

CREATING A BETTER EVERYDAY LIFE.

Sustainability Report of
Kommunalkredit Group 2019

KOMMUNAL
KREDIT

Creating a better everyday life

We bring people together – in schools and universities, in care homes and hospitals, in railway stations and on roads. We help to ensure that renewable energies are available to use in as many areas as possible. We create value.



We participate in the **education** of around **1,100 students**.



We connect over **14.6 million people** with one another.



We support **infrastructure development**, financing over **480 km of roads**.



We are developing the refuelling **infrastructure for electromobility** with around **10,400 charging stations**.



We enable **transport solutions** for **27 million passengers** per year.



We have created **support institutions** for around **1,500 patients**.



We create **accommodation** for more than **8,300 elderly and disabled people**.



We enable around **2.7 million households** to use **renewable energy** each year.



We contribute to **eliminating** **2.4 million tonnes of waste**.



We supply **drinking water** to **7 million people**.

KOMMUNALKREDIT'S SUSTAINABILITY POLICY

Our vision

We will become the most agile and nimble infrastructure bank in Europe, helping to create a better world. We combine sustainable and responsible investments with attractive returns.

As a specialist bank for infrastructure and energy financing, Kommunalkredit provides tangible benefits to the community. We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives. Investments in infrastructure serve as a powerful tool for addressing social needs and fundamentally increasing the general well-being of communities. Efficient infrastructure bolsters economic momentum, promotes urban development, creates jobs, is an indispensable part of the fight against climate change and promotes social cohesion. It meets the needs of today's generation and creates opportunities for the generations to follow.

The principles that guide us in our day-to-day business, which are firmly embedded in the sustainability policy pursued by the Kommunalkredit Group, are rooted in our core values, appreciation, problem-solving and performance, and support us in this quest.

- We actively address the key global and local infrastructure trends. We have a comprehensive view of the private sector's responsibility when it comes to doing its bit for prosperity and core ethical values within society. Sustainable business – i.e. operating responsibly in economic, social and ecological terms –, core ethical values and our commitment to the EMAS (Eco-Management and Audit Scheme) form the basis for our activities.
- We aim to be successful in the long run by delivering sustainable benefits to the community with our projects in the fields of Social Infrastructure, Energy & Environment, Transport, Communication & Digitalisation and Natural Resources.
- We seek to establish long-term partnerships with our customers. As an innovative and dynamic infrastructure bank, we aim to be the partner of choice for our customers. Excellent

problem-solving skills, quick decision-making processes and first-class service for our customers, coupled with clear, transparent communication with our stakeholders, are what set us apart from our peers. Securing the trust of customers, business partners, our employees, investors, owners, regulatory authorities and supervisory authorities is a top priority for us. We see dialogue with stakeholders as a chance to exchange knowledge and evolve, and as an opportunity to pass on our experience.

- Committed and highly qualified employees are a key factor in our success. Our success as a team is largely due to the extent to which our employees identify with Kommunalkredit. As our sustainability management system has been an integral part of our corporate culture for many years now, the concept of sustainable management is deeply ingrained and one of our top priorities.
- Our social commitment is something we put into practice not only in-house in our dealings with each other, but also in the way we live up to our social responsibility.
- We make every commercially feasible effort to help reduce the direct and indirect environmental impact of our activities on an ongoing basis. Compliance with all environmental legislation and the fulfilment of all official requirements form the basis for these endeavours. Risk analyses, appropriate technical, organisational and personnel measures, as well as the emergency measures already in place, serve to minimise the impact of any deviations from compliant operations.
- In our efforts to enhance our sustainability management system, we focus on incorporating sustainability aspects into our core business areas and on transparent dialogue with our stakeholders.
- We provide the general public with information on our sustainability and environmental performance on a regular basis.

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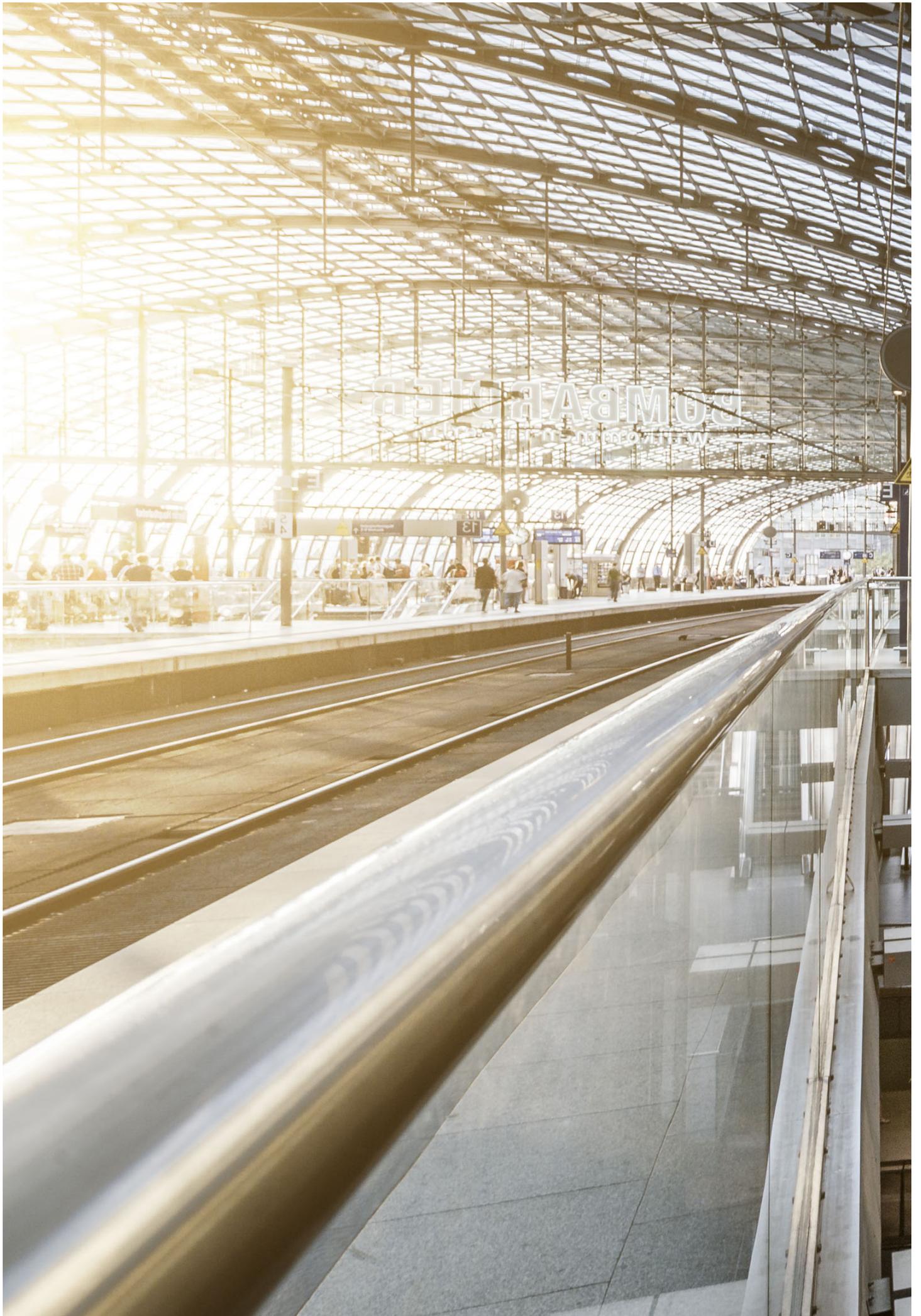
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This report was prepared in line with the GRI Standards issued by the Global Reporting Initiative in accordance with the CORE option.
The sustainability report is also an EMAS environmental statement.



ABOUT THIS REPORT

The sustainability report of the Kommunalkredit Group covers Kommunalkredit Austria AG and the fully consolidated subsidiaries based in Vienna. The branch in Frankfurt am Main, Germany, which was established in 2017, is not part of the environmental management system.

With the establishment of its environmental management system back in 1996/97, Kommunalkredit was a pioneer and the first European financial services provider to be awarded EMAS certification in 1997. The continuous development of the environmental management system has involved expanding the ecological focus to include social and economic aspects, as well as putting a sustainability management system in place. The establishment of the sustainability management system as a firm part of the organisation is based on the existing framework for the EMAS environmental management system, which has been in place since 1997 and adapted accordingly to reflect new challenges.

Kommunalkredit has been publishing an annual environmental statement since 1997 and, in line with the shift from environmental to sustainability management, an annual sustainability report since 2004, which also includes the EMAS environmental statement. Integrated annual and sustainability reports were published in the period from 2005 to 2007. The reports have been made available on the bank's website since 2008. This report covers the 2019 financial year. The last report was the 2017/2018 sustainability report.

This report was prepared in line with the GRI Standards issued by the Global Reporting Initiative in accordance with the CORE option; it is also an EMAS environmental statement. The topics covered by the report are addressed based on their materiality. The report has been subjected to an independent limited assurance review conducted by E&Y with regard to sustainability reporting in accordance with the GRI Standards and the EMAS Regulation.

Feedback

**We welcome all suggestions and questions relating to the report.
Please send your feedback to our sustainability officer
Alexandra Amerstorfer at a.amerstorfer@kommunalkredit.at.**



FOREWORD BY THE EXECUTIVE BOARD

Dear stakeholders,

Our strong performance in the 2019 financial year serves as confirmation that we are on the right track in our quest to position Kommunalkredit as the partner of choice for infrastructure and energy financing, as well as public finance, in Austria and Europe. We will continue to pursue this strategy at full tilt. The results, made possible by the commitment shown by each and every employee, confirm that we are pursuing the right approach. I would like to take this opportunity to explicitly thank our employees, backers and stakeholders for our joint success.

Investments in infrastructure and measures to combat climate change are essential for our society. They form the very core of our business model. Investing in sustainable infrastructure and energy security allows us not only to establish long-term customer relationships, but also to generate attractive returns in the process, thereby strengthening our market position. We conduct business in a manner that is geared towards collaborative endeavours with established partners (originate and collaborate). We are therefore particularly focused on our ability to place our transactions with our business partners on the international financing market. As institutional investors are increasingly looking for alternative investments, infrastructure investments are proving more and more popular and make for an attractive asset class. We launched our first debt fund, Fidelio KA, back in 2018 in response to the interests of our business partners and stakeholders. We have already surpassed our target volume of EUR 250m this year.

This has allowed us to prove – as we will continue to do – that profitability and the environmental deployment of capital are not mutually exclusive but rather two sides of the exact same coin for us. We aim to continuously strengthen our capital base, allowing us to mobilise more capital for sustainable use in infrastructure that

meets ESG criteria. Our efforts are also being noticed on the market. We are delighted, for example, to have been recognised by the international platform “Capital Finance International” as the “Best ESG Infrastructure Finance Europe 2019” and by “Business Vision” as the “Most Sustainable Infrastructure Project Partner 2019 (Central Europe)”. We take this responsibility very seriously and are currently working out the details of the in-house catalogue of criteria to give even greater consideration to ESG- and SDG-related aspects when evaluating projects in the future.

The economic and financial system will play a key role in tackling the global challenges facing us. We have to ask ourselves which investments we will need to make in order to turn things around and progress towards a sustainable future. One forum that is helping to answer these questions is the MUNICIPAL SUMMER TALKS that we have been holding jointly with the Association of Austrian Municipalities for 15 years now. The event brings national and international experts from business, academic, political and media circles together with the participants to contribute food for thought and develop potential solutions to the pressing questions facing our societies. This pool of ideas gives rise to new possibilities for collaboration and interesting projects.

In other words: we combine purpose and profitability. We support long-term investments in projects that will foster prosperity for generations and promote social peace, quality of life and security in the future.

This approach is all the more justified given the outbreak of the novel coronavirus in late 2019/early 2020 in China and the ensuing spread of the virus in Europe and throughout the rest of the world. The challenges resulting from the drastic but necessary restrictions imposed on public life in response to this global health crisis show just how essential well-functioning infrastructure is for social and

economic well-being. In particular, this includes ensuring that the relevant social infrastructure (such as hospitals and care homes) is available and in good working order, but also that energy supplies and a powerful communication infrastructure is secured.

With its focus on infrastructure and energy financing, Kommunal-kredit operates in a sector that has proven to be largely crisis-resistant in the past. Unlike with corporate financing, financing in these areas is associated with low default rates and stable recovery rates that are largely independent of economic cycles. Similarly, as a result of the current health crisis and its impact on the real economy, the maintenance and modernisation of supply, transport and social infrastructure will be at the very top of the agenda of both industrialised nations and developing countries, meaning that these areas look set to become even more relevant.

As things stand at the moment, it is almost impossible to predict what the actual health-related and real economic impact of the coronavirus pandemic in Europe and worldwide will be, although the restrictions imposed on public life are expected to translate into a marked slump in economic output both in Europe and on a global scale. It is precisely in this sort of environment that Kommunal-kredit is well positioned and on hand to act as a reliable partner thanks to its solid liquidity and capital resources.

In order to continue on the path that we have carved out, we need a committed and motivated team – especially in such challenging times for all of us. The spread of the coronavirus pandemic and the associated challenges for the day-to-day work we perform together for our customers have again highlighted, on a positive note, just how motivated our employees are, reinforcing our confidence in our ability to achieve our goals. With its registered office

in Vienna – which has been repeatedly crowned the world's most liveable city – we are ideally placed to attract talented international employees now and in the future, and to ensure that they remain loyal to us in the long term. As a result, we are committed to continue fostering an environment that allows for stimulating collaboration by helping our employees to develop their strengths while at the same time challenging them. Promoting a sense of identification with our company as an agile and success-driven entity is something that is extremely important to us. We want to benefit from our colleagues' expertise in the long run, which is why we have launched numerous development programmes to support this.

This puts us in a good position to achieve strong results again in 2020. We aim to always be one step ahead, showing speed and precision in laying the necessary foundation for the bank's future. We have the entrepreneurial instinct and the necessary knowledge and skills to be able to think and act in an innovative manner. This gives us a sense of confidence as we look ahead to a sustainable future. Let us shape the future in front of us. For us and the generations to follow.

Best regards,



Bernd Fislage

Chief Executive Officer
Kommunalkredit Austria AG

1. COMPANY PROFILE

1.1 The infrastructure specialist

Kommunkredit is the specialist for infrastructure and energy financing. Our aim is clear: we want to establish ourselves as a leading name in the European infrastructure market. Our mission: we are a small and agile institution focusing on the implementation of sustainable financing and subsidy transactions – not only as a leader in our domestic market, Austria, but also as a powerful player throughout Europe. Working in partnership with our customers, we create value that continuously improves people's lives.

Our goal is to use our business model to achieve ongoing improvements in the standard of living of the general public. At the same time, we give our investors the opportunity to generate substantial returns in the long run.



We expanded our market position considerably again in 2019. The positive feedback from our business partners, customers, competitors and industry media serves as confirmation to us that we are on the right track. This is also reflected, by way of example, in the sustainability awards we recently received: first of all, the international platform “Capital Finance International” singled us out as the “Best ESG Infrastructure Finance Europe 2019”. Second, “Business Vision” crowned us the “Most Sustainable Infrastructure Project Partner 2019 (Central Europe)”. At home, the renowned business magazine “Der Börsianer” put us in third place in the “Best Direct Bank” category. Kommunkredit was also involved in two deals that were on the receiving end of Deals of the Year 2019 awards presented by the leading infrastructure magazine PFI (Project Finance International/ Thomson Reuters) in 2019: the Finerge wind farm in Portugal was crowned “Europe Power Deal of the Year”, while the Italian motorway section connecting Brescia, Bergamo and Milan was awarded the title of “Europe Bond Deal of the Year”.

Our vision

We will become the most dynamic and innovative infrastructure bank in Europe, helping to create a better world. We combine sustainable and responsible investments with attractive returns.

Our mission

We are always first when it comes to delivering outstanding results with speed and precision. We never stand still. We take always first as an obligation to get better every day.

We provide benefit to the community

- We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives – not just for ourselves, but also for the coming generations.
- We see infrastructure investments as a powerful tool for answering social needs and fundamentally increasing the general well-being of communities.
- We provide tangible benefits to the population at large:
 - Economic dynamism
 - Urban development and renewal
 - Strengthening rural areas
 - Job creation
 - Social cohesion
 - Measures to combat climate change
- We focus on providing a secure, stable and sustainable yield to our investors.
- We are the partner of choice for a long-term commitment.

1.2 Sustainability as a business model

As a specialist bank for infrastructure and energy financing, Kommunalkredit provides tangible benefits to the community. We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives. Investments in infrastructure serve as a powerful tool for addressing social needs and fundamentally increasing the general well-being of communities. Efficient infrastructure bolsters economic momentum, encourages urban development, gives regions a new lease of life, creates jobs, promotes social cohesion and is an indispensable part of **the fight against climate change**. It meets the needs of today's generation and creates opportunities for the generations to follow.

Sustainability as a key component



The concept of sustainability is firmly embedded in Kommunalkredit's business model and processes. Back in 1997, we became the first financial services provider in Europe to establish an EMAS (Eco-Management and Audit Scheme) environmental management system and we have been enhancing it to create a holistic sustainability management system ever since. The fact that we became the first Austrian issuer of a Social Covered Bond in 2017 pays testimony to just how **important** sustainability is to us.

We actively address the key global and local infrastructure trends. We have a comprehensive view of the private sector's responsibility when it comes to doing its bit for prosperity and core ethical values within society. Sustainable management – i.e. operating responsibly in economic, social and ecological terms – and core ethical values form the basis for our activities.



Our subsidiary Kommunalkredit Public Consulting GmbH (KPC) also makes a key contribution to the implementation of environmental and climate protection projects on both a national and international scale. It develops and implements environmental as well as energy support programmes. The "Climate Austria" initiative, which allows CO₂ emissions to be offset voluntarily, was established by KPC back in 2008. It also provides the advisor to the Austrian representative in the **Green Climate Fund (GCF)**. This climate fund provides funding for projects designed to help reduce greenhouse gas emissions and to allow developing countries to make the adjustments they need in response to climate change. In addition, KPC contributes towards the development and spread of advanced environmental and technological standards through a wide variety of international consulting projects in the areas of water management, energy and climate finance.

Sustainability as a joint contribution

Kommunalkredit has a large number of sustainability ratings from renowned agencies. oekom research has rated us as a "Prime" company, putting us among the ranks of those companies that the agency considers to be the leaders in their sector. **imug** (consultancy firm for social and ecological innovation and investment research) assigned a rating of "very positive" to Kommunalkredit's covered bonds; the performance of the bank was rated "positive".



The path we have carved out for ourselves is also reflected in the two **sustainability awards** we recently received: "An organisation that puts sustainability at the centre of its business model and its activities and, with current projects in the fields of energy, the environment, social infrastructure, communication and transport, shows that real sustainability can be more than just a noble aim." This is how the jury of the international "Business Vision" platform, which became aware of Kommunalkredit after we were nominated by international stakeholders, explained the rationale behind its decision to award us the title of "Most Sustainable Infrastructure Project Partner 2019 (Central Europe)".

"Capital Finance International" also bestowed the title of "Best ESG Infrastructure Finance 2019" on Kommunalkredit. CFI explained its decision by pointing to Kommunalkredit's three-pronged approach to tackling social, ecological and economic issues, as well as its strong social commitment, allowing it to promote climate protection.

Sustainability as a global challenge

17 goals will change the world as we know it today. In September 2015, all of the attending heads of state and government at the United Nations General Assembly adopted the **resolution “Transforming our World: the 2030 Agenda for Sustainable Development”**. This agenda comprises a political declaration, 17 Sustainable Development Goals and 169 targets for the period from 2016 to 2030, a package of measures for implementing the goals and a system for measuring and monitoring the progress made. The Sustainable Development Goals (SDG) set out intentions that will allow us to tackle the complex global challenges of our time together and leave behind a world that is worth living in for future generations. They give equal consideration to economic, social and environmental aspects¹.

We feel bound by the UN’s 2030 Agenda and have integrated it into our corporate culture. For each infrastructure project and activity pursued by the Kommunalkredit Group, we identify how compliant it is with SDG criteria and which direct and indirect effects it will have on the environment and society. We are currently making contributions to the following goals:

One of the biggest global challenges facing us is climate change. Countering this process of change requires extensive investment, particularly in the areas of infrastructure and energy. With our Energy & Environment, Social Infrastructure, Communication & Digitalisation, Transport and Natural Resources investment segments, and through the management of support programmes and the consultancy activities of KPC, we at Kommunalkredit are exploiting the opportunities that are arising as a result and facilitating sustainable infrastructure projects to improve quality of life. This comprehensive approach to sustainability is one that we put into practice both within our Group and in our day-to-day collaboration with our stakeholders. It provides the framework for making the ESG strategy (Environment, Social and Governance) an integral part of our corporate culture.

¹ Contributions of the Federal Ministries to the implementation of the 2030 Agenda for Sustainable Development by Austria, 2016.



1.3 Key topics and impact

Since the 2017 sustainability report, Kommunalkredit's sustainability reporting has been based on the Global Reporting Initiative (GRI) Standards. This means that, based on the further development of the company's material topics in accordance with GRI Standards, the report focuses on the areas in which the company has the greatest impact on the economy, environment and society.

In order to identify the material topics for Kommunalkredit, an in-house materiality analysis was carried out in 2014/15 based on the intensive stakeholder dialogue that forms part of Kommunalkredit's ongoing business operations. A materiality analysis helps the company to identify the topics that are most important to it and its stakeholders. The results of this analysis were reviewed in 2016. The eleven original topics were condensed into four material topics and the performance indicators were consolidated to create more meaningful indicators in line with these material topics.

The materiality analysis was conducted by a project team comprising members of the sustainability team. At the beginning of the process, an analysis of Kommunalkredit's key stakeholders and the topics that they could potentially consider material was prepared with the involvement of all division heads and the management of Kommunalkredit Public Consulting GmbH (KPC).

Kommunalkredit's key stakeholders are as follows (listed alphabetically):

- contractors
- customers
- employees
- investors
- owners
- society
- supervisory authorities/legislators

In the interests of ensuring that no key topics were missed, the list of potential material topics was supplemented by the project team, with the help of the GRI performance indicators, before being submitted to the division heads and the management of KPC to be evaluated based on a points system.

The evaluation was carried out by the project team based on the points awarded, with the ten topics that received the highest scores ultimately being selected. Not surprisingly for a pure service provider, stakeholders attached less importance to the topic of operational ecology. However, since the project team considers this aspect to be an important in-house topic due to the environmental management system and in the context of EMAS, operational ecol-

ogy was added to the list of material topics selected. After all, the importance traditionally assigned to operational ecology also has a significant impact in terms of raising awareness. An impact that is ultimately reflected in the extent to which aspects of sustainability are taken into account in other areas.

