

Erste Group Sustainable Retail Investment Framework for the German Market

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Erste Group Bank AG



ERSTE
Group

Contents

- 1. Sustainability at Erste Group2
- 2. Erste Group Sustainable Retail Investment Framework3
- 3. Sustainable Structured Investment Products4
- 3.2 Erste Group as a Sustainable Issuer5
 - 3.2.1 Erste Group’s ESG Issuer Ratings5
 - 3.2.2 Global Compact and Principles for Responsible Banking6
 - 3.2.3 Principal Adverse Indicators (PAI) in Erste Group6
 - 3.2.4 ESG Product and Transparency Standards7
- 3.3 Ethical Minimum Product Standards applicable to all Structured Products issued by Erste Group9
- 3.4 Implementation of the ESG Target Market Concept in Erste Group.....10
- 4. Types of Sustainable Products.....12
- 4.1 Sustainable Products12
- 4.2 Sustainable Equity Underlying Instruments13
- 4.3 Sustainable Index-Linked Underlyings14
- Annex: Principal Adverse Sustainability Impacts Statement15

1. Sustainability at Erste Group

What ESG means to us

Prosperity, equal opportunities and a just social wellbeing is in the heart of Erste Group's core values and business objectives. It is also very clear, that the accelerating level of environmental degradation and the urgency of climate change are threatening especially the most vulnerable part of our society. As a reflection of the leading role in social wellbeing of the CEE region, Erste Group is committed to contribute to the United Nations Sustainable Development Goals ("SDGs") as well as committed to achieve the targets set by the Paris COP21 of limiting the global warming to a well below 2, preferably to 1.5 degree Celsius, compared to pre-industrial levels. In line with these global targets, Erste Group in 2021 approved an overarching set of internal Environmental-Social-Governance ("ESG") business objectives, laid down a strategic roadmap of priorities covering sustainable finance, comprehensive ESG risk management, raising employee awareness and aiming enhanced transparency of ESG disclosure standards. Erste Group is working to establish sustainable finance in the CEE region, to mobilize funds for a transition towards low carbon economy, to enhance risk management and financing standards and increase the credibility of the sustainable investments of the region. Erste Group in all its countries takes responsibility to finance socially and economically important infrastructure, public administration, or common good projects in demand. Erste Group applies across its regions a social banking concept to support the most vulnerable part of society (individuals, NGOs but also start-ups) and fosters financial literacy. Erste Group refrains from financing projects that have harmful consequences on the ethical, social and environmental wellbeing. To be successful Erste Group will focus on communication to inform employees, clients, shareholders and other stakeholders about targets and guiding principles of its environmental strategy. In addition, Erste Group joined three initiatives of the United Nations Environmental Programme for Financial Institutions (UNEP FI). It became a signatory of the Principles for Responsible Banking, was the first Austrian bank to join the Net Zero Banking Alliance and was a founding member of the Financial Health and Inclusion initiative. Furthermore, Erste Group has decided to join the UN Global Compact again.

For more information about Erste Groups approach to ESG, we refer to the "Group ESG Risk Definition Policy" on www.erstegroup.com/en/about-us/sustainability

2. Erste Group Sustainable Retail Investment Framework

About the Scope of this Framework

The scope of this framework is to summarize and describe the sustainability rules which apply to all structured investment products issued by Erste Group Bank AG for the MiFID target market “Retail”.

Due to the speculative and short-term character of structured leverage products as well as reverse products (e.g. turbo certificates, warrants, reverse structures), these product types cannot qualify as sustainable or as impact products. Still, for these structured products, the rules for ESG minimum standards do apply (see chapter 3.3).

The main objective of the updated version of this framework is to adjust it to the provisions of the new ESG MiFID Regulation (MiFID II-DVO Art 2 Nr. 7)¹, the updated recommendations by ZFA (Zertifikateforum Austria) and DDV (Deutscher Derivate Verband) for sustainable certificates and bonds², and to comply to the new target market concept defined by DDV, BVI and WM Daten Service³.

