

Group Responsible Financing Policy

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1 Introduction

Erste Group is one of the largest financial services providers in Central and Eastern Europe (CEE), with a strong focus on Retail, SME (Small and Medium-sized Enterprises), Corporate and Debt Capital Markets businesses.

Sustainable finance is not only a business opportunity, but a crucial enabler of the green transition (EU Green Deal). Erste Group has committed to drive this transition to a green economy which requires a firm financial commitment and a clear portfolio transition pathway aligned with the Paris Agreement. The Responsible Financing Policy shall mitigate the risk of indirectly contributing to climate change (through financed emissions), which is in line with Erste Group's position to support the Paris Agreement of COP21 (UN Climate Change Conference in Paris). As a member of the Net-Zero Banking Alliance and a supporter of the United Nations Sustainable Development Goals, the most significant impact we can have as a banking institution is through our lending activities. Erste Group actively supports its corporate clients to implement climate transition plans, realize the opportunities of the green transition and prepare for climate-related risks, including both physical and transition risks. Erste Group is committed to the shift towards a net-zero economy in Central and Eastern Europe and therefore considers its impact on the environment in its strategy, financial products and decision-making. Collaborating with clients, remains central to our respective decarbonization journeys.

For Erste Group, environment and economy are not contradictory. For each decision we take, we ask ourselves "Is this the right thing to do – for our economy and for the environment?". We follow a clear code of conduct for general and specific ethical behaviour.

Erste Group strives to act in the best long-term interests of its shareholders and other stakeholders. Mitigating these risks is key to protecting the interests of shareholders, the Bank and other stakeholders. Drivers like SE&E (Social, Environmental and Economic development), reputation, competitive advantage and performance are important to consider.

The following overarching principles of responsible financing are firmly embedded in Erste Group's governance and culture:

- Erste Group incorporates SE&E governance issues into policies and practices.
- Erste Group incorporates SE&E governance issues in the analysis and decision-making process.
- Erste Group seeks an engaged dialogue with clients, typically starting with an industry and client-specific assessment of SE&E issues and leading to the identification of sustainable financial instruments that align with the client's sustainability and financing strategy.
- Erste Group measures, monitors and reports on activities and progress of implementing these principles.

- Erste Group contributes to the acceptance and implementation of such principles within the financial industry.

These principles aim to meet Erste Group's commitments regarding Environment, Social and Governance as set out in the United Nations (UN) Global Compact, which seeks to ensure that respect for human rights and the environment are an integral part of all Erste Group financing activities.

The principles described in this policy are reviewed at least on an annual basis, however, Erste Group will adapt these based on the business environment including external stakeholders as necessary. Any updates are approved by the Board of Erste Group Bank AG (Holding Board).

Erste Group has set out principles concerning financing of the Energy, Defence/Weapons, Biodiversity and the Gaming Sector.

This document defines industry specific ESG criteria and limits and sets out the rules to determine whether and how a transaction can be carried out and defines the non-financial risk profiles that require risk management support. In addition, the policy describes the assessment process in specific circumstances to ensure efficient and competent decision-making on a well-documented basis.

All products and services in the Corporates and Markets area for all financial institution entities in the scope of consolidation of Erste Group Bank AG are in scope of this Policy.

A client company/group is considered within scope of the policy if the economic activity in question accounts for more than 5% of the group's turnover, unless otherwise specified.

Not in scope of this policy are all retail business line products, single payment transactions, transactions below a threshold of € 1.000.000,- within an existing approved limit and "responsible Investments" (ESG in Erste Asset Management, please see [Responsible investing \(erste-am.at\)](https://www.erste-am.at)).

In case that provisions of the Responsible Financing Policy contradict local legislations, local legislations will prevail.

1.1 Responsibilities and Responsible Financing Policy Process

Erste Group has established a clear structure and governance on how to execute decisions within the scope of the Responsible Financing Policy. First line and second line of defense is implemented.

To comply with the requirements of the policy the deal originator in the first line of defense has to:

- Seek a dedicated dialogue with high-emitting clients, typically starting with an industry and client-specific assessment of ESG issues leading to the identification of sustainable finance instruments matching the client's sustainability and funding strategy.

- Gather or collect all relevant information and documents related to the specific deal.
- Assess the non-financial risks in line with the Responsible Financing policy and proposals for corresponding follow-up measures if necessary.

The second line of defense is fulfilled by the Local and Group Non-financial Risk Management function (Local and Group NFR). They guide the initiator of the deal and associated employees through the specific NFR process required by the deal in question.

The Group ESG Office is responsible for the content of the Group Responsible Financing Policy, ensuring alignment of the financing principles with the ESG strategy, targets and priorities of the Group. Group ESG office will also support the business in the interpretation of this policy to meet its criteria.

In accordance with the Responsible Financing Policy, the assessment starts immediately after deal origination and comprises the following steps:

- i. Verify whether the deal is within the scope of the Responsible Financing Policy.
- ii. If the deal is within scope, assess whether the deal is eligible according to the principles outlined in this policy.