As part of the comprehensive process of dialogue that we maintain with our stakeholders, sustainability as a business model and innovative products were the topics mentioned most frequently across all groups, and there are also of huge importance both inside and outside the company. Both the company and its stakeholders also rated adherence to overall regulatory requirements and compliance, as well as price policy and customer conditions, as very important aspects. Topics that require considerable attention, especially for our stakeholders, include data protection and data security, business ethics, the impact that Kommunalkredit's products have on our customers, as well as value creation for society. The most important topics from the company's perspective included employee satisfaction, training and education and, in particular, the importance of being a reliable partner with high levels of customer satisfaction.

The material topics for Kommunalkredit are reviewed on a regular basis to check that they are up to date. In 2017 and 2018, for example, this process was continued in view of the company's substantial economical, ecological and social impact, as well as with regard to its impact on stakeholders' assessments and decisions. The outcome reflected Kommunalkredit's material topics in a much more focused manner.

Another critical review of the material topics was conducted in 2019 on the basis of the company's development. Although this process produced the same four material topics for the company (see table p. 18), key developments in the international and national discourse on sustainable finance coupled with other relevant developments at company level have resulted in sustainable finance being seen as an important topic by all stakeholders. Aspects of sustainable finance can be found under the topics of both sustainable products and business ethics. For the first time, sustainable finance within the Kommunalkredit Group is covered in a dedicated chapter of this report.

Sustainable finance within the Kommunalkredit Group

Since the UN Paris Agreement on climate change of 2015 and the EU's Agenda for Sustainable Development, calls for the financial sector to do its bit to protect the climate have become louder than ever. In the UN Paris Agreement on climate change of 2015, the international community has set the objective of keeping the global temperature rise this century well below two degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase even further to 1.5 degrees Celsius.

To meet this 1.5-degree limit, it is necessary to achieve net zero greenhouse gas (GHG) emissions by 2050 at the latest. The investment required for this is enormous and mainly concerns the infrastructure sector. The financial sector has an important role to play in achieving this goal. Article 2 (1c) of the Paris Agreement specifically states that "financial flows shall be consistent with climate-friendly and climate-resilient development".

The aim is to steer capital flows towards sustainable investments in order to achieve sustainable and inclusive growth. This topic already features prominently in the EU's implementation measures. Building on the work and recommendations of the High-Level Expert Group (comprising experts from the financial sector), the European Commission has developed the "Financing Sustainable Growth" action plan, which is now being systematically put into practice in various directives concerning matters such as taxonomy, reporting and green bonds.

The EU member states have also announced measures in response to this issue. For example, a key element (Lighthouse 8) of #mission2030, the Austrian climate and energy strategy adopted in 2018, also includes the development of a Green Finance Agenda for Austria. Among other aspects, this project involves analysing corresponding potential for the private sector and identifying green finance instruments that can contribute to meeting climate and energy targets. In order to develop the Green Finance Agenda and to discuss relevant topics with the private sector, the Austrian federal government established the Green Finance Focal Group in early 2019 under the auspices of the Federal Ministry of Finance (BMF) and the Federal Ministry for Sustainability and Tourism (BMNT). Alongside representatives of the Federal Ministries, representatives of the Austrian financial sector, including banks, insurance companies and asset managers, took part in the focal group. The Kommunalkredit Group was also represented in the focal group by KPC Managing Director Alexandra Amerstorfer. In addition, working group meetings were held on focal topics such as climate risk management, the Green Finance Pact and green financial literacy.

Study investigating the "potential of green finance instruments in Austria"

The working groups' discussions were supported by the content of three complementary analyses. One of the studies was conducted by KPC and looked at the "potential and feasibility of green finance instruments in Austria". In addition to an analysis of various recent reports, numerous interviews were also conducted with market participants from the Austrian financial sector in order to gather information on specific experiences and incorporate this information into the study. In the context of the EU classification system for sustainable economic activities (known as the EU taxonomy), the study sets out specific recommendations for scaling selected green debt capital instruments, including green loans, green leasing, sustainability-linked loans, green project financing, energy contracting, green covered bonds and covered bank bonds, green securitisation and green crowdfunding. It also analysed what are known as "blending instruments" from the public sector, such as subsidies and guarantees, that can be used to reduce various risks and leverage private investments in the process.

KPC's cooperation with the 2°Investor Initiative

Identifying and managing climate-related risks in financial institutions is one of the biggest challenges. The "Paris Alignment Capital Transition Assessment" (PACTA) developed by the 2°Investor Initiative is a tool designed to help with this process. KPC concluded a cooperation agreement with the 2°Investor Initiative at the beginning of 2020 so that it can also assess portfolios with regard to the achievement of the targets set out in the Paris Agreement and provide corresponding advice to financial institutions going forward.

Sustainable finance consulting: Due to the burgeoning demand for sustainable financing products in the financial sector and regulatory developments within the EU, consulting services relating to sustainable finance are becoming an increasingly important area of KPC's consulting activities. In addition to the services performed for international financing institutions, KPC's consulting services are now also aimed at financial institutions that want to get involved in climate protection. On behalf of Finance in Motion, one of the world's leading asset managers for development finance, and the Green for Growth Fund, KPC is currently helping one of the largest local banks in Georgia to launch and implement green finance policies and trainings.

Material topics for Kommunalkredit

The results of the revised materiality analysis are listed below. The material topics for the company are assigned to the appropriate areas in accordance with GRI Standards and reported on the basis of the indicators shown. The indicators include both

indicators based on GRI Standards and company-specific indicators. Indicators are also differentiated by their materiality, with material indicators being highlighted in colour; the other indicators shown are reported but are not considered to be material.

Material topics and their indicators

Material topics	Area based on GRI standards	Indicators based on GRI standards and company-specific indicators	Chapter/page
Sustainable products	General Disclosures, Economic Performance, Indirect Economic Impact, Product Portfolio	102-7, 201-1, 201-2 , 201-3, 201-4, 203-1, 203-2, FS6, FS7, FS8 , FS16	Ch. 1 / p. 13ct Ch. 2 / p. 25 Ch. 4 / p. 46
– Financing		Loan portfolio by borrowers, regions and segments	Ch. 2 / p. 32
– Refinancing		Refinancing structure; retail and wholesale deposits, social asset portfolio	Ch. 2 / p. 33
– Consultancy services			Ch. 2 / p. 36
Business ethics	Human Rights, Environmental Compliance, Anti-Corruption, Customer Privacy, Socioeconomic Compliance	205-1, 205-2, 205-3 , 307-1, 412-3, 414-1, 418-1, 419-1	Ch. 3 / p. 40ct Ch. 5 / p. 48ct
Employee-related issues	Employment, Training and Education	401-1, 401-3, 404-1, 404-2, 404-3 , 405-1, 405-2, 406-1	Ch. 4 / p. 44 Ch. 7 / p. 59
Operational ecology	Energy, Emissions, Effluents and Waste, Supplier Environmental Assessment	301-1, 301-2, 302-1, 302-2 , 303-1, 305-1, 305-2, 305-3 , 306-2, 308-1	Ch. 5 / p. 48 Ch. 5 / p. 51 Ch. 7 / p. 57

The main material area for Kommunalkredit is “sustainable products”, which includes topics such as “price policy and conditions”, “value creation for society”, “indirect impact and products” and “sustainable finance”. In a period of on-going corporate development, it is crucial to maintain a long-term balance between the three pillars of sustainability – economical, ecological and social. As a result, there is considerable interest in this topic both among all stakeholder groups and also within the company.

The topic of business ethics combines topics such as adherence to overall legal and regulatory conditions and compliance, but also current topical issues that are considered to be very important, such as sustainable finance, data protection and security, as well as the company’s reliability as a business partner – a matter that is particularly important to the stakeholder group that comprises the company’s customers – and customer satisfaction.

As the company’s employees are considered to be its most important resource, appropriate attention is paid to topics such as training and education, motivation, participation, health and optimum working conditions.

The subject of operational ecology is a particular priority within the company. Although it was not ranked as one of the most important issues in the materiality analysis, it was nevertheless included in the list of material topics for Kommunalkredit due to the importance that has traditionally been attached to it and the manner in which Kommunalkredit puts the concept of sustainability into practice in its efforts to conserve resources.

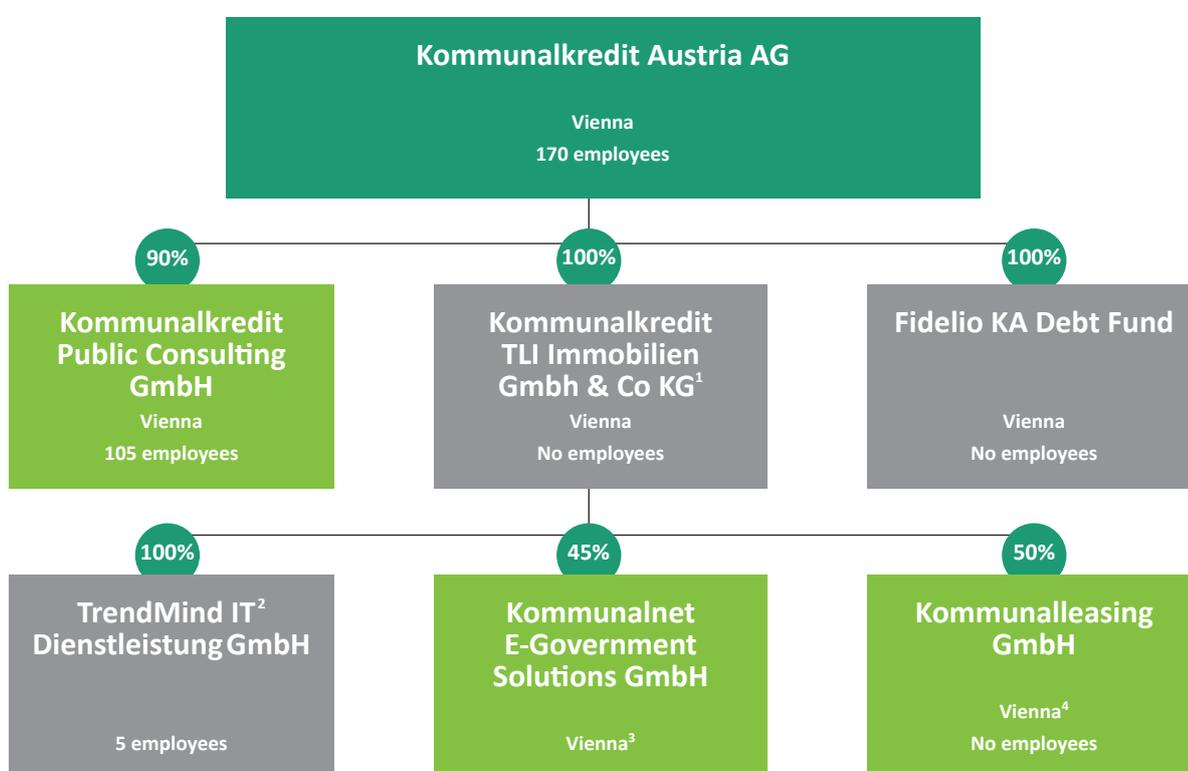
The insights resulting from the materiality analysis are reflected in the objectives defined in the action plan for the new financial year.

1.4 System boundaries

Kommunalkredit Austria AG has holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), the companies of the Fidelio KA Debt Fund platform and Kommunalnet E-Government Solutions GmbH (Kommunalnet) are strategic investments. Interests in TrendMind IT Dienstleistung GmbH (TrendMind) and in affiliated companies relating to the bank's real estate (serving as head office) serve primarily to support the core business.

The subsidiaries KPC and TrendMind, based in Vienna, are fully included in the sustainability management system. The activities of KPC, the largest equity investment, which is also mentioned in the EMAS validation, are also presented in greater detail in this report. As of 31 December 2019, the Kommunalkredit Group employed a total of 280 staff (including Executive Board members and excluding employees on leave).

Diagram: Ownership structure and system boundaries, as of 31 December 2019



The key ecological figures include consumption by Tuerkenstrasse 9/Liechtensteinstrasse 13. The staff figures refer to Kommunalkredit, KPC and TrendMind.

NOTES

- 1 Formally included in the system but not reflected in the key figures, as it is designed purely to act as a holding company and does not have any employees.
- 2 Trend Mind left Kommunalkredit Group in the first half of 2020.
- 3 Not included in the system, as it is based in a different location and is not fully consolidated.
- 4 Formally included in the system but not reflected in the key figures, as the company has not engaged in any new business since August 2008.

Kommunalkredit Public Consulting GmbH (KPC)

Kommunalkredit Public Consulting GmbH (KPC) is a specialist provider for the management of public support programmes and consulting services for national and international organisations. It is 90% owned by Kommunalkredit, with Raiffeisenlandesbank Oberösterreich holding a 10% stake.

All of KPC's activities focus on environmental and climate-related issues. Guided by its motto "Consulting, Funding, Protecting", it makes an active contribution to the energy revolution and decarbonisation at national and international level.

In its **subsidy management business**, KPC is a public sector partner for environmental and climate protection subsidies, meaning that it acts as the point of contact between the subsidisers who provide the financial resources and the applicants. Based on the management of federal environmental support schemes for Austrian municipal authorities and businesses, a business area that was established back in 1993 and covers the areas of municipal water management, the remediation of contaminated sites and add-on funding, KPC has been expanding the range of support programmes that it manages, and also the range of clients that it serves, on an ongoing basis in recent years to include the management of European Union (EU) regional aid programmes, the Climate and Energy Fund, the "klima-aktiv" National Action Programme for Mobility Management, the Austrian federal government's renovation support and protective water management. It has also assumed responsibility for the management of support programmes launched by the provinces of Salzburg, Tyrol, Vorarlberg and Vienna. In particular, the management of the subsequent support programmes offered by the provinces allows the best possible use to be made of synergies in the management of federal government and provincial support programmes, also making the process more straightforward for funding recipients. This "one-stop-shop" approach means that applications only have to be submitted to one funding agency. KPC oversees the entire process of a project. Its duties also include the development and implementation of support programmes. A particular success story from 2019 regarding the development of new support models was the first Europe-wide pilot project for an "output-based" funding strategy for the European Regional Development Fund (ERDF).

This long-standing experience in the field of international climate protection has also been used by the Federal Ministry for Sustainability and Tourism (BMNT) since 2014, with KPC being commissioned to manage Austria's contributions to funding for international climate projects ("climate finance"). This involves direct support for projects aimed at avoiding emissions of gases that are harmful to our climate, and at adjusting to the negative impact of climate change, particularly in developing countries.



As a **consultancy**, KPC also provides services for national and international organisations and financial institutions. The range of services includes technical and economic consulting, the preparation of studies, capacity development and policy advice, in particular in Central Europe, South-East Europe and Eastern Europe. A new addition to the portfolio in 2019 was the Sustainable Finance segment. Clients include the World Bank, the European Commission, the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Co-operation and Development (OECD), the German Kreditanstalt für Wiederaufbau (KfW), the German Ministry of the Environment and the Austrian Development Agency (ADA).

On behalf of the Federal Ministry for Sustainability and Tourism, KPC once again served as a member of the Austrian negotiation team at the World Climate Conferences in 2019. KPC also appoints an advisor for the Austrian representative in the **Green Climate Fund (GCF)**. This climate fund provides funding for projects designed to help reduce green-house gas emissions and to allow developing countries to make the adjustments they need in response to climate change.

Since 2008, KPC has also offered a platform in the form of "**Climate Austria**" for the voluntary offsetting of CO₂ emissions, for example in travel, in partnership with numerous businesses.

In 2019, KPC received new attractive commissions as well as extensions for existing appointments to support Green Financing Facilities in the energy efficiency segment. Of particular note among the new commissions is the appointment by Finance in Motion, one of the largest asset managers in the development finance sector.

Here, KPC is providing support to a major Georgian bank for the development and implementation of green finance products and for internal processes and policies. The commission to "analyse the potential and feasibility of green finance instruments in Austria" is also part of the Sustainable Finance segment.

KPC's consulting business is ISO 9001-certified.

Three questions

to Alexandra Amerstorfer and Christopher Giay
of the KPC Management Board

How is Austria managing to set out its path towards a more environmentally compatible society?

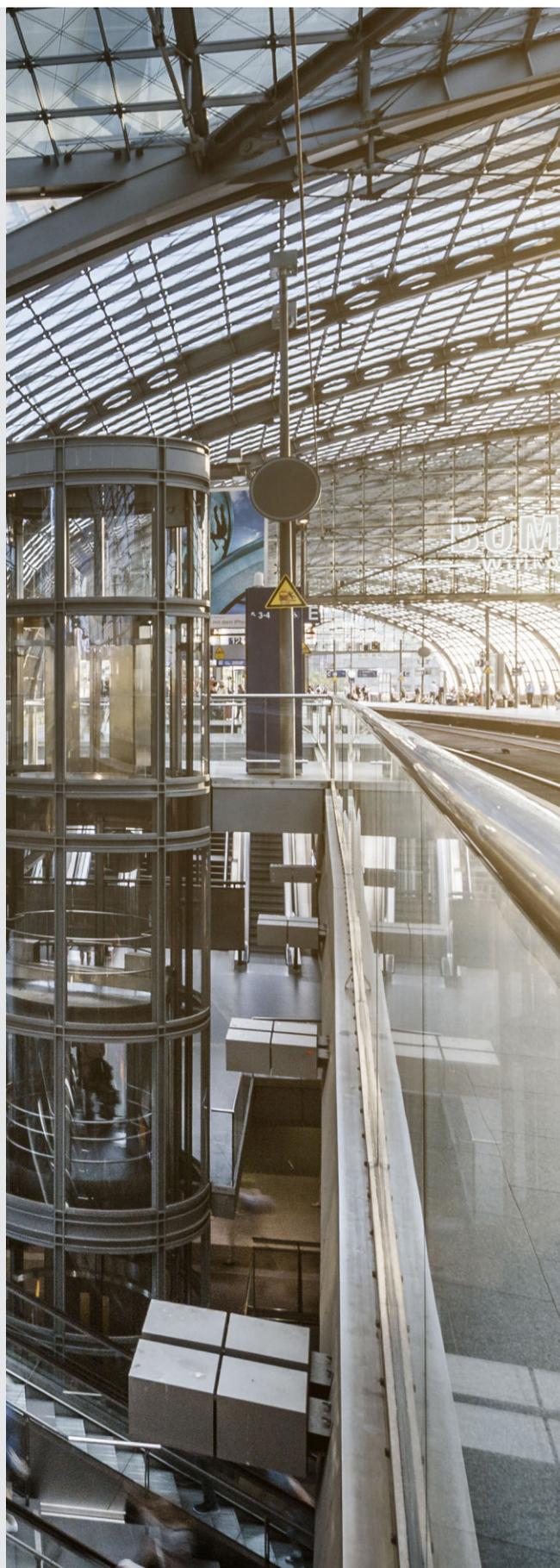
A coordinated and finely-tuned climate and energy policy is needed. The federal government has already laid the foundations for this in the form of #mission2030, the national climate and energy strategy, and the national climate and energy plan that goes with this. Now the aim is to boldly implement the action plan defined therein. This requires a defined political framework, but also an awareness that the path towards a more environmentally compatible society is more than just a matter of technology. It involves social change at many levels that will be carried by everyone.

How can the environmental support programme help to achieve this?

Taking stock of the changes and development of environmental support schemes over time, the environmental policy challenges of the era were always apparent. Climate protection has always been a top focus ever since the Kyoto Climate Change Conference in 1997. The use of renewable energy sources for the generation of heat and electricity as well as projects related to energy and resource efficiency have become increasingly important. This is where the support instruments have been especially useful.

What will 2020 and 2021 be remembered for?

We expect demand for support in environmental projects to remain high, especially in relation to the main subsidised fields of energy efficiency and renewable heat generation. The topic of resource efficiency in the context of the bioeconomy is becoming more and more important. In the long term, the performance of the Austrian economy is expected to be dissociated from resource consumption and the environmental damage that such consumption entails. A focus of the bioeconomy strategy is the future reduction of fossil-based material usage in as many products as possible and the use of regenerative raw materials. We are confident that more public funds will be provided to support this change given the clear objectives of the new government. That said, it is clear that subsidies only provide incentives and the objective in the medium term is just to make doing business in an environmentally friendly way more appealing by establishing the necessary legal and economic framework.





Fidelio KA Debt Fund platform

Kommunalkredit created a debt fund platform in 2018 with the establishment of the companies Fidelio KA Beteiligung GmbH, Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GP S. à r. l. The bank expanded its range of products to include the Asset Management segment with the launch of the first debt fund and was able to successfully grow this segment in 2019 with additional commitments. It makes use of its core expertise in infrastructure financing for this purpose and has deepened its strategic partnerships with regard to placements.

Following the operational launch of the first sub-fund “Fidelio KA Infrastructure Debt Fund Europe 1”, the first close took place in the third quarter of 2018, and the second close followed in July 2019. The fund volume increased by 72% in 2019 alone, meaning that the target volume of EUR 250m has already been exceeded. The final close took place in February 2020.

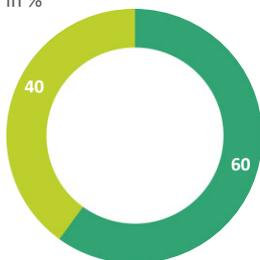
This initial fund allows Kommunalkredit to offer interested investors an attractive investment opportunity. Funds are directed towards sustainable infrastructure projects that benefit the general public. The value of the fund development ensures a healthy return, which enables investors to enjoy benefits compared to traditional asset managers.

Facts about KA Infrastructure Debt Fund Europe 1.

Closing process

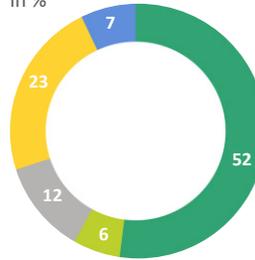


Portfolio status 12/2019 in %



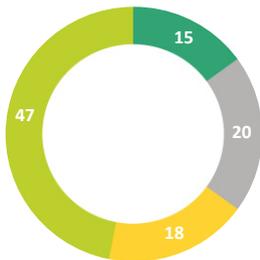
■ Aggregated fund volume invested
■ Fund volume to be invested

Sector diversification in %



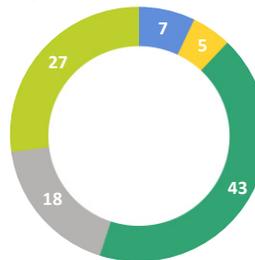
■ Transport
■ Renewables
■ Power
■ Digitalization & Communication
■ Social Infra

Geographic allocation in %



■ DACH
■ CEE
■ North Europe
■ South Europe

Synthetic credit profile* in %



■ A-
■ BBB+
■ BBB-
■ BB
■ BB-
*No external rating: internal rating by the method of S&P

Kommunalnet E-Government Solutions GmbH (Kommunalnet)

Kommunalkredit holds a 45% equity share in Kommunalnet E-Government Solutions GmbH (Kommunalnet). Another 45% is held by the Austrian Association of Municipalities, while the other 10% is held by three state associations of the Austrian Association of Municipalities. Kommunalnet is the digital work and information portal for Austrian municipalities, mayors and municipal civil servants. It offers the latest news for municipalities and access to important databases for municipal authorities, and serves as an information and communication hub for the federal, state and municipal authorities. Kommunalnet is an official component of the Austrian eGovernment Roadmap. Numerous projects were completed in 2019 to provide municipal authorities with even better assistance in their day-to-day tasks, to further expand the business segment and to leverage growth potential. The cornerstones of this were the roll-out of the new version of the master portal and the relaunch of the Kommunalnet website.

