

# CORPORATE GOVERNANCE

## BAWAG GROUP'S DECLARATION OF COMMITMENT

In 2006, BAWAG P.S.K. made a (voluntary) commitment to apply the applicable provisions of the Austrian Code of Corporate Governance ("Code", accessible under <http://www.corporate-governance.at>). Following the listing of BAWAG Group in 2017, BAWAG Group declared its commitment to comply with the rules of the Code.

This is the (consolidated) Corporate Governance Report prepared in accordance with sections 243c and 267b of the Austrian Commercial Code (UGB).

Generally speaking, the Code is a set of self-regulation rules for listed Austrian companies and it contains rules based on compulsory legal requirements (L rules); rules that should be complied with, where deviations must be explained and justified in order for the company's conduct to conform with the Code (C rules, comply or explain); and rules that are recommendations, where non-compliance must not be disclosed or justified (R rules).

## DEVIATIONS

Since issuance of its commitment to comply with the rules, BAWAG Group has complied with all L rules and all C rules. The deviation from one C rule is explained as follows:

Rule 2 (*"one share one vote" principle*): One shareholder has been granted the right to delegate a member of BAWAG Group AG's Supervisory Board for as long as such shareholder holds at least one share in the BAWAG Group AG. This delegation right shall be repealed, once the shareholding of the GoldenTree shareholders (jointly) falls below 20% for at least four consecutive weeks.

## MANAGING BOARD

### MANAGING BOARD MEMBERS AND ALLOCATION OF RESPONSIBILITIES

As of the date hereof, the Managing Board of BAWAG Group and BAWAG P.S.K. was composed of the following members:

#### MANAGING BOARD of BAWAG Group and BAWAG P.S.K. per 31 December 2020

Name	Function	Year of birth	Date of first appointment <sup>1)</sup>	End of current tenure
Anas ABUZAAKOUK	Chairperson	1977	19.08.2017	31.03.2026
David O'LEARY	Member	1975	19.08.2017	31.03.2026
Enver SIRUCIC	Member	1982	19.08.2017	31.03.2026
Sat SHAH	Member	1978	19.08.2017	31.03.2026
Andrew WISE	Member	1971	19.08.2017	31.03.2026

1) Regarding BAWAG Group AG.

#### Member who left the Managing Board since BAWAG Group's declaration of commitment

Name	Function	End of current tenure
Stefan BARTH	Member	31.12.2020

As of the date hereof, responsibilities among the Managing Board members were allocated as follows:

Name	Responsibilities
Anas ABUZAAKOUK (CEO)	Technology Group, General Counsel Office, Real Estate/Producement and Advisory Unit
Sat SHAH (Retail & SME, Deputy CEO)	Domestic and International Retail & SME brands, channels and products and branch sales, mobile sales, sales support, partnerships, platforms, call centers and digital channels
Enver SIRUCIC (CFO, Deputy CEO)	Financial Planning & Analysis, Accounting, Financial Data & Regulatory Office, Operations Group, Treasury Group, DACH Corporates & Public Sector, M&A, Human Resources, Investor Relations, ESG and Strategy
Andrew WISE (CIO)	Chief Investment Officer overseeing all International Corporate Lending, Asset Backed Lending and North American Markets
David O'LEARY (CRO)	Commercial & Retail Risk Management, Financial Crime Management & Compliance, Market Risk, Operational Risk, Regulatory developments and Data Risk Office
Entire Managing Board	Internal Audit, Compliance & AML Office, Ethics

The following describes the Supervisory Board mandates and comparable functions of Managing Board members as of the date hereof at other Austrian or foreign stock corporations, which are not fully consolidated in the consolidated financial statements. Members not listed in the following do not have any comparable functions:

#### **Sat SHAH**

<b>Name of the company</b>	<b>Function</b>
Amundi Austria GmbH	Supervisory Board member

#### **Enver SIRUCIC**

<b>Name of the company</b>	<b>Function</b>
BAWAG P.S.K. Versicherung AG	Chairman of the Supervisory Board

## **MANAGING BOARD MEETINGS AND COMMITTEES**

### **Managing Board Meetings / Extended Managing Board Meetings**

The Managing Board of BAWAG meets on a weekly basis. BAWAG has also introduced Extended Managing Board Meetings which are held approximately 8 times per year. In these all-day sessions, the Managing Board and executive leadership team across BAWAG Group discuss a variety of topics such as BAWAG's group strategy, the organizational design, M&A and integration, technology developments, retail partnerships, talent assessment and development, regulatory developments, and key risk topics amongst other things.