In case the planned transaction:

- i. Is eligible according to the Group Responsible Financing Policy, no further activities are required.
- ii. does not fulfill all criteria of the Group Responsible Financing Policy the deal originator can initiate an internal non-financial risk decision procedure where the adequate escalation body decides upon an acceptance of the transaction based on a well-founded reasoning to be provided by the deal originator and a comprehensive risk assessment involving other relevant stakeholders for such exception.

1.2 Areas of Concern

Erste Group's Code of Conduct and Statement of Purpose demand a sensible approach towards potential negative impacts on environment, society and people's conditions of labour and life.

Areas of concern include among others:

- Utilisation of natural resources (e.g. water, agriculture, fisheries, forestry, hunting), power generation from fossil energy sources (e.g. oil, gas, mining), extraction of conflict stimulating goods (e.g. chemicals, metals, conflict resources) and goods and beings that require preservation (e.g. endangered species, endangered ecoregions, world heritage sites);
- Materials and products that threaten the welfare of humans, animals or the environment (e.g. nuclear power, pollutants, hazardous waste, dangerous substances);
- Maltreatment and exploitation of people at work (e.g. labour conditions, modern slavery);

- Abundance of nature and its protection (e.g. biodiversity, human diversity, indigenous populations);
- Violation of human dignity (e.g. child labour, forced labour, human trafficking, prostitution).

1.3 Responsible Financing Country Index

Erste Group refers to the RFCI (Responsible Financing Country Index). The RFCI bundles a number of internationally accepted indices to assess the status of a given country based on legal, political and economic standards¹. A predetermined procedure by the Group Non-Financial-Risk Management function assesses a final score for the Defense/Weapons industry, the Energy Sector, Biodiversity and the Gaming sector for each country. This is used as an input for the decision grid (see following chapters), allowing transactions of different types of goods in different countries.

¹ Examples: Defense / Weapons industry:; CPI – Transparency International, GTV – Regulation on Money Laundering and Terrorist Finance Risk, FATF – High Risk and non-cooperative jurisdictions, OFAC – Sanctions Programs and Country Information, UN / EU Sanctions, UN / EU Weapons Embargo, Freedom House, Global Peace Index, Rule of Law and other indices if necessary Energy Sector:; CPI – Transparency International, GTV – Regulation on Money Laundering and Terrorist Finance Risk, FATF – High Risk and non-cooperative jurisdictions, UN / EU Weapons Embargo, Freedom House, Global Peace Index, Environmental Performance Index and other indices if necessary

2 Defense/Weapons Industry

2.1 Defense/Weapons Industry Objectives

While Erste Group has no specific business focus on the Defense/Weapons industry, it applies the principles of the Defense/Weapons Industry Sector both to manage its business activities in this sector and to serve its clients and society in a responsible manner.

The Defense/Weapons Industry Sector Principles described in this policy are based on those accepted by the Defense/Weapons Industry and other stakeholders who represent best practice and are compliant with our longstanding commitment to sustainable and socially responsible business practices/commitments.

2.2 Defense/Weapons Industry Scope

Business clients and special purpose financing in the scope of this chapter include:

- Transactions with producers or dealers of weapons and firearms.
- Transactions with producers or dealers of components (i.e. semi-finished and finished products), including spare parts which are supplied to producers of complete weapon systems or licensed producers of weapons and firearms.
- Transactions with producers or dealers of civil products, if these might intended to serve a special military purpose (= dual use).
- Transactions with companies that manufacture, develop or trade in controversial weapons (such as chemical weapons or biological weapons).
- Transactions in connection with transport of products covered in the previous enumeration.
- Transactions in connection with acquisition of products covered in the previous enumeration.
- Transactions in connection with storage, import and export of products covered in the previous enumeration.

Hunting and sporting weapons and firearms are not in scope. In order to be classified as a hunting or sporting weapon or firearm, the hunting/sporting purpose must be undoubtedly proven (e.g. weapon certificate). Involvement of the local ESG function in decision-making is recommended in this case.

General corporate banking relationships, i.e. current account, deposit and payment business which is not directly linked to the sale, purchase or transport of non-eligible products or services of the Defense/Weapons Industry), are not in scope. Such relationships are subject to an overall NFR assessment conducted by the local ESG function.

Financing for general purposes (e.g. investment loan, working capital or overdraft facilities) of a company operating in the Defense/Weapons industry is in scope. When the country of origin of the financed company is taken into account ("country of risk" principle RFCI), the registered seat of the company determines the "country of origin".

2.3 Defense/Weapons Industry Guidelines/Criteria

Erste Group aims to only provide banking services if:

- Such transactions are neither directly nor indirectly linked to human rights violations and
- Such transactions do not have controversial weapons in scope and
- The beneficiary of the transaction and/or the destination of the underlying goods is in a country that (i) is not subject to a weapons embargo of the United Nations, European Union or any other relevant nation, (ii) complies with international humanitarian law and (iii) meets our RFCI criteria.
- There are no convictions related to non-compliance with national legislation on the arms trade or international sanctions on weapons, no convictions for acts of corruption, illegal taking of interest or misappropriation of public funds for weapons and there is no economic activity in sanctioned territories.

