastewater and sewage treatment plants, water treatment plants, drinking water supply, water cycle closure (e.g., sustainable rainwater management) 	
Circular economy		<ul style="list-style-type: none"> Waste collection systems Recycling and reuse systems Investments that explicitly serve to improve the recyclability or reusability of the product 	  




¹ Based on the technical screening criteria of the EU Taxonomy, Delegated Regulation (EU) 2021/2139, Annex I, Section 4.15

Green credit categories	Green Subcategories	Eligibility criteria	SDG
Adaptation to climate change		<ul style="list-style-type: none"> Establishment of protective measures against flooding, heavy rainfall, mudslides, etc. Measures that contribute to heat reduction, such as greening 	 
Nature conservation		<ul style="list-style-type: none"> Renaturation Water protection Creation and conservation of protected areas 	

Social Credit Categories

Social Credit Categories	Eligibility criteria	Target group/group of people who benefit from it or who benefit from it	SDG
Affordable housing	Subsidized rental and cooperative housing	<ul style="list-style-type: none"> People with low incomes¹ 	  
Access to education	Construction and/or renovation of early childhood education institutions, primary and secondary schools, technical schools, vocational training centres, Universities, Universities of Applied Sciences	<ul style="list-style-type: none"> (Small) children and young people, students, especially low-income students Adults who benefit from vocational training 	 
	Training/ Continuing Education	<ul style="list-style-type: none"> Students, especially low-income students Adults who are continuing their education or reorienting themselves professionally 	

¹ Low income is defined by the net annual income thresholds that qualify households for subsidised rental or cooperative housing in the respective (federal) state.

Social Credit Categories	Eligibility criteria	Target group/group of people who benefit from it or who benefit from it	SDG
	Bildungs- & Zukunft Loan from BKS Bank	<ul style="list-style-type: none"> • People who are undergoing training 	
Healthcare	<p>Care facilities for the elderly, hospitals, medical centres, facilities for the disabled</p> <p>Assisted and supervised living</p>	<ul style="list-style-type: none"> • Medical care security • People with care needs 	 
Accessibility	<p>Installation of lifts and stairlifts as well as ramps as well as visual and acoustic guidance systems</p> <p>Installation or purchase of technical aids for blind and visually impaired people</p> <p>Building conversions to increase accessibility</p>	<ul style="list-style-type: none"> • People with disabilities and care needs 	

In addition, any loan granted to charitable, not-for-profit institutions—i.e., entities whose business model contributes to addressing societal challenges (basic services, education, poverty reduction, equal opportunities, etc.)—is included in the Sustainable Finance Pool.

Process for project evaluation and selection

BKS Bank AG has an extensive credit approval process in place. Every financing application passes through this process. Loans that fall under the green and/or social categories and meet the respective criteria are flagged and validated. Validation is carried out by the front-office and back-office departments and, where appropriate, by the ESG team. Only after successful completion of this process can a project be considered for sustainable finance products in line with the Austrian Ecolabel or similar standards.

Within this process, the responsible relationship manager classifies the financing as “Ecology” and/or “Social” or as non-sustainable, based on the stated criteria. This ensures a systematic selection of financings. Internal monitoring of volumes and allocations is prepared on a monthly basis.

Sustainable finance

- o/w Sustainable Finance Pool
- o/w Sustainable Finance Pool / Social
- o/w Sustainable Finance Pool / Ecology
- o/w Sustainable Finance Pool / Ecology & Social

The review processes to ensure correct labelling are carried out in accordance with the relevant internal policies. The risk policy principles for managing sustainability risks—and climate-related risks in particular—apply across different management levels and risk categories at BKS Bank. Social and environmental risks are considered both as part of credit origination and monitored within the bank-wide risk management framework.

Management of proceeds

The net proceeds of the financial instruments issued under the Framework are used to finance or refinance the loan receivables in the Sustainable Finance Pool. To avoid double use, the core banking system records only one use-of-proceeds purpose per loan receivable and flags the receivable as part of the Sustainable Finance Pool.

BKS Bank strives to size the Sustainable Finance Pool above the volume of outstanding financial instruments, i.e. to maintain a safety buffer. Pending full allocation, unallocated proceeds may, at the Bank’s discretion, be temporarily invested in cash and cash equivalents, such as green, social or sustainability bonds, in line with BKS Bank’s investment criteria.

To prevent shortfalls, scheduled loan repayments are anticipated in advance. Monitoring is performed using the monthly sustainability statistics produced by Sales Controlling. In the event of a shortfall, it will be remedied promptly upon identification.

Loan receivables in the Sustainable Finance Pool may also be used as collateral in the cover pools of BKS Bank AG.

Reporting

Annually, and in any case until full allocation of the issuance proceeds of all financial instruments outstanding under the Sustainable Bond Framework, BKS Bank will prepare a report on the development of the net proceeds and make it available to investors/clients. This report will cover, on the one hand, the allocation of the net proceeds and, on the other, impact reporting on the positive social and environmental benefits generated by the financings.

Use of net proceeds

The following items will be presented with respect to allocation:

- The total amount of outstanding sustainable financial instruments in the respective asset classes (bonds, deposits, etc.) and the share of proceeds used for financing or refinancing purposes.
- The share of net proceeds allocated within each available social/green category, as well as the balance of net proceeds not yet allocated to green/social assets.

Impact Reporting

Impact reporting includes information on the environmental and social impact of the financings in the Sustainable Finance Pool. The impact report is published annually on the website www.bks.at. For example, the following information may be provided:

Green finance:

Real Estate

- Average primary energy demand (in kWh/m²) or reduction of primary energy demand after modernization.

Renewable energy generation

- Annual production of renewable energy

Motor vehicle and commercial vehicle financing

- Number of green vehicles

Social financing

- Number of apartments built
- Number of educational institutions built and number of childcare places or training places
- Number of healthcare facilities built, including the number of beds
- Number of accessibility projects funded

We provide information about BKS Bank's sustainable financial products on the website www.bks.at. For each product, the features of the sustainable financial products are described, including a description of the use of funds.

External review**Second Party Opinion**

Information on BKS Bank's sustainable financial products is available on our website (www.bks.at). For each product, the key features are presented, including a description of the use of proceeds.

Forward-looking Statements

To the extent this Framework contains forward-looking statements, such statements do not constitute facts and are identified by terms such as “expect,” “believe,” “estimate,” “intend,” “aim,” “assume,” or similar expressions. Such statements reflect the intentions, opinions, or current expectations and assumptions of BKS Bank AG. These forward-looking statements are based on current plans, estimates, and projections prepared by BKS Bank AG to the best of its knowledge, but they make no claim to future accuracy. Forward-looking statements are subject to risks and uncertainties that are difficult to predict and are generally beyond the control of BKS Bank AG. It should be noted that actual events or outcomes may differ materially from those contained or expressed in such forward-looking statements. BKS Bank AG assumes no obligation to update or revise the information contained herein, including any forward-looking statements or the conclusions contained herein, to reflect new events or circumstances or to correct inaccuracies that become apparent after the date of this communication.

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