¹ [COMMISSION DELEGATED REGULATION \(EU\) 2017/ 565 - of 25 April 2016 - supplementing Directive 2014/ 65/ EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive \(europa.eu\)](#)

² [Final DDV ESG Kodex A4quer DE AUSDRUCK 01.pdf \(derivateverband.de\)](#)

³ [Microsoft PowerPoint - 211213_DK_BVI_DDV_ESG_Konzept_final_Reinfassung.pptx \(derivateverband.de\)](#)

3. Sustainable Structured Investment Products

How we approach the ESG topic in Erste Group

3.1 Our Approach

In our investment analysis and product structuring progress, we consider all three ESG dimension: environment, social, and governance topics. For this purpose, Erste Group is closely cooperating with its subsidiary Erste Asset Management (EAM)⁴. At its core, Erste Group takes over the results of EAM's ESG Analysis for listed companies, both in forms of exclusion lists, as well as ESG-Ratings ("ESGenius"). On the basis of this ESG-Research, appropriate underlyings for structured products are chosen.

The sustainability of structured investment products must be analysed from two sides. First, from the perspective of the issuer, and second, from the perspective of the underlying security or reference index. To be classified as a sustainable product, a structured product must fulfil the relevant ESG criteria on both levels.



Special Rule for Products which are sold to the German Market:

In case of bonds and/or certificates that are exclusively offered to the German market, and which do not refer to an underlying, or refer only to one or several interest indices, or refer to interest rates or bonds with fix interest rates, these requirements are not applicable. In these cases, it is sufficient to fulfil the rules for a sustainable issuer to classify a product as a PAI-product (see Chapter 3.2.4), as it is in line with the DDV Code of Conduct of Sustainable Finance and common German market standard.

⁴ For an overview of EAMs ESG publications and policies, see here: [Publikationen & Richtlinien | Erste Asset Management \(erste-am.at\)](https://publikationen-und-richtlinien.erste-am.at)

3.2 Erste Group as a Sustainable Issuer

Our long history and track record as a leading retail bank in CEE founded on solid ethics is the basis for excellent ESG Ratings by leading ESG Rating agencies.

Erste Group is included in the following indexes:

- Erste Group has been part of the Euronext Vigeo Index Eurozone 120 since June 2018.
- Since its launch in 2008, Erste Group is included in the Vienna Stock Exchange's sustainability index.
- Erste Group has been part of the FTSE4Good Index Series since 2016.

Erste Group has set up strict sustainability rules for its operations. In the Group Responsible Financing Policy, we have defined rules and guidelines for activities in the financing sector for

- Defense and weapons industry
- Energy (Fossil fuels, Oil and Gas, Coal, Nuclear, Renewables)

For details, we refer to the following page:

[Sustainability/ESG - the principles of Erste Group | Erste Group Bank AG](#)

3.2.1 Erste Group's ESG Issuer Ratings⁵

- In October 2018, Erste Group was awarded prime status in the ISS ESG ratings.
- At the beginning of 2019 imug Investment Research raised the rating for Erste Group from neutral to positive and public sector covered bonds (Öffentliche Pfandbriefe) are now rated as very positive.
- As of April 19, 2022, Erste Group received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment⁶.
- Since February 2021, Sustainalytics, a leading ESG research, ratings and data firm, has assessed Erste Group to be at low risk of experiencing material financial impacts from ESG factors.

⁵ [Link zu Erste Group Sustainability ESG Web Page](#)

⁶ [ESG Ratings & Climate Search Tool - MSCI](#)

3.2.2 Global Compact and Principles for Responsible Banking

Erste Group will revive the membership to the UN Global Compact in 2022.

In 2021 Erste Group committed to the UNEP FI Principles for Responsible Banking, the first-ever global sustainability framework for the banking industry. With that, Erste Group commits to align its business strategic global goals such as the Sustainable Development Goals and the Paris Climate Agreement. Furthermore Erste Group is a member of the Financial Initiative of the UN Environmental Program (UNEP FI), a partnership between UNEP and over 400 banks, insurance companies, investors and institutions.

3.2.3 Principal Adverse Indicators (PAI) in Erste Group

Erste Group has drawn up procedures for considering principal adverse impacts of its investment decisions on sustainability factors.

The due diligence procedure consists primarily of

1. the regular review of quantitative requirements and limits in risk management using positive lists and/or negative lists
2. additional supporting (quantitative) evaluations in risk management for verifying the plausibility of assumptions and further (relevant) information for management
3. the review of the processes and documentation as part of the regular operational risk, ICS, and
4. compliance audits

Procedures for taking the relevant financial and sustainability risks into account have been integrated into Erste Group's product governance processes.

