

SUSTAINABILITY REPORT 2017

MINDFUL BUSINESS

SUMMARY

INTRODUCTION

Dear reader,

a bank for the people in the region, an integral part of the local economy and an important employer – this is what Hypo Vorarlberg has been ever since it was founded in 1897. With the title of our sustainability report, “Mindful Business”, we want to convey that in pursuing our economic goals we also take account of social and ecological aspects. We have already taken the few steps with our sustainability activities to date. In awareness of the continuous improvement process ahead of us we will keep moving forward with our sustainability programme.

Bregenz, August 2018



Michel Haller
CEO



Johannes Hefel
Member of the Managing Board



Wilfried Amann
Member of the Managing Board



Contact persons:

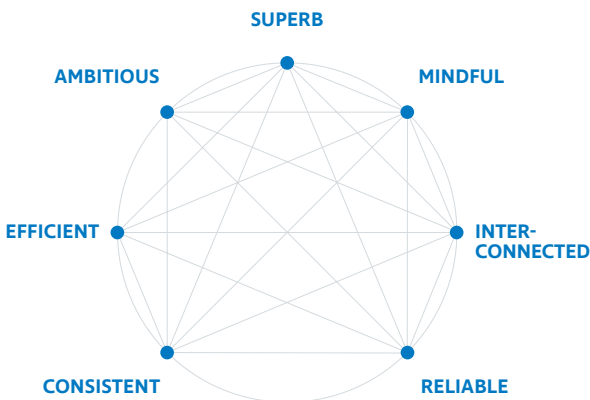
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VALUES AND PRINCIPLES

Mindfulness, reliability and consistency are important values that have always set us apart. Values that are reflected in longlasting, trust-based and successful customer relationships. In order to remain a strong brand in the future, seven core values have been determined as part of a brand process. These values are implemented internally and externally by the Managing Board, the managers and the employees.

Hypo Vorarlberg's brand values



The topic of sustainability is reflected particularly in the brand value of “mindful”. For Hypo Vorarlberg, this means attentiveness, genuine interest and diligence, taking forward-looking action to preserve an intact environment.

SUSTAINABILITY GUIDELINES

Hypo Vorarlberg's sustainability guidelines define the most important key topics and the associated principles for action. We aim to achieve the best possible balance between the three dimensions of sustainability (economy, ecology and social concerns).

ETHICAL AND SUSTAINABLE BUSINESS PRINCIPLES

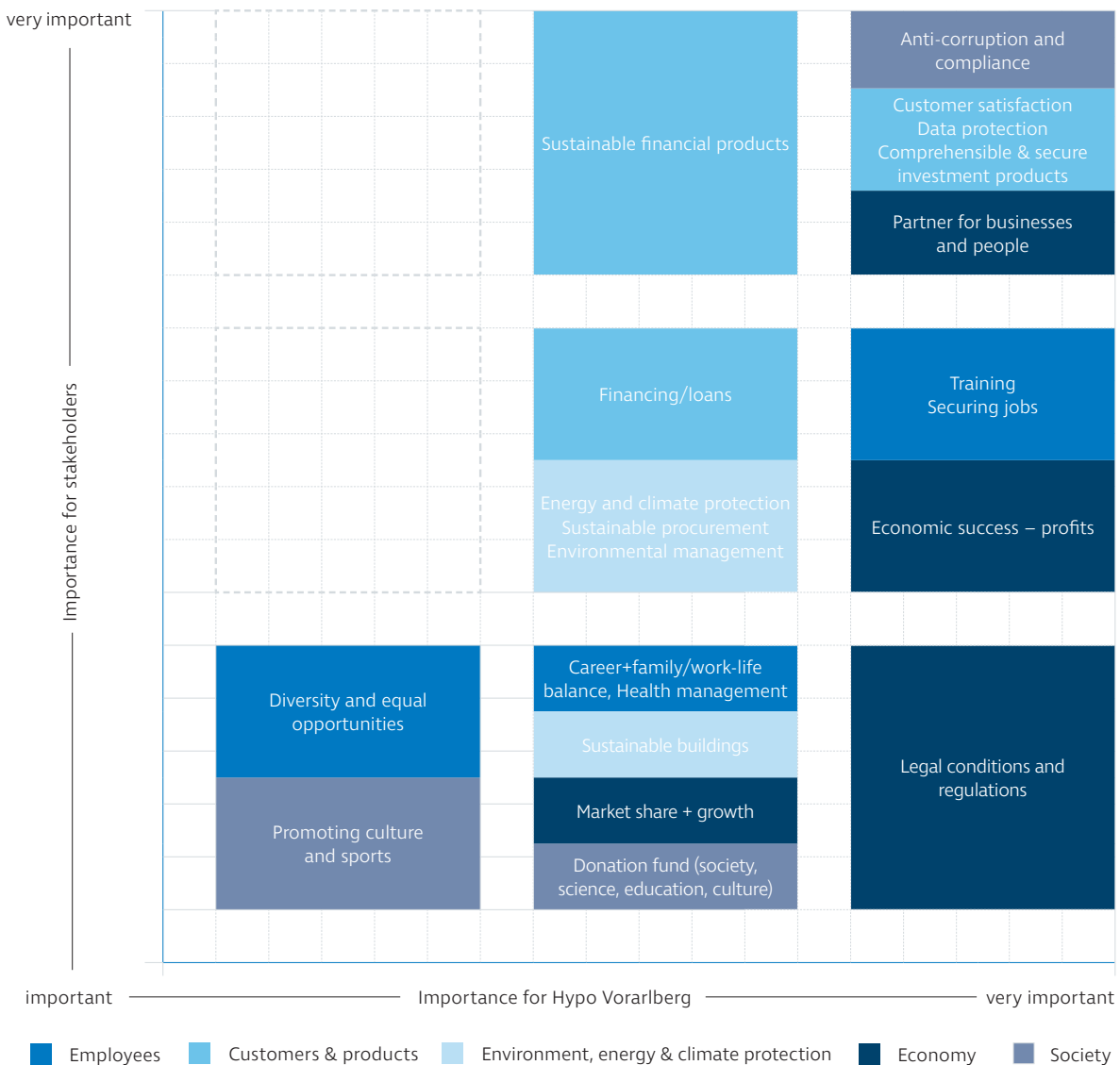
As part of the sustainability process, clear ethical and sustainability criteria were defined for new financing and investment business and for the Bank's own securities issues. Both positive criteria (e.g. renewable energy, organic farming, sustainable mobility, etc.) and negative/elimination criteria (e.g. child labour, speculation or investments in agricultural commodities, nuclear power, etc.) were then formulated and will be reviewed on the basis of available information at the time of the transaction and subsequent transactions, applying the dual control principle.