Furthermore, specific criteria must be fulfilled regarding all transaction partners. For partners based on the AML/KYC check, they must be able to provide sufficient documentation for every armament deal and must also qualify as governments, governmental- and state-owned organizations.

Whether a specific deal complies with the criteria defined is determined by a two-stage assessment, based on the weapon category and the Responsible Financing Country Index (RFCI).

2.4 Weapon Categorization

As first part of the assessment, the categorization of the weapon/firearm must be defined. Erste Group defines five categories of weapons and firearms, within which categories 1–3 are considered **active military products**. If a weapon has a feature which enables its upgrade into a more dangerous item/use, it should be included in the stricter category.

The five categories are:

- i) **Controversial Weapons/firearms** which are prohibited by international humanitarian law and/or recommended for prohibition by the International Committee of the Red Cross. This includes:
 - Biological weapons, chemical weapons, anti-personnel and landmines, cluster munitions.
 - Nuclear weapons, weapons containing depleted uranium and uranium 238 or its essential components.

- Erste Group qualifies Autonomous Weapon Systems (AWS) as controversial since they apply force to targets without human intervention (ICRC position on autonomous weapon systems).
 - Cluster munitions based on the Convention on Cluster Munitions (CCM).
- ii) **Large Arms**, one of the six heavy weapons categories of the UN Register of Conventional Arms
- Battle tanks, armored combat vehicles (unless used by police forces), large-caliber artillery systems, combat aircraft and unmanned combat aerial vehicles, attack helicopters, warships and missile launchers. Large arms financing shall only be permitted if they are to be used in the EU/Home Market or in a NATO country for military purposes (i.e. national armies of Erste Group countries and EU member countries).
- iii) **Small Arms** as defined in the 'Small Arms' category of the UN Register of Conventional Arms.
- Small arms are designed for personal use. These typically include: revolvers and self-loading pistols, rifles and carbines, sub-machine guns, assault rifles and light machine guns.
 - Light weapons are designed for use by several persons working together as a crew. These typically include: heavy machine guns, hand-held under-barrel and mounted grenade launchers, portable anti-tank guns, recoilless rifles, portable anti-tank missile, launchers, rocket systems and mortars of calibers measuring < 75mm.
- iv) **Passive** military products such as helmets, bullet proof vests, combat and army uniforms as well as any military equipment which cannot be categorized as active.
- v) **Neutral** military products which are defined as disarmament/disarming equipment, such as mine detectors, bomb squad robots, etc.

Spare parts and components (i.e. software and electrical components) used in the assembly of a military product shall be assessed together and in the same way as, the respective product, e.g. spare components such as software or wiring used to assemble an active weapon shall also be considered as active military products.

Dual use products shall be assessed in the same way as active military products. Dual use products are civil goods and technologies which, due to their clear and objective specification, constitute a strategic advantage to a military user. (For example, a drone with technical specifications that enable it to carry out offensive military operations is dual use, while a standard Camcopter is not.) Many dual use goods are already defined by official export control lists (e.g. Waasenaar Arrangement) which can be used for guidance. However, these lists are not considered exhaustive for the purpose of this policy.

2.4.1 Decision Grid for Defense/Weapons Industry

Together with the “Risk Financing Country Index” (RFCI), the decision grid determines whether certain types of transactions are eligible. Eligibility depends on the categorization of the underlying goods for weapons and the RFCI of the country of destination (or country of origin in the case of general financing). Transactions with controversial weapons and large weapons with RFCI (8-9) do not qualify for a risk acceptance by a NFR decision.

Figure 1: Goods/country eligibility matrix for the Defense/Weapons Industry

	Controversial weapons	Large Arms	Small arms	Passive	Neutral
Sanctions & Embargoes [10]	⊘	⊘	⊘	⊘	⊘
High RFCI [8-9]	⊘	⊘	⊘	⊘	
Medium RFCI [5-7]	⊘	⊘	⊘		
Low RFCI [1-4]	⊘	⊘			
EU & Erste Home Markets	⊘				

Transactions of imports are treated by the RFCI the same as exports. (For example, arms imports from one country are dealt with the same way as exporting to that country. Hence, the country indices also need to be used for the eligibility decision grid for financing the imports).

In the event that a country of origin is a Erste Home Market country with a high score regarding the goods that are the subject of the transaction, the RFCI of that country is relevant. for example, Bosnia and Herzegovina is an Erste Home Market country, with an RFCI 8 for weapons, which is the primary indicator in the decision-making process.)

3 Energy Sector

3.1 Energy Sector Objectives

Erste Group supports the energy sector in its key roles to provide energy security and to develop the CEE economies but also in sensibly managing the environmental and social impacts of energy sector projects. It should be emphasized that in the mid-to long term, economic, social and environmental well-being are not mutually exclusive, but inherently linked to each other. Therefore, Erste Group implements principles for the energy sector for better management of environmental and climate risks, as well as energy security and social impacts of actual energy transition.