Exclusion criteria

Erste Bank's exclusion criteria set strict ethical boundaries. These exclusion criteria serve not only to meet the high ethical requirements of the investors, but to also expressly prohibit investments in socially, economically, and environmentally relevant fields such as nuclear energy, petroleum products, and the generation of electricity

from coal due to the associated adverse impacts or risk profile. This makes a direct contribution to improving the social and environmental footprint.

The following Principal Adverse Impact Indicators are assessed in Erste Group's business activities:

Area	Principle Adverse Indicator
Climate and Environment-related Indicators	Green House Gas (GHG) Emissions
	Carbon Footprint
	GHG intensity of investee companies
	Exposure to companies active in fossil fuel sector
	Share of non-renewable energy consumption and production
	Energy consumption intensity per high impact climate sector
	Activities negatively affecting biodiversity sensitive areas
	Emissions to water
	Hazardous waste ratio
Social and employee, Human Rights, Anti-Corruption and Anti-Bribery	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap
	Board gender diversity
	Exposure to controversial weapons

For further details concerning the quantitative and qualitative details of the Principle Adverse Indicators, we refer to the Annex of this framework, the Non-Financial Reporting of Erste Group⁷ as well as Erste Group's Responsible Financing Policy⁸.

3.2.4 ESG Product and Transparency Standards

The four issuers represented in the Zertifikate Forum Austria (ZFA), Erste Group Bank AG is one of them, have agreed on uniform product and transparency standards for certificates, in accordance with the criteria of sustainable investment⁹. These standards are set out in the ZFA's Sustainability Code and correspond to the criteria of Deutsche Derivate Verband (DDV) that also apply in Germany.

⁷ AR2021 Non financial Report en (erstegroup.com)

⁸ https://cdn0.erstegroup.com/content/dam/at/eh/www_erstegroup_com/de/%C3%9Cber%20uns/corporate-governance/erstegroup-responsible-financing-policy.pdf?forceDownload=1

⁹ https://www.zertifikateforum.at/wp-content/uploads/2021/09/ZFA_Nachhaltigkeits-Kodex.pdf

For sustainable retail products covered by this framework, Erste Group will include basic ESG information for the underlying instruments in its product presentations. The product presentations include key ESG indicators such as the Erste Asset Management's ESG Ratings ("ESGenius"). During the lifetime of a product, the relevant indicators for the assessment of the products will be checked regularly, at least quarterly. If underlying instruments stop to fulfil the relevant ESG criteria, the products will no longer be sold or marketed as ESG products and shall be adequately marked in the target market information provided to WM Data Service.

For the rules set up for Sustainable Impact Products issued by Erste Group ("Green Bonds"), we refer to the relevant Erste Group Sustainable Finance Framework¹⁰.

¹⁰ [Sustainable Finance | Erste Group Bank AG](#)

3.3 Ethical Minimum Product Standards applicable to all Structured Products issued by Erste Group

As a minimum standard for the underlying instruments of all structured products, we exclude the following industries and asset classes from our underlying universe:

- Controversial weapons
- Agricultural commodities
- Coal mining

To identify underlying instruments which do not fulfil the relevant criteria, we cooperate with the ESG Research Team at Erste Asset Management. The relevant criteria are screened on a quarterly basis. For detailed descriptions concerning the three minimum standards, please refer to the web page of Erste Asset Management:

Controversial weapons policy:

https://cdn0.erstegroup.com/content/dam/at/eam/common/files/ESG/broschuren/EAM_Controversial_Weapons_Policy.pdf

Soft-commodity speculation policy:



https://cdn0.erstegroup.com/content/dam/at/eam/common/files/ESG/broschuren/EAM_Soft-Commodity_Speculation_Policy.pdf

Coal divestment policy:

https://cdn0.erstegroup.com/content/dam/at/eam/common/files/ESG/broschuren/EAM_Coal_Divestment_Policy.pdf

3.4 Implementation of the ESG Target Market Concept in Erste Group

On the basis of the new Amendments to the relevant MiFID II regulation¹¹, as well as the standards provided by the Target Market Concept published by DDV and BVI in December 2021¹², we differentiate between four different product types. The following table by DDV provides an overview¹³:

