

Disclosure on transparency of remuneration policies in relation to the integration of sustainability risks pursuant to Articles 5, 12 & 15 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector:

Erste Group Bank AG (“Holding”) Remuneration Policy is fully aligned with the Group ESG Risk Definition Policy, which provides an overview of a set of most impactful environmental, social and governance objectives Erste Group has put forward.

Erste Group’s sustainability strategy is based on two fundamental principles.

The first principle is based on setting ESG objectives, through which the entity and thereof affected employees and management board should create positive impact, as well as imposing the responsibility of mitigating negative impact. ESG factors, as environmental, social and governance characteristics may have a negative or positive impact on the financial performance or solvency of an entity, sovereign or individual. Therefore, the second principle focuses on the identification of ESG risks which arise as negative financial impact from the materialization of negative environmental, social or governance events. Moreover, Holding considers ESG risks relevant for clients, suppliers and own acting on an operational field.

In connection to this, when setting, approving and overseeing the implementation of a remuneration policy that is in line with the remuneration principles set out in Directive 2013/36/EU and the EBA guidelines on sound remuneration policies, the management body aims at ensuring a sustainable business model that takes into account all risks, including environmental, social and governance risks.¹

Furthermore, variable remuneration of the designated Management Board members is linked to the aforementioned ESG objectives covering both principles of Erste Group’s sustainability strategy, including:

- overall ESG related targets: establish tangible Sustainability Objectives relevant for the business activities of Erste Group, ensure transparency of the impact of Erste Group toward its key stakeholders and ensure proper implementation framework
- ESG targets in line with the first principle of Group ESG Risk Definition Policy: development of ESG targets and adequate risk/return measures for the C&M and Retail division
- ESG targets in line with the second principle of Group ESG Risk Definition Policy: development and implementation of ESG Risk framework; preparation of a group-wide ESG Risk Road Map

At least 10% and up to 20% of the variable remuneration of designated Management Board members depends on fulfillment of ESG targets.

Governance of remuneration

The management board of EBOe actively oversees the compensation system’s design and operation. Experts from Group HR, Group Strategy, Group Compliance, Group Controlling and Group Risk Management advise the management board regarding remuneration policies and practices.

The remuneration committee of an entity (which is a committee of the supervisory board) approves, implements, periodically reviews and – if needed – amends the general principles of the remuneration policy. The implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with legal requirements, regulatory provisions and procedures for remuneration adopted by the institution.

The management board and the remuneration, audit, nomination and the risk committee work closely together and ensure that the remuneration policy is consistent with and promotes sound and effective risk management, especially incorporating financial performance, risk, capital, liquidity and strategic plans into the remuneration decision-making process.

¹ Para 24. Draft EBA GL on internal governance

The remuneration committee shall take into account the short-term and long-term interests of shareholders, investors and other stakeholders.

Financial sustainability

The variable remuneration is linked to sustainability and ensures that the payments made do not promote any incentive for excessive risk-taking or selling of products to the detriment of customers. Variable remuneration shall only be paid out to the extent the ratio between the fixed and variable component of total remuneration remains reasonable. The ratio variable/fixed remuneration is capped at 100% of the annual fixed remuneration for material risk takers and employees.

The variable remuneration of employees depends on the assessment of the performance and development of the individual and of the business unit/entity concerned, combined with the overall performance, capital and liquidity requirements of the entity.

The remuneration policy and practices do not make a direct link between remuneration and the sale of specific financial instruments/services and/or of a specific category of financial instruments/services.

The Group's Risk Appetite Statement (RAS, see Annex 12 Ref 22) is a key component in the management of risk. It is a formal written articulation of the aggregate level and types of risks that the bank is willing to accept in its business activities in order to achieve its strategic objectives. The Group RAS is approved by the Holding Board and the Supervisory Board.

Furthermore, the RAS and the remuneration policy are directly linked at Group and EBOe level as the determination of the annual bonus pool requires the relevant core metrics to be above the defined limit (e.g. minimum capital requirements).

Payment of variable components of remuneration as a whole may not limit the ability of Erste Group and/or EBOe or any of its subsidiaries in the meaning of section 39 paragraph 2b no. 1 to 10 of the Austrian Banking Act and article 18 CRR as approved by the European Parliament and the Council of the European Union to strengthen its capital and liquidity base. Further, variable remuneration decisions by the members of the Management Board give due consideration to the long-term interests of shareholders, investors and employees of the entity in having a functional banking industry and financial market stability. Failure shall never be rewarded. As a rule, guaranteed variable remuneration is prohibited. No employee and/or member of the Management Board is allowed to decide about their own variable remuneration.

Diversity and inclusion

Equity is a key element of Erste's remuneration strategy and has an internal, external and a diversity perspective. Internal equity means that employees should feel being rewarded fairly according to the relative value of their jobs within Erste Group. Employees engaged in similar jobs in different parts of our company should be rewarded equally. External equity means that Erste strives to reward employees competitively compared to those who are engaged in similar jobs in other organizations of the respective market and/or sector. Having a compensation structure based on competitive base pay is key.

All employees are entitled to fair and favorable working conditions with special focus on remuneration. In order to monitor and eliminate gender specific remuneration gaps, HR in each entity shall conduct an internal analysis on an annual basis and implement corrective measures to narrow gaps where they exist. Results and measures shall be shared and discussed with social partners and employee representatives². Holding remuneration policies and practices shall be gender neutral. "Gender neutral remuneration policy" means a remuneration policy based on equal pay for women and men for equal work or work of equal value.³

Holding shall ensure that any information published as a part of this Disclosure is kept up to date.⁴ Where such information is amended, a clear explanation of such amendment shall be published on the same website.⁵

² Principle in alignment with the Group Diversity Policy, EG_CRO_A_0009, see Annex 12 ref. 25.

³ In accordance with Article 74, in conjunction with Article 92 (2) (aa) of the CRD V.

⁴ Article 5 of the Regulation (EU) 2019/2088

⁵ Article 12 of the Regulation (EU) 2019/2088