

# (Consolidated) non-financial report

For Erste Group, considering the impact of its entrepreneurial activities on society is nothing new. On the contrary, looking beyond financial performance is very much in line with the idea of social responsibility to which Erste österreichische Spar-Casse committed itself when it was founded in 1819.

Resolving the conflicting targets of profitability and the ecological and social impact of its business is also a key element for the management of Erste Group. In this regard, Erste Group's Statement of Purpose offers valuable guidance by defining the following tasks and principles:

- \_ Disseminating and securing prosperity
- \_ Accessibility, independence and innovation
- \_ Profitability
- \_ Financial literacy
- \_ It is about people
- \_ Serving civil society
- \_ Transparency, stability, simplicity

Every business has to answer two key questions every time it takes a decision: "Is it profitable?" and "Is it legal?" For Erste Group, this has never been enough. Answering the "third question" that arises from the Statement of Purpose is an expression of its corporate responsibility. "Is it the right thing to do?" is the question that every employee has to answer before taking a business decision. The awareness and the mindset behind it are firmly embedded in Erste Group.

## Implementation of the reporting obligation as a combined non-financial report

To meet the statutory requirement of disclosing non-financial information Erste Group has decided to include the (consolidated) non-financial report (NFI report) in its annual report, thus fulfilling its obligations under sections 243b and 267a of the Austrian Commercial Code (UGB). Erste Group has drawn up this (consolidated) non-financial report in conformity with the Global Reporting Initiative (GRI standard: core option). The non-financial report is not subject to the audit of the consolidated financial statements. Deloitte Audit Wirtschaftsprüfungs GmbH has been mandated with the performance of a voluntary audit of the contents of the non-financial report. The following areas have been subjected to a more detailed review: environmental data, staff indicators, anti-corruption measures and data security

The reporting obligation under UGB covers, as a minimum, the following topics: environmental, social and employee matters, respect for human rights and measures against corruption and bribery.

Non-financial reports have to be prepared for the same scope of consolidation that is covered by financial reporting. The calculation of non-financial data, such as energy consumption per employee, is based on all material Erste Group entities that have at least one employee, with the exception of Austrian savings banks that are included in the scope of consolidation under the Haftungs-

verbund agreement. In this 2018 NFI report, human resources-relevant data are captured at single entity level. Environmental data are captured on the basis of properties used for banking operations with the exemption of savings banks with a headcount below 300 employees. Over the coming years, the aim is to gradually include the data of all consolidated companies, including the savings banks, in the non-financial report.

## Sustainability at Erste Group

The founding concept of Erste österreichische Spar-Casse, the predecessor of Erste Group, already embraced the idea of contributing to the common good. Erste Group has expanded its core activities from those of a traditional savings bank focused on retail lending and deposit-taking to include those of an international bank providing financial services to all sectors of the economy in its core markets. Unlike the operations of many other financial service providers, Erste Group's business has always been firmly embedded in the real economy. Customer savings deposits fund the loans for housing construction or purchases or investments by companies. This is how Erste Group creates sustainable value for society. As one of the leading banks in Central and Eastern Europe, Erste Group is also an important employer, taxpayer and customer of – mostly local – suppliers.

According to Erste Group's own definition, sustainability means to operate the Bank's core business profitably while also taking into account social and ecological criteria. Erste Group's environmental strategy uses the definition of sustainability as presented in the UN's Brundtland report *Our Common Future* of 1987: "A sustainable development is a development which meets the needs of current generations without compromising the ability of future generations to meet their own needs".

While several generations of savings bankers have been committed to doing business responsibly, the establishment of the Group Sustainability Office underpins the increasing strategic importance of non-financial aspects. This staff position reports to the Chief Risk Officer. Its main focus is on the development and implementation of group-wide policies relating to the environment, diversity, corporate volunteering and corporate social responsibility as well as the implementation of the group-wide Code of Conduct.

The sustainability board, newly created in late 2017, is headed by Erste Group's Chief Risk Officer. It is composed of one board member from each of the local banking subsidiaries and the head of the Group Sustainability. The Sustainability Board is responsible for developing and monitoring sustainability topics across the group.

One of the key tasks in the year ahead will be the further alignment of Erste Group's strategy and business operations with the 17 Sustainable Development Goals (SDGs) adopted by the UN member states. For more information on the *United Nations' SDGs* see <http://www.un.org/sustainabledevelopment/>. Erste

Group's materiality table highlights the SDGs that are being supported.

In principle, Erste Group supports all SDGs. Given its regional footprint and business model, Erste Group is in fact able to make notable contributions to the achievement of the following SDGs:

- \_ No poverty (SDG 1)
- \_ Good health and well-being (SDG 3)
- \_ Quality education (SDG 4)
- \_ Gender equality (SDG 5)
- \_ Decent work and economic growth (SDG 8)
- \_ Reducing inequalities (SDG 10)
- \_ Sustainable cities and communities (SDG 11)
- \_ Climate action (SDG 13)
- \_ Partnerships for the goals (SDG 17).

## MATERIALITY ANALYSIS

The starting point of non-financial reporting is a materiality analysis to identify those material topics that have relevant social and economic impacts from Erste Group's point of view and from environmental and societal perspectives. These matters were identified as a result of in-house discussions, partly in consultation with stakeholders that are relevant to Erste Group: employees, customers, management (supervisory board, management board), investors and authorities/supervisors/policy-makers.

The current report is based on the most recent evaluation of the materiality analysis performed in 2017. In 2018, data security, which was also covered in 2017, was adopted as a material topic. This was in particular due to tighter national and international data protection laws and regulations as well as growing awareness among private individuals and companies of the risks related to the potential abuse of personal data.

To make the context of the material topics more visible, they have been categorised by higher-level topic areas. Further information on how Erste Group reflects these topics in its strategy and business activities is provided in the chapters commitment to society, customers, suppliers, employees and environment of the non-financial report. Anti-corruption measures may affect all stakeholders, but usually address the interaction with customers or suppliers. For further information on this topic, please refer to the additional corporate governance principles presented after the corporate governance report.

### Material topics for Erste Group

#### Social responsibility

**Financial literacy (SDG 1/4/8).** For Erste Group, this is a key factor in creating equal opportunities, economic prosperity and social inclusion. In most cases, a lack of financial literacy means fewer opportunities in almost all spheres of life.

**Social commitment (SDGs 4/5/10).** Erste Group aims to be not only commercially successful but to also act in a socially responsible manner. It therefore pursues a multitude of activities that contribute to the cultural and social development of society and also encourages its employees' individual social involvement.

#### Employees

**Diversity and equal opportunity (SDG 5/10).** For Erste Group, diversity and equal opportunity are key elements of its human resources strategy. It therefore seeks to offer a work environment that is free of discrimination, that values the work of each and every person regardless of gender, age, disability, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment.

**Employee health & work-life balance (SDG 3/5).** Erste Group is convinced that employees perform better and are more motivated when their work and private life are well balanced and when the company contributes to their good health. The focus of Erste Group is on fostering an awareness of the importance of a healthy lifestyle and promoting preventive health care as a complementary service to the public health-care system.

#### Customers

**Customer satisfaction (SDG 8).** High levels of customer satisfaction and the resulting customer loyalty secure the Bank's long-term success. It is therefore vital to continually adapt products and services to customers' expectations and needs and to ensure high service quality.

**Anti-corruption.** Corruption and bribery are a problem in many parts of the economy. Erste Group employees are required to attend a customised training programme enabling them to recognise and prevent fraud and corruption. Conflicts of interest between customers, Erste Group and employees are governed by clear rules such as provisions on employee transactions, the gift policy and research disclaimers.

**Responsible investment and financing (SDG 8/11/13).** Public interest in the indirect impacts of bank products on the environment and society is growing significantly. Erste Group is therefore steadily expanding its range of responsible investment and finance products. When taking business decisions, social and/or ecological criteria are increasingly taken into account in addition to the traditional financial risk aspects.

**Social banking (SDG 1/8).** For a variety of reasons, even today some parts of the population do not have access to financial services of commercial banks. In accordance with its founding principles, Erste Group's social banking programmes help people to help themselves and contribute to a positive economic development of the excluded parts of society.

**Data security.** The security of customer data is a key prerequisite for long-term success in the banking industry and of fundamental importance to Erste Group. Erste Group applies the highest standards in its IT infrastructure and provides ongoing training to its employees to offer maximum protection against the misuse or loss of customer data. The danger of a misuse of customer data as a result of cyber-attacks is steadily increasing and requires ongoing investment to maintain and improve data security.

### Environment

**Ecological impact of banking operations (SDG 13).** Protecting the environment and the climate are among the most significant global challenges. Erste Group aims to minimise its ecological footprint, specifically its consumption of energy and paper, and to use natural resources responsibly.

### Suppliers

**Responsible criteria in the supply chain (SDGs 1013).** In the light of interrelated economic activities, companies must consider not only the ecological and social impact of their own operations, but also those of their entire supply chain. Through its supply-chain management, Erste Group is making every effort to avoid an undesirable indirect impact on the environment and human rights.

### Opportunities and risks arising from material topics

Consideration of the material topics set out above opens up opportunities for improving customer relationships, attracting new customers, improving the environmental footprint as well as maintaining and increasing the attractiveness as an employer. Ignoring non-financial matters may adversely affect Erste Group's stakeholders. In addition, Erste Group may become exposed to a variety of risks, some of which are interconnected.

Reputation risk exists in all of these matters. In addition, further specific risks may arise. Commitment to society encompasses a variety of activities ranging from financial inclusion of low-income or disadvantaged persons to supporting social initiatives,

financial literacy as well as art and culture. Reducing the level of involvement in these areas may, for instance, result in financial gaps at co-operation partners and, consequently, the suspension of initiatives or activities. This may harm reputation and, as a consequence, may have a negative impact on customer retention, lead to a loss of customers and make it more difficult to attract new customers. In this context, consumer protection activities have to be mentioned as well. Offering adequately designed products and services may reduce the adverse impact of such initiatives. Among employees and the public, a loss of reputation as well as inadequate attention to social matters (such as diversity and equal opportunity) may result in a company being less attractive as a preferred employer. This may lead to a decline in employee motivation, extended sick leave and increased employee turnover, and make it harder to recruit adequate staff in the labour market. In addition, a lack of diversity in management bodies or teams may lead to groupthink or critical blind spots in decision-making processes. Ignoring the risk of corruption may lead not only to a loss of reputation, but may also cause financial harm. Failure to deal with environmental matters may result in a deterioration of the ecological footprint, a reputation risk or higher costs due to lower resource efficiency. In the lending business, the value of collateral may decline. For suppliers, failure to respect human rights may adversely affect the working or living conditions of people in the producer's or supplier's country of origin, just as neglecting environmental matters may adversely affect the supplier's or producer's environmental footprint. For Erste Group, dealing with suppliers involves delivery risk, reputation risk and the risk of losing customers.

The following materiality table provides an overview of the stakeholder groups, the material matters of the materiality analysis assigned to them, references to GRI standards and references to the sections of the non-financial report in which these topics are explained.