The following committees exist at the level of BAWAG's Managing Board:

- ▶ Strategic Asset Liability Committee (S-ALCO)
- ▶ Enterprise Risk Meeting (ERM)
- ▶ Credit Approval Committee (CAC)
- ▶ Non-Financial Risk and ESG Committee (NFR & ESGC)

The Managing Board committees consist of all members of the Managing Board and further voting and non-voting members of BAWAG's senior staff/designated experts (e.g. BAWAG's ESG Officers). They are chaired by the CEO or the CRO. The following section describes the main responsibilities of these Managing Board committees.

### **Strategic Asset Liability Committee (S-ALCO)**

The Strategic Asset Liability Committee (S-ALCO) is in charge of strategic capital and liquidity planning as well as operational aspects of asset and liability management. In this capacity the S-ALCO approves interest and FX/ limit for trading and managed bank books. With respect to liquidity, capital and interest, the S-ALCO approves liquidity costs, capital costs and internal reference rates. It further determines parameters for measuring interest risk, liquidity risk and foreign exchange risk and monitors risk metrics by way of regular reports. The S-ALCO is chaired by the CEO and meets on a monthly basis.

### **Enterprise Risk Meeting**

The main duties of the Enterprise Risk Committee (ERM) are risk limit setting for the overall bank, approval of the risk strategy and determination of the risk appetite, approval of capital allocation within the ICAAP framework. The Committee is further responsible for credit guidelines, strategies and reviews and approves policies, procedures and underwriting guidelines/models. The ERM is chaired by the CEO and meets on a monthly basis.

**Credit Approval Committee**

The Credit Approval Committee (CAC) decides on financing transactions above a certain threshold and on the approval of loan applications within the authorities defined in the Competence and Power Regulation. The committee is chaired by the CRO and meets weekly.

**Non-Financial Risk and ESG Committee (NFR & ESGC)**

The Non-Financial Risk and ESG Committee (NFR & ESGC) is in charge of non-financial risk and ESG related topics. In particular, it discusses the bank-wide non-financial risk assessment (as part of the Group Risk Strategy), significant outcomes of sub risk self-assessments, large-scale marketing campaigns, changes in regulatory requirements and topics with regards to cybersecurity and data privacy. Furthermore, the NFR & ESGC reviews and acknowledges reports on inter alia, operational risk, conducted product implementation processes, complaint management reports and regular reports on cybersecurity and data privacy matters. It also receives regular updates from BAWAG's ESG Officers on ESG related topics and discusses the groupwide ESG strategy. The NFRC is chaired by the CRO and meets on a quarterly basis.

**COMPLIANCE**

As a listed company, BAWAG Group AG is obliged to ensure the highest compliance standards.

The Compliance Office reports directly to the Managing Board and the Audit and Compliance Committee. The key responsibilities of the Compliance Office are prevention of insider dealing and market manipulation and managing of conflicts of interest. The Compliance Policy ensures observation of legal and proper conduct obligations, as well as the identification and prevention of conflicts of interest.

In accordance with the Austrian Stock Exchange Act, personal trades in shares of BAWAG Group AG by members of the Managing Board and Supervisory Board as well as their related persons are published on BAWAG Group's website ([https://www.bawaggroup.com/BAWAGGROUP/IR/EN/Corporate\\_Governance/Mandatory\\_Disclosures/404218/directors-dealings-eng.html](https://www.bawaggroup.com/BAWAGGROUP/IR/EN/Corporate_Governance/Mandatory_Disclosures/404218/directors-dealings-eng.html)).