These Energy Sector Principles are based on accepted industry principles and acknowledged by various stakeholders as representing best practice. These principles are also aligned with Erste Group's long commitment to the Paris Agreement and the Group recognizes the strategic importance of renewable energy and energy efficiency projects.

Especially fossil fuelled energy production contributes most to the emissions of greenhouse gases (GHG) and its negative impact on climate change. Erste Group will take all actions possible to stay below the 1.5°C global temperature increases in order to mitigate the effects of Global Warming.

As a member of the Net Zero Banking Alliance, Erste Group has set ambitious decarbonization targets in high-emission sectors, including energy. In line with these commitments, Erste Group actively engages with clients to understand and support their long-term transition plans for their core business and their decarbonization strategies. Erste Group aims to provide financial services to support energy sector projects which are focused on energy efficiency, renewable energy and the implementation of low-carbon technologies.

3.2 Energy Sector Scope

The following economic activities and business cases are in scope for the Energy Sector:

- The exploration, production, transportation, storage, distribution, waste management, trading and refining of oil & gas (including processing of other hydrocarbons), solid fossil fuels and nuclear energy sources.
- Production, transportation, storage, distribution of biofuels and other renewable sources.
- The generation of power, heat and/or cold by means of fossil-fired power plants (e.g., oil, gas and coal-fired power plants), nuclear power plants and power plants based on renewable energy sources (e.g., hydro, wind, thermal solar and photovoltaic solar, geothermal, biogas and biomass energy).
- The transmission and distribution of power or heat/cold generated by such power plants.
- The production of technical components (i.e., semi-finished and finished products, including spare parts) for plants of the above-mentioned energy sources. Financing production of

components in general is not in scope; the components shall only be considered in scope when the components can be assigned to a specific type of power plant (e.g., transformers for a nuclear power plant or transformers for a gas thermal power plant).

- Projects in connection with the phase-out or closing of power plants (e.g., nuclear, thermal, hydro, etc.).
- Services related to the above-mentioned activities (e.g., maintenance or construction of an access road to a power plant).

3.3 Energy Sector General Guidelines/Criteria

Erste Group will provide banking services (including financing, advisory or any other services) to the energy sector only if such projects or transactions are:

- In compliance with national and international environmental laws (with www.ecolex.org regarded as the most comprehensive information source)
- Not located in protected areas, such as those designated part of Natura 2000 in accordance with EU Directive 92/43/EEC, or any locally designated protected areas (with protectedplanet.net regarded as the most comprehensive global database on protected areas)
- In compliance with human rights standards
- State of the art in terms of emission and safety performance and use equipment that complies with the Best Available Technology (BAT) standard. If this is not the case, this information will be included in the NFR decision-making and such an exception will be duly justified and approved.

Additional sector-specific guidelines and criteria shall be applied to the following energy sources.

3.4 Fossil Fuels (Oil & Gas)

Key risks identification

- Oil and gas are responsible for severe environmental degradation, with exploration creating significant risks to and impact on biodiversity, water quality and marine resources. Such activities also harbour the risk of human rights violations through forced expropriation as well as the risk of workers' rights violations.
- Oil and gas burning for power generation contributes significantly to climate change through GHG emissions.
- Associated activities pose the secondary risk of reputation and litigation risks.

Policy objectives

Erste Group has committed to avoid expansion of its exposure to oil and gas exploration financing unless it is crucial for independence from Russia and is indispensable for national energy security within Europe. Erste Group aims to exclude any financing of extraction methods in unconventional sectors (e.g., oil and gas bound in sedimentary rocks which have to be washed out) and projects within the Arctic region.

Erste Group will provide banking services if the following conditions are met:

Eligible on client level:

- The corporate has implemented an environmental action plan that addresses all issues raised in the Environmental Impact Assessment, including but not limited to, a plan for oil spills and the exclusion of continuous venting of associated gas to the atmosphere.
- No more than 20% of the corporate's turnover comes from extraction methods in unconventional sectors, such as fracking activities.
- The client has committed to respect human and labor rights in the conduct of its business; and has implemented a stakeholder engagement plan, where applicable, that provides for a consultation process with communities that might be affected.

Eligible on deal level:

- Have no material adverse effects on protected natural habitats, critical freshwater resources or marine reserves, as defined in the chapter on biodiversity.
- Are not mainly located in areas of high risk (i.e., areas of conflict or geological and/or environmental hazards; the expert opinion of Physical Security is required for risk assessment of possible hazards)
- Are not dedicated upstream and midstream projects in unconventional extraction sectors, such as fracking activities (project financing), no outright financing of oil and gas exploration and greenfield development (upstream and midstream activities directly linked to exploration activities); exceptions allowed for the segment of natural gas in the event that the project supports independence from Russian gas/energy and is indispensable for national energy security within Europe.

3.4.1 Oil Sand/Tar Sand

No banking services will be provided if the transaction is related to an oil sand or tar sand project or if more than 20% of the client's turnover comes from oil sand or tar sand.