<div> <div> Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V. Bundesverband deutscher Banken e. V. Bundesverband Öffentlicher Banken Deutschlands e. V. Deutscher Sparkassen- und Giroverband e. V. Verband deutscher Pfandkreditbanken e. V. </div> <div> Die Deutsche Kreditwirtschaft </div> <div>  Deutscher Derivate Verband </div> <div>  </div> </div>				
Application for certificates and bonds				
Other products - Not part of the MiFID target market		Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive ¹		
Basic	ESG strategy product	PAIs (Consideration of significant adverse impacts, lit. c) ²	Sustainable investments as defined by the SFDR (ES, lit. b)	Ecologically sustainable investments (Taxonomy, lit. a)
Company ³ takes into account the UN Global Compact + has a sustainability rating + Company ³ takes into account ESG product and transparency standard ⁴	Underlying(s): dedicated ESG strategy, + Company ³ takes into account the UN Global Compact and Company ³ achieves the status of a sustainable company with at least one rating agency + Company ³ takes into account ESG product and transparency standard ⁴	Company ³ takes into account standard PAIs ⁵ and the UN Global Compact; Company ³ achieves the status of a sustainable company with at least one rating agency + Underlying(s) ⁶ : dedicated ESG strategy with selective consideration of standard PAIs ⁷ through the minimum exclusions + Company takes into account a recognised industry standard ⁴	Impact-related investments as defined by the SFDR: specific percentages ⁹ + Company ³ takes into account the UN Global Compact and Company ³ achieves the status of a sustainable company with at least one rating agency ⁸ + Underlying(s) ⁶ : dedicated ESG strategy; no serious violations of the UN Global Compact and democracy/human rights + Company takes into account a recognised industry standard ⁴	Impact-related investments as defined by the Taxonomy Regulation: specific percentages ⁹ + Company ³ takes into account the UN Global Compact and Company ³ achieves the status of a sustainable company with at least one rating agency ⁸ + Underlying(s) ⁶ : dedicated ESG strategy; no serious violations of the UN Global Compact and democracy/human rights + Company takes into account a recognised industry standard ⁴

¹ Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products“.
² For a possible differentiation, see slide 7.
³ Company=product manufacturer/entity/corporation/etc.
⁴ z. e.g. ICMA Principles, EU Green Bonds Standard, DDV ESG Product and Transparency Standard or comparable product policy of the issuer.
⁵ Standard PAIs on environmental and/or social issues following Annex 1 Table 1 RTS-E to SFDR. The most significant adverse impacts on sustainability factors are considered. The company takes measures to reduce adverse impacts of its economic activities in the areas of climate, environment and / or social issues. These measures relate in particular to the company's loans and other assets. The company reports on these measures in its sustainability report. In the case of a segregated bond (e.g. green bond), the requirement only relates to the portfolio allocated to it. For a possible differentiation, see slide 7.
⁶ These requirements relate to the underlying(s) of a bond or certificate. They are not applicable to bonds or certificates that do not have an underlying or that reference only one or more interest rate indices or interest rates. For minimum exclusions including serious violations of UN Global Compact, see slide 3.
⁷ Standard PAIs following Annex 1 Table 1.1 draft RTS to the SFDR on environmental and/or social issues.
⁸ The rating requirement does not apply to segregated bonds (e.g. green bonds).
⁹ Percentage enables distributors to be assigned to standardised or individual clusters (optional implementation, e.g. ambitious, moderate, leader). The decisive factor here is the actual value of the bond component (for lit a) based on the GAR (green asset ratio), supplemented by the ratios of the structured/derivative component where applicable. The latter is derived from the ratios of the respective underlyings. The total consideration corresponds to 100%. Alternatively, reference to a segregated bond (e.g. green bond) is also possible.

Since Erste Group as an issuer of structured products is fulfilling all relevant prerequisites, we classify our sustainable structured products as sustainable products according to Principal Adverse Indicators (“**PAIs, lit c**”). Other structured products, where underlying instruments do not fulfil the necessary sustainable requirements, will be flagged as “**Basic**” in the target market classification.