## SUPERVISORY BOARD

### SUPERVISORY BOARD MEMBERS

Per 31 December 2020, the Supervisory Board was composed of the following members:

#### SUPERVISORY BOARD of BAWAG Group per 31 December 2020

Name	Function	Year of Birth	Date of first appointment	End of current tenure
Egbert FLEISCHER	Chairperson	1957	15.09.2017	<sup>2)</sup>
Kim FENNEBRESQUE	Deputy Chairperson	1950	15.09.2017	<sup>2)</sup>
Frederick S. HADDAD	Member	1948	15.09.2017	<sup>1)</sup>
Adam ROSMARIN	Member	1963	15.09.2017	<sup>2)</sup>
Ingrid STREIBEL-ZARFL	Delegated by the Works Council	1959	25.10.2017	
Verena SPITZ	Delegated by the Works Council	1970	25.10.2017	

1) Until revoked.

2) Until the end of the Annual General Meeting deciding on the discharge of the members of the Supervisory Board for the financial year 2022

### Independence of Supervisory Board Members

According to the company's "Independency criteria for members of the Supervisory Board of BAWAG Group AG", a member of the Supervisory Board shall be deemed independent if said member does not have any business or personal relations to the company or its Managing Board that constitute a material conflict of interests and are therefore suited to influence the behavior of the member. The Supervisory Board shall also follow the guidelines below when defining the criteria for the assessment of the independence of a member of the Supervisory Board:

- ▶ The Supervisory Board member has not been a member of the Managing Board or Managing Director or a management-level staff of the company or a subsidiary in the two years prior to the appointment.
- ▶ The Supervisory Board member does not maintain or has not maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not for exercising functions in the bodies of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as not independent.
- ▶ The Supervisory Board member has not acted as auditor of the company or has owned a share in the auditing company or has worked there as an employee in the past three years.
- ▶ The Supervisory Board member is not a member of the Managing Board of another company in which a member of the Managing Board of the company is a Supervisory Board member.
- ▶ The Supervisory Board member has not belonged to the Supervisory Board of the company for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with an entrepreneurial investment in the company or who represent the interests of such a shareholder.
- ▶ The Supervisory Board member is not a close family member (direct descendants, spouses, companions, parents, uncles, aunts, siblings, nieces, nephews) of a member of the Managing Board of the company or of persons who are in a position described in the points above.

The following members are regarded as independent pursuant to C Rule 53:

#### Independence of Supervisory Board members

<b>Name</b>	Independent
Egbert FLEISCHER	YES
Kim FENNEBRESQUE	YES
Frederick S. HADDAD	YES
Adam ROSMARIN	YES

#### Supervisory Board Mandates and Comparable Functions at Listed Companies

The following describes the Supervisory Board mandates and comparable functions of Supervisory Board members at listed companies in Austria and abroad as at the date hereof.

Members not listed in the following do not have any functions at listed companies.

#### Kim FENNEBRESQUE

<b>Name of listed company</b>	Function
Ally Financial	Member
BlueLinx Holdings	Chairperson

#### Attendance of meetings of the Supervisory Board and its committees

The Supervisory Board members attended all of the meetings of the Supervisory Board and its committees (attendance rate of 100%).

#### Supervisory Board Activity Report

In 2020 the Supervisory Board convened for six virtual meetings and adopted three resolutions via circulars. With respect to the activities of the Supervisory Board reference is made to the respective paragraph in the report of the Chairman included in this report.

The Supervisory Board has the following committees:

- ▶ Audit and Compliance Committee
- ▶ Risk and Credit Committee
- ▶ Nomination and Remuneration Committee

**Audit and Compliance Committee**

<b>Name</b>	<b>Function</b>
Adam ROSMARIN	Chairperson
Egbert FLEISCHER	Member
Frederick S. HADDAD	Member
Ingrid STREIBEL-ZARFL	Delegated by the Works Council
Verena SPITZ	Delegated by the Works Council

**Decision Making Powers and Activity Report**

The Audit and Compliance Committee reviews the company's accounts and the annual financial statements and monitors the company's internal control system as well as the independence and work of the external auditor. The Audit and Compliance Committee prepares the auditor selection process, receives regular reports on compliance/AML/cybersecurity/ethics and data security and data privacy topics and approves the annual audit plans of Internal Audit and the Compliance Office. The Head of Internal Audit, the Compliance Officer and the external auditor have direct access to the Chairperson and members of the Audit and Compliance Committee and, once a year, the external auditor holds.

The Audit and Compliance Committee held four meetings. With respect to the activities of the Audit and Compliance Committee reference is made to the respective paragraph in the report of the Chairman included in this report.