## Materiality table

Stakeholders	Topics of the materiality analysis	Material topics pursuant to GRI Standard	Chapter in the non-financial report
<b>Customers</b>	_ Customer satisfaction	_ Customer privacy (GRI 418-1)	_ Customers
	_ Anti-corruption and compliance	_ Anti-corruption (GRI 205-3)	_ (outside the non-financial report: Corporate governance)
	_ Responsible investment and finance	_ Anti-competitive behaviour (GRI 206-1)	
	_ Social banking	_ Indirect economic impact (GRI 203-2)	
	_ Data security		
<b>Employees</b>	_ Diversity and equal opportunity	_ Employment (GRI 401-1, 401-3)	_ Employees
	_ Employee health & work-life balance	_ Training and education (GRI 404-1)	_ (outside the non-financial report: Corporate governance)
		_ Diversity and equal opportunity (GRI 401-3, 405-1)	
		_ Non-discrimination (GRI 406-1)	
		_ Economic performance (GRI 201-1)	_ (outside the non-financial report: Financial statements)
<b>Society</b>	_ Financial literacy	_ Indirect economic impact (FS14 of GRI G4)	_ Commitment to society
	_ Social commitment		_ Customers
	_ Social banking	_ Anti-corruption (GRI 205-3)	_ (outside the non-financial report: Financial statements)
		_ Socioeconomic compliance (GRI 419-1)	
		_ Economic performance (GRI 201-1)	
<b>Environment</b>	_ Social and ecological criteria in the supply chain & ecological impacts of banking operations	_ Materials (GRI 301-1, 301-2)	_ Environment
		_ Energy (GRI 302-1, 302-4)	_ Suppliers
		_ Emissions (GRI 305-1, 305-2)	
<b>Suppliers</b>	_ Social and ecological criteria in the supply chain & ecological impacts of banking operations	_ Supplier environmental assessment (GRI 308-1)	_ Suppliers
		_ Supplier social assessment (GRI 414-1)	

## Commitment to society

Since the foundation of Erste Group 200 years ago, commitment to society has been an important part of its business activities. It encompasses a variety of activities ranging from financial inclusion of low-income or disadvantaged persons, e.g. through financial education, to supporting social initiatives as well as art and culture.

The *ExtraVALUE* programme of Erste Group is based on the bank's commitment to social responsibility and intangible values – human, social, cultural – that go beyond the bank's core business activities. This extra value is created by supporting and promoting institutions, initiatives and projects.

Social and sponsoring activities are combined group-wide under the umbrella of the *ExtraVALUE* programme. Regional focus, cross-thematic initiatives and cooperation within related fields characterise the programme. Erste Group's *ExtraVALUE* programme is a visible sign of the bank's commitment to its responsibility towards society and the individual. Ultimately, it supports personal development and helps people to meet their social and cultural needs.

Because of the multitude of social and educational initiatives, sponsoring of art and culture and corporate volunteering, only a few selected projects can be highlighted here. More detailed information on various Erste Group initiatives is available at <https://www.erstegroup.com/en/about-us/responsibility> and on the websites of Erste Group's banking subsidiaries in the respective local language and in some cases English.

### SOCIAL AND EDUCATIONAL ACTIVITIES

Erste Group's long tradition of cooperating with established local and international organisations reflects its commitment to the promotion of social welfare and education. The focus of social activities is on providing practical and swift assistance to people in difficult life situations and on support for initiatives creating new opportunities for disadvantaged people. In all core markets, Erste Group also supports diverse educational initiatives.

Erste Bank Oesterreich has supported annual domestic aid campaigns, the initiative for children, *youngCaritas* and *Kulturbuddy* (a platform coordinating volunteers) for many years as a partner of Caritas. Erste Bank Oesterreich has also been sponsoring *Hilfswerk Österreich*, one of the largest non-profit providers of health care, social and family services in Austria, for many years. Additionally, the bank supports a variety of smaller NGOs, such as *lobby.16*, which offers unaccompanied young refugees access to education and employment and helps them participate in social life.

Banca Comercială Română operates *Bursa Binelui*, a crowd funding platform for NGOs. The bank is also a partner of *Teach for Romania*, an initiative to improve the educational system in Romania. *Brutaria de Fapte Bune* encourages employees to propose social projects that are eligible for support. Of these, five projects are selected to receive financial support from Banca Comercială Română. *Salvati Copiii* supports children from disadvantaged regions.

Slovenská sporiteľňa works with partners to assist disadvantaged people and raise awareness about their problems, among them *Inklúzia* (inclusion of people with disabilities) and *Vagus* (resocialisation of homeless people). Slovenská sporiteľňa also supports the country's largest fundraising campaign to provide financial support to families of cancer patients and the project *Hour for Children*, which aims to offer assistance to children and adolescents.

*Superste.net* is a Serbian online hub where people aged 16 to 35 can access funds, mentors, NGO contacts and leaders for their social responsibility projects in the arts, culture and education. Erste Bank Serbia continues to support two science festivals in Belgrade and Novi Sad, which are well known for making science fun, inspiring and motivating not only for kids but also for adults.

Erste Bank Croatia has likewise been focusing on social projects for many years. *Trans Aid Association* is an initiative that is newly supported by the bank to promote diversity and prevent any kind of discrimination.

Erste Bank Hungary launched a #believeinyourself competition. The winner was “Nem Adom Fel Kávézó és Étterem Budapest” (*I don't give up coffee-house and restaurant*), the first café in Budapest that employs people with disabilities and reduced ability to work.

Erste Group has been supporting amateur sporting events in Austria and Central Europe for many decades and is particularly active in fostering young athletes, such as the soccer school league in Austria or the *Erste Dalmatia handball league* in Croatia for children aged 7 to 12.

### FINANCIAL LITERACY

Financial literacy is important for creating equal opportunities, economic well-being and social inclusion. In almost all spheres of life, financial illiteracy limits what people can achieve.

In line with its mission to foster prosperity, Erste Group is involved in a wide variety of financial education activities, helping people of all ages to acquire the skills and abilities they need to make informed and appropriate financial decisions.

In accordance with a recommendation of the Organisation for Economic Cooperation and Development (OECD) that financial education should start as early as possible, Erste Group places particular emphasis on financial education projects for children and young people. Erste Group wants to empower young people to participate in economic life actively and with self-confidence and to understand how the financial system works.

The *Erste Financial Life Park (FLiP)* at the Erste Campus is one of the largest financial education facilities in Europe. Since it opened in October 2016, some 35,000 visitors have taken part in more than 1,700 tours conducted at FLiP. To meet high demand, the number of tours was raised from four to five per day from December 2018 onwards.

Three new financial education formats were developed and successfully launched in 2018:

*FLiP Lecture* - 60 pupils, 60 minutes, 1 expert, 1 topic. Topics of current interest such as blockchain, crypto-currencies, the cashless society and fintechs are explained, discussed and made available via live stream.

*FLiP Geld im Griff (Money under Control)*: working with the association *The Connection*, FLiP develops teaching resources for German language courses specifically for young migrants with the aim of building the financial, consumer and language skills they need for coping with the daily challenges at the workplace, in their private lives and in dealing with authorities. The books are designed for all organisations, and in particular NGOs, that offer German language courses for migrants. In September, the first part of a five-volume series was released as a teaching/learning resource with a print run of 3,000 copies and also made available for downloading.

*FLiP Challenge*: since the start of the 2018/19 school year, *FLiP* content can also be viewed online from a smartphone, tablet or computer, at school or at home. With *FLiP Challenge*, teachers can assess the financial literacy of their pupils and obtain an automated evaluation of class performance. *FLiP Challenge* takes about an hour and is designed for pupils in grade 8 or higher. It is planned to add one or two new modules to *FLiP* challenge every year ([www.flipchallenge.at](http://www.flipchallenge.at)).

In 2018, *FLiP* hosted the *1st Financial Education Summit*, where 200 experts from more than 40 countries shared practical insights and scientific contributions on financial education and deepened their expertise in workshops. The topic areas discussed included financial literacy & migration, financial literacy & gender, financial literacy & longer life expectancy and the measurability of social education initiatives.

From 2019, the year in which the Savings Banks Group marks its 200-year anniversary, a mobile *FLiP* version – *FLiP2Go* – will be on tour across all federal states of Austria with support from the regional savings banks. The slogan on the financial education bus reading *Erste Bank und Sparkassen – 200 Jahre Finanzbildung*

(200 years of financial education) – reflects the founding principle (to contribute to prosperity through financial education).

In all of our core markets, the subsidiary banks are committed to promoting financial literacy and pursue this mission by means of a wide variety of initiatives and projects.

In 2018, the Slovenská sporiteľňa foundation launched a three-year programme called *Financial literacy for schools up to 2020* in cooperation with the Slovak Ministry of Education. Its aim is to bring financial education to primary and secondary schools to strengthen the financial literacy of Slovak children and young people by investing in teacher training and in teaching resources and methods.

The offer made to Slovak school classes to book FLiP for three days per month remained popular. Overall, more than 1,500 Slovak pupils have already visited *FLiP*, guided by employees of Slovenská sporiteľňa. Erste Bank Serbia continued its workshops in kindergartens and schools. The children taking part learn what banks do and how banks, the economy and businesses work together.

Banca Comercială Română is now regarded as the most important provider of financial education in Romania. More than 1,000 employees have already been trained as financial literacy coaches under the *Scola de Bani* (School of Money) programme started in 2016. Workshops specially tailored to each age group are held in branches, kindergartens, schools but also at various business locations across Romania. This initiative has already reached as many as 160,000 people. With support from the School of Money's financial coaches, 13,230 people from 25 cities in Romania were able to attend the course held on World Savings Day, winning an entry in the Guinness Book of Records. Great popularity is also enjoyed by the *FLiP Truck*, which tours across Romania teaching children aged 6 to 14 how to use money responsibly.

Erste Group's interactive exhibition *The ABC of Money* was continued successfully in 2018 and attracted more than 12,000 visitors. This time, it was hosted by Česká spořitelna. The number of visitors of this popular travelling exhibition, which to date has been on display at eight different venues in Central and Eastern Europe, has thus risen to more than 162,000.

## ART AND CULTURE

Another important activity is sponsorship of art and culture. As part of its *ExtraVALUE* sponsoring programme, Erste Bank Oesterreich is the principal sponsor of *Jeunesse*, whose focus is on the promotion of young artists by giving them opportunities to perform professionally on stage as well as on the development of new concepts for teaching music appreciation. Erste Group also supports the Gustav Mahler Youth Orchestra, Jazz at the Konzerthaus, Secession, Tanzquartier Wien, the *ZOOM* Children's

Museum, Wiener Festwochen, the International Children's Film Festival and the promotion *Hunger auf Kunst und Kultur* (Hunger for Art and Culture).

Erste Bank Oesterreich also has a long-standing partnership with *Viennale*, Austria's largest international film festival. Every year, the bank awards the *ExtraVALUE* Film Prize and the *ExtraVALUE* Design Prize for social design as part of the Vienna Design Week as well as the Erste Bank *ExtraVALUE* Art Prize in collaboration with the art association *das weisse haus*. Working with Klangforum Wien and the *Wien Modern* festival, Erste Bank has also been sponsoring the Erste Composition Prize for many years.

