

(Consolidated) non-financial report

Introduction

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 almost 200 years ago.

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. Before taking a business decision, every employee has to answer the "third question" in the Statement of Purpose to determine whether the action considered is responsible in terms of its impact on the future: "Is it the right thing to do?"

Implementation of the reporting obligation

For the first time, large companies – like Erste Group Bank AG – are required to provide more than just financial statements for their reporting of the financial year 2017. The reporting obligation includes at a minimum environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters.

Erste Group Bank AG has decided to prepare a (consolidated) non-financial report to meet its obligations under sections 243b and 267a of the Austrian Commercial Code (UGB). Following the comply-or-explain approach, deviations are permitted, but must be explained and justified. Erste Group has drawn up this (consolidated) non-financial report in conformity with the Global Reporting Initiative (GRI standards: core option). The non-financial reporting is not subject to the audit of the consolidated financial statements. A voluntary audit of the financial reporting was performed by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Non-financial reports must be prepared for the same scope of consolidation that is covered by the financial reporting. The calculation of non-financial data, such as energy consumption per employee, is based on all Erste Group entities that have at least

one full time equivalent employee. The non-financial report covers all relevant subsidiaries with the exception of the Austrian savings banks with fewer than 500 employees that are not majority-owned by Erste Group Bank AG. Human resources-relevant data are captured at single entity level, environmental data on the basis of properties used for banking operations. Over the coming years, it is the aim to gradually include the data of all consolidated companies in the non-financial report.

Sustainability at Erste Group

Almost 200 years ago, the founding concept of Erste österreichische Spar-Casse, Erste Group's predecessor, 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 institutions, 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. In conducting its business, responsibility to its customers, employees, investors, local communities and national economies has always been a defining feature of the bank. As one of the leading providers of financial services in the Eastern part of the European Union, Erste Group is also an important employer, customer of – mostly local – suppliers and taxpayer.

According to Erste Group's own definition, sustainability means "to operate the Bank's core business in a socially and ecologically responsible manner and at the same time be financially profitable". Erste Group's environmental strategy uses the definition of sustainability as it appears 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. Covering the topics environment, diversity, corporate volunteering and corporate social responsibility (CSR), the team is primarily responsible for the development and implementation of group-wide policies and 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, the head of the Group Sustainability Office and the Group Diversity Manager. The Sustainability Board is responsible for developing and monitoring sustainability topics. For 2018 it is planned to set up local sustainability teams in each banking subsidiary which will report directly to the responsible member of the board.

One of the key tasks of the Sustainability Board in 2018 will be to discuss non-financial targets in the fields of ecology and diversity and to ensure their implementation in the local banking subsidiaries. At the same time, Erste Group's strategy and business operations will be further aligned with the *Sustainable Development Goals (SDGs)* adopted by the UN member states, including in particular those of the 17 global sustainability goals to which Erste Group is making or is able to make a positive contribution on account of its business model and corporate activities.

For a start, Erste Group is seeking to contribute to the achievement of the following selected *Sustainable Development Goals*:

- _ No poverty (SDG 1)
- _ Quality education (SDG 4)
- _ Gender equality (SDG 5)
- _ Decent work and economic growth (SDG 8)
- _ Sustainable cities and communities (SDG 11)
- _ Climate action (SDG 13)
- _ Partnerships for the goals (SDG 17).

For more information on the *United Nations' Sustainable Development Goals* see <http://www.un.org/sustainabledevelopment/>.

MATERIALITY ANALYSIS

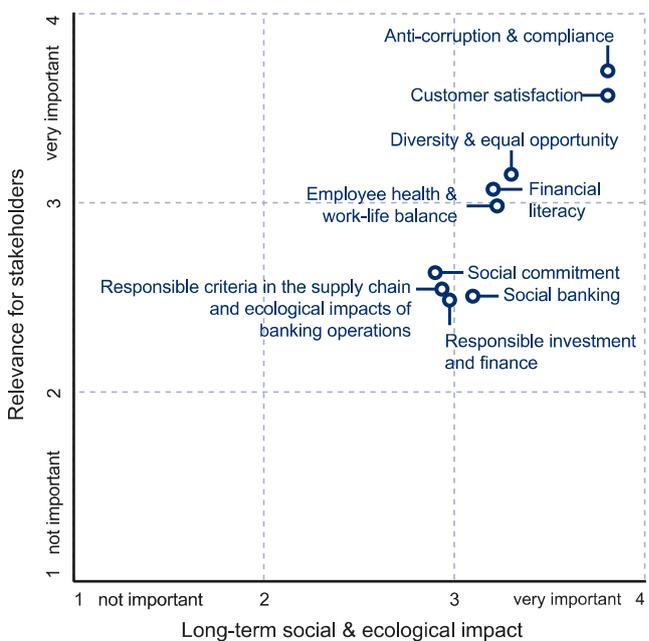
The starting point of non-financial reporting is a materiality analysis. With the involvement of the relevant stakeholders, matters of economic, ecological and social relevance that are of material importance to Erste Group are identified. As a result of in-house discussions, the following stakeholders have been identified as being relevant to Erste Group: employees, customers, management (supervisory board, management board), investors and authorities/supervisors/policy-makers.