3.4.2 Arctic Oil & Gas

The Arctic region is one of the last pristine natural places left on the planet. It has shallow, biologically productive seas and a vulnerable ecosystem. Arctic seas are serving as an important feeding source for the fragile communities of whales, seabirds and other wildlife. The region covered by AMAP is, therefore, essentially the terrestrial and marine areas north of the Arctic Circle (66°32'N) and north of 62°N in Asia and 60°N in North America, modified to include the marine areas north of the Aleutian chain, Hudson Bay, and parts of the North Atlantic Ocean including the Labrador Sea.

Economic activities subject to Arctic Oil & Gas financing

Arctic Oil & Gas activities are defined as the exploration, drilling, production and transportation of Oil & Gas (including LNG) performed in and/or impacting the Arctic region.

Key risk identification

- Exploration and industrial activities are harmful for the living and feeding conditions of the fragile wildlife of the Arctic region, which would result in environmental degradation and decreasing biodiversity.
- Remote proximity, extreme weather conditions and lack of infrastructure mean a delayed mobilization of mitigating measures for industrial accidents, thereby causing far more severe impacts to the Arctic ecosystem.

Policy objectives

Erste Group aims to diminish its exposure to the risks of environmental degradation in the vulnerable ecosystems of the Arctic region and therefore refrains from any financing of projects, assets or cash flows directly related to Arctic Oil & Gas activities. This restriction also applies to financing of maintenance or supply chain dedicated directly to Arctic Oil & Gas activities.

3.5 Thermal Coal

The thermal coal sector is a significant contributor to rising temperatures of the planet, and hence has a responsibility towards society and future generations in terms of environmental preservation, human rights and human health. Currently, coal is still a relevant factor for energy security in the CEE region and it serves as a significant primary energy source in district and retail heating for some of those countries. Based on the 2014 IPCC report, the global warming limit of 1.5°C set by the Paris Agreement can be achieved only by phasing out the coal sector by as early as 2030. Yet taking the dependency of the CEE region, the transition needs to ensure energy security and social responsibility.

Key risks identification

- Coal mining has a severe impact on environmental degradation. In addition to the contribution to climate change, other risks are linked to air pollution caused by small particles, water usage and its significant impact on biodiversity. Coal mining also harbors

the risk of human rights violations through forced expropriation and the violations of workers' rights.

- Coal burning for power generation contributes to climate change through greenhouse gas emissions and subsequent environmental degradation by storage of unutilized coal ashes and combustion waste.
- In addition, associated activities can expose a financing party to reputational risk.

Policy objectives

Erste Group is committed to a progressive reduction of its financing of thermal coal mining and thermal coal power generation, with the ultimate target of net zero exposure by 2030. In the spirit of this commitment, Erste Group intends to lead in-depth discussions with relevant clients by the end of 2025 to set transition plans and support their transition efforts to disengage from the thermal coal sector by our 2030 deadline.

For the purpose of this policy the following up-, mid- and downstream activities are in scope.

Non-eligible for new financing in the coal sector if any of the following are met:

- Direct financing of thermal coal-asset specific investments or cash flows related to thermal coal mining, thermal coal processing, coke processing or thermal coal-based power generation (electricity, heat, steam). Not in scope of the exclusion are the extension, refurbishment and servicing of existing plants (improvements on security and ESG issues).
- Indirect financing through supply chain dedicated directly to assets of thermal coal mining or thermal coal fired power plants, especially, but not limited to machinery and engineering support for power plants, and industrial facilities burning or processing coal.
- Power, heat and steam production for industrial processes (metallurgical coal) using coal as a/the predominant energy source, although there are industrial scale alternatives.
- Corporate financing of companies or groups of companies which extend their thermal coal mining or thermal coal-based power generation (installed) capacities.
- Corporate financing of new clients which have more than 25% of revenues from thermal coal sector.
- Corporate financing of companies or groups of companies which do not set up a transition plan which includes a 2030 phase out target by the end of 2025.
- Trade finance of thermal coal as commodity, financing of stocking and processing of thermal coal.

Eligibility and exceptions rules for new financing in the coal sector

- Financing clients using or producing coal for industrial processes (such as steel, aluminum, cement, bricks, ceramics, glass, etc.), metallurgical coal, as there are no industrial scale alternatives.
- Thermal coal used in other applications, such as filtration, cleaning or other specialized products like activated carbon, carbon fiber or silicon metal.
- Corporate financing to existing clients having more than 25% of revenues from the coal sector is subject to a credible time-bound exit plan to be presented not later than the end of 2025.
- Financing of safety maintenance, improvement of environmental parameters, procurement of technologies/services, essential repair work but not investments in a significant extension of the service life (replacement of complete functional units, boilers, etc.), with a maximum duration until due date in 2030 for district heating units.
- Financing of suppliers, except for direct financing of projects to expand physical coal capacities (no new capacities), provided the buyer complies with the 2030 phase-out plan.
- Financing of climate-aligned activities (NECPs) (e.g. renewable energy or climate adaptation in midstream activities, etc.) in relation to the coal industry, as we aim to support their contribution to climate protection, environmental restoration and low-carbon energy production.