With more than 2,000 registered Austrian municipalities and municipality associations, Kommunalnet has an exceptionally large market share in the municipal sector (96%) and thus enjoys a unique position in the Austrian market. Since mid-2018, Kommunalnet has been cooperating with loanbox, a fintech company that operates an online platform for municipal loans. Since going live, 70 municipalities and banks are already represented on the platform. A total of 360 municipalities have been contacted; over 60 financing requests have been published to date via the portal.



TrendMind IT Dienstleistung GmbH

TrendMind IT Dienstleistung GmbH (TrendMind) is an IT specialist for financial products, SAP and subsidy processing software. Its service portfolio includes not only conventional software development but also consulting services and technical project management. In these fields, TrendMind primarily served customers from Austria and Germany for operation and maintenance.

Strong quality asset pool



No single asset > 30% of the sub-fund's total Ø size: ~ EUR 20.0m.

Three questions

to Kommunalnet Managing Director
Lucas Sobotka

Have the municipal authorities reached the digital age?

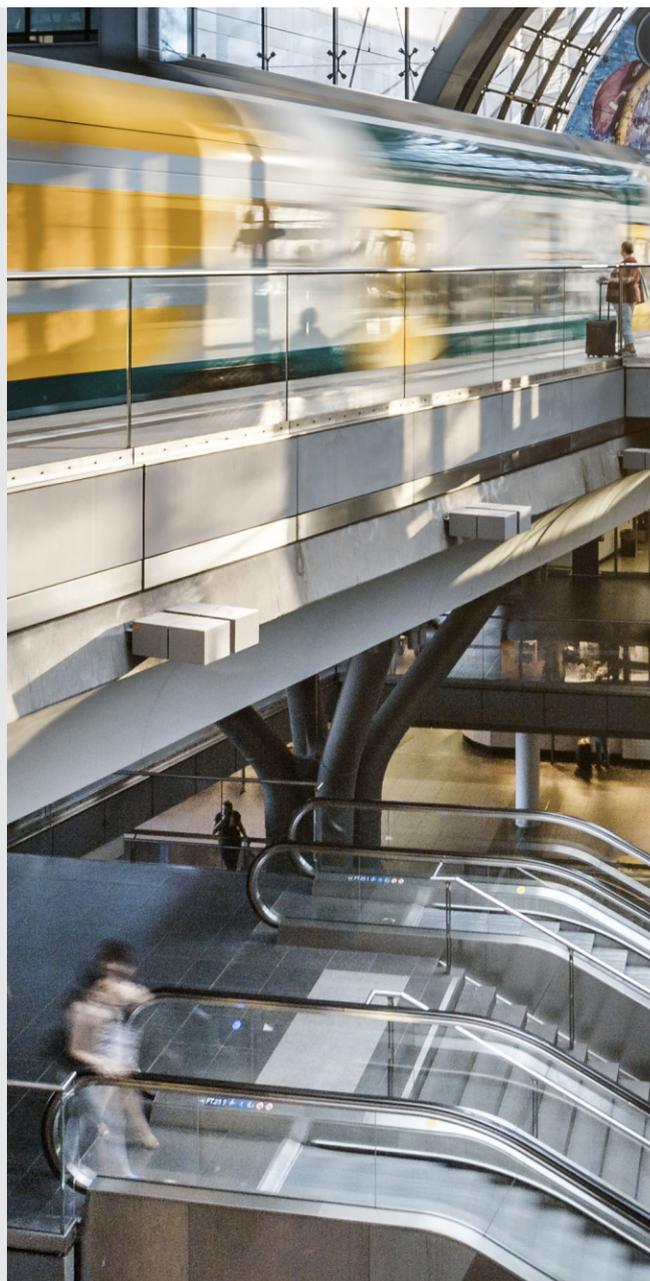
They did a long time ago. Municipal civil servants – from the mayor’s office down – use digitalisation in their day-to-day duties. Otherwise it wouldn’t be possible to offer citizens such an extensive range of services. Communication is increasingly digital. But face-to-face communication will always play a key role. It lets me look a person in the eyes.

Could it be said that Kommunalnet has networked Austria?

That’s certainly true. Kommunalnet is represented from Lake Neusiedl to Lake Constance. Over 2,000 of the 2,096 Austrian municipalities use our network for rapid information exchange. This makes collaboration easier and supports the day-to-day activities of municipal authorities. We are networking Austria’s municipalities.

What will 2020 and 2021 be remembered for?

Austria’s largest municipal platform will grow in a way that is fit for the future. We will continue to occupy ourselves with improvements, additions and further developments so that our users can benefit from the latest technology at a low cost. We already satisfy all relevant eGovernment standards – from the Citizen Card to the combined municipal platform “Portalverbund”. And we will continue to do so.



Kommunalkredit TLI Immobilien GmbH & Co KG

Kommunalkredit TLI Immobilien GmbH & Co KG holds and manages the properties at Tuerkenstrasse 9 and Liechtensteinstrasse 13. The office premises of the properties are mainly leased to Group companies.

Kommunalleasing GmbH

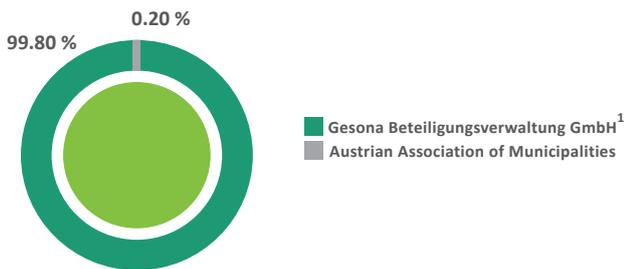
Kommunalleasing GmbH is a joint venture with BAWAG P.S.K. (50:50). The company finances a portfolio of EUR 65.6m in the municipal leasing sector. The company has not engaged in any new business since August 2008 due to changes in municipal tax law.

1.5 Ownership structure

Gesona Beteiligungsverwaltung GmbH (Gesona) has owned 99.80% of Kommunalkredit. A stake of 0.20% is held by the Austrian Association of Municipalities. Gesona is a holding company through which Interritus Limited and Trinity Investments Designated Activity Company (Trinity) – via Satere GmbH (Satere) – hold their participations in Kommunalkredit. Interritus and Trinity respectively hold 55% and 45% of Satere, which in turn holds

a 100% stake in Gesona. Interritus’ shareholders are investors with a long-term focus and family offices. The Irish company Trinity is managed by the London asset manager Attestor Capital LLP. Trinity’s capital is made available by a broadly diversified group of investors that also have a long-term investment horizon.

Our shareholders structure



NOTE

- 1 Gesona is a holding company through which Interritus Limited and Trinity investments Designated Activity Company – via Satere Beteiligungsverwaltungs GmbH – hold their participations in Kommunalkredit; Interritus and Trinity respectively hold 55% and 45% of Satere, which in turn holds a 100% stake in Gesona.

1.6 Executive and Management Board

On 31 January 2019, Jörn Engelmann left the Kommunalkredit Executive Board upon expiry of his contract. Since 1 February 2019, the Executive Board has consisted of Bernd Fislage (Chief Executive Officer) and Jochen Lucht (Chief Financial Officer, Chief Risk Officer, Chief Operating Officer). In the Supervisory Board meeting of 28 November 2019, Bernd Fislage was reappointed as CEO for a term of office of five further years.

In order to deepen the expertise in the back-office divisions and broaden the management structure, two **chief representatives** (Generalbevollmächtigte) were appointed as of 1 September and 1 December, respectively. Kors Korsmeier and Harald Brunner serve as intermediaries between the Executive Board member responsible for the Back Office and the division heads. Jointly with the Executive Committee – comprising the management personnel from Front Office, Back Office and Strategy – they support the Executive Board in day-to-day business.

1.7 Sustainability – part of the organisational structure

Kommunalkredit’s structure is characterised by a flat hierarchy and strictly separates front- and back-office units. Projects are used to address temporary, complex and interdivisional tasks.

Sustainability is an important overarching issue for Kommunalkredit’s strategic focus. As a result, the sustainability management system is established so as to encompass all areas of Kommunalkredit Austria and Kommunalkredit Public Consulting GmbH (KPC). The sustainability officer (currently appointed by KPC) reports directly to the Executive Board. Together with the Executive Board, the sustainability officer is responsible for ensuring that Kommunalkredit’s sustainability policy is implemented and complied with in all areas of Kommunalkredit’s business. The sustainability officer is also responsible for coordinating the de-

velopment and implementation of the specific programme of measures, internal audits, management reviews and document archiving.

Supporting tasks relating to the further development and maintenance of the sustainability management system are performed by the sustainability officer and the sustainability team. The members of the sustainability team serve as points of contact and communication hubs between the sustainability team and the specialist divisions and subsidiaries. A separate “ESG at Kommunalkredit” team, consisting of members of the sustainability team and members from all front-office units and business development, looks at the issue of sustainability at product and service level.

2. IN THE SPOTLIGHT: ECONOMICS – SUSTAINABLE PRODUCTS

SUSTAINABLE SUCCESS

Our business model

The specific structure of Kommunalkredit’s business model means that it is associated with a low risk: we act as a point of contact for both corporate and financial sponsors active in the construction, acquisition and/or operation of infrastructure and energy projects. We are also on hand to assist the public sector not only when it comes to advice on, but particularly also the financing of, investments in the public finance business. Our focus is on delivering sustainable **benefits to the community** by impacting key issues including economic growth, the strengthening of rural areas, job creation, social cohesion and climate protection.

We combine in-depth industry expertise and structuring know-how to provide tailor-made solutions for our clients with speed, precision and enthusiasm. We have strong relationships with both local authorities on the one hand and international clients and investors on the other. We make use of our ability to create solid

value by providing flexible financing solutions across all layers of the capital structure – spanning all areas of the ESG (Environment, Social and Governance) landscape. We are supported in our endeavours by two international owners with a longterm focus.

We provide an extensive range of products, from financial advisory services to structuring, arranging and underwriting of debt and subordinated capital as well as asset management through our Fidelio KA Infrastructure Debt Fund platform.

We enable the implementation and operation of infrastructure assets by matching the financing needs of project sponsors and developers with the growing number of investors seeking sustainable investment opportunities (such as insurance companies, pension funds and asset managers). Our infrastructure and energy portfolio spans a broad range of different segments.

Our investment segments

Energy & Environment	Communication & Digitalisation	Transport	Social Infrastructure	Natural Resources
				
Energy supply & distribution Renewable Energy Water supply & treatment Waste Management & disposal	Broadband Fibre optic Data centres	Roads, bridges, tunnels Airports, ports Waterways Rail/light rail, rolling stock	Nurseries, schools, universities Hospitals, nursing homes Court buildings and correction facilities Administrative buildings	LNG terminals Pipelines Storage

In these segments, we mainly operate in the member states and associated countries of the European Union (EU).



Our country strategy

Successful projects in our core markets provide the foundation for our **dedicated approach** in Europe's infrastructure and energy market. We mainly operate in the member states and associated countries of the European Union.



Energy & Environment



Communication & Digitalisation



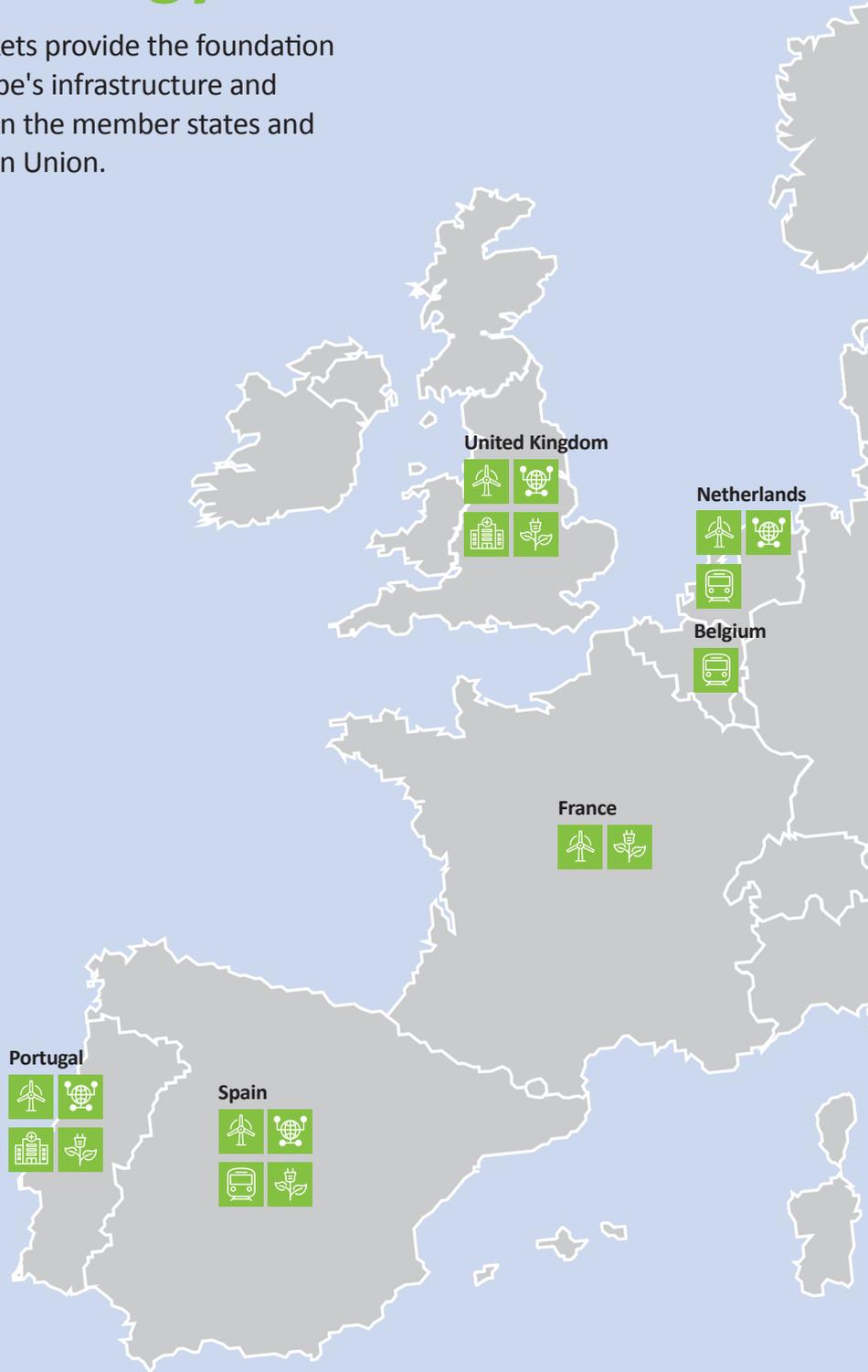
Transport

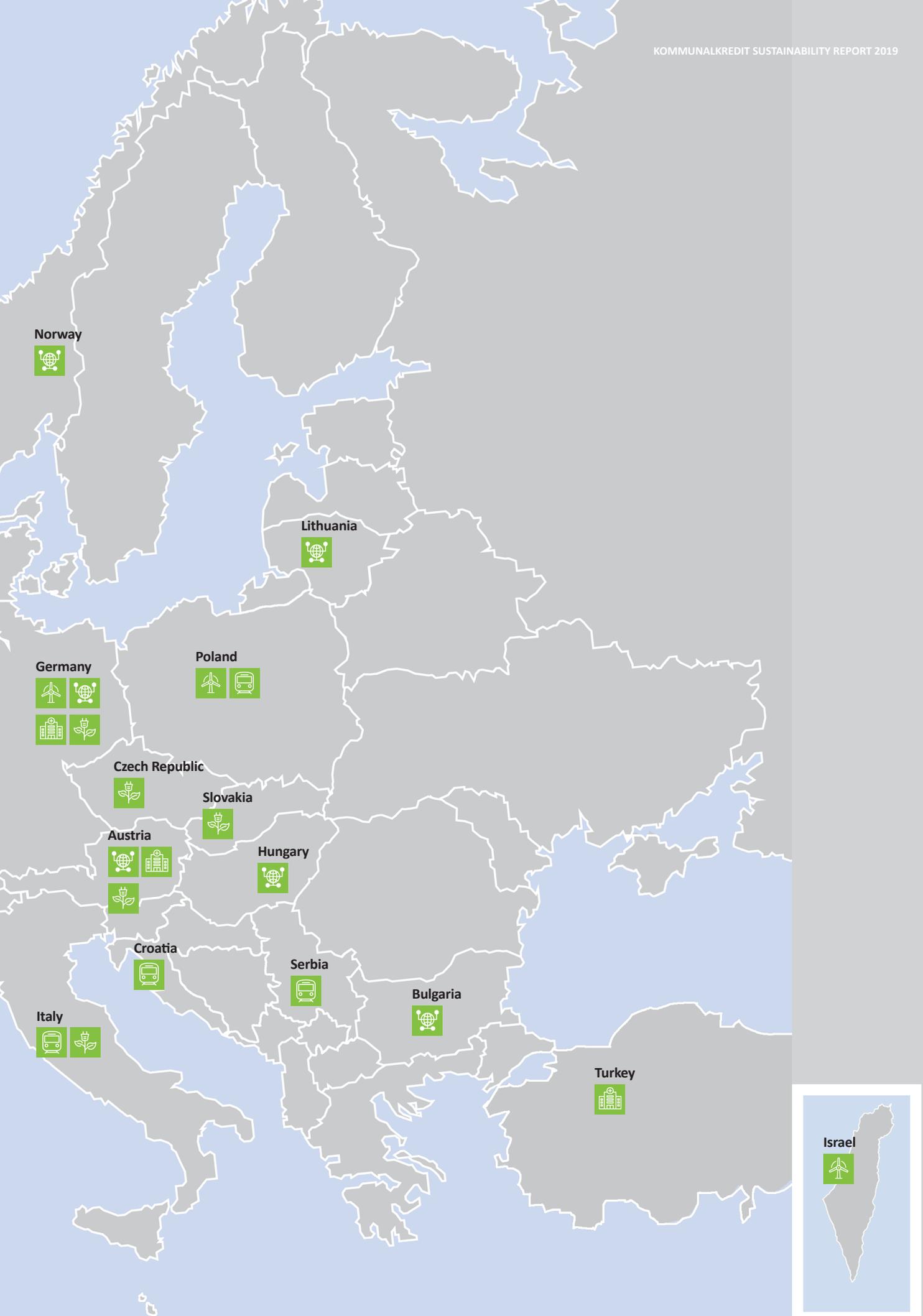


Social Infrastructure



Natural Resources





2.1 Why infrastructure?

Infrastructure by its very nature is essential to the efficient functioning of society. The quality of infrastructure has a positive effect on economic growth at local, regional, national and global levels. By giving communities improved access to essential services such as water, electricity, roads, educational facilities and hospitals, the standard of living of the public will be improved sustainably. **Infrastructure** remains an essential **backbone** of the world's developed markets, while also allowing emerging markets to make the leap to prosperity.

Infrastructure will always be relevant

Climate change and the increasing shortage of fossil fuels increase the need for solutions for sustainable energy supplies. Reducing CO₂ emissions is not only a declared aim, but is now the subject of legislative initiatives. This challenge is an absolute top priority across the globe and will have a direct impact on infrastructure in every single country. In addition, industrialised nations also need to maintain and upgrade their existing utility, transport and social infrastructure assets to cope with the demographic shift towards an ageing population and to provide them with living conditions that meet their needs. In emerging countries with high demographic growth rates, infrastructure is crucial to sustained and balanced development.

High demand for investments in Europe

Demand for investment in infrastructure remains high. The European Investment Bank (EIB) is working towards injecting an additional EUR 500bn into the real economy by the end of 2020. This will not, however, go far enough as to close the investment gap in the European Union (EU). In addition, infrastructure investments are stagnating at 1.6% of the EU's gross domestic product, the lowest level witnessed in 15 years. There is a particular need for investment in energy – the focus being on renewable energy – transport, social infrastructure and communication/digitalisation. Given the status quo, it is high time for the public sector to take action and embark on the necessary investment projects hand in hand with private-sector companies.

Increasingly recognised as an asset class

The way in which infrastructure projects are financed has changed significantly in recent years. On the one hand, the financial latitude of the public sector is decreasing due to government debt and budget caps, causing a shift from conventional budget finance to private funding. On the other side of the equation, institutional investors are increasingly seeking out alternative investment opportunities due to the pressure on returns from conventional investments as well as regulatory requirements. Infrastructure investments are proving increasingly popular and now represent an attractive asset class of their own with stable returns.

Kommunalkredit sustainability check

The sustainability check was established in 2012. The check is performed as a mandatory requirement for all new applications, forms part of the credit risk process and is firmly established in a policy approved by the Executive Board. The sustainability check underwent a complete overhaul in 2019/2020 with the revision of ESG criteria, the first-time inclusion of SDGs and the incorporation of a link to the EU taxonomy. The new sustainability check is currently being tested. By subjecting all projects to the Kommunalkredit sustainability check, we can ensure an overall positive impact on present and future generations. The checklist is always used to review specific projects/financing arrangements and not the companies involved, i.e. it checks how the project influences its environment and not how the company handles sustainability issues in general.

2.2 Business review 2019

Kommunalkredit's positive business performance and the achievement of the strategic objectives set in 2018 for the 2019 financial year are vindications of the path taken. The bank combines the traits of a hidden champion in the European infrastructure market with many years of expertise in the public finance sector.

Stable earnings position | Efficient capital utilisation | Disciplined placement | Balanced portfolio

The implementation of the business strategy to sustainably position Kommunalkredit as a specialist bank for infrastructure and energy financing is showing results. The bank remained robustly on its growth path in 2019. The contribution of the core business to gross revenues rose to 69.2% (31/12/2018: 53.5%). New business came to EUR 1,036.3m, once again breaking the billion barrier (2018: EUR 1,201.8m).

Financing

Kommunalkredit has a balance of diversity in its new business in terms of its investment classes, regions, terms, and product and customer segments. Business acquisitions focus on clearly defined selection criteria and efficient use of capital. This involves not only preparing a risk-and-return profile for a transaction but also assessing its value for positioning among institutional investors and its compliance with the sustainability principles of the bank.

New business in 2019 generated attractive risk-adjusted returns. Most notably in the field of renewable energy project financing, the bank had the opportunity to apply its considerable expertise, with 71% of the financing volume attributable to the Energy & Environment segment, 19% to Communication & Digitalisation and 10% to Transport. Regionally, business was consistently diverse across the European Union (EU) and the EU's associated countries. Kommunalkredit was especially active in Germany, Italy, the Netherlands, Portugal and Spain.