THE SUSTAINABILITY PROCESS

In the beginning of 2016, Hypo Vorarlberg established a unit for the structured planning and targeted implementation of the sustainability process. Results are the 2016 and 2017 sustainability reports in which the Bank provides an extensive overview of key sustainability topics and performance indicators for the first time. The report is in line with the standards of the Global Reporting Initiative (GRI), applicable since October 2016.

The relevant topics for the report were determined using a materiality analysis. To this end, Hypo Vorarlberg commissioned an employee and stakeholder survey that was conducted in spring 2017. The survey investigated which areas of sustainability are particularly important to these stakeholders and how Hypo Vorarlberg handles these issues. The results are shown in the diagram below:

Hypo Vorarlberg's materiality matrix



HYPO VORARLBERG AWARDED PRIME STATUS BY ISS-OEKOM

Thanks to its previous activities in the area of sustainability and its increased data transparency, Hypo Vorarlberg has already improved its sustainability rating. In their corporate rating report from May 2017, the rating agency oekom research (from 2018-03-15 ISS-oekom) gave Hypo Vorarlberg a C grade, thus placing the Bank within the Prime range for the first time. As the diagram below shows, the best bank in the same peer group is rated B-.

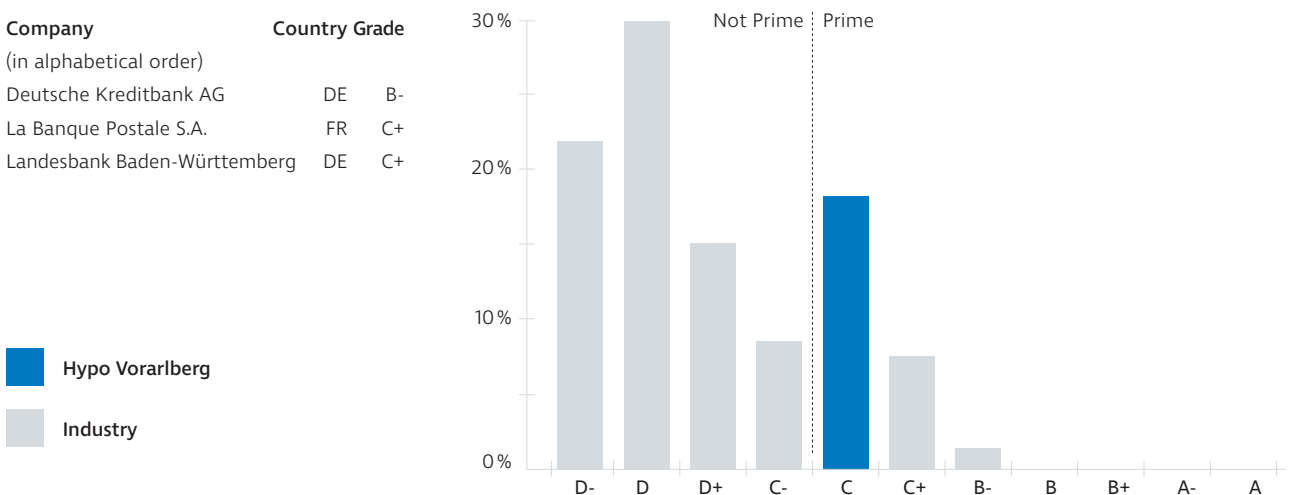
The Prime status means that Hypo Vorarlberg securities traded on the market are qualified as an investment from an ecological and social perspective – subject to exclusion criteria individually selected by customers.