Erste Bank Hungary is a long-standing principal sponsor of the unique Hungarian television contest *Virtuózok*, a talent show for classical musicians.

In Slovakia, Slovenská sporiteľňa is most visibly associated with *Bratislava Jazz Days* and the *Viva Musica!* music festival, but also supports exhibitions at the *Danubiana* modern art museum as well as regional theatres in Bratislava, Martin, Nitra, Prešov and Košice. Česká spořitelna is a long-standing sponsor of several international festivals such as *Pražské jaro* and *Kefír* as well as general partner of *Colours of Ostrava*, Česká filharmonie, *Smetanova Litomyšl* and *Bohemia Jazz Fest*.

For 14 years, Erste Bank Croatia has been organising a competition for emerging Croatian artists and art students, called *Erste Fragmenti*. The bank buys ten works of art and awards an art scholarship. Erste Bank Serbia's cultural sponsorship focused on the *Belgrade Guitar Art Festival*, the *Beogradskje jazz festival*, *Zmajevе Decije Igre* (children's summer festival) as well as activities promoting the inclusion of people with special needs such as *Nerazumevalica* and *Uhvati film* (inclusion film festival). For the first time, Erste Bank Serbia was the principal sponsor of the *Belgrade dance festival*.

Banca Comercială Română sponsors the *Jazz in the Park Festival* in Cluj Napoca. Due to this financial support, admittance to the festival is free and funding is provided for experimental art projects.

## CORPORATE VOLUNTEERING

Donating money is not the only way of supporting people, communities or non-profit organisations. Erste Group funds, supports and encourages employees to actively contribute and volunteer. Employees and managers of Erste Group prove their commitment by donating their time and expertise to NGOs.

In Austria, the *Time Bank* (the electronic volunteering platform of Erste Bank and the Savings Banks) matches employees who want to donate their free time and skills with more than 50 partner organisations. Overall, more than 1,200 employees are registered

on this platform and prove their commitment by donating time, goods or skills.

In addition to volunteering, donations in kind remain important. Despite wide-spread prosperity, people on the fringes of society lack items we take for granted such as toys, clothes and sports equipment for children. The *Time Bank* therefore provides long-term support to its partner organisations by organising regular collection activities. In addition to *Winter Aid for Homeless People* (collection of winter clothes), 2018 saw the first collection campaign for the *Johanniter Christmas Truck*. Working down a shopping list, staff filled more than 140 cardboard boxes that were taken to Romania by Johanniter members.

Since 2018, a *Social Day* has become a fixture in talent and management development. It enables participants to make a contribution to our society and future managers acquire valuable social skills.

Most of Erste Group's local banks successfully support volunteering as a team-building activity. Almost all of Erste Group's local banks (except in Austria) give their employees an extra one or two days off each year for volunteering at social welfare institutions. Erste Group thus makes an important contribution to the development of a non-profit sector in CEE. Erste Bank Croatia, for example, signed the *Charter on recognition of competencies acquired through volunteering*, which means that as a bank it recognises the importance of such skills and considers these skills in the recruiting process and in career progression.

## Customers

### FOCUS ON CUSTOMER RELATIONS

Erste Group puts customers and their interests at the centre of its business activities. Only banks that understand the underlying reasons behind the financial needs of their customers can offer the right solutions at the right time. Special attention is devoted to dealing with customers' requests with a high level of quality, within short response times and to providing exactly those solutions that meet the customers' needs - a vital part of establishing and maintaining long-term customer relations.

Erste Group ensures high-quality advisory services by continuously training its employees, focusing clearly on the relationship with the customer and not the transaction.

#### Advisory concept

Erste Group's retail business reflects its approach of thinking from the customers' perspective. Only a bank that understands the customers' needs and the individual motives forming those needs is able to develop specific solutions. Customer behaviour is changing: online and mobile channels are growing in importance

which encourages Erste Group to increase the accessibility by offering advice not solely face-to-face but also as integrative part across all touch-points via chat, audio and video communication.

This is also supported by a sales incentive scheme that avoids purely product-driven targets and focuses on quality-driven criteria like the quality of customer relationships and digital active usage.

### **Products and processes**

Product development is driven by customers' needs and the ways customers carry out their banking activities. Products and services reflect flexibility, life-cycle changes, simplicity, security, transparency and easy-to-understand features. In this respect, Erste Group focuses on simplifying the current product portfolios and aims at developing new products and services to meet customer needs in the best possible manner.

## **OMNI-CHANNEL APPROACH**

Erste Group aims to become an omni-channel bank, allowing its customers to choose between new and traditional sales and communication channels.

For fulfilling simple financial needs, which generally comprise all solutions with low volume, risk or maturity, customers expect more and more service through digital channels. Therefore, Erste Group invests into building up end-to-end sales and servicing capabilities for those solutions. At the same time, for more complex needs, the majority of customers require a seamless switch between different channels, whereby the personal contact in branches remains a very important touch-point.

### **Branches**

Direct contact with customers through branches remains a substantial asset, especially for more complex customer needs. Confidence and trust in highly-qualified advisors build the basis for successful business relations. Branch interior and infrastructure have to meet the increased expectations of the customers and enable customers to handle their banking business in the branches easily and quickly.

The roll-out of the new branch concept has continued. In total Erste Group has refurbished or newly opened more than 150 branches in Austria, Czech Republic, Croatia, Romania, Serbia and Hungary. Slovenská sporiteľňa will follow in 2019.

### **Digital banking**

The digital experience expectations of bank customers are constantly growing. Internet savvy as well as traditional customers cannot longer imagine a bank without a digital presence. Digital banking is more than just enabling a cash transfer by using a computer or mobile device. It has to include suitable advice and a simple handling of every banking transaction and tools to have an overview of all completed transactions.

Erste Group has built a unique cross-country digital experience under the George brand, delivering value and opportunities to all its customers across Erste Group's core markets. George enables customers to activate and manage products and services of the bank and third parties in a secure IT environment to help them in their financial lives. Following the successful implementation in Austria, Slovakia, Czech Republic and Romania, George serves more than four million users. In 2019, it will be launched in Croatia and Hungary. The implementation in Serbia will follow after that.

Erste Group has widened the end-to-end product range from opening an account to investment and lending products. Digital sales contributed to new business development in 2018, with one out of seven consumer loans sold digitally.

### **Data security**

Securing customers' trust means providing adequate protection for their personal data. Maintaining and improving data security is therefore of vital importance to Erste Group. Erste Group applies the highest standards in its IT infrastructure and provides ongoing training to its employees to offer maximum protection against the misuse of personal data.

Keeping customer data safe means protecting them from loss, manipulation or unauthorised disclosure or access. If a breach of data security places the rights and freedoms of the natural persons affected at risk, a notification must be submitted to the competent data protection authority. In 2018, 23 such notifications were sent to the authorities (thereof one such notification for the Holding). If a breach involves a high risk, the persons affected have to be notified. In 2018, twelve such notifications were sent to these individuals (thereof no such notification for the Holding).

## **CONTACT CENTER**

Customers expect easy service interactions when they need assistance with digital banking. The first point of contact is Erste Group's contact center, where qualified employees answer questions regarding products, services or self-service terminals. The contact centers' agents help customers navigate the digital sales process. In addition, they handle customer complaints and emergencies, such as requests to block credit cards and debit cards. This requires that the contact center is available around the clock.

The contact center has become an integral touch-point for the seamless omni-channel customer journeys. The contact center is not only increasingly more active in advisory and sales processes, which span across channels, it also offers end-to-end services for selected products whenever regulations make it possible, be it unsecured loans, insurances, credit cards and online banking.

To accommodate shifting preferences of customers, Erste Group's contact centers have introduced non-voice communication means,



i.e. e-mails and chats. In addition, the contact center has started to offer voice recognition tools and chat-bots.

## BUILDING A STRONG BRAND

A brand is a consistent promise. It is more than a logo, it is about the perception of people when they think of or hear of an organisation, its products and services. Brands have an important identification and differentiation function, which in turn determines whether a customer chooses one brand over another. Ultimately, companies with strong brands benefit from emotional relationships with their customers. Only a few companies were founded with the underlying purpose of more than just profits. Erste Group is one of these and consequently has been benefiting from a high degree of brand awareness and trustworthiness even in economically challenging years.

Erste Group was founded to give everyone access to financial services and developed into an institution that influences the prosperity and the future of the region in which it operates. It is now one of the largest banking groups and employers in Central and Eastern Europe.

Over the last two years, Erste Group has transformed its brand communication from being category and product-driven to having a purpose-driven approach. To this end, Erste Group has put the statement of purpose as the main group-wide pillar of its brand communication. „Our region needs people who believe in themselves and a bank that believes in them“.

#believeinyourself is a powerful message across the group, one that provides orientation. Erste Group is the bank that believes in people, in ideas, in entrepreneurs, in the future of the region. The bank's lead narrative will remain the core of the brand communication in Erste Group's markets in the coming years.

### Sports

In addition to numerous activities oriented on amateur and professional sport, Erste Group supports professional athletes, teams or events focusing on ice hockey, running, tennis, soccer and sailing.

Since 2013, Erste Bank Oesterreich has been the name-giving main sponsor of the national ice hockey league, sponsor of the Austrian National Ice Hockey team and the local Vienna Capitals team. The *Erste Bank Ice Hockey League* grew beyond borders and includes teams from Austria, the Czech Republic, Hungary, Croatia and Italy. Young Austrian ice hockey players are supported through two youth series, *Erste Bank Young Stars League* and *Erste Bank Juniors League*. Erste Bank Hungary started its involvement in ice hockey sponsorship by sponsoring the *Erste Hungarian League* with teams from Hungary, Austria and Romania for the first time in the 2017/18 season.

Erste Bank Oesterreich's sport sponsoring activities also comprise the *Erste Bank Open* in Vienna, the most important tennis event in Austria, an ATP World Tour 500 tournament. With more than 220 running events each year, *Erste Bank Sparkasse Running* forms Austria's biggest running initiative. The events covered in it vary from small running events at the countryside up to the Vienna City Marathon – Austria's biggest sports event with more than 40,000 participants.

Erste Bank Hungary supported the Hungarian Sailing Association and was the main sponsor of Europe's largest lake circular regatta at Lake Balaton with 526 boats participating. Slovenská sporiteľňa was once again the official partner of Slovakia's National Soccer Team. In November 2017 Banca Comercială Română and the Romanian Olympic Committee (COSR) signed a three-year partnership to support sport and the development of education through sport in Romania. This sponsorship represents a strategic initiative that stands as a benchmark for sport involvement in Romania, anchoring Banca Comercială Română in national aspirations and creating extraordinary content to support the bank's claim #believeinyourself.

## ACCESSIBILITY

Erste Group defines accessibility as designing the real-world and the digital environments as well as information and product offerings in such a way that they can be used by people with disabilities without any additional support. Programmes to this effect are being implemented in all countries.

In addition to barrier-free access for the blind and visually impaired (e.g. cash dispensers equipped to provide audio instructions), Erste Group's digital platform, the George Go app, also offers certain mobile banking features that support a variety of functions: zoom, contrast adjustment, very large fonts and speech output. The barrier-free functions were developed in cooperation with blind persons and persons with a variety of visual impairments.