Public Finance remains a key part of the bank's business, with new financing deals being concluded in 2019, among them nurseries, schools, residential properties, commercial properties, roads and sewer networks.

In structured finance, Kommunalkredit applied its in-depth industry expertise to not only engage in project financing but also further develop its activities in the fields of acquisition finance, hybrid/corporate finance and financial advice.

The bank conducts business in a manner that is geared towards collaborative endeavours with established partners (originate and collaborate) and therefore is particularly focused on its ability to place its transactions on the international financing market. The volume placed with insurers, asset managers and banks in 2019 was EUR 462.2m (2018: EUR 569.7m). Thanks to its fund (Fidelio KA Infrastructure Debt Fund Europe 1) established in 2018, Kommunalkredit is also capable of offering its business partners access to infrastructure and energy financing through an asset management solution. The second close came in the second quarter of 2019, and the final close took place in February 2020.

In 2019, Kommunalkredit participated in the execution of a number of noteworthy transactions. These included the financing for the development and establishment of a 146 MWp solar project; for Clean Sustainable Energy (CSE), a leading operator of biomass installations; for fibre optic network development in rural areas by telecommunication company Adamo. All of these projects were in Spain. In Portugal, Kommunalkredit refinanced a 908 MW wind farm for green energy provider Finerge. In Hansea, we had a partner that is one of Belgium's leading local public transportation companies. In Italy, the bank was involved in the creation of the Brescia–Bergamo–Milan toll road. As part of a debt financing, Kommunalkredit played a leading role in the development of charging stations for electric vehicles provided by Dutch company Allego. This investment related not only to the actual technical implementation of the charging stations, but also more widely to a European mobility network service model.

Reference projects



Electric vehicle charging stations (Allego/Netherlands)

Kommunalkredit played a leading role as the Mandated Lead Arranger, Global Bookrunner, Structuring Coordinator and Underwriter in the EUR 120m financing for the development of electric vehicle charging stations in Europe by Dutch power grid company Allego. Allego currently operates over 10,000 charging stations in Germany, Belgium, the Netherlands, Luxembourg, France and the UK. These charging stations are used primarily by municipal authorities, private companies and transport companies. Allego is planning to develop several thousand new charging stations for the expansion and conversion of its service model over the coming years.

The total value stated here represent the total volume of the transaction in question.



Broadband internet (Deutsche Glasfaser/Germany)

For the refinancing of and borrowing for the ongoing development of the broadband in Germany's rural regions for Deutsche Glasfaser, Kommunalkredit assumed a pioneering role as the Mandated Lead Arranger. To date, around 540,000 homes and businesses have been provided with access, with another 650,000 connections planned for the coming years.



Local public transport (Hanse/Belgium)

Kommunalkredit acted in a key role as arranger for a EUR 110m financing arrangement for Hansea. Hansea is one of Belgium's leading public transport companies. It provides urban and regional public transportation services and offers school bus and passenger transport services, as well as charter services. Hansea has shown steady growth in recent years and boasts a strong market position in both Flanders and Wallonia.



Solar projects (Bonete/Spain)

Kommunalkredit served as the Mandated Lead Arranger in the EUR 81.5m financing for the development of a cluster of three greenfield solar projects in Albacete, Spain. The solar installations have a combined capacity of 146.4 MWp. This transaction is also consistent with the Green Loan Principles.



Data centres (Ark/United Kingdom)

EUR 450m were committed to the refinancing, expansion and development of several data centres in the United Kingdom. Ark Data Centres has a broad customer base of government agencies, cloud service providers, financial institutes and other renowned customers, and is the UK's leading data centre operator. Kommunalkredit took part in the transaction as the Lead Arranger.

Industry accolades

The bank's success has not gone unnoticed by the market. In 2017, Kommunalkredit received its first industry accolades. Two transactions from 2018 in which the bank was involved as the Mandated Lead Arranger were recognised in the second quarter of 2019 as the "Deal of the Year" by renowned international trade magazine IJ Global: the EUR 1bn financing of the acquisition of French water company SAUR by EQT Infrastructure in the category "European Waters" and the EUR 420m financing of the acquisition of the Belgrade Nikola Tesla Airport operating concession by VINCI Airports in the category "European Airports".

At the end of 2019, two projects that Kommunalkredit was a part of during the course of the financial year received awards from the renowned magazine PFI – Project Finance International from Thomson Reuters.

PFI Awards 2019



Europe Bond Deal of the Year: BreBeMi – toll road in Italy

Kommunalkredit played a major role in the refinancing of the A35 toll road as the Co-Lead Bookrunner, Initial Purchaser and Underwriter. The Brescia-Bergamo-Milan road (BreBeMi) is a key element of the region's infrastructure and is a safe alternative to the existing congestion and accident-plagued A4 motorway.



Europe Power Deal of the Year: Finerge – wind farm in Portugal

In the EUR 706m refinancing of the green energy provider Finerge S.A. with a wind capacity of 908 MW, Kommunalkredit served as the Mandated Lead Arranger. This was the largest loan taken out for renewable energy in Portugal. The revenue will be used to refinance the second-largest wind portfolio in Portugal.

Total portfolio with high asset quality

Kommunalkredit’s strategic sectors are distinguished by their low default rates and high recovery rates. The bank held a total portfolio of high asset quality without a single loan loss in the 2019 reporting year.

As of 31 December 2019, it had an average rating of “A-”, with 76.7% of the exposure rated as investment grade.

The loan portfolio is well balanced, comprising an increasing proportion of infrastructure and energy financing transactions and a significant volume of public finance loans.

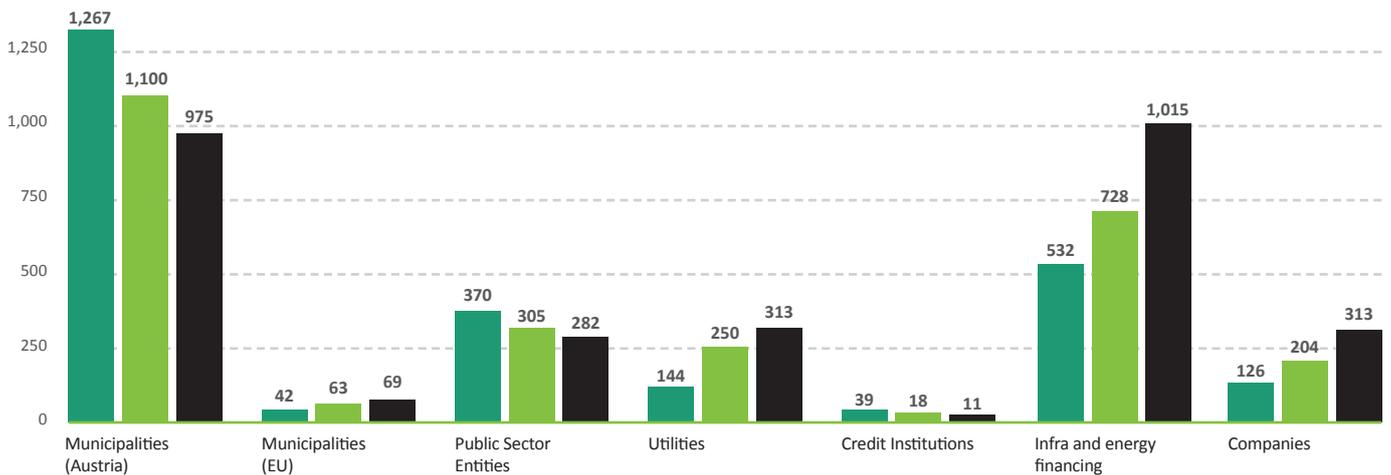
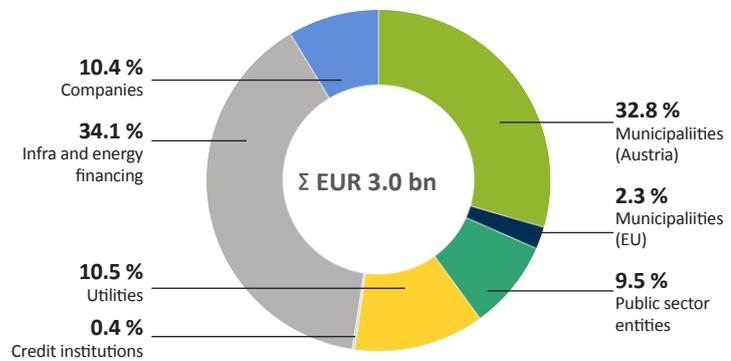
As of the end of the year, loans to municipalities accounted for 35% of the portfolio (almost exclusively Austrian municipalities), infrastructure and energy financings accounted for 34%, while loans to public sector enterprises had a share of 9%. Since privatisation in 2015, the non-performing loan ratio (NPL) has been kept at 0.0%.

Loan portfolio by borrowers

in EUR m, as of 31/12/2019

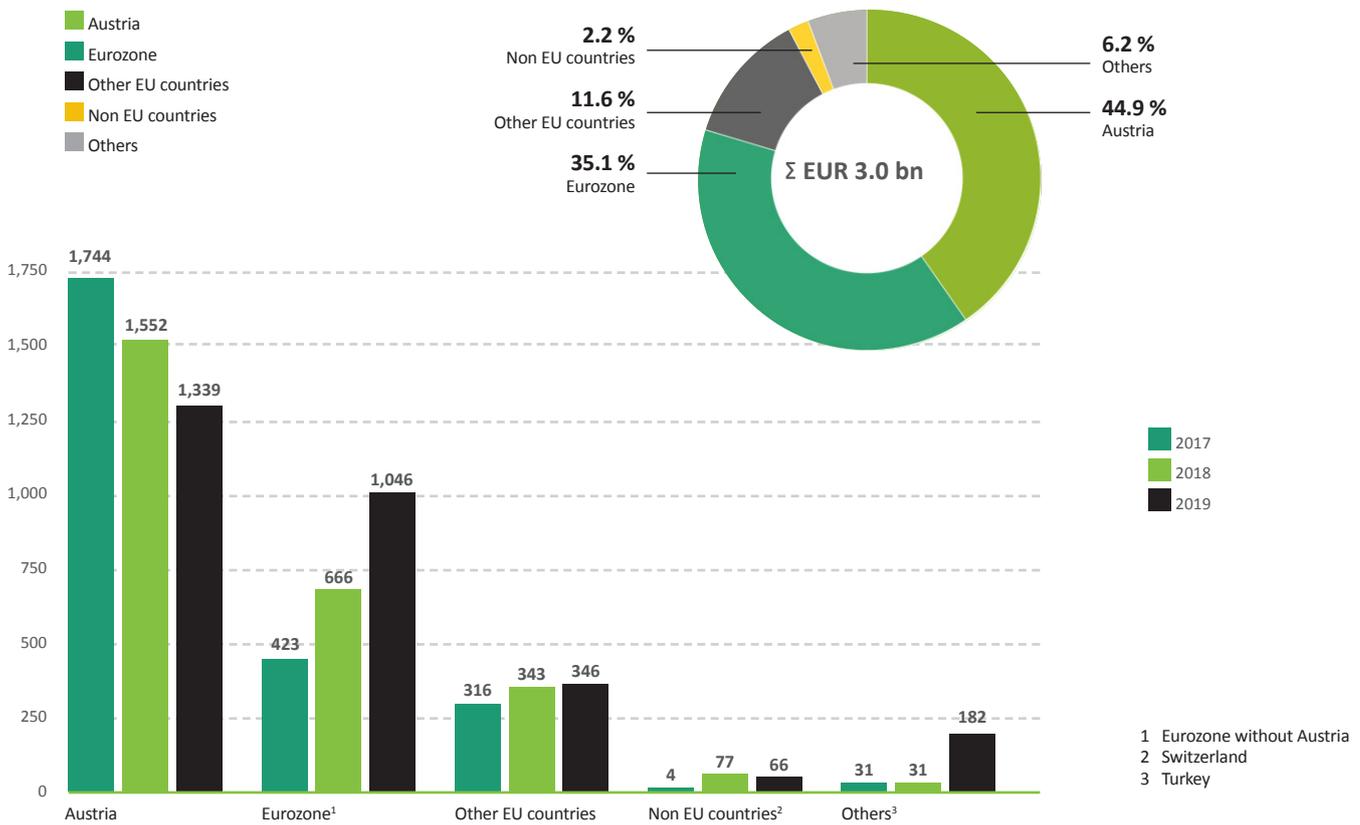
- Municipalities (Austria)
- Municipalities (EU)
- Public sector entities
- Utilities
- Credit institutions
- Infra and energy financing
- Companies

- 2017
- 2018
- 2019



Geographically, 45% was attributable to Austria (2018: 58%), followed by the rest of the eurozone (35%) and other EU countries (12%) (2018: 25% and 13%, respectively).

Loan portfolio by regions
in EUR m, as of 31/12/2019



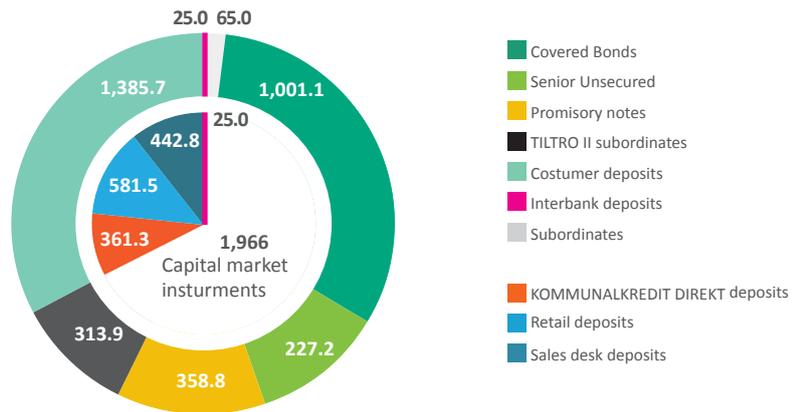
Diversified refinancing structure further developed

Since its privatisation in September 2015 and based on historical experience, Kommunalkredit has placed great value in ensuring great diversity in its funding profile. Gradually, existing funding sources have been expanded and new ones established over recent years. In order to adequately manage liquidity risks, it is important to not be dependent on any single refinancing source. As a European bank, it focuses on infrastructure and energy financing projects – many of which are beneficial for society at large in terms

of their social and/or environmental impact. This is precisely why its products appeal to investors, as they enable sustainable investments. The bank succeeded in further diversifying its funding structure and broadening its investor base in 2019. Current refinancing is carried out via retail deposits (KOMMUNALKREDIT INVEST), wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers) as well as capital market funding via senior secured debt and covered bonds.

Refinancing structure

in EUR m, as of 31/12/2019



Term deposits increased to 83.5%

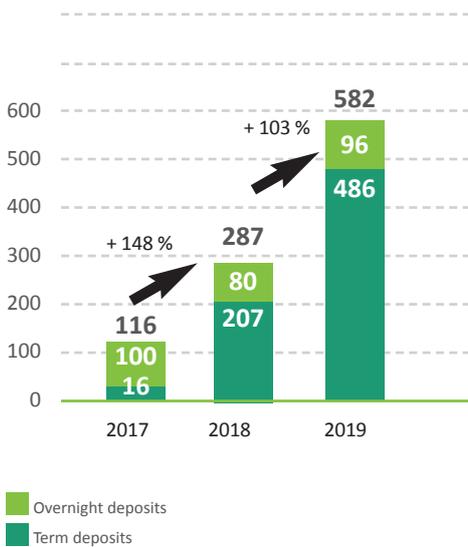
Retail deposits (KOMMUNALKREDIT INVEST): The bank conducts its business with private customers in Austria and Germany via its online retail platform KOMMUNALKREDIT INVEST. KOMMUNALKREDIT INVEST offers overnight and term deposits for terms of up to ten years. As of 31 December 2019, the bank had 9,790 private customers (31/12/2018: 5,063).

The average deposit volume per customer of EUR 59,840 represented a further increase from the already high level as of the end of 2018 (31/12/2018: EUR 56,629).

Wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers): With its online platform KOMMUNALKREDIT DIREKT, the bank offers an efficient investment and cash management tool for municipalities and corporates with close ties to municipal authorities. The continued strong growth of the platform confirms Kommunalcredit's close connection with its traditional municipal customer base in Austria. This is also reflected by the fact that around a third of KOMMUNALKREDIT DIREKT depositors are also borrowers. Taking deposits by corporate and institutional customers into account, wholesale deposits increased by a total of 12.6% to EUR 804.1m in 2019 (31/12/2018: EUR 714.7m).

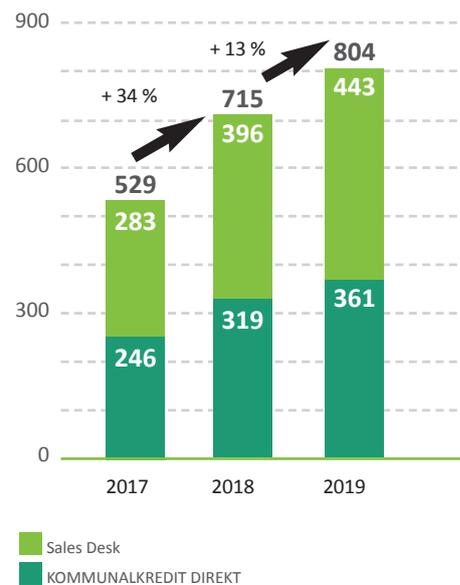
Retail deposits (KOMMUNALKREDIT INVEST)

in EUR m, as of 31/12/2019



Wholesale deposits

in EUR m, as of 31/12/2019

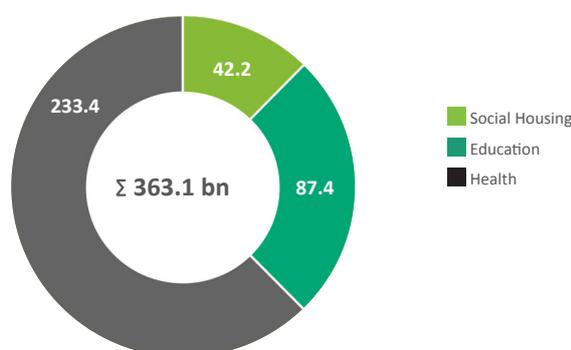


A significant increase in demand for sustainable investment products was noted both in the private customer segment and among institutional and corporate customers in 2019. Among institutional and corporate customers, this demand has been driven by the investment guidelines and ESG criteria (Environment, Social and Governance). Among private investors, the rising number of customer enquiries regarding KOMMUNALKREDIT INVEST has exhibited a noticeable trend towards ensuring that funds are used by the chosen bank in a monitored and sustainable fashion. Small-scale investors are increasingly interested in supporting sustainable management and clean infrastructure with their savings deposits. Customer interest in this field is expected to continue to rise.

Social covered bond – social asset reporting as of 31 December 2019

As of 31 December 2019, Kommunalkredit's social asset portfolio encompassed 71 loans in the fields of education, health care and social housing with a total volume of EUR 363.1m. In 2019, Kommunalkredit financed new social infrastructure projects – attributed to the social asset portfolio – to the value of around EUR 22.5m, which compensated for some of the repayments and disposals from the portfolio.

Social asset portfolio
in EUR m, as of 31/12/2019



Kommunalkredit annually reports the use of proceeds from the issuance of its social covered bond (as of 30 June).

Research and development

At Kommunalkredit, no research activities are conducted as defined by § 243 (3) Z 3 of the Austrian Commercial Code (UGB). However, its activities as a specialist bank for infrastructure and energy financing involve a clear strategic focus in a broad spectrum of different segments and a high level of diversification in products and customers. The development of made-to-order products and the expansion of the digital customer portals are therefore key to the intensification of our customer relationships.

Product development

In the high-growth infrastructure finance market, Kommunalkredit acts as the bridge between project sponsors on the one hand (infrastructure constructors and operators) and institutional investors such as insurers or pension funds on the other. We link industry expertise with structuring know-how and the financing opportunities of a bank. Kommunalkredit caters to the entire infrastructure financing value chain – from consulting to structuring

and from financing to risk hedging, we develop a broad range of tailored, individual solutions for our customers and partners.

This area of operations also encompasses investment opportunities for municipalities, businesses and private customers as well as recognition of support instruments. Our strategic innovations were recently awarded third place in the ranking of specialist banks by Austrian trade magazine "Der Börsianer" in 2019.

Digitalisation

Kommunalkredit is not exempt from the ongoing progress of digitalisation. The two application procedures in our online investment platforms KOMMUNALKREDIT DIREKT (for Austrian municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for private customers in Austria and Germany) offer user-friendly access to the portals. Developed jointly with Fintech Group AG – a provider of digital financial technologies with its registered office in Frankfurt am Main – financial services comparison site capitalo.at awarded KOMMUNALKREDIT INVEST's term deposits an excellent 4.8 out of 5 stars in 2019. The reason stated for this was that it was a savings product enriching the Austrian investment market.

2.3 Kommunalkredit Public Consulting GmbH (KPC)

Subsidy management business

In 2019 alone, KPC awarded subsidies totalling EUR 444m, in particular on behalf of the Federal Ministry for Sustainability and Tourism (Bundesministerium für Nachhaltigkeit und Tourismus²) and the Climate and Energy Fund (see table showing projects processed and cleared in 2019). These public subsidies resulted in an investment volume of EUR 2,394m. KPC subsidised a broad variety of support initiatives in the energy supply, energy efficiency, water, contaminated site remediation, protective water management, transport and e-mobility sectors. Across all of these segments, almost 38,000 projects were approved and around 30,000 were billed in 2019.

KPC acts as the point of contact between the subsidisers who provide the financial resources and the applicants, and oversees the entire project support process. Its duties also include the development and implementation of new support programmes.

Pilot project: “payment not linked to costs”

This special pilot project, the first of its kind to be implemented in Europe, was developed and implemented by KPC hand in hand with the Austrian Conference on Spatial Planning (ÖROK), as the ERDF administrative authority, and the BMNT (now known as the Austrian Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology) in 2019. The move away from the co-financing of individual projects in the old system and towards the co-financing of the funding program (UFI) is designed to make things considerably easier for customers applying for EU subsidies. The EU funds are not paid out after the individual projects have been processed and cleared, but as soon as certain milestones based on the actual funding objective (reduction in CO₂ emissions) have been reached at the level of the pilot programme.

² With the amendment of the Austrian Federal Ministries Act: the Federal Ministry of Agriculture, Regions and Tourism (BMLRT) and the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK).