**Risk and Credit Committee**

<b>Name</b>	<b>Function</b>
Frederick S. HADDAD	Chairperson
Kim FENNEBRESQUE	Member
Adam ROSMARIN	Member
Ingrid STREIBEL-ZARFL	Delegated by the Works Council
Verena SPITZ	Delegated by the Works Council

**Decision Making Powers and Activity Report**

The committee advises the Supervisory Board on the current and future risk-bearing ability of the Group and monitors the effectiveness and efficiency of the risk management systems and compliance with the legal provisions and regulatory requirements. It receives quarterly risk reports (including reports on credit, market, liquidity and operational risks and complaint management) and prepares, on an annual basis, the risk planning guidelines and the risk strategy which are subsequently approved by the entire Supervisory Board.

The Risk and Credit Committee held four meetings. With respect to the activities of the Risk and Credit Committee reference is made to the respective paragraph in the report of the Chairman included in this report.

### Nomination and Remuneration Committee

Name	Function
Egbert FLEISCHER	Chairperson
Kim FENNEBRESQUE	Member
Frederick HADDAD	Member
Ingrid STREIBEL-ZARFL	Delegated by the Works Council
Verena SPITZ	Delegated by the Works Council

### Decision Making Powers and Activity Report

The Nomination and Remuneration Committee deals with Managing Board succession planning and the regular Fit & Proper evaluation of Managing Board and Supervisory Board members. The committee further deals with the general principles of the company's remuneration policy. It also monitors the remuneration policy pursuant to the Austrian Banking Act, remuneration practices and remuneration-based incentive structures pursuant to section 39c of the Austrian Banking Act. It also supports the Supervisory Board in preparing recommendations to the General Meeting with respect to new Supervisory Board candidates and the remuneration policies/reports pursuant to the Austrian Stock Corporation Act. It further discusses succession planning topics which are reported to the entire Supervisory Board.

The Nomination and Remuneration Committee held four meetings. With respect to the activities of the Nomination and Remuneration Committee reference is made to the respective paragraph in the report of the Chairman included in this report.

## INFORMATION ABOUT THE REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

The remuneration policies for members of the Managing Board and the Supervisory Board have been presented to and approved by the shareholders of BAWAG Group AG at the Annual General Meeting 2020. These remuneration policies are disclosed on BAWAG Group's website.

The remuneration of the Supervisory Board members for their activities as members of the Supervisory Board of BAWAG Group AG is illustrated in the table below:

<b>Remuneration for financial year 2020</b>	
<b>in € thousand</b>	<b>Remuneration</b>
Egbert FLEISCHER	86.25
Kim FENNEBRESQUE	66.25
Frederick S. HADDAD	53.75
Adam ROSMARIN	51.25

The remuneration of the members of the Managing Board is illustrated in the table below. The Managing Board has waived potential bonuses for 2020 in light of the overall environment and challenges faced by many due to this health crisis.

<b>Remuneration for financial year 2020</b>				
<b>in € thousand</b>	<b>Fixed salaries</b>	<b>Other remuneration</b>	<b>Bonus</b>	<b>Total</b>
Anas ABUZAAKOUK	3,990	1,300	0	5,290
David O'LEARY	2,400	890	0	3,290
Enver SIRUCIC	2,300	460	0	2,760
Sat SHAH	3,000	1,190	0	4,190
Andrew WISE	2,880	980	0	3,860
<b>Total of active Managing Board members</b>	<b>14,570</b>	<b>4,280</b>	<b>0</b>	<b>19,390</b>
Stefan BARTH	1,580	330	0	1,910
<b>Total of Managing Board members as of 31 December 2020</b>	<b>16,150</b>	<b>5,150</b>	<b>0</b>	<b>21,300</b>

BAWAG Group AG will present a remuneration report pursuant to sections 78c and 98a of the Austrian Stock Corporation Act to the Annual General Meeting 2021, which will take place in H2 2021. The report will include a comprehensive overview of the total remuneration of each Managing Board and Supervisory Board member, split out by component and the relative proportion of fixed and variable remuneration, as legally required. The remuneration report will be published on BAWAG Group's website together with the materials for the Annual General Meeting.