## CUSTOMER SATISFACTION

The quality of customer relations depends ultimately on the customers' experience in their day-to-day dealings with their bank. To remain in a market leading position, Erste Group is committed to fully aligning employees, partners, processes, policies and technologies around customers. The bank approaches this challenge in a holistic way and uses a system of interdependent, self-reinforcing elements defined in the Group's Customer Experience „CX“ Framework, ranging from customer experience strategy or process design to governance.

Focusing on a local context, Erste Group's banking subsidiaries put various initiatives in place aiming to provide the best customer experiences possible in a consistent manner. The impact of all these activities is measured by the Net Promoter Score (NPS).

This index helps to evaluate customer loyalty based on their willingness to recommend the banks. Measuring and consistently following the NPS development enables more efficient investments into customer experience projects.

In 2018, Erste Group's local banking subsidiaries recorded a stable performance in customer satisfaction, confirming the focus of offering high-quality financial advice and personalised services to retail and corporate customers. The NPS results showed outstanding results in several markets: Erste Bank Oesterreich improved in retail, especially in the private individuals segment, Erste Bank Croatia remained on a positive trend, being clearly positioned ahead of local competition, Erste Bank Serbia maintained a stable retail position and showed a positive result in the SME segment, where it managed to close the gap to the top 3 competitors and Slovenská sporiteľňa recorded a steady evolution and is positioned ahead of other market players.

## RESPONSIBLE INVESTING

All entities of Erste Asset Management (Erste AM) are *PRI Signatories* and have thus committed themselves to complying with the *Principles of Responsible Investment (PRI)*. Erste AM has been offering investors a large variety of sustainable funds for many years to enable them to take investment decisions with due regard to ecological, social and ethical considerations. Actively managed mutual funds and asset management portfolios are not allowed to invest in companies involved in banned weapons (such as land mines, nuclear weapons or cluster bombs) and are likewise barred from investing in companies earning more than 30% of their total revenues from coal mining, coal trading or the production of coal-based fuels. Mutual funds are not allowed to engage in food speculation. The respective guidelines are available on the website of Erste AM (<http://www.erste-am.com>). ERSTE RESPONSIBLE IMMOBILIENFONDS is an outstanding product. This fund invests exclusively in real estate assets that meet not only economic criteria but also aspects such as environmental compatibility, mobility, social infrastructure, quality of life and future viability of the property. The fund was first awarded the Austrian environmental certificate in December 2018.

Erste AM is a leading provider of sustainable investment funds in Austria and in the CEE region. At year-end 2018, Erste AM managed assets worth approximately EUR 57.8 billion. These included the assets of sustainably managed investment funds, including sustainable real estate assets, which at year-end 2018 amounted to around EUR 5.2 billion, held in a total of 31 investment funds in the public funds and special funds/externally mandated portfolio categories.

The managed sustainable public funds comprised seven bond funds, one global sustainable emerging markets corporate bond fund, four regional stock funds, including the ERSTE ETHIK AKTIEN GLOBAL fund launched in 2018, a global stock fund focused on a dividend-based strategy, one micro-finance fund of

funds, a theme fund for environment and climate protection (jointly managed with WWF Austria) as well as one asset allocation fund of funds. In 2018, eleven sustainable funds were awarded the FNG label (previous year: ten funds). Five funds were awarded three stars and seven funds received two stars. Created by Forum Nachhaltige Geldanlagen (FNG) in 2015, the FNG label is the quality standard for sustainable financial investment in German-speaking countries. Moreover, ten of the sustainable funds have been awarded the Austrian environmental certificate for sustainable financial products, some of them for many years.

Cooperation with other international asset managers (organised by PRI and GES) continued in 2018. In November 2017, Erste AM decided to support the Climate Action 100+ involvement process initiated by PRI as a founding member. This is a five-year initiative led by investors to engage with the world's top one hundred corporate greenhouse gas emitters in the oil & gas, electricity, transport and chemicals industries to curb emissions, strengthen climate-related financial disclosures and promote measures to prevent climate change. In addition to engaging in dialogue with companies on controversial issues in the areas of sustainability and environmental protection, Erste AM also represented the interests of its customers and fund share owners at a large number of annual general meetings in 2018.

The quarterly online blog published by Erste AM's Responsible Investment Team (<https://blog.en.erste-am.com/dossier-overview/>) again met with great interest. Apart from this main publication, specific fact sheets are published regularly on the investment universe and the sustainability funds to inform customers of the selection criteria and their influence on sustainability indicators (such as the CO<sub>2</sub> footprint of the funds).

In 2015, Erste AM was the first Austrian asset management company to sign the *Montréal Carbon Pledge*. Erste AM agreed to have the CO<sub>2</sub> emissions of its assets measured and to disclose its CO<sub>2</sub> footprint every year. In 2018, an Austrian asset manager disclosed a water footprint for the ERSTE RESPONSIBLE equity fund for the first time.

The expertise of Erste AM experts is complemented by that of the Erste Responsible Advisory Board, which is composed of external experts.

Erste AM is an active member of the following organisations: Eurosif, FNG – Forum Nachhaltige Geldanlagen (Forum for Sustainable Financial Investments), and Verein zur Förderung von Ethik und Nachhaltigkeit bei der Geldanlage (Corporate Responsibility Interface Center, CRIC).

## RESPONSIBLE FINANCING

In line with the Statement of Purpose, Erste Group's finance policies also define exclusion criteria to ensure the ecologically and socially responsible conduct of its business. These exclusion

criteria are set out in a separate policy, the Responsible Finance Policy, and relate in particular to the energy and weapons sectors, excluding, for instance, the financing of nuclear and coal-fired power plants, coal mining and fracking. Subject to certain conditions, finance may be provided to projects aimed at improving the safety of existing plants or significantly reducing CO<sub>2</sub> emissions. Examples of projects financed to provide ecological benefits are mentioned in the chapter on the environment, section priorities.

## SOCIAL BANKING

Part of the population in Erste Group's core markets of Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia is still at risk of poverty or social exclusion. Erste Group believes that economic growth should be inclusive and that basic financial products and financial advice must be available to everyone. Offering basic banking services to the otherwise unbanked part of the population was one of the main reasons for the foundation of Erste oesterreichische Spar-Casse in 1819.

For a variety of reasons, some segments of the population do not have access to financial services of commercial banks even today. Erste Group has launched a social banking initiative called *Step-by-Step* aiming at the financial inclusion of low-income individuals, starting entrepreneurs and social organisations as well as offering them fair access to financial products, sound financial advice and business training and mentoring. Social banking was rolled out across Erste Group's local banks and implemented in partnership with ERSTE Foundation and local organisations and NGOs. It builds on individual programmes that Erste Group's subsidiaries in the CEE region have already launched in previous years and works together with existing local social banking projects.

Financial inclusion empowers people to cope with unexpected financial shock and better manage unexpected events. Zweite Sparkasse has supported a total of 17,500 people in financial difficulties in Austria for more than ten years, and, currently, serves about 8,000 customers. Together with debt counselling services, it also supports 700 customers through caregiver accounts (Betreutes Konto), which are intended for customers with full legal capacity but a lack of control over their money. In addition, more than 500 teenagers participated in iCan financial literacy workshops in Austria with support from volunteers of Zweite Sparkasse and Erste Bank Oesterreich. Slovenská sporiteľňa extended its offer by combining micro savings, financial education and micro loans for housing for socially excluded Roma communities.

One of the most difficult tasks for starting entrepreneurs is raising finance to start their business. Erste Group believes that small entrepreneurs provide not only financial stability for their families, but they often expand their businesses in their communities and create new jobs. Erste Group offers access to loans, business training, e-learning tools, mentoring sessions and networking to these customers. In accordance with the micro guarantee agreements between the European Investment Fund (EIF) and local

banks, more micro-loans can be granted under better conditions to start-ups and micro businesses. In Austria, the micro-loans initiative between Erste Bank Oesterreich and the Austrian Federal Ministry of Labour, Social Affairs, Health and Consumer Protection was continued. In 2018, Erste Group financed 1,676 starting entrepreneurs with a total volume of EUR 58 million.

Non-profit organisations and social enterprises deal with some of the most challenging issues in society such as youth unemployment, social integration and poverty. For these social organisations, Erste Group offers a bundle of working capital loans, bridge loans, investment loans and capacity building programmes. Together with ERSTE Foundation and financial support of the EU Commission, Erste Bank Hungary implemented its three-year programme *SEEDS* to help social organisations in strengthening their financial independence and enabling them to scale up their social business. 70 selected participants received extensive support services, know-how transfer and training ranging from business planning to leadership skills and communication support. The most committed organisations received up to EUR 240,000 in form of Seed Grants provided by ERSTE Foundation to support testing prototypes and help new social enterprises. Česká spořitelna strengthened its market leadership in financing the social sector with more than 100 new customers. In June 2018, the European Investment Fund (EIF) and all Erste Group's banking subsidiaries signed the first Social Entrepreneurship Guarantee Umbrella Agreement to provide funding to social organisations under the EU Programme for Employment and Social Innovation (EaSI). This guarantee agreement allows Erste Group's local banks to grant loans totalling EUR 50 million to more than 500 social organisations across Erste Group's markets. In 2018, Erste Group financed 206 social organisations, NGOs and social entrepreneurs with a total volume of EUR 21 million.

Very often, even a small working capital loan can be sufficient to launch a micro business, helping people to pull themselves and their families out of poverty. good.bee Credit offers micro loans to farmers and small entrepreneurs in rural and urban areas in Romania. In 2018, good.bee Credit granted 1,180 loans with a total volume of EUR 11 million and reached an outstanding loan balance of EUR 20 million. For more information on good.bee Credit, please visit <http://www.goodbeecredit.ro/>, and details on social banking client stories can be found at: <https://www.erstegroup.com/en/about-us/social-banking>.

### Social impact assessment

Erste Group partnered with the Competence Center for Non-profit Organisations and Social Entrepreneurship of the Vienna University of Economics and Business to develop an impact assessment methodology for its social banking activities targeting primarily starting entrepreneurs and social organisations. The main objective of this first impact assessment was to identify and quantify positive changes that occurred following the support of social banking services and products.

The first impact assessment of Erste Group's social banking activities across its CEE markets showed that over 2,500 starting entrepreneurs, 400 social organisations and 6,500 small farmers accessed its offering and contributed to the creation of almost 14,000 new jobs. Since the launch of social banking, Erste Group has financed starting and social entrepreneurs with a total volume of almost EUR 60 million and almost 400 non-profit and social organisations with a total volume of EUR 41 million.

Based on the above-mentioned initiatives more than 4,750 new jobs were created in the sector of micro enterprises, while 3,167 newly created and 6,100 retained jobs relate to the cooperation with social organisations.

For its social banking programme, Erste Group was named Central and Eastern Europe's *Best Bank for Corporate Responsibility* by Euromoney. In addition, Erste Bank Oesterreich received the *TRIGOS 2018* award for Social Innovation & Future Challenges.