KPC in 2019



EFFECTS

OF ENVIRONMENTAL SUPPORT IN 2019



over

300 km

canals created



over **400 km**
water pipes laid



over **900,000 MWh**
generated from renewable
energy sources
each year



over

2,000,000 m²
of contaminated land recovered



almost

344,000 t
of CO₂ saved per year



around

30,000
residents
protected from flooding



over **500,000 MWh**
in energy savings
per year

Table: Projects processed and cleared in 2019

Amounts in EUR m	Projects assessed	Total capital expenditure	Support granted	Projects cleared	Disbursement
Federal environment support schemes	25,506	1,969.6	369.9	18,261	565.6
Water management	1,523	493.9	89.8	1,335	336.1
Environmental support in Austria	8,237	616.5	77.5	8,243	70.1
Renovation offensive	14,833	507.2	77.9	7,588	36.6
Remediation of contaminated sites	20	37.3	30.7	13	27.5
Protective water management	650	164.7	75.4	907	94.4
klimaaktiv mobil	3	1.8	0.2	6	0.1
Funding for int. climate projects	1	0.4	0.4	4	0.7
EU co-financing (Environmental Support Act)	239	147.9	17.9	165	0.0
Climate and energy fund	10,832	270.2	50.3	10,054	33.6
Photovoltaics	5,543	58.3	7.2	5,204	6.5
Wood-fired heating + solar installations	1,650	19.9	1.4	1,640	1.4
Mobility management	2,476	70.3	5.0	2,622	9.0
Employment programmes	383	83.7	31.0	216	16.7
EU co-financing	780	38.0	5.6	372	0.0
Other programmes	1,644	154.2	23.9	1,341	1.2
Green electricity – hydro power plants	28	90.6	19.6	18	0.0
E-mobile Lower Austria	411	14.8	0.5	412	0.5
Salzburg climate and energy pact	74	2.8	0.2	89	0.4
Salzburg connection support*	387	10.4	1.2	112	0.0
E-mobility Styria	116	3.9	0.1	116	0.1
COOL! businesses Styria	5	1.9	0.6	0	0.0
Add-o funding Tyrol	374	21.0	0.7	412	0.0
Add-on funding Vorarlberg	83	2.6	0.1	94	0.2
Photovoltaics Vienna	166	6.2	1.0	88	0.0
Total	37,982	2,394.0	444.1	29,656	600.3

* "Get rid of the oil" bonus

Rounding differences may result from presentation in EUR m.

Environmental support schemes

The environmental support schemes covered by the Austrian Environmental Support Act (Umweltförderungsgesetz) for environmental and climate protection measures (water management, remediation of contaminated sites, add-on funding) remain the Austrian federal government's central funding instrument in these areas. The environmental support schemes have been one of the national co-financing instruments for EU funds for a number of programme periods now, both for the European Regional Development Fund (ERDF) and for the European Agricultural Fund for Rural Development (EAFRD). For the period from 2014 to 2020, just under EUR 67m (2007–2013: EUR 32m) has been available under the ERDF and approximately EUR 85m (2007–2013: EUR 69m) under the EAFRD.

The further focus of environmental support, particularly with regard to climate and energy, is based on #mission2030, the integrated climate and energy strategy adopted by the Austrian federal government in 2018. A national climate and energy plan (NEKP) was drawn up on this basis in 2019.

Both documents include several references to the importance of existing support instruments for the implementation of climate and energy targets. As a result, they also provide an important strategic anchor for the instruments managed by KPC.

Renovation support incl. "Get rid of the oil" bonus

The Austrian federal government continued with its renovation support programme in 2019. KPC has been managing this support instrument, which originally made up to EUR 100m available every year for thermal refurbishment measures in private homes and commercial buildings, since 2019. An initial amount of EUR 42.7m was assigned to the initiative for 2019.

The campaign focused on the "Get rid of the oil" bonus, which provided subsidies for the replacement of fossil fuel tanks. After the funds were used up relatively quickly, by June 2019, a further EUR 20m was made available.

Protective water management

Since the end of 2013, the support programmes managed by KPC include protective water management based on the amendment made to the Austrian Waterworks Promotion Act (Wasserbautenförderungsgesetz) at that time. KPC started processing these subsidies in operational terms in early 2014. 650 projects from this area were assessed in 2019.

Climate and energy fund

A number of very different support programmes were managed for the Climate and Energy Fund in 2019, too. There was another photovoltaics support campaign aimed at private households on a broad scale, with more than 4,800 projects being processed within this context. New tenders were also organised for the climate impact research programme, for model climate and energy regions and for e-mobility regions. Support was provided with the implementation of lighthouse projects involving solar installations and refurbishment measures.

The regional support programme period (2014–2020) also makes funds under the EAFRD available for individual programmes (e.g. photovoltaics for farmers, investments in model climate and energy regions) as co-financing funds. EU funds worth EUR 5.6m were awarded to 780 projects in 2019.

Funding for international climate projects

Experience in the field of international climate protection has been used by the BMNT since 2014, with KPC being commissioned to manage Austria's contributions to funding for international climate projects ("climate finance"). This involves direct support for projects aimed at avoiding emissions of gases that are harmful to our climate and at adjusting to the negative impact of climate change in developing countries.

Provincial support instruments

In particular, the management of the provincial support instruments allows the best possible use to be made of synergies in the management of federal government and provincial support programmes, also making the process more straightforward for the funding recipients. All of these mandates allow the best possible use to be made of synergies in the management of federal government and provincial support programmes, also making the process more straightforward for the funding recipients, as they only have to submit their applications to one funding agency thanks to the "one-stop-shop" approach.

Consulting business

As a consultancy, KPC provides services for national and international organisations and financial institutions. The range of services includes technical and economic consulting, the preparation of studies, capacity development and policy advice, in particular in South-East Europe, Central Europe and Eastern Europe. Clients include the European Commission, the European Bank for Reconstruction and Development (EBRD), the World Bank, the Organisation for Economic Cooperation and Development (OECD), the German development bank Kreditanstalt für Wiederaufbau (KfW), the German Ministry of the Environment and the Austrian Development Agency (ADA).

In 2019, KPC received new attractive commissions as well as extensions for existing appointments, for example to support Green Financing Facilities in the energy efficiency segment and sustainable finance. Of particular note among the new commissions is the appointment by Finance in Motion, one of the largest asset managers in the development finance sector, to help Georgian banks introduce green financial products. At national level, work continued, among other things, on the new master plan for environmental technology (Masterplan für Umwelttechnik) commissioned by the Federal Ministry for Sustainability and Tourism (now the Ministry of Agriculture, Regions and Tourism).



With "Climate Austria", KPC has been offering a platform for the voluntary compensation of CO₂ emissions since 2008, e.g. in the travel sector. Since 2008, Climate Austria has been a partner of Austrian Airlines, which allows its passengers to offset the emissions associated with their flights directly on its booking portal. The issue of climate protection has become much more important not only for the corporate sector but also for the public at large. Companies are increasingly being judged by the measures they are taking to actively protect the environment. Calculating a carbon footprint is a key component of corporate climate protection. The energy used for flights and mobility, electricity and heating are the main sources of CO₂ emissions.

Climate Austria is a product of KPC, who is responsible for managing Climate Austria, drawing on its long-standing experience with climate protection projects in Austria and beyond. Climate Austria calculates and evaluates companies' climate-related activities and allows them to make an active contribution to protecting the environment for all of the CO₂ emissions that cannot be avoided by their CO₂ saving drives and efficiency measures.

Vienna Symphony Orchestra becomes new Climate Austria partner in 2019

With their inimitable Viennese sound, the Vienna Symphony Orchestra (Wiener Symphoniker) is one of the most renowned top-flight orchestras in the world. As an official cultural ambassador of the city of Vienna, the orchestra gives regular guest performances in key musical venues across the globe. In cooperation with Climate Austria, these concert trips will be CO₂-neutral from 2020 onwards. The official foundation stone for this cooperation was laid at a festive certificate award ceremony held in the Vienna Symphony Orchestra's concert hall.

More detailed information on all of KPC's activities can be found in the BENEFIT 2019 performance report and the 2019 report on the federal government's environmental investments.

The reports, together with further information on KPC, can be found at www.publicconsulting.at.

3.

IN THE SPOTLIGHT: BUSINESS ETHICS

Having the trust of customers, partner banks, contractual partners, investors, owners, employees, and regulatory authorities and supervisory authorities is important to Kommunalkredit. We treat all of these groups with the respect they deserve. Issues such as transparency, fair competition, combating corruption, money laundering and terrorism financing, as well as compliance with all national and international statutory obligations are of crucial importance to our business activities. Internal policies define corresponding processes and responsibilities to ensure and monitor compliance.

3.1 Code of conduct

Responsible business management is the basis for our long-term success. Professional standards and basic ethics are the norm in our day-to-day business and codified in our code of conduct. Kommunalkredit has committed to complying with the highest compliance standards and is aware of its corporate social responsibility. Appreciation, problemsolving, performance and innovation – both internally and externally – are key pillars of how we engage with one another on a day-to-day basis. With respect, transparency and dependability, we also help to maintain a positive public image of the financial industry.

We also attach a great deal of importance to long-term partnerships based on trust with our service providers and business partners, as they make a key contribution to the quality of our services. We adopt a fair, transparent and objective approach to selecting providers and awarding contracts. We also expect our service providers and business partners to comply with all of the statutory requirements and to maintain high ethical standards, including compliance with minimum wage legislation and respect for human rights, as well as a commitment to ruling out illicit employment and corruption.

3.2 Compliance and statutory requirements

Kommunalkredit is committed to meeting the very highest compliance standards. Its internal “Compliance Regulations” implement the requirements set out in the relevant statutory provisions – such as the 2018 Austrian Stock Exchange Act (Börsegesetz), the 2018 Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz), Delegated Regulation (EU) 2017/565 or the EU Market Abuse Regulation.

In line with the statutory provisions, the key topics covered by the Compliance Regulations include the prevention of insider trading and market abuse, adherence to rules of conduct and the identification and avoidance of any conflicts of interest. The Standard Compliance Code of the Austrian banking sector (SCC) signed by Kommunalkredit includes specific requirements extending beyond the statutory framework with regard to dealings with customers and securing their trust.

Kommunalkredit has a compliance organisation in place that has been established in accordance with the statutory provisions, headed by a compliance officer who reports to the Executive Board. The compliance organisation is primarily responsible for ensuring that statutory requirements and rules of conduct are observed. In addition, Kommunalkredit aims to use its compliance organisation to identify and prevent any potential breaches of the statutory or internal regulations referred to above in advance, so as to prevent potential threats to the company's reputation in a timely manner. Compliance also ensures that the Compliance Regulations are updated on an ongoing basis to reflect changes in legislation or the adoption of new regulations, and that these changes are communicated to the bank's employees.

Kommunalkredit's compliance officer is the point of contact for all employees. The officer is also responsible for conducting mandatory compliance training for new hires and for organising regular compliance training in certain business areas.

In their capacity as money laundering officer, Kommunalkredit's compliance officer is also responsible for ensuring compliance with the due diligence requirements set out in the Austrian Financial Markets Anti-Money Laundering Act (FM-GwG) and in the Beneficial Owners Register Act (WiEReG). The compliance officer reports to the Executive Board in this function, too. Regular training sessions on money laundering and terrorism financing enable Kommunalkredit employees to identify suspicious transactions and business relationships at an early stage and report them to the money laundering officer.

All employees and the management team have been provided with information and training on the bank's anti-corruption policies and procedures.

3.3 Data protection

Protecting the confidential information provided to us is a key element of our relationships with customers and contractual partners, and reflects the requirements of both the Austrian Banking Act (Bankwesengesetz) and the data protection provisions. Processes and responsibilities are set out in a separate Data Protection Policy. Kommunalkredit Public Consulting GmbH (KPC) has its own data protection guidelines.

3.4 Inducements

An internal Inducements Policy setting out provisions on how to deal with inducements provided by third parties to Kommunalkredit employees, as well as inducements granted to third parties, was adopted in order to implement the Austrian Anti-Corruption Act (Antikorruptionsgesetz). It applies to all employees of Kommunalkredit and its subsidiaries.

3.5 Corporate governance

In 2019, the Supervisory Board performed the duties assigned to it under the Articles of Association and Rules of Procedure at a number of ordinary and extraordinary meetings. Four ordinary Supervisory Board meetings, three Audit Committee meetings, one Risk Committee meeting and one Remuneration Committee meeting were held in the course of 2019.

As of 31 December 2019, the Executive Board of Kommunalkredit consisted of two members. After Jörn Engelmann left the Executive Board with effect from 31 January 2019 after his contract expired, the Executive Board has consisted of Bernd Fislage (Chief Executive Officer) and Jochen Lucht (Chief Financial Officer, Chief Risk Officer, Chief Operating Officer) since 1 February 2019.

The allocation of responsibilities and the collaboration within the Executive Board are governed by the Rules of Procedure for the Executive Board. The members of the Executive Board also maintain ongoing dialogue both with each other and with the responsible managers. The Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all issues relevant to business development, including the risk situation and risk management within the company and at its major subsidiaries.

In addition, there is an ongoing dialogue between the chairman of the Supervisory Board and the Executive Board in the interests of good corporate governance. In particular, this process is used to define the company's strategy and provide information on business development and risk management. The chairman of the Risk Committee is also kept up to date on the latter issues at all times.

Executive Board meetings are held on a weekly basis with agendas for resolutions to be passed and for reporting. Minutes are taken at these meetings and any agreed follow-up points are recorded and closely monitored.

Corresponding structures and lines of communication have been established within Kommunalkredit Public Consulting GmbH (KPC) – with adjustments to reflect the company's requirements.

3.6 Risk management

The instruments used by Kommunalkredit for the complete identification of the risk drivers of the business model are risk assessments and a risk map. Risk assessment involves identifying the main types of risk for the bank through a structured analytical process. Based on the results of the assessment, a risk map is drawn up for the bank as a whole. This contains a definition of risks, broken down by risk type, and assesses the individual risks in terms of significance, risk transparency, control frequency and limitation. The risk map serves to establish a uniform understanding of the risk concept and a uniform view of risk priorities, and to review the system for completeness and identify potential control gaps. The types of risk covered are those which are classified as highly relevant, but are characterised by low risk transparency and a low control frequency and are therefore given top priority in respect of further development needs. This analysis is performed annually.

The economic capital required for the main types of risk (in particular: liquidity risk, credit risk, market risk and syndication risk) is calculated using internal methods based on generally recognised principles of bank management. Additionally, a risk buffer is available for risks that cannot be sufficiently quantified (in particular: operational risk, reputation risk, legal risks and other risks) and to cover potential model inaccuracies.

Within the context of the risk strategy for the main types of risk, the Executive Board specifies the principles for their adequate management and limitation. For each main type of risk and each field of business, the economic risk is limited in accordance with the defined risk appetite for the bank as a whole in conjunction with the risk-bearing capacity (ICAAP – Internal Capital Adequacy Assessment Process and/or ILAAP – Internal Liquidity Adequacy Assessment Process) and the willingness to assume risk of the bank. Monthly reviews are performed to check the level of utilisation of the risk budget, as well as the risk appetite, for the entire bank and to verify that it is not overrun. Counterparty limits as well as the operational risk limits for the open foreign exchange position are reviewed on a daily basis. Kommunalkredit's business operations do not include any trading activities.

Kommunalkredit formally has a trading book, but its use is strictly limited. The transactions are exclusively risk-free through-trading activities in connection with the provision of customer services. Trading activities aimed at generating a profit from short-term price differences and taking risk positions on the trading book are not part of Kommunalkredit's business and risk strategy and are forbidden under the bank's internal guidelines, the enforcement of which is supported by organisational measures.

Kommunalkredit has established an organisational structure for risk management which clearly defines and sets out the tasks, competences and responsibilities in the risk management process. Risk-taking organisational units (front office) are therefore clearly separated from organisational units in charge of monitoring and communicating risks (back office) at all levels up to the Executive Board. This means that the organisational structure also meets the regulatory requirement of separation between front-office and back-office functions.

Pursuant to § 39d of the Austrian Banking Act (BWG), a Risk Committee has been set up within the Supervisory Board. The committee's mandate includes, in particular, advising the management on the current and future willingness to take risks and risk strategy of the bank, monitoring the implementation of this risk strategy in connection with the management, monitoring and limitation of risks, and monitoring the capital position and the liquidity position of the bank. Besides the reports submitted by the Risk Committee, the Supervisory Board regularly receives information on the bank's risk position in the form of comprehensive quarterly risk reports and a monthly key data sheet showing the development of the most important capital, earnings and risk indicators.

Risks are managed and monitored by the Risk Management Committee, the Asset Liability Committee and the Credit Committee.

The objective of the overall bank management process is to optimise the use of capital resources in terms of risk and return within the limits of the bank's risk appetite and risk-bearing capacity.

The strategies, methods, reporting rules and organisational responsibilities for the management of risks are documented in writing in the ICAAP manual, in risk management manuals for each type of risk and in organisational guidelines, the latest versions of which can be downloaded via the intranet at any time by all staff members concerned.

Kommunalkredit Public Consulting (KPC) has implemented its own operational risk management system that is adapted to suit its business activities.

3.7 Internal control system

The Executive Board of Kommunalkredit is responsible for establishing and structuring an internal control system (ICS) and risk management system that meets the needs of the company regarding the accounting process. The Audit Committee monitors the effectiveness of the ICS and the accounting process as a whole.

Definition of purpose

The ICS encompasses all processes designed by the Executive Board and executed within the company that are used to monitor and control

- the effectiveness and efficiency of the operating activities for the purpose of protecting assets against loss as a result of damage and misappropriation,
- the reliability of financial reporting and
- compliance with the statutory regulations of relevance for the company.

The objective is to assist the management in such a way that enables it to ensure the performance of effective and continuously improving internal controls regarding accounting processes. The ICS is designed to ensure compliance with policies, guidelines and regulations and to create favourable conditions for specific control measures in key accounting and financial reporting processes. Within the accounting process, the ICS is procedurally organised on the basis of an intended standardisation of processes in the Finance division and in the Accounting, Financial Reporting & Taxation teams and in Reporting & Managerial Accounting. Visual procedural descriptions, policies, guidelines and work instructions are in place for processes. The two-person-review principle defined therein for major operations is mandatory. Data and IT systems are protected from unauthorised access.

Relevant information is only provided to those employees who actually require the information for their work. Results are coordinated between divisions where necessary.

The Kommunalkredit ICS comprises the five components of the COSO³ framework: control environment, risk assessment, control measures, information and communication as well as monitoring activities.

3.8 Business continuity management (BCM)

Business continuity management (BCM) ensures the adequate, comprehensive and efficient management of business continuity. It includes the elaboration and management of continuity and recovery plans as well as the implementation of measures designed to minimise interruptions of critical business processes. This includes providing alternative workplaces in the event of Kommunalkredit's office premises not being available.

The annual resource assessment was performed, and the resources required in the event of a crisis were established. The annual business impact analysis (BIA), performed within the framework of the resource assessment, served to assess business processes and information and communication technology (ICT) services for their criticality, and to verify the time to full restoration of services. The emergency plans were revised at the same time. The annual emergency exercise was performed in the fourth quarter of 2019.

3.9 Policy management

All Kommunalkredit operating procedures (policies, work instructions, manuals, works agreements) are stored in a policy overview on the intranet for all employees, who are assigned the necessary access rights in line with the compliance regulations.

Policy management at Kommunalkredit has been set out in a policy that defines the formal minimum requirements that policies/work instructions have to meet and specifies the responsibilities for updating, approving and distributing policies and work instructions.

All guidelines relating to the sustainability management system have been incorporated into this system and into the policy overview of operating procedures that is available on the intranet.

³ COSO: Committee of Sponsoring Organizations of the Treadway Commission.



4.

IN THE SPOTLIGHT: EMPLOYEES AND COMMUNICATION

Our code of conduct in practice

Responsible business management is the basis for our long-term success. Professional standards and basic ethics are the norm in our day-to-day business and codified in our code of conduct. Kommunalkredit has committed to complying with the highest compliance standards and is aware of its corporate social responsibility. Appreciation, problemsolving, performance and innovation – both internally and externally – are key pillars of how we engage with one another on a day-to-day basis. With respect, transparency and dependability, we also help to maintain a positive public image of the financial industry.

Having the trust of customers, partner banks, investors, owners, regulatory authorities and supervisory authorities as well as all of our colleagues is important to us. We see the **open dialogue** with stakeholders as a chance to exchange knowledge and evolve, and as an opportunity to pass on our experience. The primary objective is to foster and strengthen trust in our company. Internal governance encourages and ensures fair competition and protects our customers' interests. The principle of sustainability in our business strategy is also reflected in the bank's internal organisation. The procurement and care of materials, the supply of working resources and proper disposal must satisfy the high standards of environmental protection and sustainability.

4.1 Employees

Kommunalkredit's great performance depends substantially on the commitment and performance of each individual employee. We all pull together to succeed. Individual knowledge and personal abilities are applied to the benefit of the company's overall performance. Together as a team we consistently pursue our objectives.

Training and education as factors for success

We have a top-class team with extensive international know-how and a broad range of experience in the infrastructure business. And we invest selectively and carefully to build on this competitive advantage.

Recruiting and retaining talented and motivated employees and ensuring their continued development is something that we therefore see as an essential aspect of our management duties. Training, education and personnel development are essential in ensuring that employees can identify with the company and are thus also essential to the success of Kommunalkredit itself. We support both professional and personal development.

Personnel development for us means helping employees in a targeted manner to do their jobs as best they can and to overcome the challenges that they encounter in their working environment. We also understand personnel development to be a link between the corporate strategy and the employees. Its purpose is to encourage commitment and drive development among the employees and managers. And it plays an important role in **ensuring that together we remain true to our vision and mission** and achieve our goals. This is a path that we would like to follow together, which is why we have created a "developing pool" to provide young employees with support and encouragement in their ongoing development.

Employees should see themselves not only as employees but rather as contributors and shapers. Our common goal is to create an environment where people can exploit and apply their talents and gifts to the fullest. It should be demanding and performance-oriented, but also a positive, respectful and healthy working environment. This also includes acknowledgement of the need for a healthy work – life balance. Only this creates the space needed for an arm's length or top-down perspective to generate momentum, produce ideas and foster creativity.

In 2019, we stepped up our investments in the professional and personal development of our managers and employees. We stuck to the tried-and-tested approach of using external providers for professional development measures, as the target groups are too small to justify inhouse training. In these areas, personal development measures were conducted mainly in the form of team workshops, with advice and support being provided by the internal HR development specialist.

Managers made greater use of the internal and external coaching services available to ensure that they, too, receive the support they need in connection with extensive change processes.

We forged ahead with the successful implementation of digitalised training offerings. Hand in hand with an external partner, further e-learning modules covering important regulatory and supervisory/legal topics were designed and made available to employees on the personal learning platform via the LMS (learning management system).

Employee opinions as a yardstick

A continuous dialogue with our colleagues is especially important, as they are the ones “out there” in the market and are therefore key ambassadors of the company. You can only do your best if you feel your best. After 2018, we again performed an employee survey for evaluation purposes in 2019 to provide us with a sounding board, and in particular to provide managers with the opportunity to optimise their areas.

With a participation rate of 65%, a high value compared to others in the sector, we have achieved very positive results. A commitment level of +21% compared to the initial survey and an enablement level of over 72% (+14%) are evidence that our training and education measures and personnel development activities are bearing fruit.