¹¹ <https://eur-lex.europa.eu/legal-content/DE/TXT/?uri=CELEX:32021R1253>

¹² <https://www.bvi.de/service/muster-und-arbeitshilfen/mindeststandard-zur-zielmarktbestimmung/>

¹³ [from: Mindeststandard zur Zielmarktbestimmung \(bvi.de\)](https://www.bvi.de/service/muster-und-arbeitshilfen/mindeststandard-zur-zielmarktbestimmung/)

Which PAIs are taken into account for the selection of underlying instruments?

For the selection of our underlying equity and index instruments on the basis of the ESG Process of Erste Asset Management and the “ESGenius”-Rating, the following standard-PAIs are taken into account:

Area	Principle Adverse Indicator
Climate and Environment-related Indicators	Green House Gas (GHG) Emissions
	Carbon Footprint
	GHG intensity of investee companies
	Exposure to companies active in fossil fuel sector
	Share of non-renewable energy consumption and production
	Energy consumption intensity per high impact climate sector
	Activities negatively affecting biodiversity sensitive areas
	Emissions to water
	Hazardous waste ratio
Social and employee, Human Rights, Anti-Corruption and Anti-Bribery	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap
	Board gender diversity
	Exposure to controversial weapons

4. Types of Sustainable Products

4.1 Sustainable Products

Our sustainable products follow a pre-defined ESG-Rating methodology and respect ESG exclusion criteria (i.e. nuclear power, gene technologies and embryos, corruption and fraud, child labour) to avoid social, environmental and financial risks.

We differentiate the following types of structured products:



- Basic Products are **not** considered as Sustainable Products. Still, they comply to our Ethical Minimum Products Standards.
- Our ESG products comply to the rules for sustainable products according to MiFID Commission Delegated Regulation (EU) **2017/565 Art. 2 Nr. 7 lit c**. 14 standard PAIs are considered both on the level of Erste Group as issuer (see section 3.2.3) as well as on the level of the underlying(s) (see section 3.4).

We differentiate between rules for equity-linked products and index-linked products (with the underlying being an officially accepted and regulated financial index).

4.2 Sustainable Equity Underlying Instruments

Our basis for the selection of individual stocks as underlying instruments for sustainable structured products is the dedicated ESG-Strategy of Erste Asset Management and the ESG Ratings provided by the ESG Research Department of Erste Asset Management. Equity underlying instruments of sustainable structured products must fulfil the relevant investment criteria for Erste Asset Management funds which comply to Art. 8 of the “Sustainable Finance Disclosure Regulation” (SFDR; Regulation (EU) 2019/2088).

In this process, companies are screened for any violations of the following exclusion criteria: labour rights, nuclear power, GMOs/embryos, corruption and fraud, child labour, oil sand and fracking, animal testing, human rights, pornography, tobacco, weapons, and coal.

The ESG or best-in-class analysis constitutes the core of the sustainable investment approach of Erste AM. The goal of the process is to identify the sustainable companies within every sector; i.e. those that master the company-specific, environmental, social and governance risks best and whose actions reflect the highest ethical standards. On the basis of this analysis, the Responsible Investment Team of Erste AM establishes “ESGenius”-ratings for the companies covered in the rating universe. This indicator ranges from 0 (bad ESG-rating) to 100 (excellent ESG-rating). For further details, please see: <https://www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines>

Since ESG ratings can change over time, our product range will be regularly (at least quarterly) screened versus the relevant ESG Criteria. Sustainability classifications of our structured products can therefore change over time. Possible changes in the ESG target market classification will be communicated via WM data services.

4.3 Sustainable Index-Linked Underlyings

A structured product which is linked to an index must fulfil the following conditions to be labelled as “sustainable”:

- it must be an index which qualifies as a low-carbon benchmark according to the European Union regulatory framework (EU Paris-aligned Benchmarks or EU climate transition benchmarks) or alternatively,
- if all of the following criteria are fulfilled:
 - Ethical Minimum Standards must be fulfilled (see 3.3) and
 - the index must be compatible with Erste Asset Management’s ESG exclusion criteria (see 4.2) and
 - the index must apply a strict and clear ESG screening methodology. (e.g. a “Best in Class”-Approach, i.e. overweighting securities with positive criteria and avoidance or underweighting securities with negative criteria).