## PRIVATE BANKING

Despite the persistent low interest-rate environment and volatile markets, Erste Group continued to strengthen its market position in private banking and asset management in Central and Eastern Europe. The focus of the private banking services offered was on long-term wealth accumulation, asset management and investment counselling, as well as estate planning. In addition to the services of a universal bank such as payments or financing solutions, Erste Private Banking offers investments in securities, real estate and gold. Erste Group is committed to offering its customers advisory excellence, sustainability and transparency. A group-wide training programme has been initiated to meet these high quality requirements.

Erste Group was named the *Best Private Bank* in Central and Eastern Europe for the fifth consecutive year and the *Best Private Bank* in Austria in the 2018 Global Private Banking Awards organised by PWM/*The Banker*.

## Suppliers

Erste Group views suppliers as partners in shaping its business to be more sustainable. Therefore, procurement decisions include assessments of the suppliers' social and environmental impact.

Covering the entire supply chain, Erste Group Procurement is the sourcing and procurement company of Erste Group. Its basic objective is to ensure clear and fair sourcing and procurement activities and contracts. Meeting all the needs of Erste Group entities for goods and services on time and in accordance with their particular quality requirements with the best possible terms (e.g. price, terms of payment, guarantees and liability), purchased locally or across borders, is a key element of this. Erste Group's

suppliers must meet defined standards in the areas of business ethics, environmental protection and human rights.

In fulfilling their contractual obligations, suppliers of materials, equipment and services, selected as group partners, are expected to:

- \_ comply with national and local laws, decrees and regulations
- \_ fulfil all their legal obligations regarding the health and safety of their employees and their contractors
- \_ strictly comply with environmental legislation
- \_ as well as respect and implement the basic principles of corporate social responsibility

This is also expressed in the supplier code of conduct that is publicly available on the website of Erste Group Procurement. Erste Group Procurement holds the *CIPS Corporate Ethics Mark*, a certification awarded by the *Chartered Institute of Procurement and Supply (CIPS)*. This certificate distinguishes institutions that have committed to high standards in procurement and set up relevant further education courses in-house. Currently, 66% of all employees of Erste Group Procurement have obtained individual certification on ethical behaviour in procurement.

## SUPPLY CHAIN

Erste Group's supply chain consists of mostly indirect expenses that support the group's core business. In 2018, the total amount paid to companies outside Erste Group was slightly above EUR 1.1 billion and the majority of it is linked to IT (amounting to 44% of the total amount spent), followed by expenses for services, operations and marketing (36%) and facility management (21%). Out of a total of 22,260 suppliers at group level, 80% of the total procurement expenses relate to 783 suppliers.

89% of the suppliers (reflecting 95% of the expenses) are located in the European Union, highlighting Erste Group's focus on its markets in CEE including Austria. An additional 1% of the suppliers are located in North America, 5% in other European countries and the rest (5%) are based on other continents.

Only 14% of Erste Group's purchases were made across borders. This focus on local procurement strengthens the local economies of the countries where Erste Group operates and underlines its commitment to support these regions.

## SUPPLIER SELECTION PROCESS

Compliance with sustainability criteria in selecting suppliers is guaranteed at both the strategic and the operational levels. Strategies have been developed for selected groups of goods to help in supplier selection. Apart from group standards on social responsibility, these standards also include defined technical specifications. Since 2016, sustainability criteria have been a mandatory element in these documents drafted with the Group Sustainability Office of Erste Group.

To ensure that Erste Group's suppliers meet the group's corporate responsibility standards at an operational level, audit questionnaires are requested for any purchase of more than EUR 100,000 and regular supplier business reviews are performed.

The supplier audit questionnaire is processed with a special IT tool and is an integral part of Erste Group Procurement's supply chain. This operational tool ensures full transparency and allows timely assessment and risk identification before entering into contracts with suppliers. The results of the audits form the basis for the supplier evaluation in procurement.

To ensure correct procedures, all of the relevant steps have been integrated into the electronic tendering system. The IT application blocks the entry of further data and thus collaboration with the supplier, if there is not enough information or no explicit release has been given for suppliers classified as critical. Any non-compliance with the supplier code of conduct is brought forward to compliance delegates, who decide – if required – on further measures. In addition to the initial evaluation, regular supplier business reviews are performed covering the most important or riskiest suppliers.

### Environmental aspects

Based on Erste Group's efforts in environmental protection, environmental aspects are part of Erste Group Procurement's supplier selection process. The supplier audit questionnaire addresses specific topics such as the:

- \_ existence of an environmental management system
- \_ existence of a written environmental policy
- \_ method of measuring CO<sub>2</sub> emissions
- \_ existence of environmental targets
- \_ information on fines or charges for environmental infringements
- \_ description of the supplier's supply chain

The audit questionnaire for procuring goods has additional questions on potentially hazardous chemicals, recycling capabilities of the product, the return policy at the end of the product's useful life and *ENERGY STAR* or similar standards.

A supplier sustainability scorecard was introduced back in 2017: suppliers must provide their ecological footprint (energy usage, waste, and emission) for the last two years – either on a general level or related to their activities for Erste Group. In 2018, 66 suppliers who are involved in resource-intensive operations like data centres or transportation were selected to provide their data for this scorecard. As these areas represent relevant criteria in the supplier selection process, their development will be continuously monitored and assessed.

In 2018, 1,416 contracts with suppliers were concluded or renewed. Of these, 16 suppliers were screened according to environmental standards. No supplier was subject to a specific envi-

ronmental impact assessment beyond the standard audit questionnaire, nor was any supplier identified as having had a significant actual and potentially negative environmental impact. No actual and potentially negative environmental impact was identified in the supply chain. Finally, no supplier contract had to be terminated as a result of a significant actual and potentially negative environmental impact.

### Social aspects

Since the supplier selection process includes social aspects, the supplier audit questionnaire also comprises specific topics such as the:

- \_ effective abolition of child labour
- \_ elimination of all forms of forced and compulsory labour
- \_ elimination of discrimination with respect to employment
- \_ freedom of association and the right to collective bargaining
- \_ reasonable working hours and fair remuneration
- \_ health protection
- \_ occupational health and safety
- \_ job restructuring
- \_ remuneration
- \_ fair working conditions
- \_ other social criteria in the supply chain

In 2018, Erste Group co-operated with 22,260 suppliers. 575 suppliers were screened according to both labour practice standards and human rights criteria. No supplier was subject to specific labour practice or human rights impact assessments beyond the standard audit questionnaire, nor was any supplier identified as having had a significant actual or potentially negative impact on labour practice or human rights. There was no actual and potentially negative impact on labour practice or human rights identified in the supply chain and no supplier contract had to be terminated as a result of a significant actual and potentially negative impact on labour practice or human rights.

Furthermore, no supplier was found in violation of or at risk of violating the right to exercise freedom of association and collective bargaining, nor was any supplier found to have significant risk of child labour, young workers exposed to hazardous work, or risk of incidents of forced or compulsory labour.

### Employees

Erste Group remains convinced that the current and future people-related goals can be achieved by focusing on the three pillars of its human resources strategy:

- \_ Culture
- \_ Competence
- \_ Competitiveness

Human capital is the key element for successful organisational, cultural and competency transformation. Modern organisations

enable people to work in a more flexible, adaptive and customer-focused way. Attracting, retaining and engaging top talent is crucial to business success and Erste Group strives to be the employer-of-choice in the region by offering various learning opportunities, diverse and international teams and challenging tasks in a flexible organisation.

Developing future leaders and experts within the company in a systematic way is what motivates high-potential employees. Talent management is driven by honest feedback, a fair and transparent assessment of individual potential and quality development activities in partnership with internationally renowned institutions. In four to five years, around 40% of today's competencies will be obsolete and replaced with completely new skill-sets. Building future-fit competency is thus an essential element of Erste Group's day-to-day human resources work and learning initiatives go well beyond banking knowledge to also cover the broad economic and social issues facing the region.

Erste Group's cultural transformation aims at linking performance management and rewards qualitative aspects. This involves moving away from incentive schemes with predominantly sales-driven key performance indicators towards a remuneration philosophy that is more team-oriented and keeps the prosperity and satisfaction of the customers in constant focus.

Erste Group is contributing to the implementation of the UN Sustainable Development Goals and Agenda 2030. Its diversity strategy and activities support good health and well-being (Goal 3), gender equality (Goal 5), decent work & economic growth (Goal 8) and reduced inequalities (Goal 10).

## DIVERSITY AND EQUAL OPPORTUNITY

A diverse and inclusive workforce is essential for business success. Companies that are committed to diversity and inclusion benefit from more engaged employees, a better brand image and higher customer satisfaction. Erste Group sees diversity and inclusion as a vital part of its human resources strategy and key to attracting and retaining top employees.

Erste Group's diversity and inclusion principles are reflected both in its Statement of Purpose and Code of Conduct, which emphasise a work environment free of discrimination and harassment and values the work and worth of each and every person regardless of gender, age, disability, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment.

Erste Group Bank AG, the parent company, is a good example for diversity, as its employees represent 46 nationalities.

In Austria, a Company Agreement on Preventing Discrimination and Promoting Respectful Behaviour in the Workplace protects against discrimination, bullying and sexual harassment. An independent Anti-Discrimination Officer advises and mediates in

matters concerning harassment and discrimination, and works with management on awareness and prevention. Erste Group's Diversity and Inclusion Policy provides the framework for local diversity managers to define priorities and initiatives that support the group diversity strategy. Every local banking subsidiary of Erste Group is a signatory to its national Diversity Charters.

The diversity priorities for 2018 were the following:

- \_ to increase the number of women in top management by at least one percentage point and develop more group-wide initiatives to support female leadership
- \_ to make careers in the field of IT more attractive for women through *Erste WIT (Women in IT)*
- \_ to develop and encourage more initiatives in the area of LGBT+ inclusion
- \_ to further develop local diversity initiatives in CEE
- \_ to continue monitoring the gender pay gap on a country-by-country basis and identify measures for closing it

Erste Group set a group-wide internal target of having at least 35% of positions in top management and 35% on supervisory boards filled by women by 2019. This target applies to the local banks (excluding other subsidiaries or the savings banks in Austria). The target set for 2018, to raise the share of women in top management by at least one percentage point, was not achieved: As of the end of 2018, 30% of positions in top management were filled by women (2017: 31%). The share of women in supervisory boards decreased slightly by 0.8% percentage points to 35.2%, but remained above the target of at least 35%. The banking subsidiaries of Erste Group showed different developments. Erste Bank Oesterreich, for instance, increased its share of woman in all management positions by one percentage point to 41%, and with 47% women in top management, Banca Comercială Română is the only bank in the Group that is almost at total gender parity.

To increase the number of women in top management, Erste Group aims for a better gender and age balance in its talent pools. The international talent pool is made up of 37% women and 30% of the group's key positions pool is female. In addition, Erste Group implemented a variety of initiatives to support the development of female leadership. In Austria, the Erste Women's Hub employee resource group continued key initiatives such as the *WoMentoring* programme, financial education for women, networking events for female employees and customers, and it focused on encouraging more men to take parental leave options and flexible work hours. The *Erste WIT* initiative organised a discovery day at Erste Campus where school-aged girls were introduced to careers in the fields of project management and IT in the framework of *Daughter's Day*. *ErsteNő* (Erste Women Club), Erste Bank Hungary's employee resource group for women, designed strategies to support work-life balance and mothers returning from parental leave, as well as to promote careers of female managers.