The selection of material topics for current reporting purposes is based on the evaluation of the materiality analysis performed in 2016. A survey was conducted in autumn 2017 that included the management board, the supervisory board and employees representing relevant stakeholders in order to assess their respective positions on the material topics. Based on the evaluation of potential long-term impact of the business activities on the stakeholders, the relevance of these topics for Erste Group and, subsequently, key areas of activity were derived.

The materiality matrix illustrates the relevance of the material topics to Erste Group as determined in 2017.

To make the context of the material topics more visible, Erste Group decided to categorise them by higher-level areas, regardless of their degree of relevance. 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. The topic of anti-corruption and compliance may

affect all stakeholders, but it usually results from 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.



Social responsibility

Financial literacy. This is a key factor in creating equal opportunities, economic prosperity and social inclusion. In most cases, a lack of financial literacy means restrictions in almost all spheres of life.

Social commitment. Erste Group aims to be not only commercially successful but also to act socially responsible. It therefore pursues a multitude of activities contributing to the cultural and social development of society and also encourages its employees' individual social engagement.

Employees

Diversity and equal opportunity. 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 and harassment, 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. 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. High levels of customer satisfaction and the resulting customer loyalty secure the bank's long-term success. It is therefore vital to continuously adapt products and services to customers' expectations and needs and to ensure high service quality.

Anti-corruption and compliance. Corruption is 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 covered by clear rules such as Chinese walls, provisions on employee transactions, research disclaimers, or the gift policy.

Responsible investment and finance. Public interest in the indirect impacts that bank products have 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. 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 for the excluded parts of society.

Environment

Ecological impacts of banking operations. 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. In the light of inter-related 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 having an undesirable indirect impact on the environment and human rights.

Changes in the classification of material topics

From 2016 to 2017, the number of topics included in the materiality analysis was reduced from fifteen to nine. In 2017, the topics

data security, fair competition between banks and open disclosure of financial results were not covered by the materiality analysis.

Data security. The security of its customer data is 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. This is a key prerequisite for success in the banking industry. This topic is no longer included in the materiality analysis as the measures to be taken in this regard must be implemented in any case, regardless of the outcome of such an assessment.

Fair competition between banks. As important as this topic certainly is, individual banks have hardly any way to influence it. It is essentially the duty of the legislature and the supervisory authorities to take suitable measures. Therefore, this topic has also been removed from the materiality analysis.

Open disclosure of financial results. Every company that is listed on a stock exchange is of course required to openly disclose its financial results. Transparent and full financial reporting is mandatory regardless of the outcome of the materiality analysis. For this reason, this topic is also no longer part of the materiality analysis.

In the 2017 materiality analysis, the topics social commitment of the employees and social engagement of the bank were combined under the heading of social commitment. The topic covering the impacts of the banking business on the environment is now part of the topic responsible criteria in the supply chain and ecological impact of banking operations.

The material topic customer satisfaction considered for the first time in 2017 encompasses the 2016 topics easily understandable products, easy access to banking products and digital banking/digital innovation. To assign customers a weighting that reflects their significance as stakeholders, the topic responsible investment and finance was added.

Opportunities and risks

Consideration of the material topics 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 topics 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 these topic areas. 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 engagement may for instance result in financial gaps at co-

operation partners and the suspension of initiatives or activities. This may harm reputation and, as a consequence, may have 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 must be mentioned as well. Offering adequately designed products and services may reduce the adverse impact of such initiatives. For employees, a loss of reputation as well as an inadequate attention to social topics (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. 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 topics may result in reputation

risk, a deterioration of the ecological footprint and 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 concerns 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 topics of the materiality analysis assigned to them, references to the GRI standards and references to the sections of the non-financial report in which these topics are explained.