Annex:

Principal Adverse Sustainability Impacts Statement by Erste Group

Issuer				
<p>Erste Group Bank AG (UID No.: ATU15361506; Swift Code/BIC: GIBAATWGXXX) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of Erste Group Bank AG and its subsidiaries. This principal adverse impacts statement covers the reference period from 1st August 2022 to 31 December 2022.</p>				
Description of Principal Adverse Sustainability Impacts				
<p>Erste Group has drawn up procedures for taking principal adverse impacts into account and has developed policies for fulfilling its due diligence obligations relating to the adverse impacts of investment decisions on sustainability factors.</p> <p>The due diligence procedure consists primarily of</p> <ol style="list-style-type: none"> 1. the regular review of quantitative requirements and limits in risk management using positive lists and/or negative lists 2. additional supporting (quantitative) evaluations in risk management for verifying the plausibility of assumptions and further (relevant) information for management 3. the review of the processes and documentation as part of the regular OP risk, ICS, and 4. compliance audits <p>Procedures for taking the relevant financial and sustainability risks into account have been integrated into Erste Group's product governance processes.</p>				
Adverse sustainability indicator		Metric	Explanation	Actions taken
Greenhouse gas emissions	GHG emissions	Total financed emissions (Scope 1 and Scope 2, for elected industries upstream Scope 3) of the quantified portfolios amounted to 11.1 million tCO ₂ e.	Focusing the efforts on selected portfolios in line with the PCAF standard, Erste Group achieved coverage of EUR 140.2 billion with calculated financed emissions equalling 78% of total loans to customers of EUR 180.3 billion (i.e. total credit exposure excluding off balance sheet positions, central banks, governments and credit institutions) in 2021. The difference of EUR 40.1 billion is mainly related to consumer loans for which PCAF does not provide a specific calculation methodology yet	Decarbonisation of Portfolio (Member of Net Zero Banking Alliance, PACTA, PCAF)
	Carbon Footprint	44,414 tCO ₂ e	Emissions of Erste Group's operations have decreased by 25% since 2016. From 2020 to 2021 Erste Group achieved a further reduction of its Scope 1 and 2 emissions by 23% from 57,492 tCO ₂ e to 44,414 tCO ₂ e. This reduction was largely driven by switching to	Decarbonisation (Member of Net Zero Banking Alliance, PACTA, PCAF)

			green or low emission electricity in Hungary and Romania.	
	GHG intensity of investee companies	financed emissions intensity: 79 gCO ₂ e/EUR		Decarbonisation of Portfolio (Member of Net Zero Banking Alliance, PACTA, PCAF)
	Exposure to companies active in the fossil fuel sector	n.a.	In 2021, Erste Group made significant progress by further tightening its coal policy and setting a goal to exit coal financing by 2030. Taking into account that coal still plays an important role in the energy security of the CEE region, the policy allows for a two-year period for customers to prepare credible coal phase-out plans.	Coal phase out plan until 2030 according to Erste Group Responsible Financing Policy
	Share of non-renewable energy consumption and production	65.5%	At 48%, electricity consumption constitutes the most important form of energy for Erste Group. The bank currently already covers 66% of its electricity need with low carbon energy sources, the renewed target is a 90% low carbon electricity sourcing by 2023.	
	Energy consumption intensity per high impact climate sector	Altogether, high and critical emission categories make up EUR 2.5 billion in exposure, or 1.4% of the total loans to customers portfolio.	Within the calculation we implemented a categorisation based on the revenue related emission intensity to identify the high and critical emission clients and segments. Everything above 1,000 gCO ₂ e per EUR revenue has been classified as "high emission category" and cases above 6,000 gCO ₂ e as "critical emission category".	Decarbonisation of Portfolio (Member of Net Zero Banking Alliance, PACTA, PCAF)
Biodiversity	Activities negatively affecting biodiversity-sensitive areas	n.a.	In the CEE region, our strategic focus includes improving recycling and waste management as well as more efficient water collection and treatment, both of which play a key role in biodiversity conservation. Erste Group's ESG Risk Definition Policy, which builds on the Group Sustainability Strategy, has also identified the protection and preservation of biodiversity in our region as a core objective.	Erste Group's ESG Risk Definition Policy, Erste Group Responsible Financing Policy