Erste Group believes that diverse teams are more creative and flexible in reacting to changing demands. Valuing and understanding cultural diversity fosters inclusion and integration as well as better teamwork and co-operation. The *ErsteColours* LGBT & Friends network was launched in Austria promoting inclusion by focusing on LGBT (Lesbian, Gay, Bisexual, Transgender) issues in human resources and society. In October 2018, Erste Bank Serbia signed the UN Standards of Conduct for Business on Tackling Discrimination against LGBT people and joined other companies in Serbia in the commitment to implement the standards. Erste Bank Hungary organised workshops for managers to promote inter-generational cooperation and focused on inclusion of both colleagues and customers with disabilities.

The diversity priorities for 2019 are the following:

- \_ to reach the target of 35% women in top management and to maintain at least 35% women on supervisory boards and develop more group-wide initiatives to support female leadership
- \_ to promote further financial literacy initiatives both for female employees and customers
- \_ to further develop local diversity initiatives in CEE
- \_ to continue monitoring the gender pay gap on a country-by-country basis and identify measures for closing it

## LEARNING, TALENT MANAGEMENT, LEADERSHIP AND COMPETENCY DEVELOPMENT

Erste Group is committed to developing its employees' professional and interpersonal skills to ensure that they are well prepared to perform professionally and in a socially responsible manner. Erste Group continuously develops and aligns group-wide training programmes for senior experts and managers.

Erste School of Banking and Finance, the group's platform for professional and leadership training, offers customised executive training and personal development training courses as well as programmes for specific business areas. In 2018, the main focus was on further developing the group-wide talent management strategy, leadership development roadmap and the concept of functional competency management. Erste Group intensified its cooperation with the renowned IESE Business School. Other cooperation partners are IMD Lausanne, WU Executive Academy in Vienna and Ashridge Executive Education.

In addition, Erste Group further expanded the training part of the Finance College in four key areas: controlling, asset/liability management, accounting and business data excellence. New courses at the Risk Management College reflect the regulatory changes and contribute to bridging functional competency gaps of employees. The Corporates & Markets College's initiatives cover topics such as specific product knowledge or corporate sales abilities. In addition to project management, the Business Trans-

formation College expanded its focus on business analysis and data management.

The two pillars of Erste group's leadership development and talent management strategies are the Erste Leadership Evolution Centre, which structures group-wide leadership development offerings and Erste Group's Talent Management Architecture, which ensures the continuous development of top employees through three talent pools. The International Talent Pool targets high-performing professionals up to board minus 3 management levels. As of the end of 2018, 37% of the International Talent Pool was women. The next level, the Group Key Positions Pool, aims at preparing managerial talents for roles at division head level. This pool comprises 30% women. The Executive Pool, which identifies and develops top executive level talent, comprises 33% women.

Erste Group also offers an annual Graduate Programme for university graduates. The aim of the programme is to attract top graduates and provide fundamental banking and risk management knowledge. In the current programme 50% of the participants are women.

In 2018, each employee of Erste Group had on average 30.4 training hours for professional development – women 31.0 and men 29.4 training hours. Employees in managerial positions had on average 26.7 training hours. Each employee of the Holding had on average 17.8 training hours for professional development –16.7 for women and 18.7 hours for men.

The focus for 2019 is the mobilisation of identified talents within the Group and further development of the digital learning offering.

## REMUNERATION AND PEOPLE PERFORMANCE MANAGEMENT

Erste Group's remuneration policy is geared towards an appropriate balance in rewarding performance, competencies and responsibility of its employees. As a signatory of the *Austrian Diversity Charter* and the *UN Global Compact*, Erste Group committed itself to the principles of equal opportunity and transparency, especially in remuneration. Consequently, one of the key strategic priorities is to ensure that all reward schemes are transparent, market-driven and linked to performance and personal development. Erste Group's general remuneration philosophy is to neither fall short nor lead the market but to offer competitive remuneration packages. Therefore, its remuneration policy aims to:

- \_ create an environment where employees can perform, develop and be involved
- \_ reward at the right level to attract and retain employees with the required competence and skills
- \_ be cost-competitive and cost-flexible for a sustainable business
- \_ support leadership and employee behaviour that creates an engaging and unique customer experience and effective risk management practices

All remuneration schemes are designed to meet the respective European and national regulatory requirements on remuneration, as well as the local banks' national remuneration practices and business line needs. The supervisory board reviews group and local remuneration policies and practices annually to ensure that remuneration practices comply with respective international and national regulations. The evaluation comprises the entire remuneration process from determining bonus budget pools, target setting, performance evaluation, awarding bonuses in relation to performance and fixed salary, to the actual pay-out of bonuses.

Erste Group's remuneration packages comprise fixed and variable components, benefits and benefits in kind and other individually agreed terms and conditions. Fixed remuneration is the core component of any employee's remuneration and is based on job complexity, individual contributions and local market conditions. The fixed salary represents a sufficiently high proportion of the total remuneration to cover the employees' basic cost of living and allow Erste Group for the operation of a flexible remuneration policy. Variable components of the remuneration are designed in such a way that they do not promote excessive risk-taking. Variable remuneration components may be offered to all employees and are based on company, individual and business line performance. Specific sales incentive schemes are offered to employees working in the retail business line and are also based on company, individual and business line performance. Sales incentive schemes are based on quantitative and qualitative criteria. On all these levels, Erste Group uses a balance between financial and business growth, risk, customer satisfaction and cost indicators. The overall performance evaluation also includes the employee's social and business competence.

Benefits (in kind) are provided as a means to stimulate well-being in the work environment and to support an appropriate work-life balance. Amongst others, some of the benefits offered are flexible working time, study leave, parental leave as well as health centre expertise. Pension and insurance schemes aim at ensuring that employees have an appropriate standard of living after retirement. Pension and insurance provisions are according to local law, regulation and market practice.

## EMPLOYEE HEALTH & WORK-LIFE BALANCE

Respecting and promoting work-life balance among its employees has been a long-standing priority of Erste Group and it offers a wide variety of family-friendly measures and evaluates them on a regular basis to ensure that they meet the employees' needs. These measures differ from country to country and include flexible work arrangements, short sabbaticals and regular meetings for employees on parental leave. In 2018, Česká spořitelna piloted a 4-day work week in some regions, as well as an initiative where mothers returning from leave can work part time in branches.

One of the priority measures ensuing from the Career and Family (*Beruf & Familie*) Certification Audit in Austria is to encourage more men to take full advantage of parental leave options. As of the end of 2018, a total of 2,318 employees were on parental leave, thereof 2,224 women (95.9%) and 94 men (4.1%). With 9.7%, the share of men on parental leave is the highest in Austria – in the Holding 12 men (21.1%) were on parental leave.

As an additional offer, Erste Group opened its *MiniCampus* company kindergarten at Erste Campus in Vienna.

The development of health literacy, embedded in the UN Sustainable Development Goals (SDG 3) is essential for dealing with illnesses, guaranteeing equal access to health care, and advancing of social policies in this area. The workplace offers an ideal setting and infrastructure to support and promote health issues to large groups of people, thus making occupational health an important contributor to public health. Erste Group is committed to a proactive approach to helping its employees to identify and manage health risks. Health promotion activities and topics in Erste Group include lifestyle habits, work-life balance, mental health, stress prevention and nutrition counselling. A multi-professional team of occupational physicians, industrial psychologists and physiotherapists assists Erste Group's employees in any matters of health and well-being.

The Health Centre at Erste Group's headquarters in Vienna focuses primarily on the prevention of chronic diseases which account for 50 – 80% of all global health costs. Erste Group has implemented a wide variety of measures to prevent or at least minimise the impact of chronic illness. These measures include preventive medical examinations (some 45% of employees in Austria take advantage of this), the prevention of cardio-vascular diseases through nutrition consultation, fitness offers, and blood pressure and other screenings. Through close cooperation with local health services providers such as rehabilitation centres, employees are guaranteed access to quick treatment. A company agreement on integration after long-term illness ensures that employees can gradually return to work after an extended sickness. Erste Group is one of very few companies with such an agreement, which has resulted in a significant decline in long-term illness over the past years.

Mental health is increasingly important for the labour market and the Health Centre had made it one of its priorities. It trained all managers on Prevention and Causes of Mental Illness and published a handbook *Leading to Health* which provides managers with advice and support measures on topics such as conflicts, crises, burnout, chronic illness, addiction as well as reintegration after long-term illness. Employees have access to work place psychologists, as well as to an external service that provides support for situations concerning children, school, problems at home and outside the home, and caring for older dependent family members. Employees on Erste Campus also have access to a free hotline where they can anonymously seek advice from qualified professionals.



## Staff indicators

Staff indicators refer to the end of the reporting period. Total data (50,153 employees; headcount) include data from direct and indirect holdings of Erste Group outside its above-mentioned core

markets. In 2018, the scope of consolidation was extended. 2018 data are therefore not comparable with 2017 data. Consequently, some indicators are only presented on the basis of 2018 data.

## Overview and age structure 2018

	Total		<30 years		30-50 years		>50 years	
	Females	Males	Number	in %	Number	in %	Number	in %
<b>Erste Group</b>	<b>31,281</b>	<b>18,872</b>	<b>8,906</b>	<b>17.8%</b>	<b>30,276</b>	<b>60.4%</b>	<b>10,971</b>	<b>21.9%</b>
Austria incl. Holding	9,977	8,966	3,256	17.2%	10,182	53.8%	5,505	29.1%
thereof Holding	963	1,079	256	12.5%	1,290	63.2%	496	24.3%
Czech Republic	7,164	3,245	2,180	20.9%	6,035	58.0%	2,194	21.1%
Slovakia	3,022	1,203	740	17.5%	2,698	63.9%	787	18.6%
Romania	5,167	2,275	1,384	18.6%	4,700	63.2%	1,358	18.2%
Hungary	2,062	1,192	558	17.1%	2,425	74.5%	271	8.3%
Croatia	2,154	1,005	458	14.5%	2,247	71.1%	454	14.4%
Serbia	786	324	140	12.6%	753	67.8%	217	19.5%

## Mode of employment

	Full-time employees				Part-time employees			
	2018		2017		2018		2017	
	Females	Males	Females	Males	Females	Males	Females	Males
<b>Erste Group</b>	<b>25,085</b>	<b>17,846</b>	<b>24,292</b>	<b>16,218</b>	<b>6,191</b>	<b>1,031</b>	<b>4,625</b>	<b>942</b>
Austria incl. Holding	5,178	8,190	4,203	6,525	4,797	778	3,250	607
thereof Holding	637	996	688	1,045	326	83	309	61
Czech Republic	6,421	3,167	6,563	3,162	742	79	739	92
Slovakia	2,942	1,192	3,028	1,257	80	11	58	12
Romania	4,858	2,199	4,871	2,188	309	76	347	145
Hungary	1,872	1,117	1,828	1,095	190	75	159	76
Croatia	2,107	1,006	2,153	1,016	45	1	40	0
Serbia	784	323	751	318	2	1	2	1

## Selected indicators

	Share of women in executive positions		Share of women in other managerial positions		Average number of sick leave days per employee		Number of employees with health disability	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Erste Group</b>	<b>24.7%</b>	<b>29.9%</b>	<b>38.6%</b>	<b>43.3%</b>	<b>9</b>	<b>7.9</b>	<b>582</b>	<b>394</b>
Austria incl. Holding	15.7%	19.3%	23.0%	29.2%	8	7.1	308	138
thereof Holding	17.9%	18.9%	26.0%	26.7%	6	5.6	13	23
Czech Republic	23.4%	25.6%	42.2%	40.5%	12	8.9	143	109
Slovakia	23.4%	26.5%	58.1%	56.9%	10	4.5	77	102
Romania	43.5%	50.6%	54.7%	55.3%	8	8.4	33	27
Hungary	25.0%	23.8%	47.8%	50.8%	10	7.7	3	8
Croatia	35.0%	35.5%	57.2%	60.5%	5	12.5	11	9
Serbia	40.9%	40.9%	53.2%	53.8%	3	6	1	1

Executive positions cover all the board and board-1 positions. Other managerial positions cover all the board-2, board-3 and board-4 positions.