Alongside regular face-to-face employee meetings and transparent communication, we also established a number of important additional precedents in 2019:

- launch of talent management with focus on young performers and experienced experts
- best practice meetings with various divisions to reinforce company-wide collaboration
- expansion of training opportunities available to all employees to encourage further development of the business model
- review of requirements of a modern remuneration system (performance-linked payment, performance feedback, employee focus/development/motivation/retention)

Employees as the engine of the company

The year 2019 was also defined by the expiry of the Service Level Agreement with KA Finanz AG that had been in effect since 2009. On 31 March 2019, services were discontinued as planned and the contractually agreed one-year period of notice was used to put migration measures in place. In connection with this and to reinforce the bank's core business, capacities were restructured and expanded in the front- and back-office units.

The share of women in the Kommunalkredit Group was 46% (33% in management positions) as of 31 December 2019. The average age was 43. The share of academics remained stable at 66%. Nine women and three men were on parental leave as of 31 December 2019; during the year, nine employees took paternity leave and four employees took a “dad month” – as established in the collective bargaining agreements for births from 1 July 2011 onwards – or “family leave” – as established for births from 1 March 2017 onwards.

The **diversity of our employees** is a fundamental asset and indicative of a modern, dynamic business. We address each other as respectfully and appreciatively as we do our customers.

Fairness and acknowledgement of each other's skills, privacy and individual needs are key to this. Discrimination due to gender, origin, nationality, skin colour, sexual identity, age, disability, religion or world view has no place at Kommunalkredit. Managers are expected to set a special example in this regard. As of 31 December 2019, 20 nationalities contributed to a robust corporate culture.

Collective agreement, working hours models and the works council

Employment contracts at Kommunalkredit are largely subject to the Austrian collective bargaining agreement for employees of banks and bankers (Kollektivvertrag für Angestellte der Banken und Bankiers). Subsidiaries such as TrendMind and Kommunalkredit Public Consulting GmbH (KPC) also apply the collective agreement for employees of service providers in the field of automatic data processing and information technology (Kollektivvertrag für Angestellte von Unternehmen im Bereich Dienstleistungen in den automatischen Datenverarbeitungen und Informationstechnologie), as well as the master collective agreement for employees in trade and industry in the service, information and consultancy sector. Flexitime and part-time working models, as well as models for working from home on a selective basis, help employees to strike a balance between professional challenges, family and other interests.

Kommunalkredit and its subsidiaries have a central works council and, as a result, uniform work agreements. The works council is responsible for doing more than just actively fulfilling its statutory obligations, however. It takes multiple action by organising presentations and cultural events and supporting participation in sporting events, as well as encouraging and supporting employees' own initiatives.

Zone 100 job ticket

Since January 2014, Kommunalkredit has been providing its employees with the “Zone 100” job ticket (valid in Vienna) on a tax-free basis. This is designed to support the federal government's initiative to promote the use of public transport. The job ticket was being used by 241 employees at the end of 2019.

Promoting occupational health

Kommunalkredit promotes occupational health in cooperation with the Health Consult health centre. Fixed components of this programme include the annual vaccination campaigns (protection against the tick-borne encephalitis virus, hepatitis A & B, diphtheria and tetanus/polio/whooping cough and flu protection) and the annual health check-up, as well as regular occupational health consulting sessions. 87 employees underwent the health check-up in 2019. The occupational health programme also offered eye tests, body fat measurement/BMI calculation, audiometry (hearing test), the “MFT S3 check” coordination test and a lung function test. As in previous years, intensive use was also made of the occupational psychology services on offer in 2019.

4.2 Internal communication and raising awareness

With regard to internal communication, Kommunalkredit places great value on ongoing transparency within the company. The bank uses a broad spectrum of communication channels for this purpose – from internal roadshows to town hall meetings and the intranet. The activities of the sustainability team and works council supported the active exchange of information.

Townhall meetings

We stepped up the use of our townhall meetings as a dialogue format. This information event for all employees tends to be held the day after a Supervisory Board meeting or if there is a particular need to provide the employees with information. Following a presentation by the members of the Executive Board, employees have the opportunity to discuss their questions directly with the Executive Board members.

Employee lunch and employee breakfast

Employees from all hierarchical levels can use these events to discuss current issues in a relaxed atmosphere.

Works council breakfast

Employees and works council members meet at the works council breakfast to discuss current issues several times a year in an informal setting. Management guests up to Executive Board level are also welcomed at the event.

Mentoring programme and sustainability training

New colleagues receive support through the mentoring programme, in which an experienced colleague is on hand to support them, primarily from a social perspective, for a period of at least three months, and through a staff induction day. One key part of employee induction training is the mandatory sustainability training session to which all new hires are invited around twice a year. Sustainability training ensures that new hires understand the sustainability policy that Kommunalkredit puts into practice.

Intranet

The intranet is a particularly important interface for every single employee within the company. It provides daily information about news and activities in and around the company.

Book and film lending

Another measure that has a sustainable impact in both ecological and social terms is the book and film lending system, a “give and take” system that lives by the principle of using as opposed to owning. The range of books on offer is growing constantly and films can also be borrowed.

Sustainability team

Comprised of a group of committed employees from throughout the company, the sustainability team acts as a port of call and platform for all issues and concerns relating to sustainable living and management at Kommunalkredit. The main remit of the sustainability team includes the implementation of the measures required for EMAS certification (internal audit, recording of key figures, GRI reporting) and the incorporation of sustainability aspects into corporate decision-making processes.

Quotes from the »KOMMUNALE SOMMERGESPRÄCHE 2019« (Municipal Summer Talks)

„Infrastructure is the heart of any society. We need the courage to act and to invest in revolutionary technologies with promising futures.“

Bernd Fislage, Chief Executive Officer of Kommunalkredit

„With the aid of sensors and transmitted through mobile phones, we can collect a lot of data on road usage, braking actions, accident probabilities or even meteorological changes, for example in relation to climate change.“

Carlo Ratti, Director Senseable City Lab MIT

4.3 External communication

Kommunalkredit places great value in communicating openly with its stakeholders – the company, customers, business partners, investors, the media, regulatory authorities, shareholders and, of course, its employees.

Engagement

In the 2019 financial year, communication measures again focused on clearly positioning the bank as a specialist for infrastructure and energy financing as well as public finance – whether as an in-demand advisor and financier for the public sector or as a point of contact for businesses and investors involved in the creation, acquisition and/or operation of infrastructure or energy projects.

To engage with our stakeholders, we use a broad spectrum of communication channels. These include personal communication methods as well as digital media, conventional PR efforts and direct marketing. External communication focused on intensifying exchanges with the media, both on the Austrian domestic market and in international specialist infrastructure-related media. Marketing activities were performed both for the two online investment platforms KOMMUNALKREDIT DIREKT (for municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for private customers).

Kommunalkredit is traditionally rooted in Austrian town, city and municipal authorities – after supporting the public sector for consulting and financing in relation to infrastructure projects (public finance), we will also be continuing our partnerships with the two most important municipal decision makers in Austria in 2019. At the Congress of City & Town Authorities held by the Austrian Association of Cities & Towns, we were represented just as effectively as a cooperation partner as we were at the

Congress of Municipalities held by the Austrian Association of Municipalities. For 15 years now, the MUNICIPAL SUMMER TALKS held jointly with the Association of Municipalities – also a minority shareholder of our bank – have provided us with a forum that brings national and international guests from political, business, academic and media circles to the Ausseerland region for active discussions.

Our experts from the bank and also from our subsidiary Kommunalkredit Public Consulting GmbH (KPC) are highly sought-after speakers at numerous specialist events within Austria and abroad. KPC is also well-positioned in the Austrian market in the field of subsidy processing and sponsors sustainable initiatives such as the Waste Award of the Austrian Water and Waste Management Association (Österreichischer Wasser- und Abfallwirtschaftsverband, ÖWAV) and the Neptune Water Award (from the Federal Ministry for Sustainability and Tourism). KPC participated as a member of Austria's official negotiating delegation in the 2019 UN Climate Change Conference in Madrid. With regard to our investor relations activities, we engage closely with investors, analysts and business partners.

„The social infrastructure, the digital infrastructure, but also the ecological infrastructure ... there's potential.“

Wilhelm Molterer, Managing Director of EFSI

„Infrastructure is the lifeblood, the nervous system. (...) We are talking about technical infrastructure – digitalisation, broadband – we are talking about social infrastructure – education, nursing.“

Alfred Riedl, President of the Austrian Association of Municipalities, Mayor of Grafenwörth (Lower Austria)

„I believe that the social quality of life is wholly dependent on how a municipality's internal structure is in relation to civil society.“

Matthias Horx, Futurologist

„(...) future mobility (...). It must be affordable, must effectively combine public transportation with private means, and in particular we are researching solutions involving autonomous systems.“

Jost Bernasch, Managing Director of Virtual Vehicle

„We can see in many European countries that the municipalities would like to make investments, and indeed need to, but are unable to.“

Marcel Fratzscher, President of the German Institute for Economic Research

„The foundations for shaping the future (...), broadband is simply essential.“

Johanna Mikl-Leitner, Governor of Lower Austria

5. IN THE SPOTLIGHT: OPERATIONAL ECOLOGY

Taking responsibility for the environment has a long tradition at Kommunalkredit, with the introduction of an EMAS environmental management system back in 1997. The company has been using photocopying and printer paper made from 100% recycled paper since 1996, only green electricity since 2003, and a pellet heating system since 2005. A key part of our employees' identity and day-to-day routine is the careful use of resources, ranging from the attention paid to waste separation and double-sided printing (where possible) to ecological business travel planning.

Another focal point is the efficient use of energy, such as the ongoing optimisation of the IT infrastructure, also with regard to energy consumption. Kommunalkredit Public Consulting GmbH (KPC) also offsets the CO₂ emissions caused by business trips via www.climateaustria.at.

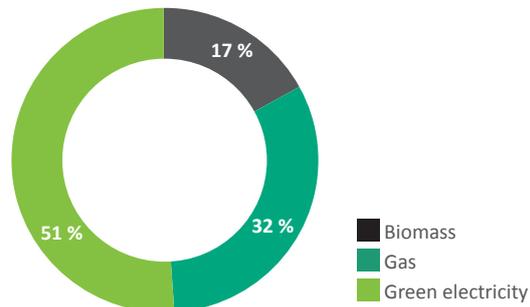
Since 1994, Kommunalkredit has been involved in the "money and insurance business" working group of the Austrian Society for Environment and Technology (ÖGUT), which looks at ways in which the sector can become more ecological. Since 2002, workshops on "Business-ecological benchmarking for financial service providers" have been held⁴, with participants coming together to develop and discuss benchmarks for sector-specific sustainability indicators. New benchmarks were most recently developed by the working group in 2016.

5.1 Energy and climate protection

Total energy consumption

The company's total energy consumption comprises its electricity consumption and heating energy consumption (see figure on p. 48). In recent years, this has come to around 1.8 million kWh before falling slightly in 2019 (around 1.7 million kWh). This is below the target figure of 1.8 million kWh set by the company itself. The large proportion of renewable energy sources (2019: 68%) is explained by the purchase of green electricity (100% clean electricity) and the fact that heating for part of the building is supplied by a pellet boiler.

Diagram: Energy consumption in kWh



The share of renewable energy sources (from biomass and green electricity) in relation to total energy consumption was 68%.

Electricity consumption

Kommunalkredit has been purchasing only green electricity for years now. Ongoing optimisation measures have resulted in a constant reduction in electricity consumption in recent years. In 2019, electricity consumption fell by around 9% compared to 2018 due to a smaller number of events being held within the company, but in particular due to the outsourcing of IT servers. With consumption of 2,965 kWh per employee, electricity requirements have fallen back to the level seen in the years prior to 2018. This puts Kommunalkredit well below the ÖGUT benchmark of 4,769 kWh.

Heating energy consumption

The building's heating energy is provided by pellets and gas. At around 107 kWh/m², total heating energy consumption in 2019 was slightly lower than in previous years, putting it well below the internal target of 115 kWh/m². While this figure is rather high in comparison with the ÖGUT benchmark of 89 kWh/m² due to factors relating to the building itself, the value per employee is very low at 2,946 kWh (ÖGUT benchmark: 3,524 kWh). Refurbishment measures are expected to bring a (further) improvement in the years to come.

⁴ Benchmarks in accordance with the Austrian Society for Environment and Technology (ÖGUT) guideline "Benchmarking for financial service providers"; baseline year 2014.

5.2 Transport and emissions

Business travel

Kommunalkredit positioned itself successfully in the European market for infrastructure financing in 2017 and 2018. It has expanded its network of international customers and investors and significantly increased its new business. This expansion was also accompanied by an increase in the volume of business trips – mainly with regard to air travel. This trend weakened somewhat in 2019. The total number of kilometres covered by air rose only slightly, namely by 4.7% to 571,077 km. The number of kilometres driven by car remained virtually on a par with the previous year, while the volume of travel by rail fell significantly. In terms of kilometres travelled per employee, Kommunalkredit is well below the ÖGUT benchmarks, both overall and with regard to the individual modes of transport. The company also significantly undercut its internal target of 2,500 kilometres travelled per employee. This achievement was helped along by the use of conference calls and video conferencing, as well as a responsible approach to business travel.

CO₂ emissions

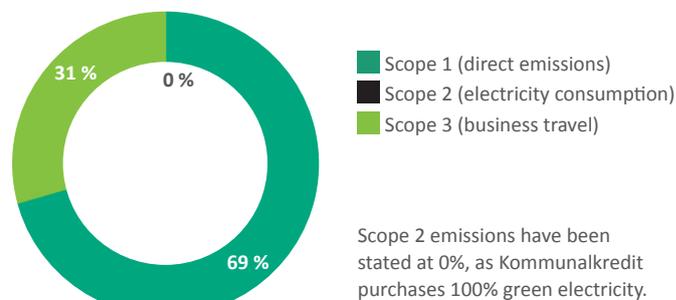
The emissions generated by all of Kommunalkredit's operating activities (heating, electricity, business travel) were up slightly in 2019 as against 2018. Although Scope 1 shows a fairly marked reduction (7.6%) in the area of heating energy, the increase in Scope 3 – business travel – (due in particular to the increase in kilometres covered by air) results in a slight increase overall. The key figure relating to the CO₂ emissions per employee generated by the company's operating activities remained stable year-on-year at 1,481 kg/employee, putting it within the range of the ÖGUT benchmark (1,470 kg/employee).

Carbon accounting refers to the systematic recording of CO₂ and other greenhouse gas (GHG) emissions to establish greenhouse gas performance. The Greenhouse Gas Protocol (GHG Protocol) of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) defines the basic principles of relevance, completeness, consistency, transparency and accuracy, as well as the rules for setting organisational and operational boundaries. The classification of emissions into scopes is particularly relevant in this regard:

- scope 1: Direct emissions from a company's own facilities (heating)
- scope 2: Indirect emissions from power generation (electricity)
- scope 3: Indirect emissions along value chains (business travel)

The diagram below shows how Kommunalkredit's CO₂ emissions are distributed among the scopes defined in the GHG Protocol.

Diagram: 2019 CO₂ emissions based on the scopes defined in the GHG Protocol



The use of green electricity and pellets allowed Kommunalkredit to save approx. 305 tonnes of CO₂ emissions compared with conventional energy sources (gas, electricity) in 2019. In addition, Kommunalkredit Public Consulting GmbH (KPC) offset part of the CO₂ emissions caused by business travel in the amount of 56 tonnes of CO₂ by making a voluntary contribution to Austrian climate protection projects via Climate Austria⁵.

5.3 Procurement management

Sustainable procurement work instructions have been adopted for the sustainable procurement of products required for business operations; the instructions were updated in 2019. Based on the three main product groups

- office supplies, printed forms and advertising material,
- office furniture and
- IT products,

the individual heads of the divisions in question are responsible for updating the work instructions annually. The requirements set out in the work instructions apply as a general rule, and special requests are only approved following consultation with the division heads responsible.

As a matter of principle, Kommunalkredit uses and consumes materials with resource conservation in mind, i.e. the best possible conservation and use of materials is already taken into account when materials are used/consumed by the company's employees.

⁵ For the purposes of the calculation, the emission factor for indirect emissions was used, as is standard practice for Scope 3 emissions in carbon accounting.

Supplier screening

Irrespective of the three main product groups, suppliers are screened before a decision is made on a specific product so as to guarantee compliance with the procurement policy.

Kommunalkredit selects its suppliers based on the following criteria:

- ecological principles (certificates, environmental management systems, environmental/sustainability reports),
- social and sustainability principles (child labour, forced labour, health and safety, working hours, salaries, discrimination),
- choice of materials used in product design,
- optimisation of delivery logistics and where appropriate acceptance of waste material at the time of delivery,
- reparability of the products thanks to modular design,
- resource efficiency in the everyday use of the product (energy consumption).

The results of the supplier screening process are a decisive factor when selecting suppliers and result in an alternative supplier being selected if serious doubts arise.

No new key suppliers were selected in the year under review.

Office supplies, printed forms and advertising material

Wherever possible and commercially viable, our office materials are made of eco-friendly materials. The suppliers were selected as part of a supplier screening process based on ecological aspects (transport routes, extensive product range, products with eco-labels, alternative products) and will continue to supply us until they change their range.

Office furniture

When it comes to buying office furniture, we take into account a number of criteria such as wood/wood coating (e.g. local types of wood, no wood preservatives), plastic/foam (e.g. no PVC, preference given to recycled materials), chrome plating (e.g. avoided in general where possible, no chlorinated hydrocarbons used in degreasing), paintwork (e.g. preference given to powder-coated parts, paint containing heavy metals avoided), quality (e.g. criteria of the German Furniture Quality Association, Deutsche Gütegemeinschaft Möbel), leather upholstery (e.g. preference for tanning using plant-based substances, no azocolourants) and fabric upholstery (e.g. formaldehyde-free, preference for unbleached fabric covers).

IT products

The procurement of IT products is based on the following principles, the focus being on establishing a long-term supplier relationship:

- selection of the most durable and eco-friendly/energy-saving products
- Old components are upgraded whenever possible. If this is no longer possible, the old equipment is stripped down and used as a spare parts warehouse.
- We reduce device use as much as possible by networking equipment as much as we can and by opting for multifunctional devices.

Functional legacy devices that are not worth recycling as spare parts are given to employees in return for a voluntary donation to charity.

Services

Construction work

The “Guidelines for Construction Work” (work instructions) apply both to refurbishment work and the construction of new office space. Ecological, economic and social aspects are taken into account when planning refurbishment work or new office space. The aim is to ensure that users’ current needs are met and that no disposal problems arise in the future (high quality of use and high ecological quality).

In-house and external events

Regulations governing procurement activities relating to services and materials for in-house and external events are set out in separate work instructions (Guidelines for Events).

Before an event is organised, a check is performed to see whether the event is consistent with the company’s guiding philosophy and principles. Topics, objectives, the target group(s) and the number of participants are carefully defined and an evaluation is performed after the event. When it comes to holding events, particular attention is paid to ecological aspects such as electronic communication, accessibility using public transport, organic catering by regional providers and waste management. At the same time, however, social aspects such as the involvement of local and regional target groups, and participation by social project sponsors, are also taken into account.

In cases involving in-house events organised by third parties, the latter are referred – to the greatest extent possible – to the principles set out, to sustainable suppliers and to our “in-house caterers” (some of these providers are certified: Austria Bio Garantie (Austria’s leading inspection body), the Austrian Ecolabel, Fairtrade). This not only ensures consistently high-quality catering, but also makes the handling of the event easier and gives the company added security, as these suppliers are familiar with the prevailing conditions and safety precautions that have to be taken.

5.4 Ressource consumption and waste management

Paper consumption

Total paper consumption fell sharply again to 2,750 kg in 2019. This shows that the measures taken in previous years, such as the decision to do without printed handouts for in-house and external meetings and conferences at Executive Board level, active measures to minimise the use of paper by all employees, the introduction of new printers so that printouts can only be collected on site by employees using a chip card, and an active push towards the use of electronic files, are bearing fruit. The ÖGUT benchmark of 29 kg of paper per employee was also clearly undercut at 8 kg, a figure that is also well below the target of 15 kg set by the company itself. Since the introduction of the environmental management system in 1997, photocopying and printer paper made from 100% recycled paper has been used throughout the company.

Waste

Our waste figures have also remained virtually stable for years now. The total volume of waste has been slowly but surely reduced in recent years.

Our good waste performance is thanks to the continuous measures taken by the company’s “waste officers” and the sustainability team. Looking at the benchmarks, Kommunalkredit reports waste paper of 57 kg per employee, significantly better than the industry average of 93 kg. With regard to domestic waste, too, KA is still below the industry average (77 kg) at 74 kg per employee.

Waste paper, domestic-type commercial waste, organic waste, metal waste, plastic and used glass are handed over to the municipal waste disposal company (MA48). 100% of the company’s domestic-type commercial waste is incinerated in one of Vienna’s waste incineration plants, generating electricity and district heating in the process. Waste paper, metal waste, plastic and used glass are all sent for recycling. Organic waste is used in Vienna’s biogas plant to produce methane.

Old electrical and electronic equipment is either handed over to social institutions that need it, given to employees for a small fee, or entrusted to a commercial waste disposal company. Fluorescent tubes, batteries and mobile phones are also accepted by commercial waste disposal companies. No toner for printers/photocopying machines was used in 2019, as almost all of our devices use refillable toners.

Total mass flow

Total mass flow, i.e. the annual mass flow of the various input materials (excluding energy sources and water), results from paper consumption and the total volume of waste (the overlap between paper consumption and waste paper is negligible). In 2019, this amounted to around 154 kg per employee, illustrating a clear downward trend over the past few years.

6. SUSTAINABILITY – OUR PATH INTO THE FUTURE

2020 will be challenging, and will require courage: courage from politicians to make clear decisions that will cushion the economic impact of the coronavirus pandemic on both the corporate sector and private individuals, and courage to lay the foundations for the rapid recovery of the global economy. It will also require courage on the part of the economy to stimulate investments. The path for structural reform and public investment to revive long-term growth is an opportunity to take a positive approach to overcoming these challenges.