Erste Group seeks to review all existing coal sector client engagement and conduct in-depth discussions with the impacted clients to align their financing by the end of 2025 in accordance with the eligibility rules of this policy. Financing engagements with direct coal-asset financing will continue until the maturity of existing contracts; revolving contracts shall not be prolonged beyond the end of 2025.

3.6 Nuclear

Erste Group has a very restrictive approach concerning projects in the nuclear energy industry. Due to the long radioactive half-life of nuclear waste and the difficulties involved in its final storage, it is not in Erste Group's interest to see nuclear energy capacities extended. Erste Group therefore intends to finance only those projects that are indispensable to a country's energy security.

Transactions (defined as financing, advisory or other banking services) in this sector can be categorized as follows:

Non-eligible projects

- All transactions related to expanding nuclear power plant projects (not EU Taxonomy aligned) and all related projects (e.g. access roads or security systems for new nuclear plants), as well

as components, spare parts required for the operation of the new power plant if these are not of indispensable importance to its national energy security of a country.

- Projects relating to the surface extraction of uranium, as well as the transformation, processing, and storage of nuclear fuel.

Eligible projects

- Transactions concerning existing and operational nuclear power plants that are considered to be indispensable to the national energy security of a country:
 - If they increase safety standards of the respective power plant (including better security systems against accidents or violent attacks).
 - If they relate to the acquisition of spare parts, vital components and necessary maintenance which are required for the operation of those plants, with the rationale that without the replacement of parts and related maintenance works, a safe and adequate functioning of the respective plant could not be ensured.
 - If they concern projects and related costs for running down existing nuclear power plants while ensuring the highest safety standards.
- Projects related to new nuclear power plant projects and related investments are eligible only:
 - If they meet the criteria of the Commission Delegated Regulation (EU) 2022/1214, including those that ensure significant harm is done to other environmental objectives.
 - And if they are considered to be indispensable to the national energy security of a country.
 - The transformation, processing and storage of domestic nuclear waste.

In addition, eligible transactions need to comply with safety, legal and security standards which can be ascertained based on the assessment of the country (**Energy RFCI**) where the respective project or transaction will take place.

3.7 Renewables

Increasing the share of renewable energy across different sectors of the economy is key to reaching the goal of reducing greenhouse gas emissions to net zero. Erste Group's ambition is to steadily increase the share of renewables in the Bank's total energy credit portfolio.

3.7.1 Biofuels/Biomass

Erste Group intends to provide financing, advisory and/or any other banking services if such projects or deals:

- Clearly identify the type of biomass (agricultural/forest).
- Ensure that production of digestate covers monitoring and a contingency plan and that produced biogas is used directly for generation of electricity or heat or upgraded to bio-methane for injection in natural gas or used as vehicle fuel or feedstock in chemical industry.
- Have no significant negative impact on nature and environment, food supply security and biodiversity.
- Have no adverse effects on the sustainable usage of soils, critical natural habitats such as rain forests or other territories outlined in the abstract on biodiversity or critical freshwater resources.
- Do not substantially increase water usage compared to previous usage of the area from which biomass originates.

3.7.2 Hydro Power and Other Renewables

Erste Group will only provide financing, advisory or other banking services if such projects or deals:

- Comply with relevant water frameworks and directives (including the World Commission on Dams (WCD) Framework in the Case of Hydro Plants, the European Union Water Framework Directive and Art 4 Directive (EU) 2000/60/EC).
- Have no adverse effects on critical natural habitats or freshwater resources, while projects in protected areas (e.g., Natura 2000 as set out by the EU Directive 92/43/EWG) are to be considered non-eligible for any financing, advisory or banking services.
- Include an impact assessment prior to construction of the project to assess all potential impacts on water bodies within the same river basin and on protected habitats and species directly dependent on those water bodies.

Ensure all technically feasible and ecologically relevant mitigation measures have been implemented to reduce adverse impacts on water bodies as well as on protected habitats and species directly dependent on those water bodies (evidence to be provided by environmental impact assessment or other official documentation).

For "Small Hydro Power Projects" (SHPP), the following minimum standards are to be met for both current and future projects:

- Technical due diligence conducted by an independent consultant which takes into account divergent aspects, e.g., project location, residents within the proximity of construction site, land use permit, cultural heritage within 1km of the site, installation of oil-based transformer and energy generation capacity.
- Due Diligence of the Environmental and Social Impact Analysis (ESIA) or, in case there is no legal obligation for ESIA, an ESIA report to be conducted by a third-party consultant, including a site visit.

- Water quality and sedimentation measurements to be conducted annually. Semi-annual monitoring of all projects and an annual site visit by an internal/external specialist.

3.8 Energy Sector Decision Grid

For the purpose of the Decision Grid, energy sector deals are categorized into three main energy source groups:

- Nuclear
- Fossil Fuels
- Renewables and others.

The potential project or transaction must comply with both the relevant policy principles for the energy source in question and relevant safety standards, based on the assessment of the country in which the project or transaction is to be carried out.