			The criteria defined therein have been included in the ESG Heat Map Framework and have been implemented in the Industry Strategies. For example, in the Industry Strategy for Agriculture & Forestry (Natural Resources & Commodities), biodiversity is a central element.	
Water	Emissions to water	n.a.	To reduce water risks, sustainability analysts consider the management and regional distribution of water withdrawals in company assessments	Initiative "Make the Danube blue again", Erste Group Responsible Financing Policy
Waste	Hazardous Waste Ratio	n.a.	Sustainability criteria for investments and financing (SDG 6, 11, 12, 13). Public interest in the indirect effects of banking products on climate, environment and society is increasing significantly. Erste Group is continuously expanding its range of sustainable financial products. Sustainable finance focuses on key socio-environmental issues in the CEE region, in particular affordable housing, climate change, clean water, recycling and waste management.	Erste Group Responsible Financing Policy
Social and Employees matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0		Membership of UN Global Compact
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles	0		Membership of UN Global Compact

	and OECD Guidelines for Multinational Enterprises			
	Unadjusted gender pay gap		<p>Erste Group is the only Austrian company and one of only three in the CEE region, which was again included in the Bloomberg Gender Equality Index (GEI). This measures the disclosure and success of the promotion of gender equality in five areas:</p> <p>Gender Equality in five areas:</p> <p>Women in leadership and talent development, equal pay, inclusive corporate culture, sexual harassment policies and a women-friendly brand identity. Erste Group also enjoys an international reputation through its participation in the EU Platform of Diversity Charters.</p>	
	Board gender diversity	Share of women in top management: Erste Group 25.8% (2021) 25.1% (2020)		
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0%	<p>Erste Group will only provide financing, advisory or other banking services if:</p> <ul style="list-style-type: none"> ▪ such transaction can reduce or eliminate potential human casualties and human rights violations; and ▪ such transactions do not involve controversial weapons, and ▪ the beneficiary of the transaction and/or the destination of the underlying goods is located in a country that (i) is not subject to a United Nations, European Union, or other relevant national arms embargo; and (ii) is in compliance with international humanitarian law. 	Erste Group Responsible Financing Policy
Description of policies to identify and prioritise principal adverse sustainability impacts				
The Group Responsible Financing Policy defines harmful socio-environmental activities that are excluded from financing and banking services. The main focus of the policy is on climate				

protection through the alignment of Erste Group's energy financing in line with the Paris Agreement, global warming limitation, the prevention of extensive environmental degradation and measures to preserve biodiversity through restraining from arctic oil and gas financing and unconventional mining practices but also with very selective participation in hydropower projects. In addition, the policy aims to limit the impact of socially harmful activities e.g. of the weapons and defence industry. In 2021, Erste Group made significant progress by further tightening its coal policy and setting a goal to exit coal financing by 2030. Taking into account that coal still plays an important role in the energy security of the CEE region, the policy allows for a two-year period for customers to prepare credible coal phase-out plans.

References to international standards

Erste Group is committed to achieving portfolio net-zero emissions by 2050 in line with the goal of the Paris Climate Agreement to limit global warming to a maximum of 1.5°C. Erste Group opted for a carbon accounting methodology aligned with the PCAF (Partnership for Carbon Accounting Financials) standards. This also ensures compliance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. In 2021, Erste Group implemented the methodology for customer loan portfolios across all markets and reached approximately 78% portfolio coverage. In line with the scope of the PCAF standards corporate loans, commercial real estate financing, project finance and mortgages were included. Erste Group will adapt carbon footprint calculations for the remaining segments – unsecured retail loans and financial institutions and sovereigns – as soon as the PCAF standards provide methodological guidance.

Erste Group's goal is to set interim targets for reducing its Scope 3 emissions. In 2021, Erste Group started to build forward looking decarbonisation models for three priority segments – energy, commercial real estate and mortgages – which in total amount to nearly 50% of Erste Group's quantified portfolio carbon footprint.

In 2022, the aim is to provide decarbonisation targets for at least 70% of the quantified emissions by addressing further high emission segments. In its forward-looking models Erste Group follows the target setting methodology and embedded scenarios of PACTA (Paris Agreement Capital Transition Assessment) and SBTi (Science Based Targets Initiative).

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