ISS-oekom is one of the world’s leading rating agencies in the segment of sustainable investment. In this rating, information on companies’ social and ecological performance is gathered and evaluated. The assessment is based on more than 100 social and ecological criteria that are selected for the specific industry in question. These criteria are continuously adapted to take account of the latest developments and findings. Regular updates ensure that the ratings are kept current.



Hypo Vorarlberg’s sustainability rating in comparison to other banks (public & regional banks)

Distribution of ratings (88 companies in the industry)



Source: oekom Corporate Rating / Last Modification: 2018-01-25 © oekom research AG

FACTS AND HIGHLIGHTS FROM THE 2017 SUSTAINABILITY REPORT

Based on the key topics from the sustainability guidelines, the main facts and activities in the area of sustainability are shown in the excerpts below.

KEY TOPICS FROM THE SUSTAINABILITY GUIDELINES

ACTIVITIES AND HIGHLIGHTS FROM THE AREA OF SUSTAINABILITY

KEY SUSTAINABILITY INDICATORS FOR 2017

FOR OUR CUSTOMERS

Due to our strong connection with the region, we have always been a strong, reliable partner for the people and business in our core markets.

"RECOMMENDER" quality seal received for second time in a row. In 2017, the Bank was recognised for its **"very good customer focus"**.

Elite Report: Hypo Vorarlberg was awarded "summa cum laude" for the seventh time in a row, making it one of the leading asset managers in the German-speaking region again in 2018.

2017 stakeholder survey: Hypo Vorarlberg is seen as a strong partner in the region that acts with a long-term perspective and a focus on its customers.

Green Bond: Starting from autumn 2017, the bond portfolio was expanded with the first "Green Bond" to finance/refinance sustainable investment projects.

Financing volume of sustainable projects as at 31 December 2017 (particularly in the field of renewable energy): over EUR 240 million

FOR OUR EMPLOYEES

Superb, committed and satisfied employees form the basis for our success.



2017 SALVUS Gold quality seal for occupational health management

Recognised family-friendly business in 2016-2017

Proportion of female employees: 59%

Female quota (on Managing Board and Supervisory Board): Target increase to 25% by 2020 and 30% by 2030

Training days: 3.7 days per employee

FOR OUR SOCIETY

To allow those around us to share in our economic success, we are involved in sponsoring and supporting charitable projects.



"HYPO for Vorarlberg"

In 2014, an endowment fund was set up to support projects in the areas of society, science, education and culture. Each year, a part of the Bank's annual net income is paid into the donation fund. Between 2014 and 2017, the donations totalled approximately EUR 610,000. They were used to help people who have experienced personal misfortune to escape the worst financial hardship, as well as to support various social institutions and regional cultural projects.



We feel connected to the people and the corporations in our market areas and express our appreciation in actions instead of words. To do more than the things needed is self-evident for us.

FOR OUR ENVIRONMENT

We believe that our responsibility to the environment goes beyond complying with laws.

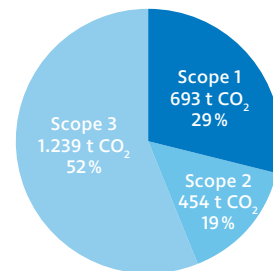
Founding member of the “Climate Neutrality Alliance 2025”, an initiative launched by businesses in Vorarlberg. In this way, we contribute to the state of Vorarlberg’s Energy Autonomy 2050 project.



Installation and commissioning of solar panels on the roofs of Hypo Vorarlberg in Bregenz (headquarters, Hypo Office Bregenz) and in Dornbirn (Hypo Office Dornbirn) in 2017.

Total emissions in 2017

for all Group locations: 2,386 t CO₂
 Scope 1: Direct emissions (natural gas, heating oil, vehicle fleet)
 Scope 2: Purchased energy (district heating, electricity)
 Scope 3: Third-party emissions (employee mobility, business trips, waste, materials)



FOR OUR SUCCESS

Reliability, consistent and legitimate conduct are important principles for responsible corporate governance – particularly in the banking sector.

Compliance & principles:
 Definition of ethical and sustainability criteria for financing and investment business and for the Bank’s own securities issues.

Tier 1 capital ratio of 14.82% is well above the legal requirements.

Ratings: ISS-oekom (see p. 5), Standard & Poor’s (S&P) and Moody’s

Rating	Stand-ard & Poor’s	Moody’s*
Long-Term Senior Debt	A	A3
Short-Term	A-1	P-2
Outlook	positive	stable

* Moody’s upgrade in february 2018

Green investment book (investments in the bank book that comply with the Green Bond Principles and have a positive SPO (second-party opinion) from a recognised sustainability rating agency): EUR 40.8 mn (31 December 2017), corresponding to around 1.6 % of Hypo Vorarlberg’s total portfolio; an annual increase in the volume is planned.