Governance bodies: Detailed information about the members of the management board and the supervisory board of the Holding is presented in the Corporate Governance Report. As of year-end 2018, only males were members of the management board, and all of them were older than 50 years. 65% of the members of the supervisory board were males, 35% were females.

## Parental leave (return to work after parental leave)

	2018				2017			
	Females		Males		Females		Males	
	Number	in %	Number	in %	Number	in %	Number	in %
<b>Erste Group</b>	<b>929</b>	<b>75.5%</b>	<b>82</b>	<b>90.1%</b>	<b>955</b>	<b>73.8%</b>	<b>83</b>	<b>95.4%</b>
Austria incl. Holding	235	79.1%	57	95.0%	268	91.5%	64	98.5%
thereof Holding	20	90.9%	9	90.0%	54	96.4%	18	100%
Czech Republic	150	54.2%	1	100%	173	53.2%	1	100%
Slovakia	44	61.1%	8	66.7%	54	40.9%	8	100%
Romania	249	83.8%	12	85.7%	202	86.7%	7	87.5%
Hungary	84	100%	2	100%	121	84.0%	0	0%
Croatia	105	77.2%	1	100%	54	83.1%	1	100%
Serbia	22	88.0%	0	0%	40	72.7%	0	0%

Every employee in a permanent employment contract is eligible to take parental leave. The ratio (in %) shows the return rate after parental leave has ended.

## New hires 2018

	Females		Males		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
<b>Erste Group</b>	<b>4,543</b>	<b>9.1%</b>	<b>2,440</b>	<b>4.9%</b>	<b>3,506</b>	<b>7.0%</b>	<b>3,138</b>	<b>6.3%</b>	<b>339</b>	<b>0.7%</b>
Austria incl. Holding	882	4.7%	835	4.4%	888	4.7%	730	3.9%	99	0.5%
thereof Holding	70	3.4%	94	4.6%	63	3.1%	96	4.7%	5	0.2%
Czech Republic	1,321	12.7%	561	5.4%	1,012	9.7%	774	7.4%	96	0.9%
Slovakia	461	10.9%	140	3.3%	326	4.4%	250	5.9%	25	0.6%
Romania	895	12.0%	398	5.3%	652	8.8%	577	7.8%	64	0.9%
Hungary	491	15.1%	255	7.8%	285	8.8%	419	12.9%	42	1.3%
Croatia	293	9.3%	128	4.1%	198	6.3%	213	6.7%	10	0.3%
Serbia	100	9.0%	53	4.8%	75	6.8%	76	6.8%	2	0.2%

The percentages refer to the total headcount.

## Fluctuation 2018

	Females		Males		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
<b>Erste Group</b>	<b>4,525</b>	<b>12.6%</b>	<b>2,460</b>	<b>11.5%</b>	<b>2,151</b>	<b>17.1%</b>	<b>3,697</b>	<b>10.9%</b>	<b>1,137</b>	<b>10.4%</b>
Austria incl. Holding	734	6.7%	758	7.7%	407	9.7%	653	5.9%	432	7.9%
thereof Holding	51	4.8%	84	7.1%	17	4.8%	78	5.4%	40	8.6%
Czech Republic	1,410	16.4%	542	14.4%	681	21.1%	963	14.0%	308	14.0%
Slovakia	465	13.2%	192	13.9%	240	20.7%	323	10.8%	94	12.0%
Romania	955	15.7%	459	16.9%	487	23.0%	794	14.4%	133	11.2%
Hungary	487	19.7%	258	18.1%	169	21.0%	528	19.0%	48	15.1%
Croatia	318	12.9%	144	12.5%	107	18.1%	264	10.5%	91	17.3%
Serbia	59	6.6%	48	12.7%	23	11.3%	64	7.6%	20	8.6%

This table presents the number of employees who left Erste Group (including retirements) during the financial year and it does not include employees on parental leave, internal transfers within Erste Group or departing trainees and interns. The fluctuation is calculated pursuant to the Schlüter formula. For Erste Group (total of males and females), fluctuation stood at 12.17%.

## Environment

In recent years, ecological sustainability has developed from a marginal issue to an important part of business policy called for also by employees, customers and investors.

The European Union has been pursuing sustainable finance activities to contain climate change since 2017. To limit global warming, the economy will have to transition largely to using renewable energy sources within the next three decades. With current estimates forecasting a need for additional funding in the amount of EUR 180 billion per year, banks, insurers and other financial institutions also play a key role in preventing climate change.

Many states – including Austria – have signed the Paris Agreement on climate change, committing themselves to a reduction or even all-out ban on fossil fuels. On the other hand, there is a lack of actual policies for achieving national targets. It is therefore all the more important that companies like Erste Group define their own ecological targets and understand sustainability as part of their corporate responsibility.

Banks are service providers whose business operations have only a modest direct impact on the environment, mostly through their consumption of energy and paper. Regardless of this, Erste Group recognises its responsibility and has implemented a group-wide environmental strategy aiming at minimising both its direct and indirect ecological footprint.

## ENVIRONMENTAL STRATEGY

Erste Group’s environmental strategy is built on four pillars:

- \_ implementation of environmental management systems
- \_ integration of ecological criteria into banking products and services
- \_ implementation of a supply chain management system for all products and services needed to run the banking business
- \_ cooperation with environmental NGOs

The following priority areas were defined as part of the environmental strategy to integrate social and ecological aspects more closely into Erste Group’s day-to-day business:

- \_ climate protection and sustainable use of natural resources: increased use of energy from renewable sources, improvement of energy efficiency at all office locations, branches and data centres and reduction of business travel by increased reliance on telephone and video conferences.
- \_ include ecological considerations in purchase decisions by supply change management
- \_ expand the range of sustainable banking products, defining additional criteria for responsible financing

### Environmental targets

The reduction targets set for the years 2012 to 2016 led to a notable decline in CO<sub>2</sub> emissions. Since then, no new group-wide reduction targets have been defined. Erste Group reduced its CO<sub>2</sub>e emissions by 15,393 tonnes (-20.0%) year-on-year, of which the most significant reductions were recorded in the Czech Republic and Hungary.

Based on 2018 data, new relative rather than absolute reduction targets, e.g. by recording energy consumption per square metre of office floor space or CO<sub>2</sub> emissions per employee, will be set for the upcoming years. Showing the development of energy efficiency also improves comparability. In the past, comparability of energy consumption and efficiency was adversely affected by factors such as the steady increase in the number of entities on which environment data are collected due to new statutory regulations, by branch closures and increasing digitalisation. One of the key questions, however, is not solely how much energy is being used, but whether the energy used comes from renewable energy sources.

Scope 3 emissions (e.g. kilometres travelled by air, train and rental car for business purposes) are no longer captured as the effort involved in recording such data in detail is disproportionate to the information gained by the exercise. Also, there are no generally accepted estimates available for converting distance travelled into CO<sub>2</sub> emissions.

## Ecological footprint

	2017	2018
Electricity consumption	182 GWh	178 GWh
Heating/cooling energy consumption	171 GWh	140 GWh
Fuel consumption	38 GWh	45 GWh
Total energy consumption	391 GWh	363 GWh
CO <sub>2</sub> e-emissions (Scope 1 and 2)	76,936 t	61,543 t
Copy paper consumption	1,733 t	1,705 t

2017 data was adapted in line with the extended scope of consolidation

Due to the change in the number of entities covered, a comparison of data with those of the previous year is not meaningful.

### Implementation of environmental management systems

ISO 14001 and/or ISO 50001 certifications in Croatia, Slovakia and Hungary have been completed, while implementation at the Holding and Erste Bank Oesterreich has been postponed to 2019/2020. Of the Austrian savings banks, Steiermärkische Sparkasse has been ISO 14001 certified and Allgemeine Sparkasse Oberösterreich ISO 50001 certified.

All material subsidiaries are expected to implement a certified environmental/energy management system by year-end 2020. This should create the basis for efficient monitoring of environmental data at all material entities.

## PRIORITIES

### Improving energy efficiency

For banks, the most effective approach to cutting CO<sub>2</sub>-emissions is to switch to electricity from renewable energy sources. Erste Group has completed this change in Austria and Croatia and partially completed it in Hungary and the Czech Republic.

Consumption of electrical energy, heating and hot water is largely reduced by the construction and use of new headquarters buildings, such as in Vienna (Erste Campus), Bucharest (The Bridge) and Belgrade (Sirius Office). Bank branches are mostly located at rented premises, which reduces their ability to control energy consumption.

Erste Campus in Vienna, for example, is being supplied exclusively with non-fossil-fuel energy (district heating and cooling and green electricity). In 2018, energy consumption for heating and cooling was reduced by 27% compared with 2017 by using cold groundwater for cooling and optimising heat pumps combined with geothermal energy.

The new headquarters of Banca Comercială Română has been certified LEEDS (Leadership in Energy and Environmental Design) Gold and has replaced old, energy-inefficient buildings. In 2018, the consumption of electrical and heating energy was reduced due to various measures in Romania by 17 GWh (19%). The replacement of old and inefficient heating and cooling systems reduced the consumption of electrical energy for both heating and hot water by 19% in Romania.

At Slovenská sporiteľna, the focus was again on raising energy efficiency. The replacement of old IT systems with new equipment reduced total energy consumption by 4.4 GWh (14%) year-on-year.

Česká spořitelna lowered its CO<sub>2</sub>e emissions from 2011 to 2017 by 47%. In April 2018, it won the *ZNIZUJEME CO<sub>2</sub>* (we reduce CO<sub>2</sub>) award for progress made. Česká spořitelna cut its CO<sub>2</sub>e emissions by another 45% year-on-year to 15,133 tonnes, by switching largely to electric power from renewable sources.