The following country ratings signal the eligibility of a deal, provided that all other principles of this policy are met:

- Nuclear: Erste home market or EU countries with Energy RFCI between 1 and 5 and limitations as stated for non-eligible cases (nuclear, non-eligible transactions).
- Fossil fuels: no geographical limitation; non-eligible criteria.
- Renewables: no geographical limitation; non-eligible criteria.

4 Biodiversity

Erste Group acknowledges the importance of biodiversity as it contributes to economic prosperity and human development. Nature is an important supplier of resources to many different economic sectors and offers essential services such as, for example, purification of water, flood protection, pollination and carbon sequestration. Erste Group recognizes that the degradation of nature and actions aimed at conserving, restoring and sustainably using natural resources present significant risks and opportunities for business, finance and society, both now and in the future.

4.1 Land and Soil Management

Key Risk Identification

Soil is an essential and non-renewable resource for agriculture, providing the basis for production of food, fibre and other resources for a circular bioeconomy. Soil also supports biodiversity, plays a central role in carbon sequestration and storage and provides other ecosystem services, such as water regulation and nutrient cycling.

Policy objective:

Erste Group aims to refrain from any financing, advisory and other banking services to entities that:

- Contribute to degradation of land by adopting intensive tillage practices
- Damage biodiversity
- Practice land abandonment and neglect, especially use of agricultural land for other purposes, with the exceptions permitted by the law.

Non-eligible projects/deals

Erste Group will not finance any activities or projects located in, or which have a material impact on:

- UNESCO World Heritage Sites
- Wetlands of international importance on the Ramsar List
- IUCN-listed protected areas (Category I and II areas) or Natura 2000

An impact assessment of the project must be carried out on all potential impacts. If the project complies with IFI standards (i.e. IFC Performance Standards, EBRD Performance Requirements, Equator Principles, etc.) or a positive impact assessment in accordance with Directive 2011/92/EU confirms that satisfactory mitigation measures have been taken to compensate for any negative impacts of the project on the protected area, the project may be financed.

4.2 Deforestation

Land clearance for commercial agriculture and plantations is by far the largest cause of loss of biodiversity, often driven primarily by land speculation rather than the absolute need for food production.

Erste Group intends to follow the existing principles set out in the EU Biodiversity Strategy for 2030 (which echoes the ambition of the European Green Deal) and shall ensure financing, advisory or any other financing services are provided to entities that ensure their activity is not causing any form of degradation of ecosystems (Directive 2011/92/EU).

Non-eligible Projects:

Erste Group Bank AG aims to abstain from financing direct or indirect projects or activities involving deforestation of primary forests and tropical rainforests, and removal of high conservation value (HCV2) forests.

4.3 Water quality and reuse in agriculture

While Europe is largely considered as having adequate water resources, water scarcity and drought are increasingly frequent and widespread phenomena in the European Union. The main overall objective of EU water policy is to ensure access to good quality water in sufficient quantity for all Europeans and to ensure the good status of all water bodies across Europe.

Erste Group therefore refrains from financing, providing advisory and/or any other services to projects and activities that:

- Do not protect surface waters from chemical pollution and discharged water does not comply with the quality parameters as indicated in the national regulations (heavy pollution).
- Are non-compliant with EU-Directive 2006/118/EC on the protection of groundwater against pollution and deterioration.

4.4 Biodiversity Decision Grid

For the purpose of the Decision Grid, the impact of a project on biodiversity should be assessed as follows:

- i) Location of the project.
- ii) Impact assessment according to Directive 2011/92/EU on the effects of certain public and private projects on the environment.
- iii) Deforestation: classification as HCV2 forest.

- iv) Water: compliance with EU-Directive 2006/118/EC on the protection of groundwater against pollution and deterioration.

The potential project or transaction must comply with the relevant policy principles and can be determined based on the assessment of the country in which the project or transaction is to be carried out.

5 Gaming and Gambling Sector

Erste Group has no specific business focus on the gaming industry. The exposure is maintained as a marginal part of the Erste Group portfolio. Erste Group implements this policy to govern its business activities in this sector as well as to service its clients and society in a responsible manner. Erste Group recognises that the sector provides entertainment services to society, but at the same time, this sector is also vulnerable to the risk of harm to vulnerable customer segments. Erste Group therefore applies a very selective financing policy and engages only with service providers that can ensure best-in-class management of risks of social harm.

Erste Group will engage only with reputable and transparent companies in the European Economic Area, Erste Group Home Market or the UK ("extended EEA") where the gaming industry is regulated, is the subject of supervision and must comply with responsible gambling principles, as well as adhere to extended EEA-wide AML and CTF standards.

The best-in-class gaming service providers must comply with many aspects of the responsible gaming criteria set out in a dedicated responsible gaming scorecard. These provide Erste Group the necessary comfort for addiction prevention and addiction cure policies.

Erste Group considers lottery services, especially those which are state-owned or connected to humanitarian causes, less harmful and preferable for the financing activities.

The parameters described in this policy are based on those accepted by the gaming industry and by other stakeholders as representing best practice. These principles are consistent with Erste Group's longstanding commitment to sustainability and socially responsible business conduct and mitigate potential reputational and other non-financial risks.