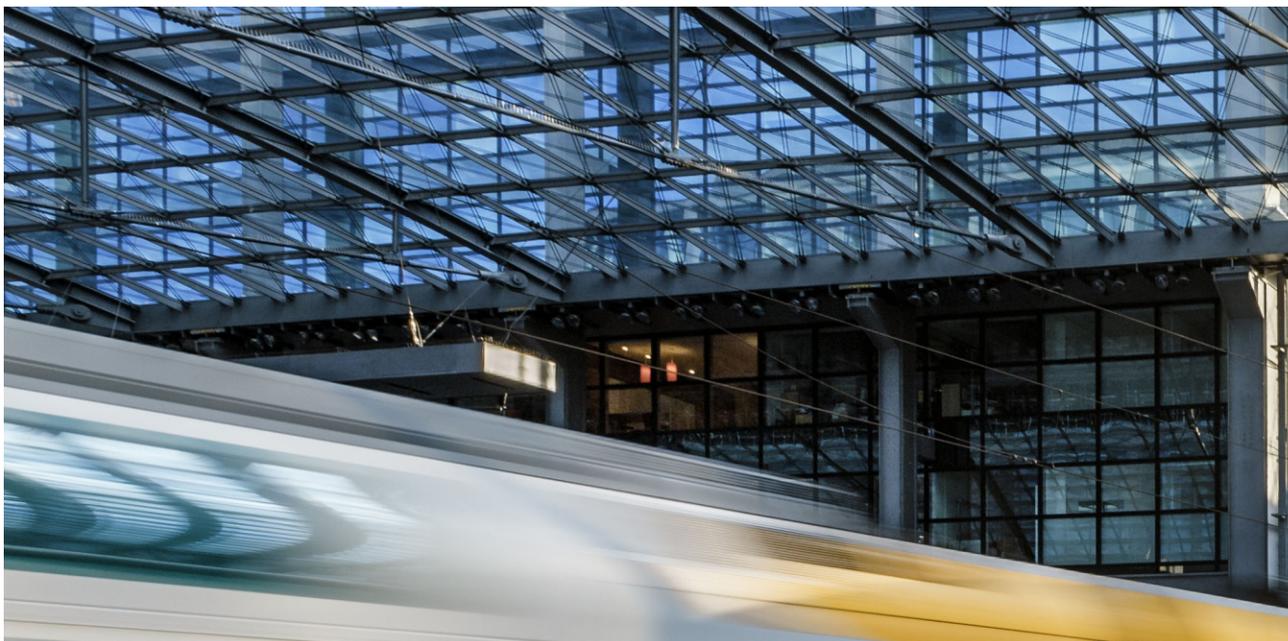
Economic development

2020 is expected to bring a considerable slump in global economic output. The main risk factor lies in the consequences of the outbreak of the coronavirus pandemic – which are currently impossible to estimate realistically – and the drastic restrictions it has imposed on public and economic life. The economy was already at risk from the establishment of further trade barriers, persistent uncertainty regarding the consequences of Brexit, and the actual effect of the political measures planned to prevent an intensification of the economic slowdown in China. The global economy was heading towards a phase of deglobalisation. These risks have now been overshadowed by the current uncertainty surrounding the duration of the coronavirus pandemic and the actual impact it will have on the real economy in the short and medium term. Countless measures have already been taken to stop the public health crisis from evolving into a global economic and financial crisis.

In this dynamic environment, and once the health crisis and its consequences have been overcome, Europe has an opportunity to leverage its geopolitical advantages. The European Union (EU) is currently planning to invest an additional EUR 1,000bn by 2030 (EUR 100bn each year) to make Europe the first carbon-neutral continent by 2050. Infrastructure investments will be made in the fields of clean energy, sustainable transport and a transition to a circular economy. As an experienced and established specialist bank for infrastructure and energy financing, Kommunalkredit is ready and willing to serve as a partner in light of the EU's new strategic and political direction.

Kommunalkredit in 2020

The demand for sustainability and intact infrastructure in Europe will remain high in the future and will become even more relevant as a result of the coronavirus pandemic. Public and private sector decision makers will become increasingly aware of the need to maintain and modernise supply, transport and social infrastructures. Kommunalkredit is perfectly positioned as a specialist for infrastructure and energy financing in this environment and is a reliable partner thanks to its solid liquidity and capital resources. The infrastructure and energy sectors have already proven to be largely crisis-resistant in the past and, unlike corporate financing, are associated with low default rates and stable recovery rates that are largely independent of economic cycles. Consequently, given our in-depth market expertise, high level of diversification and quick response capabilities, we will be successfully continuing along our established path even in this environment, which is challenging for all of us. We pay particular attention to our network of project sponsors and investors and continue to further develop our range of sustainable products. This will allow us to generate high and sustainable results for our stakeholders in the future.



Public sector financing will continue to be an integral part of our business. In 2020, we again plan to hold the MUNICIPAL SUMMER TALKS jointly with the Austrian Association of Municipalities. For 15 years, these talks have provided opportunities to intensively discuss what occupies municipal authorities when it comes to financing.

Following the operational launch of our first sub-fund “Fidelio KA Infrastructure Debt Fund Europe 1”, the final close took place in February 2020. With this fund, we have managed to generate interest among investors for sustainable infrastructure projects as ideal investment opportunities.

We don't see Kommunalkredit as just a bank. We see ourselves as a think tank, as a sparring partner for the full range of topics related to infrastructure, and as a vehicle for investment in areas of our society whose immense importance in the current environment must once again be emphasised.

As a specialist bank for infrastructure and energy financing, Kommunalkredit is aware of its impact on the environment and society. As a result, we will continue to forge ahead with the development of our portfolio of sustainable products in 2020, further enshrining the concept of sustainability in Kommunalkredit's processes. The development of the bank that began in 2018 will continue in line with Kommunalkredit's sustainability policy. By supporting the implementation of sustainable projects, we can improve the quality of people's lives and the general well-being of communities. In this way, Kommunalkredit aims to meet the needs of today's generation and preserve and create opportunities for the generations to follow.

7. GRI CONTENT INDEX AND APPENDIX

7.1 Objectives and measures: environmental and social affairs in 2020/21

Material topics	Objective	Measure	Responsible	Timeframe
Sustainable products				
FINANCING	In-depth environmental and social review of projects	Further development of the sustainability checklist for new projects to create a scorecard and measures to make the SDG contribution quantifiable	Amerstorfer	3rd quarter 2020
REFINANCING	Promotion of sustainable, innovative products	Assessment of the issue of a green bond	Fuchs	4th quarter 2020
		Review of the investment guidelines for proprietary investments taking ESG aspects into account	Fuchs	4th quarter 2020
CONSULTANCY	Promotion of sustainable, innovative products	Promotion of the "sustainable finance" advisory services by offering services directly to financial institutions in order to help them respond to current developments, e.g. with regard to taxonomy etc.	Amerstorfer	4th quarter 2020
RISK MANAGEMENT	Establishment of ESG, and in particular climate risks, in the bank's risk management system	Testing of the Pacta tool developed by the 2° Investing Initiative to classify relevant portfolios with regard to the Paris climate objective	Fischer	4th quarter 2020
		Internal event on "sustainable finance" developments for Risk Management	Amerstorfer	4th quarter 2020
		Implementation of suitable tools and governance structures	Wieser (?)	4th quarter 2020
Business ethics	Improve stakeholder involvement	Revamp Kommunalkredit's corporate identity (website), giving special consideration to ESG issues	Amerstorfer	4th quarter 2020
		Kommunale Sommergespräche (Municipal Summer Talks) on the "energy revolution and decarbonisation"	Mayer	3rd quarter 2020
		Supporting and actively helping to shape the BMK and BMF Green Finance Pact	Gauss	
		Holding an international workshop on "sustainable finance"	Diernhofer	4th quarter 2020
	Environmental management system and sustainability reporting	Incorporation of the "risks and opportunities associated with climate change" into the 2020 Report based on the TCFD Guidelines	Amerstorfer	1st quarter 2020
Employee level	Employee involvement	Relaunch of internal communication on sustainability	Herco	4th quarter 2020
Employee level	Maintain target value for ecological performance figures	In line with the definition of the target values for the key ecological performance figures in the table showing the environmental performance figures	Fischer	4th quarter 2020

7.2 Implementation of the measures relating to environmental and social affairs in 2019

Material topics	Objective	Measure	Individual(s) responsible	Status
Sustainable products	In-depth environmental and social review of projects and portfolios	Overhaul/update of the sustainability checklist for the lending process	Sustainability officer	Review in progress, currently in test phase
		Development of a concept to show the impact of the projects financed with regard to the effects achieved and the contribution to the SDGs	Sustainability officer	Has been incorporated into the sustainability check
		Development of investment guidelines for proprietary investments	Markets	Has been included in the plan of action for 2020/21. Not implemented in 2019 due to the minor significance of the securities portfolio at present.
		Assessment of the development of a policy for evaluating environmental and social risks for the bank's fields of business	Sustainability officer	General policy has been developed
	Promotion of sustainable, innovative products	Promotion of the "sustainable finance" advisory services	KPC	Establishment of a dedicated Kommunalkredit/KPC team; first few mandates issued
		Issue of a green bond (depending on investment grade rating)	Markets	Green bond framework has been developed; second and third-party opinion obtained
Business ethics	Improve stakeholder involvement	Preparation of a code of conduct for KA	Paulitsch	Code of conduct for the Kommunalkredit Group has been prepared
		Preparation of a code of conduct for KPC	KPC	Code of conduct also includes all Kommunalkredit subsidiaries
	Environmental management system and sustainability reporting	Adjustments to sustainability policy Preparation of work instructions for recording ecological and social performance figures	Sustainability officer	Made as part of the last report. Adjustments are to be made to reflect the new corporate identity in 2020.
		Internal event on "sustainable finance" developments at European level and its impact on business activities	Sustainability officer	Work instructions entered into force on 1 July 2020
Employee level	Employee involvement	Relaunch of internal communication on sustainability		Knowledge transfer on the developments specifically for the individual areas of the bank in small groups; part of the "Fit for Proper" training
		In line with the definition of the target values for the key ecological performance figures in the table showing the environmental performance figures	Sustainability officer	Has been added to the plan of action for 2020
Operational ecology	Maintain target value for ecological performance figures	Purchase of an electric car for customer meetings	Sustainability officer	fulfilled
	Focus on transport and business travel			fulfilled, a hybrid car has been purchased

7.3 Performance figures

Environmental performance figures

Definition	Unit	2017	2018	2019	Target value	Benchmarks 2015 ¹	Change 2018-2019
Employees ²		317	282	281			-0.4 %
Office space used	m ²	7,722	7,722	7,722			0.0 %
Energy consumption							
Total energy consumption	kWh	1,766,143	1,803,899	1,663,589	1,800,000		-7.8 %
Total consumption from renewable sources ³	kWh	1,219,772	1,228,417	1,132,346			-7.8 %
Total consumption from non-renewable sources ³	kWh	546,361	575,482	531,243			-7.7 %
Electricity (100% clean electricity)	kWh	921,389	918,460	833,181			-9.3 %
Electricity per employee	kWh/employee	2,907	3,257	2,965		5,597	-9.0 %
Biomass consumption (pellets)	kWh	298,383	309,957	299,165			-3.5 %
Gas consumption	kWh	544,143	573,382	528,743			-7.8 %
Heating energy consumption (per m ²)	kWh/m ²	109.1	114.4	107.2	115.0	89	-6.3 %
Heating energy consumption per employee	kWh/employee	2,658	3,132	2,946		3,524	-5.9 %
Water and paper							
Water consumption ⁴ in m ³	m ³	3,622	3,468	3,262			-5.9 %
Water consumption in litres per employee and day	l/employee/t	46	50	47		57	-6.0 %
Paper consumption (in kg)	kg	8,802	5,094	2,750			-46.0 %
Paper consumption (in sheets) per employee and day	ts/employee/day	23	15	8	15	29	-49.8 %
Transport							
Total energy consumption for transport	kWh	247,300	375,755	405,497			7.9 %
Total business travel per employee	km/employee	1,605	2,332	2,382	2,500	2,937	2.2 %
Kilometres travelled by rail	km	54,786	50,532	35,100			-30.5 %
Kilometres travelled by rail per employee	km/employee	173	179	125		153	-30.3 %
Kilometres travelled by car	km	71,743	61,507	63,071			2.5 %
Kilometres travelled by car per employee	km/employee	226	199	224		400	12.9 %
Kilometres travelled by air	km	382,101	545,446	571,077			4.7 %
Kilometres travelled by air per employee	km/employee	1,205	1,926	2,032		2,384	5.5 %
CO₂ emissions⁵							
CO ₂ emissions caused by business activities	kg	295,087	403,544	416,214			3.1 %
Scope 1 (direct emissions)	kg	131,285	139,502	128,870			-7.6 %
<i>thereof fossil emissions</i>	kg	130,091	138,263	127,673			
<i>thereof fossil emissions</i>	kg	1,194	1,240	1,197			
Scope 2 (green electricity market-based) ⁶	kg	0	0	0			
Scope 3 (business travel) ⁷	kg	163,802	264,041	287,344			8.8 %
CO ₂ emissions caused by business activities per employee	kg/employee	931	1,431	1,481		1,470	3.5 %
Waste							
Total annual waste volume	kg	45,875	42,294	40,562			-4.1 %
Total annual waste volume per employee	kg/employee	144.7	150.0	144.3			-3.8 %
Waste paper	kg	17,898	16,623	16,075			-3.3 %
Waste paper per employee	kg	56	59	57		93	-3.0 %
Domestic-type commercial waste	kg	20,883	20,918	20,907			-0.1 %
Domestic-type commercial waste per employee	kg	66	74	74		77	0.3 %

1 Benchmarks in accordance with the Austrian Society for Environment and Technology (ÖGUT) Guidelines "Benchmarking for financial service providers" (see also <http://www.oegut.at/>).

2 Employees incl. agency workers at KPC and the KPC Executive Board but excl. employees on leave

3 Based on the GRI Standards, energy consumption within the organisation is to be broken down into renewable and non-renewable sources.

4 GRI 303-1/303-3: All water was withdrawn from the municipal water supply. As a result, no water was fed back into the system or reused.

5 The emissions calculation was adjusted in the scope areas and in the emission factors accordingly. All data refers to CO₂ equivalents. Emission factors based on GEMIS Austria, April 2016 & 2015 OIB (Austrian Institute for Construction Engineering) Guidelines: 1 kWh electricity mix in Austria: 280 g CO₂; 1 kWh natural gas: 240 g CO₂; 1 kWh crude oil: 310 g CO₂

6 In accordance with the GRI Standards, emissions from the purchase of electricity are to be shown based on both the market-based and location-based methods. The market-based method shows emissions from electricity that an organisation chose in a targeted manner. The location-based method shows the average intensity of the GHG emissions from the grids used for electricity consumption. The location-based emissions come to 233,291 kg for 2019 (CO₂ emission factor based on GEMIS Austria, April 2016).

7 The emissions calculation for business travel is based on data from the Environment Agency Austria, April 2016, for total emissions per passenger kilometre: 1 passenger kilometre by rail: 14.1 g CO₂; 1 passenger kilometre by air (domestic): 767.2 g CO₂; 1 passenger kilometre by air (abroad): 390.5 g CO₂; 1 passenger kilometre by car (petrol): 181.6 g CO₂; 1 passenger kilometre by car (diesel): 175 g CO₂.

Social performance figures

Definition	2017	2018	2019	Benchmarks 2015 ¹	Changes 2018-2019
Number of employees					
Employees incl. Executive Board and employees on leave ²	335	296	292		-1 %
<i>thereof women</i>	162 (48 %)	134 (45 %)	134 (46 %)	51 %	0 %
<i>thereof employees aged under 30</i>	30 (9 %)	18 (6,1 %)	20 (6,8 %)	11 %	
<i>thereof employees aged 30–50</i>	61 (77,9 %)	225 (76 %)	212 (72,6 %)	62 %	
<i>thereof employees aged over 50</i>	44 (13,1 %)	53 (17,9 %)	60 (20,5 %)	28 %	
Executive Board	4	3	2		-33 %
<i>thereof women</i>	0	0	0		
Employees excl. Executive Board and employees on leave ²	311	276	278		1 %
Average employees in full-time equivalents ³	297	274	255		-7 %
Average employees	322	297	279		-6 %
Full-time equivalents (FTE) excl. Executive Board and employees on leave ²	287	255	254		0 %
Active employees as of 31 December in full-time equivalents (incl. Executive Board)	291	258	256		-1 %
Agency workers ²	2	3	1		-67 %
Employees on leave					
Employees on leave	20	17	12		-29 %
<i>thereof women</i>	15	11	9		-18 %
Full-time/part-time split					
Part-time employees	75 (22,4 %)	68 (24,6 %)	74 (26,4 %)	28 %	9 %
<i>thereof women</i>	68	59	61		3 %
<i>thereof part-time employees aged under 30</i>	1	1	2		
<i>thereof part-time employees aged 30–50</i>	54	44	42		
<i>thereof part-time employees aged over 50</i>	13	14	17		
Full-time employees	240	211	206		
<i>thereof women</i>	81	64	64		
<i>thereof full-time employees aged under 30</i>	10	3	3		
<i>thereof full-time employees aged 30–50</i>	59	48	45		
<i>thereof full-time employees aged over 50</i>	12	13	16		
Average age structure					
Age	41	42	43	42	2 %
Length of service	9	9	9	15	0 %
Employees with a university degree					
In total in relation to number of employees (incl. Executive Board and employees on leave)	215 (64 %)	184 (62 %)	193 (66 %)		5 %
<i>thereof women with a university degree</i>	86 (40 %)	68 (37 %)	73 (38 %)		7 %
Management positions					
Employees in management positions	67	62	63		2 %
<i>thereof employees aged under 30</i>	0	0	0		
<i>thereof employees aged 30–50</i>	54	47	43		9 %
<i>thereof employees aged over 50</i>	13	15	20		33 %
Full-time employees in management positions	61	55	58		5 %
<i>thereof women</i>	19	18	17		-6 %
Part-time employees in management positions	6	7	5		-29 %
<i>thereof women</i>	6	6	4		-33 %
Total number of women in management positions ^{4,5}	25 (37 %)	24 (39 %)	21 (33 %)	23 %	-13 %

Definition	Unit	2017	2018	2019	Benchmarks 2015 ¹	Changes 2017-2018
Staff turnover and employees that returned to work after parental leave ended						
Total staff turnover ⁶		33 (10,6 %)	62 (22,5 %)	53 (19,1 %)	8 %	-15 %
<i>thereof women</i>		21 (6,8 %)	34 (12,3 %)	20 (7,2 %)		-41 %
<i>thereof employees aged under 30</i>		4 (14,8 %)	10 (55,6 %)	5 (25 %)		
<i>thereof employees aged 30–50</i>		26 (10,7 %)	45 (21,6 %)	41 (20,5 %)		
<i>thereof employees aged over 50</i>		3 (7,3 %)	7 (14 %)	7 (12,1 %)		
Employees that returned to work after parental leave ended ⁷		100 %	100 %	87 %		
Employees that remained with the company after parental leave ended ⁸		100 %	100 %	100 %		
<i>thereof women</i>		5	4	3		-25 %
<i>thereof men</i>		1	2	0		-100 %
New hires						
New hires last year		26	21	42		100 %
<i>thereof women</i>		15	3	19		533 %
<i>thereof employees aged under 30</i>		7	4	9		125 %
<i>thereof employees aged 30–50</i>		18	15	28		87 %
<i>thereof employees aged over 50</i>		1	2	5		150 %
Training and education						
Expenditure on training and education	(EUR)	226.977	183.231	164.061		-10 %
Total number of training and education days	(days)	300	401	413		3 %
Training and education days per employee ⁹	(days/employees)	1,0	1,4	1,5	0,58	7 %
Training and education days per senior employee	(days/employees)	1,3	1,2	0,8		-33 %
Sick days						
Total sick days	(days)	3.540	3.691	3.197		-13 %
Sick days per employee ⁹	(days/employees)	11,1	12,6	11,5		-9 %
Supervisory Board members KA and KPC						
Number of members		14	13	13		0 %
<i>thereof women</i>		2	1	1		0 %
<i>thereof Supervisory Board members aged under 30</i>		0	0	0		
<i>thereof Supervisory Board members aged 30–50</i>		8	5	5		0 %
<i>thereof Supervisory Board members aged over 50</i>		6	8	8		0 %

1 Benchmarks in accordance with the Austrian Society for Environment and Technology (ÖGUT) Guidelines "Benchmarking for financial service providers".

2 As of 31 December

3 The difference compared with the number of employees shown in the 2016 Annual Report is due to the fact that the number of employees shown in the Annual Report only includes employees of Kommunalkredit Austria AG and Kommunalkredit Public Consulting GmbH, whereas the figure shown in the sustainability report includes all employees working at the location.

4 Management positions refer to the management team, division heads, departmental heads and team leaders.

5 The percentage refers to the total management population.

6 The percentage refers to the headcount excluding Executive Board and employees on leave; calculated excluding retirees, as no employees have retired within the company to date.

7 Proportion of employees set to return from parental leave in the reporting period who actually returned to work.

8 Employees that remained with the company for at least 12 months after their parental leave ended.

9 Average proportion of employees, excluding Executive Board and employees on leave, over a 12-month period.

Financial performance figures

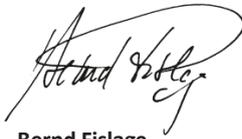
Definition	Unit	2017	2018	2019
Total assets	(in EUR m)	3,663	3,942	4,305
Geographical market breakdown (cash outflow)	(in EUR m)	635	1,202	1,042
<i>Austria</i>		20	65	6
<i>Europe</i>		575	1,137	867
<i>Other</i>		41	0	170
Other administrative expenses	(in EUR m)	18	18	20
Percentage of contracts paid for based on the agreed conditions and with no penalties	(%)	100	100	100
Salary payments and fringe benefits	(in EUR m)	36	35	35
Cash outflow to investors	(in EUR m)	32	11.5	0
Increase in retained earnings	(in EUR m)	16	0	15
Taxes paid (in Austria)	(in EUR m)	1	0	0
Subsidies received	(EUR)	0	0	0
Donations to various groups	(EUR)	0	60,192	12,500

Statement by the legal representatives

This sustainability report covers the sustainability activities of the Kommunalkredit Group for the 2019 financial year.