## REFINEMENT OF THE DIVERSITY RULES

Rule L 52, which was incorporated from Sec 87 para 2a of the Stock Corporation Act, requires that the aspects of diversity be appropriately taken into consideration in the Supervisory Board with regard to the representation of both genders and the age structure and, at listed companies, also with regard to the internationality of its members.

According to the interpretation of the Austrian Working Group for Corporate Governance, the individual bodies to whom each rule is addressed are responsible for compliance with Corporate Governance principles pursuant to Rule C 61. Although Rule L 52 is not directly binding for shareholders, compliance with Corporate Governance principles should be strived for by the company in general. To this end, the shareholders should be encouraged to implement the rule, for example, by referring to it at the Annual General Meeting or in the published documents for the Annual General Meeting. Compliance with the rule is therefore achieved by making reference at the Annual General Meeting or in the documents for the Annual General Meeting to the principles for appointing members to the Supervisory Board including the importance of taking appropriate consideration of the aspects of diversity.

BAWAG Group takes into account the members' expert knowledge, gender, internationality, age structure and professional reliability. The Nomination and Remuneration Committee has defined a target ratio for the underrepresented gender among the Supervisory Board and the Managing Board.

## MEASURES TAKEN TO PROMOTE WOMEN ON THE MANAGING BOARD, THE SUPERVISORY BOARD AND IN MANAGEMENT POSITIONS

The preamble of the Code governs companies' responsibility toward society and recommends that appropriate voluntary measures and initiatives be taken such as to reconcile work and family life. According to Rule L 60, the Corporate Governance Report must contain measures taken to promote women on the Managing Board, on the Supervisory Board and in management positions as well as in key functions within BAWAG Group.

BAWAG Group makes efforts to implement initiatives and measures aimed, for example, at increasing the number of women in management positions.

### **Women's promotion program**

Since 2012, BAWAG has had a women's promotion program, which was jointly evaluated by the BAWAG P.S.K. Women's Initiative and the works council in 2018 and was agreed in writing with BAWAG P.S.K.

It serves as a binding framework to promote equality and equal opportunities for women and men in the enterprise.

The women's promotion program is based on four principles and concrete measures:

- ▶ Awareness raising
- ▶ Equal career opportunities
- ▶ Financial equality
- ▶ Promoting a better balance between career and family for women and men

One key aspect of the women's promotion plan has been to encourage women to participate in personnel development programs. Therefore, the balanced mix of male and female in all development programs is considered.

### **BAWAG P.S.K. Women's Initiative**

BAWAG P.S.K. Women's Initiative is a network of experts and female managers from all areas of the bank supported by the Managing Board of BAWAG Group. The initiative aims to promote equality for women in BAWAG Group in the form of achieving career goals in managerial or expert positions, monetary equality, and compatibility of family and work. Its actions further facilitate the exchange of experience and knowledge as well as networking within and outside the company.

### **BAWAG P.S.K. Women Mentoring Program**

To raise the gender diversity awareness within the organization, BAWAG Group has set up a women mentoring program, having accompanied 86 women since 2013. Throughout 2020, 12 Austrian top managers from various industries supported female managers and top performers from BAWAG Group throughout one year as mentors. The program was accompanied by knowledge trainings and specific workshops which were mainly held virtually due to COVID-19 restrictions.

The 8<sup>th</sup> BAWAG Group mentoring program has started.

In addition, the Bank offers women-specific business workshops to all female employees, including part-time.

**BAWAG P.S.K. Women's Prize**

The BAWAG P.S.K. Women's Prize which has been awarded since 2013 recognizes outstanding achievements by women or special commitment to positioning women in society.

With this € 5,000-award, BAWAG Group encourages women and organizations to tackle challenging and innovative projects, especially in the areas of

- ▶ science, journalism and art,
- ▶ social commitment,
- ▶ intercultural understanding,
- ▶ promoting equality of opportunity between women and men, and
- ▶ creating awareness for the role of women in the professional environment.

The 8<sup>th</sup> BAWAG P.S.K. Women's Prize reflects the overarching theme of 2020.

Elisabeth Puchhammer-Stöckl, Head of the Centre for Virology of the Medical University of Vienna, and Judith Aberle, Group Science Head, received the BAWAG P.S.K. Women's Prize for their research related to COVID-19 and their empowerment and encouragement of female scientists. The Centre for Virology is a role model in regards to gender equality.