5.1 Gaming Sector Scope

- **Gaming and gambling service providers:** The licensed and unlicensed gambling industry, the internet gambling industry, sports betting, providers of hard- and software related to the gambling industry, providers of payment processing with respect to gambling.
- **Gaming and gambling services:** Wagering of money or something of material value on an event with an uncertain outcome with the primary intent of winning money or material goods, partially prohibited by national law. Includes dice games, card games, gaming machines and lottery; the main characteristic is the random course of events.
- **Gaming-related service providers:** Business activities which are solely or mostly related to gaming business, operators of casinos, lotteries, sports betting, producers of gaming software and hardware, operators and vendors of gaming machines, providers of payment processing with respect to gambling.
- **Payment service providers:** Money flows – either physically or virtually represented by a set of relevant data – to or from a client bank account held by a bank in Erste Group.

The NACE Codes 9200 Gambling and Betting typically addresses gaming-related sectors and treats the client as the gaming-related subject of this policy.

Key risk identification

The involvement with the business area gaming and gambling poses risks to society:

- Risk of vulnerable players prone to addiction leading to financial extortion, social exclusion and follow-up crime.
- Due to the large amounts of money processed by gaming-related clients – especially if registered in weakly regulated jurisdictions – it is prone to the risk of money laundering and other criminal activities.
- Potentially illegal gaming and gambling are prone to risks of macroeconomic losses (e.g., tax evasion).

Policy objective

Erste Group aims to financially support the Gaming and Gambling sector only on a very selective basis. The Bank has a clear objective to provide financing only for leisure activities while ensuring minimizing the risk of social harm risk posed by the financed companies.

5.2 Financing Rules

A detailed KYC and AML-DD process is mandatory as a first step in the on-boarding process, in line with the Group Compliance Policy (Group Compliance Questionnaire).

The following are not eligible for new financing or any other banking services (payments, current account operations, etc) in the Gaming and Gambling sector:

- Service providers failing to comply with Erste Group's Compliance Questionnaire.
- Service providers in any dispute with local or European law enforcement, or bodies supervising the Gaming and Gambling sector activities that might have an impact on the license.
- Service providers with major controversies connected to the gaming and gambling activities.
- Service providers who would hold client funds beyond the minimum deposit amount required for the management of their clients.
- Service providers not complying with the minimum level of standards as defined by the Erste Group Responsible Gaming Scorecard. In this case due diligence is to be exercised by Business/Deal Originator in order to obtain sufficient comfort on the points above. A company not scoring a minimum in Underage gambling and betting, limits, playing with credit and a minimum (83 for Lotteries, 115 for Gambling, 105 for Betting) in the Total Score, does not qualify for a Risk Acceptance by a NFR decision.

Eligible for new financing in the Gaming and Gambling sector

- National lotteries or private operators of lotteries with humanitarian causes, subject to a minimum Scorecard Result.
- Other gaming operations reaching best three Scorecard Results of the national market (excluding national lotteries or private operator lotteries with humanitarian causes).

Revolving lines for existing clients that do not qualify for new financing should not be prolonged beyond 2023.

Eligible for banking services and operations (beyond financing) in the Gaming and Gambling sector:

- Service providers reaching a score above the minimum level of standards defined by the Erste Group Responsible Gaming Scorecard Service providers not breaching the criteria 1-4 listed in **Non-eligible for new financing or for other banking services.**

Annex 1 Abbreviations

AMAP - Arctic Monitoring and Assessment Programme

AML – Anti-Money-Laundering

AO – Assignment Office

BAT – Best Available Technology

C&M – Corporates and Markets

CCM – Convention on Cluster Munition

CEE – Central-and Eastern Europe

CFO – Chief Finance Officer

COP21 – 21st Conference of the Parties - UN-Climate Change Conference in Paris

CRE – Commercial Real Estate

CRO – Chief Risk Officer

CTF – Counter-Terrorism Financing

EBRD – European Bank for Reconstruction and Development

EEA – European Economic Area

EG – Erste Group

ESIA – Environmental and Social Impact Analysis

ESG – Environment, Social and Governance

FI – Financial Institutions

FFPP – Fossil Fired Power Plants

GHG – Greenhouse gases

GOCC – Group Operational Conduct Committee

ICRC – International Committee of the Red Cross

IEA – International Energy Agency

IFI - Industrial Fastener Institute

IFC – International Finance Cooperation

IHL – International Humanitarian Law

IPCC – Intergovernmental Panel on Climate Change

IUCN – International Union for Conservation of Nature

LC – Large Corporates

GM – Group Markets

KYC – Know Your Customer

NECP – National Energy and Climate Plan

NFR – Non-Financial Risks (operational, compliance, reputational, security, legal and ICT risks)

PS – Public Sector

RFCI – Responsible Financing Country Index

ROCC – Regional Operational Conduct Committee

SE&E – Social, Environmental and Economic development

SHPP – Small Hydro Power Plants

SME – Small and Medium-sized Enterprises

SPoC – Single Point of Contact

UN – United Nations

WCD - The World Commission on Dams