Vienna, 17 July 2020

The Executive Board of
Kommunalkredit Austria AG



Bernd Fislage
CEO



Jochen Lucht
CFO, CRO, COO

7.4 GRI content index 2019

in accordance with the CORE option

GRI 101: Foundation 2016			
GRI 102: General disclosures 2016			
Indicator	Requirement	Reference	Comments/reason for omission
102-1	Name of the organisation	Ch. 1 Company profile; p. 12	Kommunalkredit Austria AG incl. Kommunalkredit Public Consulting GmbH
102-2	a) A description of the organisation's activities b) Primary brands, products and services	Ch. 1 Company profile; p.12. Ch. 2 In the spotlight: economics – sustainable products; p. 25	
102-3	Location of the organisation's headquarters		Tuerkenstrasse 9 Liechtensteinstrasse 13
102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report	Ch. 1.4 System boundaries; p. 19	
102-5	Ownership and legal form	Ch. 1.5 Ownership structure; p. 24	
102-6	Markets served, including: a) geographic locations where products and services are offered b) sectors served c) customer segments and beneficiaries	Ch. 1 Company profile; p. 12 Ch. 2 In the spotlight: economics – sustainable products; p. 25	
102-7	Scale of the organisation: a) total number of employees b) total number of operations c) net sales (for private sector organisations) or net revenues (for public sector organisations) d) total capitalisation broken down in terms of debt and equity e) quantity of products or services provided	Ch. 1.4 System boundaries; p. 19 Ch. 2 In the spotlight: economics – sustainable products; p. 29 Social performance figures, Appendix 7.3; p. 58 Financial performance figures, Appendix 7.3; p. 60	
102-8	Information on employees and other workers: a) total number of employees by employment contract (permanent and temporary) and gender b) total number of employees by employment contract (permanent and temporary) and region c) total number of employees by employment type (full-time and part-time) and gender d) whether a significant portion of the organisation's activities are performed by workers who are not employees e) any significant variations in the numbers reported in disclosures 102-8-a, 102-8-b and 102-8-c f) an explanation of how the data have been compiled, including any assumptions made	Ch. 4 In the spotlight: employees and communication; p. 44 Social performance figures, Appendix 7.3; p. 58	
102-9	A description of the organisation's supply chain	Ch. 5.3 Procurement management; p. 49	
102-10	Significant changes to the organisation's size, structure, ownership or supply chain	Ch. 1 Company profile; p. 13 Ch. 1.5 Ownership structure; p. 24 Ch. 5.3 Procurement management; p. 49	There were no changes regarding key suppliers.
102-11	Whether and how the organisation applies the Precautionary Principle or approach	Ch. 3 In the spotlight: business ethics; p. 40	
102-12	A list of externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes, or which it endorses		EMAS and GRI for the Group, ISO 9001 for international consulting (Kommunalkredit Public Consulting GmbH)
102-13	A list of the main memberships of industry or other associations, and national or international advocacy organisations, up until 2019		Arbeitsgemeinschaft Ländlicher Raum, Bundesverband Public Private Partnership, European Association of Communication, Austrian Wind Energy Association, Institute of the Regions of Europe, Institute for the Danube Region and Central Europe, International Project Finance Association, International Water Association, Österreichische Bankwissenschaftliche Gesellschaft, Österreichische Energieagentur, Austrian Association for Transport and Infrastructure, Austrian Society for Environment and Technology ÖGUT, Österreichischer Biomasseverband, Österreichischer Wasser- und Abfallwirtschaftsverband, Photovoltaic Austria, Public Relations Association Austria, Respect, Verband österreichischer Banken & Bankiers, Wiener Börse, Austrian Economic Chambers

Indicator	Requirement	Reference	Comments/reason for omission
102-14	A statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy for addressing sustainability	Foreword by the Executive Board; p. 10	
102-16	A description of the organisation's values, principles, standards and norms of behaviour	Foreword by the Executive Board; p. 10 Ch. 1 Company profile; p. 12 Ch. 3 In the spotlight: business ethics; p. 40	
102-18	a) Governance structure of the organisation, including committees of the highest governance body b) Committees responsible for decision-making on economic, environmental and social topics	Ch. 1.6 Executive and Management Board; p. 24 Ch. 1.7 Sustainability – part of the organisational structure; p. 24	
102-40	A list of stakeholder groups engaged by the organisation	Ch. 1.3 Key topics and impact; p. 16	
102-41	Percentage of total employees covered by collective bargaining agreements	Ch. 4 In the spotlight: employees and communication; p. 44 Social performance figures, Appendix 7.3; p. 58	
102-42	The basis for identifying and selecting stakeholders with whom to engage	Ch. 1.3 Key topics and impact; p. 16	
102-43	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagements were undertaken specifically as part of the reporting process	Ch. 1.3 Key topics and impact; p. 16 Ch. 4.3 External communication; p. 47	
102-44	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting. The stakeholder groups that raised each of the key topics and concerns.	Ch. 1.3 Key topics and impact; p. 16	
102-45	a) A list of all entities included in the organisation's consolidated financial statements or equivalent documents b) Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	Ch. 1.4 System boundaries; p. 19	
102-46	a) An explanation of the process for defining the report content and the topic boundaries b) An explanation of how the organisation has implemented the reporting principles for defining report content	Ch. 1.4 System boundaries; p. 19 Ch. 1.3 Key topics and impact; p. 16	
102-47	A list of the material topics identified in the process for defining report content.	Ch. 1.3 Key topics and impact; p. 16	
102-48	The effect of any restatements of information given in previous reports and the reasons for such restatements	Ch. 1.3 Key topics and impact; p. 16	Revision of the materiality analysis
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	Ch. 1.3 Key topics and impact; p. 16	Revision of the materiality analysis
102-50	Reporting period	About this report; p. 9 Imprint; p. 75	The report covers the 2019 financial year.
102-51	Date of most recent report	About this report; p. 9	2017 and 2018 sustainability report
102-52	Reporting cycle (e.g. annual, semi-annual)	About this report; p. 9	The sustainability report is published on an annual basis.
102-53	The contact point for questions regarding the report or its contents	About this report; p. 9 Imprint; p. 75	
102-54	GRI report option	About this report; p.9	CORE option
102-55	GRI content index	Appendix 7.4; p. 62	
102-56	A reference to the external assurance report, assurance standards, assurance provider	Appendix 7.5; p. 71	EMAS validation and report on the independent review, GRI Standards; audited by: Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

GRI 103: Management approach 2016			
Sustainable products			
Indicator	Requirement	Reference	Comments/reason for omission
103-1	Explanation of the material topic and its boundary: a) An explanation of why the topic is material b) The boundary for the material topic, which includes a description of where the impacts occur, the organisation's involvement with the impacts	Ch. 1.3 Key topics and impact; p. 16	
103-2	The management approach and its components: a) An explanation of how the organisation manages the topic b) A statement of the purpose of the management approach c) A description of the following, if the management approach includes that component: policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, specific actions, such as processes, projects, programmes and initiatives	Ch. 1.3 Key topics and impact; p. 16 Ch. 2 In the spotlight: economics – sustainable products; p. 25	
103-3	Evaluation of the management approach a) An explanation of how the organisation evaluates the management approach, including the mechanisms for evaluating the effectiveness of the management approach, the results of the evaluation of the management approach and any related adjustments to the management approach	Ch. 1.3 Key topics and impact; p. 16 Ch. 3 In the spotlight: business ethics; p. 40	

GRI 103: Management approach 2016			
Business ethics			
Indicator	Requirement	Reference	Comments/reason for omission
103-1	Explanation of the material topic and its boundary: a) An explanation of why the topic is material b) The boundary for the material topic, which includes a description of where the impacts occur, the organisation's involvement with the impacts	Ch. 1.3 Key topics and impact; p. 16 Ch. 3 In the spotlight: business ethics; p. 40	
103-2	The management approach and its components (for each material topic): a) An explanation of how the organisation manages the topic b) A statement of the purpose of the management approach c) A description of the following, if the management approach includes that component: policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, specific actions, such as processes, projects, programmes and initiatives	Ch. 1.3 Key topics and impact; p. 16 Ch. 3 In the spotlight: business ethics; p. 40	
103-3	Evaluation of the management approach a) An explanation of how the organisation evaluates the management approach, including the mechanisms for evaluating the effectiveness of the management approach, the results of the evaluation of the management approach and any related adjustments to the management approach	Ch. 3 In the spotlight: business ethics; p. 40	

GRI 103: Management approach 2016			
Employee-related issues			
Indicator	Requirement	Reference	Comments/reason for omission
103-1	Explanation of the material topic and its boundary: a) An explanation of why the topic is material b) The boundary for the material topic, which includes a description of where the impacts occur, the organisation's involvement with the impacts	Ch. 1.3 Key topics and impact; p. 16 Ch. 4 In the spotlight: employees and communication; p. 44	
103-2	The management approach and its components (for each material topic): a) An explanation of how the organisation manages the topic b) A statement of the purpose of the management approach c) A description of the following, if the management approach includes that component: policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, specific actions, such as processes, projects, programmes and initiatives	Ch. 1.3 Key topics and impact; p. 16 Ch. 4 In the spotlight: employees and communication; p. 44	
103-3	Evaluation of the management approach a) An explanation of how the organisation evaluates the management approach, including the mechanisms for evaluating the effectiveness of the management approach, the results of the evaluation of the management approach and any related adjustments to the management approach	Ch. 4 In the spotlight: employees and communication; p. 44	

GRI 103: Management approach 2016			
Operational ecology			
Indicator	Requirement	Reference	Comments/reason for omission
103-1	Explanation of the material topic and its boundary: a) An explanation of why the topic is material b) The boundary for the material topic, which includes a description of where the impacts occur, the organisation's involvement with the impacts	Ch. 1.3 Key topics and impact; p. 16 Ch. 5 In the spotlight: operational ecology; p. 48	
103-2	The management approach and its components (for each material topic): a) An explanation of how the organisation manages the topic b) A statement of the purpose of the management approach c) A description of the following, if the management approach includes that component: policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, specific actions, such as processes, projects, programmes and initiatives	Ch. 1.3 Key topics and impact; p. 16 Ch. 5 In the spotlight: operational ecology; p. 48	
103-3	Evaluation of the management approach a) An explanation of how the organisation evaluates the management approach, including the mechanisms for evaluating the effectiveness of the management approach, the results of the evaluation of the management approach and any related adjustments to the management approach	Ch. 5 In the spotlight: operational ecology; p. 48	

Topic-specific disclosures

GRI 201: Economic performance 2016			
Economic performance			
Indicator	Requirement	Reference	Comments/reason for omission
201-1	Direct economic value generated and distributed	Ch. 2 In the spotlight: economics – sustainable products; p. 25 Financial performance figures, Appendix 7.3; p. 60	
201-2	Financial implications and other risks and opportunities due to climate change	Ch. 2 In the spotlight: economics – sustainable products; p. 25	
201-3	Defined benefit plan obligations and other retirement plans	Ch. 4 In the spotlight: employees and communication; p. 44	Pension scheme, health check-ups, job ticket, promoting occupational health
201-4	Financial assistance received from government	Financial performance figures, Appendix 7.3; p. 60	

GRI 203: Indirect economic impacts 2016			
Indicator	Requirement	Reference	Comments/reason for omission
203-1	Development and impact of infrastructure investments and services supported	Ch. 2 In the spotlight: economics – sustainable products; p. 25 Ch. 2.3 Kommunalkredit Public Consulting GmbH; p. 36	
203-2	Examples and significance of significant indirect economic impacts	Ch. 2 In the spotlight: economics – sustainable products; p. 25 Ch. 2.3 Kommunalkredit Public Consulting GmbH; p. 36	

GRI 205: Anti-corruption 2016			
Indicator	Requirement	Reference	Comments/reason for omission
205-1	Total number and percentage of operations assessed for risks related to corruption and significant risks identified	Ch. 3.2 Compliance and statutory requirements; p. 40	Operations: 2 Assessed: 2 (100%) All employees have completed annual compliance training using the e-learning tool.
205-2	Communication and training about anti-corruption policies and procedures	Ch. 3.1 Code of conduct; p. 40 Ch. 3.2 Compliance and statutory requirements; p. 40	
205-3	Confirmed incidents of corruption and actions taken		There were no cases of corruption during the reporting period.

Ecology

GRI 301: Materials 2016			
Indicator	Requirement	Reference	Comments/reason for omission
301-1	Materials used by weight or volume	Ch. 5 In the spotlight: operational ecology; p. 48. Appendix 7.3 Environmental performance figures; p. 57	
301-2	Percentage of recycled input materials used in relation to total input materials used	Ch. 5 In the spotlight: operational ecology; p. 48	Only recycled paper is used.

GRI 302: Energy 2016			
Indicator	Requirement	Reference	Comments/reason for omission
302-1	Energy consumption within the organisation	Ch. 5 In the spotlight: operational ecology; p. 48. Appendix 7.3 Environmental performance figures; p. 57	
302-2	Energy consumption outside of the organisation	Ch. 5 In the spotlight: operational ecology; p. 48. Appendix 7.3 Environmental performance figures; p. 57	

GRI 303: Water and effluents 2016			
Indicator	Requirement	Reference	Comments/reason for omission
303-1	Total water withdrawal by source	Appendix 7.3 Environmental performance figures; p. 57	

GRI 305: Emissions 2016			
Indicator	Requirement	Reference	Comments/reason for omission
305-1	Direct (Scope 1) GHG emissions	Ch. 5 In the spotlight: operational ecology; p. 48. Appendix 7.3 Environmental performance figures; p. 57	
305-2	Energy indirect (Scope 2) GHG emissions	Ch. 5 In the spotlight: operational ecology; p. 48. Appendix 7.3 Environmental performance figures; p. 57	
305-3	Other indirect (Scope 3) GHG emissions	Ch. 5 In the spotlight: operational ecology; p. 48. Appendix 7.3 Environmental performance figures; p. 57	

GRI 306: Effluents and waste 2016			
Indicator	Requirement	Reference	Comments/reason for omission
306-2	Total weight of waste by type and disposal method	Ch. 5.4 Resource consumption and waste management; p. 51. Appendix 7.3 Environmental performance figures; p. 57	

GRI 307: Environmental compliance 2016			
Indicator	Requirement	Reference	Comments/reason for omission
307-1	Total monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations		There were no such sanctions.

GRI 308: Supplier environmental assessment 2016			
Indicator	Requirement	Reference	Comments/reason for omission
308-1	Percentage of new suppliers that were screened using environmental criteria.	Ch. 5.3 Procurement management; p. 49	All new key suppliers are screened based on ecological criteria. No new key suppliers were selected in the year under review.

Social

GRI 401: Employment 2016			
Indicator	Requirement	Reference	Comments/reason for omission
401-1	Total number and rate of new employee hires and employee turnover by age group, gender and region	Social performance figures, Appendix 7.3; p. 58	
401-3	Return to work and retention rates of employees that took parental leave by gender	Social performance figures, Appendix 7.3; p. 58	

GRI 404: Training and education 2016			
Indicator	Requirement	Reference	Comments/reason for omission
404-1	Average hours of training that the organisation's employees have undertaken by gender	Ch. 4.1 Employees; p. 44 Social performance figures, Appendix 7.3; p. 58	
404-2	Programmes for skills management and lifelong learning to facilitate continued employability and the management of career endings.	Ch. 4.1 Employees; p. 44 Social performance figures, Appendix 7.3; p. 58	
404-3	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period by gender and employee category.		Two appraisals a year are conducted with all employees.

GRI 405: Diversity and equal opportunity 2016			
Indicator	Requirement	Reference	Comments/reason for omission
405-1	Percentage of individuals within the organisation's governance bodies and percentage of employees per employee category by gender, age group	Social performance figures, Appendix 7.3; p. 58	

GRI 405: Equal Remuneration for women and men 2016			
No.	Requirement	Reference	Comments/reason for omission
405-2	Ratio of the basic salary and remuneration of women to men for each employee category by significant locations of operation.		The collective agreement does not differentiate between the sexes.

GRI 406: Non-discrimination 2016			
No.	Requirement	Reference	Comments/reason for omission
406-1	Total number of incidents of discrimination and corrective actions taken		There were no cases of discrimination.

Human rights

GRI 412: Human rights assessment 2016			
Indicator	Requirement	Reference	Comments/reason for omission
412-3	a) Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b) The definition used for "significant investment agreements"		The sustainability check involved a review of all investment agreements and contracts from a human rights perspective.

GRI 414: Supplier social assessment 2016			
Indicator	Requirement	Reference	Comments/reason for omission
414-1	Percentage of new suppliers that were screened using social criteria.	Ch. 5.3 Procurement management; p. 49	No new key suppliers were selected in the year under review.

GRI 418: Customer privacy 2016			
Indicator	Requirement	Reference	Comments/reason for omission
418-1	Total number of substantiated complaints received concerning breaches of customer privacy and losses of customer data.		There were no complaints concerning breaches of customer privacy and no breaches of data protection provisions.

GRI 419: Socio-economic compliance 2016			
Indicator	Requirement	Reference	Comments/reason for omission
419-1	Monetary value of significant fines for non-compliance with laws and/or regulations in connection with the provision and use of products and services		There were no such fines.

Product responsibility

Product portfolio			
Indicator	Requirement	Reference	Comments/reason for omission
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	2019 Annual Report and https://www.kommunalkredit.at/en/services/services/	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Ch. 2 In the spotlight: economics – sustainable products; p. 25 Ch. 2.3 Kommunalkredit Public Consulting GmbH; p. 36	Further information on environmental support schemes and their effects in the 2019 Environmental Support Report (Umweltförderungsbericht) and in KPC's Performance Report at www.publicconsulting.at .
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Ch. 2 In the spotlight: economics – sustainable products; p. 25 Ch. 2.3 Kommunalkredit Public Consulting GmbH; p. 36	Information on environmental support schemes and their effects: 2019 Environmental Support Report (Umweltförderungsbericht), KPC's Performance Report at www.publicconsulting.at . In 2008, KPC worked with the Federal Ministry of Agriculture, Regions and Tourism to develop an Austrian platform to offset unavoidable CO2 emissions by making investments in national and international climate protection projects: www.climateaustria.at

Product and service labelling			
Indicator	Requirement	Reference	Comments/reason for omission
FS16	Initiatives to enhance financial literacy by type of beneficiary	Ch. 4.3 External communication; p. 47	

7.5 Independent confirmation report and EMAS validation

To the Management of
Kommunalkredit Austria AG
Vienna

Report about the Independent Assurance of the non-financial Reporting 2019

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

We have performed a limited assurance engagement regarding the Sustainability Reporting 2019 in accordance with the requirements of the GRI Standards CORE Option (hereafter “assurance engagement”) of Kommunalkredit Group (hereafter “Kommunalkredit”). The Sustainability Reporting of the Kommunalkredit Group includes Kommunalkredit Austria AG and the fully consolidated subsidiaries based in Vienna.

The assurance engagement covers:

“Sustainability Report 2019” concerning information in and references linked from the GRI Content Index to sustainability disclosures and data for the reporting period 2019. The Environmental Statement is an integrated part of the Sustainability Report.

Responsibilities of the Legal Representatives

Kommunalkredit Austria AG’s legal representatives are responsible for the proper compilation of the Reporting 2019 in accordance with the GRI-Standards¹.

The legal representatives have signed the Letter of Representation, which we have added to our files.

Responsibilities of the Assurance Providers

Based on our assurance procedures deemed necessary, it is our responsibility to assess whether we have noted issues which cause us to believe, that in all material matters the Sustainability Reporting 2019 is not in accordance with the GRI-Standards.

Our assurance engagement has been conducted in accordance with the “International Federation of Accountants’ ISAE 3000 (Revised)” Standards.

Our professional duties include requirements in relation to our independence as well as planning our assurance engagement based on the materiality considerations in order to allow us to obtain a limited level of assurance.

According to the “General Conditions of Contract for the Public Accounting Professions” our liability is limited. An accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence, the maximum liability towards the client and any third party together is EUR 726,730 in the aggregate.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- ▶ Obtain an overview over the industry as well as the operational and organizational structure of the organization;
- ▶ Interview a selection of senior managers and executives to understand systems, processes and internal control procedures related to the content of the Sustainability Reporting assured, which support the data collection;
- ▶ Review relevant group level, board and executive documents to assess awareness and priority of issues in the Sustainability Reporting and to understand how progress is tracked and internal controls are implemented;
- ▶ Examine risk management and governance processes related to sustainability and critical evaluation of the disclosure in the Sustainability Reporting;

¹<https://www.globalreporting.org/standards>

- ▶ Perform analytical procedures at group level;
- ▶ Perform site visits in Vienna (Türkenstraße 9) to obtain evidence on performance indicators. In addition, we reviewed data samples of the selected disclosures in the Sustainability Reporting at site level for completeness, reliability, accuracy and timeliness;
- ▶ Review data and processes on a sample basis to assess whether they have been collected, consolidated and reported appropriately at group level. This included obtaining an opinion whether the data had been reported in an accurate, reliable and complete manner;
- ▶ Review the coverage of material issues which have been raised in stakeholder dialogues, in media reports and environmental and social reports of peers;
- ▶ Evaluate the company's materiality assessment, including sector specific megatrends and aspects of GRI;
- ▶ Challenge a sample of statements and claims in the Sustainability Reporting against our work steps and the GRI Standards principles;
- ▶ Review whether the GRI Standards were consistently applied for the CORE Option and
- ▶ Reviewed whether the requirements of EMAS² have been appropriately applied.

The objective of our engagement was neither a financial audit nor a financial audit review of past-oriented financial information. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report and the risk reporting. We merely checked this data was presented in accordance with the GRI Standards. Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement. We did not test data derived from external surveys or prospective information. Our assurance engagement solely covers references directly specified in the GRI Content Index. It does not cover any further web references.

We submit this report based on our assurance engagement for which, also regarding third parties, the "General Conditions of Contract for the Public Accounting Professions", are binding.

Conclusion

Based on our assurance procedures we haven't noted any issues that causes us to believe that in all material matters the Sustainability Reporting 2019 is not in accordance with the GRI-Standards.

Vienna, 17. July 2020

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Stefan Uher

ppa. Christine Jasch

² REGULATION (EC) No 1221/2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R1221&qid=1548408230316&from=DE>
COMMISSION REGULATION (EU) 2017/1505 of 28 August 2017 amending Annexes I, II and III to Regulation (EC) No 1221/2009 of the European Parliament and of the Council on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1505&qid=1548408584918&from=DE>

ENVIRONMENTAL VERIFIER'S DECLARATION ON VERIFICATION AND VALIDATION ACTIVITIES

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. with EMAS environmental verifier registration number AT-V-0025 accredited for the scope 64.92-0 other credit granting declares to have verified whether the Kommunalkredit Austria AG and the fully consolidated subsidiaries based in Vienna, Türkenstraße 9, 1090 Vienna

as stated in the Sustainability Report 2019 meets all requirements of Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 as amended to the Regulation (EU) No 2017/1505 on the voluntary participation by organizations in a Community eco-management and audit scheme (EMAS).

By signing this declaration, we declare that:

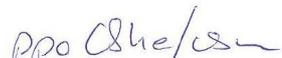
- ▶ the verification and validation has been carried out in full compliance with the requirements of Regulation (EC) No 1221/2009,
- ▶ the outcome of the verification and validation confirms that there is no evidence of non-compliance with applicable legal requirements relating to the environment,
- ▶ the data and information of the environmental statement (as integrated part of the Sustainability Report) reflect a reliable, credible and correct image of all the activities, within the scope mentioned in the environmental statement.

The next comprehensive Environmental Statement will be published based on the data for 2021. An updated environmental statement is published every year.

This document is not equivalent to EMAS registration. EMAS registration can only be granted by a Competent Body under Regulation (EC) No 1221/2009. This document shall not be used as a stand-alone piece of public communication.

Vienna, July 17th 2020


Mag. Stefan Uher


ppa. Dr. Christine Jasch

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
1220 Wien, Wagramer Strasse 19, IZD Tower

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Imprint

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Sustainability report 2017/18

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Global Reporting Initiative

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Give us your feedback

Kommunalkredit is interested in a broad debate on its sustainability report and welcomes feedback of any kind on the structure, methodology, content and implementation of this report.

Please send your feedback to:

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