Erste Bank Serbia has opened another office location (Aleksandar Building) in addition to the Sirius Office Building. Certification of the Sirius headquarters to *BREEAM* (Building Research Establishment Environmental Assessment Method for Buildings) Gold standards was completed in 2018.

### Use of electric and hybrid vehicles

An additional measure to reduce CO<sub>2</sub>e emissions is the replacement of fossil fuel-powered company cars with e-cars or hybrid cars. Erste Group's pioneer in this regard is Waldviertler Sparkasse. Four out of a total of 20 company cars are electric vehicles that run mainly on power generated by photovoltaic systems installed on the rooftops of Sparkassen buildings. Overall, the systems generated 14,738 kWh of electric energy. At Erste Campus in Vienna, a car sharing system was tested at the initiative of s Leasing in late 2017. In addition, the number of charging stations for e-vehicles was increased from 12 to 36 in the publicly accessible car park. Almost all local banks of Erste Group are increasingly using hybrids as company cars.

In Romania, 20 e-cars were placed at the disposal of a car-sharing initiative (eGO) for the exclusive use by customers of Banca Comercială Română. If this initiative proves popular with customers, it will be rolled out to other cities in the country.

### Reduction of paper consumption

To minimise its environmental impact, Erste Group continuously runs paper-saving initiatives and takes into account ecological criteria aiming for the goal of purchasing only 100% recycled paper. The trend towards digitalisation in the banking business also helps to reduce paper consumption. By using 700 electronic signature pads (rather than printed forms) Steiermärkische Sparkasse saves about 50,000 sheets of paper per month. In 2018, Erste Group's copy paper consumption totalled more than 1,700 tonnes, the share of recycled paper stood at 71%.

Current efforts aim at processing all standard banking transactions electronically wherever possible, which will accelerate back office procedures and make customer service more efficient. This improves not only the customer experience but also reduces paper consumption.

Erste Bank Croatia replaced all paper towel dispensers with cloth hand driers, reducing its paper waste by 18 tonnes and cutting costs by 30%.

### Other environmental initiatives

Across the group, existing lighting systems have been replaced with LED systems wherever this made technical and economic sense. At Erste Campus, water from large rainwater cisterns has been used for watering green spaces and flushing toilets since 2018.

More details on ecological criteria related to procurement are provided in the chapter on suppliers.

One element of Erste Group's environmental strategy is co-operation with environmental NGOs that offer access to their local and international know-how and provide valuable assistance to Erste Group in its efforts to become an even more environmentally sustainable company. Even though the partnership between Erste Group and the WWF Climate Group was not renewed for 2018, Erste Asset Management continues to work closely with WWF on ecologically highly sustainable investment funds.

For a number of years, Erste Bank Serbia has been sponsoring a nation-wide *Green Ideas* competition, which gives awards to the best projects related to ecological topics of the participating companies. In addition, Erste Bank Serbia is a partner of the *samo ne autom* project initiated by the Serbian Ministry for the Protection of the Environment, which promotes commuting by environmentally friendly means of transport rather than by car and takes part in the Earth Hour movement initiated by WWF.

Slovenská sporiteľňa and Allgemeine Sparkasse Oberösterreich placed bee hives on the rooftops of their headquarters, following the example of Erste Campus in Vienna. In addition to producing excellent honey, these bee hives also serve as a visible symbol of the need for nature conservation. Slovenská sporiteľňa also contributes to reducing private motor vehicle traffic by supporting the Bike to Work national initiative and encouraging employees to commute to work by bicycle. Erste Bank Serbia has launched a similar initiative promoting the use of bicycles by customers and employees.

### Environmental data

Environmental data are collected group-wide with a software tool (*cr360*), which uses emission factors from the UK Department for Environment, Food & Rural Affairs (DEFRA) and the International Energy Agency (IEA).

### Environmental indicators

Total figures shown in the following tables include data of direct and indirect holdings of Erste Group outside its core markets. A detailed presentation of Holding data is not available, as a meaningful separation of environmental indicators is not possible due to the shared usage of the location (Erste Campus) with other entities. In 2018, the scope of consolidation was extended; the 2018 data are therefore not comparable with the preceding year. Relative environmental data for 2018 refer to 43,345 FTEs.

## Environmental data

2018	Measure	Total	AT	CZ	SK	RO	HU	HR	RS
<b>Full-time equivalents (FTE)</b>	<b>Number</b>	<b>43,345</b>	<b>13,425</b>	<b>10,092</b>	<b>4,190</b>	<b>7,260</b>	<b>3,182</b>	<b>2,966</b>	<b>1,109</b>
<b>Net floor area</b>	<b>m<sup>2</sup></b>	<b>1,681,742</b>	<b>518,786</b>	<b>423,953</b>	<b>160,654</b>	<b>401,762</b>	<b>69,775</b>	<b>66,892</b>	<b>21,791</b>
<b>Total energy consumption</b>	<b>MWh</b>	<b>363,133</b>	<b>101,188</b>	<b>95,101</b>	<b>30,271</b>	<b>90,022</b>	<b>17,343</b>	<b>19,689</b>	<b>5,564</b>
Electricity total consumption (with ATM and own electricity production)	MWh	178,403	59,815	44,911	14,336	32,938	9,701	12,408	2,587
Heating, warm water and district cooling total consumption	MWh	139,769	34,261	42,466	13,033	37,936	4,703	4,309	1,884
Total diesel consumption for electricity generation	MWh	265	153	56	22	19	2	9	3
Carpool consumption total (converted to kWh)	MWh	44,697	6,960	7,668	2,879	19,128	2,937	2,962	1,090
Average electricity consumption per m <sup>2</sup>	kWh/m <sup>2</sup>	106.1	115.3	105.9	89.2	82.0	139.0	185.5	118.7
Average heating energy usage per m <sup>2</sup>	kWh/m <sup>2</sup>	83.1	66.0	100.2	81.1	94.4	67.4	64.4	86.5
<b>Total paper usage</b>	<b>t</b>	<b>1,705</b>	<b>541</b>	<b>248</b>	<b>109</b>	<b>477</b>	<b>106</b>	<b>113</b>	<b>60</b>
Paper consumption per employee	kg/FTE	39.34	40.26	24.59	26.00	65.74	33.32	37.98	54.19
Non-recycled copy paper	t	497	388	13	1	34	0	8	0
Recycled copy paper	t	1,208	152	235	108	443	106	104	60
Share recycling copy paper	%	70.9%	28.1%	94.6%	99.0%	92.9%	100%	92.5%	100%
<b>Emissions Scope 1 and 2</b>	<b>tCO<sub>2</sub>e</b>	<b>61,543</b>	<b>7,140</b>	<b>15,133</b>	<b>6,498</b>	<b>21,741</b>	<b>4,587</b>	<b>2,013</b>	<b>2,559</b>
Scope 1-emissions	tCO <sub>2</sub> e	27,332	4,993	3,237	3,288	12,070	1,149	1,402	591
Scope 2-emissions	tCO <sub>2</sub> e	34,211	2,147	11,896	3,210	9,671	3,438	611	1,968
Scope 1 and 2 per employee	tCO <sub>2</sub> e/FTE	1.42	0.53	1.50	1.55	2.99	1.44	0.68	2.31
<b>2017</b>	<b>Measure</b>	<b>Total</b>	<b>AT</b>	<b>CZ</b>	<b>SK</b>	<b>RO</b>	<b>HU</b>	<b>HR</b>	<b>RS</b>
<b>Full-time equivalents (FTE)</b>	<b>Number</b>	<b>40,630</b>	<b>12,912</b>	<b>10,144</b>	<b>4,284</b>	<b>6,126</b>	<b>3,001</b>	<b>2,871</b>	<b>1,071</b>
<b>Net floor area</b>	<b>m<sup>2</sup></b>	<b>1,711,273</b>	<b>504,681</b>	<b>472,149</b>	<b>168,549</b>	<b>392,967</b>	<b>71,942</b>	<b>67,612</b>	<b>25,778</b>
<b>Total energy consumption</b>	<b>MWh</b>	<b>391,056</b>	<b>105,102</b>	<b>108,001</b>	<b>38,856</b>	<b>93,198</b>	<b>18,024</b>	<b>20,045</b>	<b>5,757</b>
Electricity total consumption (with ATM and own electricity production)	MWh	182,361	57,885	46,572	16,582	36,078	9,471	12,193	2,735
Heating, warm water and district cooling total consumption	MWh	170,822	39,916	50,305	15,186	51,779	5,778	4,816	1,928
Total diesel consumption for electricity generation	MWh	-	-	-	-	-	-	-	-
Carpool consumption total (converted to kWh)	MWh	37,873	7,301	11,124	7,087	5,341	2,775	3,036	1,095
Average electricity consumption per m <sup>2</sup>	kWh/m <sup>2</sup>	106.6	114.7	98.6	98.4	91.8	131.6	180.3	106.1
Average heating energy usage per m <sup>2</sup>	kWh/m <sup>2</sup>	99.8	79.1	106.5	90.1	131.8	80.3	71.2	74.8
<b>Total paper - usage</b>	<b>t</b>	<b>1,733</b>	<b>587</b>	<b>261</b>	<b>123</b>	<b>459</b>	<b>126</b>	<b>120</b>	<b>52</b>
Paper consumption per employee	kg/FTE	42.65	45.45	25.73	28.75	74.88	41.89	41.75	48.65
Non-recycled copy paper	t	449	430	8	1	4	0	0	0
Recycled copy paper	t	1,284	157	253	122	455	126	120	52
share recycling copy paper	%	74.1%	26.8%	97.0%	99.3%	99.1%	100%	99.8%	100%
<b>Emissions Scope 1 and 2</b>	<b>tCO<sub>2</sub>e</b>	<b>76,936</b>	<b>8,275</b>	<b>27,537</b>	<b>7,889</b>	<b>21,605</b>	<b>6,198</b>	<b>2,285</b>	<b>2,670</b>
Scope 1 - Emissions	tCO <sub>2</sub> e	27,967	5,316	3,587	3,908	11,612	1,169	1,653	550
Scope 2 - Emissions	tCO <sub>2</sub> e	48,969	2,959	23,950	3,981	9,993	5,029	632	2,121
Scope 1 and 2 per employee	tCO <sub>2</sub> e/FTE	1.89	0.64	2.71	1.84	3.53	2.07	0.80	2.49

FTE: full-time equivalent, defined as an employee times his/her employment factor).

The CO<sub>2</sub> equivalents (CO<sub>2</sub>e) are the sum of all greenhouse gas emissions, i.e. carbon dioxide, methane and nitrogen oxide.

In 2018, the consumption of diesel for electricity generation was recorded for the first time.

The significant increase in fuel consumption in Romania in 2018 is attributable to one additional entity that was included in the scope of consolidation for the first time.

For further details on environmental data, please visit Erste Group's website: <https://www.erstegroup.com/en/about-us/sustainability/environment>

### Management board

Andreas Treichl mp, Chairman	Willibald Cernko mp, Member
Peter Bosek mp, Member	Gernot Mittendorfer mp, Member
Petr Brávek mp, Member	Jozef Síkela mp, Member

Vienna, 19 March 2019