Materiality table

Stakeholders	Material and other topics for Erste Group	Topics of the materiality analysis	Material topics pursuant to GRI Standard	Chapter in the non-financial report
Customers	<ul style="list-style-type: none"> _ Anti-corruption and compliance _ (Digital) innovation _ Information and data security _ Customer satisfaction _ Financial literacy _ Easily understandable products _ Easy access to bank services _ Fair competition _ Social banking 	<ul style="list-style-type: none"> _ Customer satisfaction _ Anti-corruption and compliance _ Responsible investment and finance _ Social banking 	<ul style="list-style-type: none"> _ Customer privacy (GRI 418-1) _ Anti-corruption (GRI 205-3) _ Anti-competitive behaviour (GRI 206-1) _ Indirect economic impact (GRI 203-2) 	<ul style="list-style-type: none"> _ Customers _ (outside the non-financial report: Corporate governance)
Employees	<ul style="list-style-type: none"> _ Social and employee-related topics _ Respect for human rights _ Diversity and equal opportunity _ Employee health & work-life balance _ Employee development _ Gender equality and non-discrimination _ Talent promotion and planning _ Leadership competency development _ Employee engagement _ Fair competition 	<ul style="list-style-type: none"> _ Diversity and equal opportunity _ Employee health & work-life balance 	<ul style="list-style-type: none"> _ Employment (GRI 401-1, 401-3) _ Training and education (GRI 404-1, 404-2) _ Diversity and equal opportunity (GRI 401-3, 405-1) _ Non-discrimination (GRI 406-1) 	<ul style="list-style-type: none"> _ Employees _ (outside the non-financial report: Corporate governance)
Investors	<ul style="list-style-type: none"> _ Transparency _ Financial markets communication _ Disclosure obligation 		<ul style="list-style-type: none"> _ Economic performance (GRI 201-1) 	<ul style="list-style-type: none"> _ (outside the non-financial report: Financial statements)
Society	<ul style="list-style-type: none"> _ Financial literacy _ Partnership in social and cultural affairs _ Fight against poverty _ Compliance, anti-corruption _ Indirect economic impact _ Social engagement of the bank and its employees _ Social banking 	<ul style="list-style-type: none"> _ Financial literacy _ Social commitment _ Social banking 	<ul style="list-style-type: none"> _ Indirect economic impact (GRI 203-2) _ Anti-corruption (GRI 205-3) _ Socioeconomic compliance (GRI 419-1) _ Economic performance (GRI 201-1) 	<ul style="list-style-type: none"> _ Commitment to society _ Customers _ (outside the non-financial report: Financial statements)
Environment	<ul style="list-style-type: none"> _ Environmental topics _ Impacts of the banking business on the environment _ Climate protection _ Ecological footprint _ Responsible products and services _ Resource-efficient business management 	<ul style="list-style-type: none"> _ Social and ecological criteria in the supply chain & ecological impacts of banking operations 	<ul style="list-style-type: none"> _ Materials (GRI 301-1, 301-2) _ Energy (GRI 302-1, 302-4) _ Emissions (GRI 305-1, 305-2, 305-3) 	<ul style="list-style-type: none"> _ Environment _ Suppliers
Suppliers	<ul style="list-style-type: none"> _ Environmental topics _ Respect for human rights _ Social and ecological criteria in the supply chain _ Local rather than cross-border procurement _ Co-operation with suppliers 	<ul style="list-style-type: none"> _ Social and ecological criteria in the supply chain & ecological impacts of banking operations 	<ul style="list-style-type: none"> _ Supplier environmental assessment (GRI 308-1) _ Supplier social assessment (GRI 414-1) 	<ul style="list-style-type: none"> _ Suppliers

Commitment to society

Since the foundation of Erste Group's predecessor almost 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 to supporting social initiatives, financial literacy as well as art and culture.

The *ExtraVALUE* programme of Erste Group is based on the bank's commitment to social responsibility and to intangible values – humane, 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 and corporate volunteering only a few selected projects can be highlighted here. More detailed information on various Erste Group initiatives is available at <http://www.erstegroup.com/en/about-us/responsibility> and on websites of Erste Group's subsidiaries in the respective local language and in some cases English.

SOCIAL AND EDUCATIONAL ACTIVITIES

Erste Group's long tradition of cooperation 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 and the *youngCaritas* and *Kulturbuddy* (a platform to coordinate 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 NGO's, such as *lobby.16*, which gives 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 a partner of *Teach for Romania*, an initiative to improve the educational system in Romania. The bank's online and offline programme for students and young professionals called *Laboratorul de Cariere* facilitates labour market integration by helping people to develop soft skills. In addition, BCR is partnered with the most important five universities in Romania and supports *Save the Children Romania* in achieving equal opportunities for all children.

Slovenská sporiteľňa supports disadvantaged people and raises awareness about them with the help of various partners: *Civic Association Inklúzia* (inclusion of handicapped people), *Vagus* (resocialisation of homeless people), *People in Need* (building houses for underprivileged Roma families) or *Association of the Friends of Children from Children's Homes* (scholarship programme for young people from children's homes). Furthermore, Slovenská sporiteľňa systematically supports educational projects at Slovak schools and universities.

Superste is a Serbian online hub where people from 16 to 35 can access funds, mentors, NGO contacts and leaders for their social responsibility projects in the arts, culture and education. The bank 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 the elderly as well.

Erste Group has been supporting amateur sporting events in Austria and Central Europe for many decades and is particularly active in fostering young athletes. Projects are carried out in a spirit of close partnership with the organisers and hosts of these events. In 2017, Erste Group sponsored a large number of running events, including many in support of social projects such as the *erste bank vienna night run* in Austria, the *Košice Peace Marathon* in Slovakia (the oldest marathon in Europe), the *Color run* in Romania and the *Homo si Tec Marathon* in Croatia.

Česká spořitelna is the main partner of the Czech Athletics Federation and supports athletes at all levels – from the national teams to young talent. Owing to the athletic youth programmes, more than ten thousand children were encouraged to get involved in sporting activities.

For 40 years, Erste Bank Oesterreich and the savings banks have supported school leagues in soccer and volleyball. This commitment represents the longest-standing sponsorship of young athletes in Austrian sports. With more than 1,000 schools participating every year, these are the largest youth competitions in Austria.

One of the key priorities within the Erste Group's commitment to educational activities is financial literacy.

FINANCIAL LITERACY

Financial literacy is important for creating equal opportunities, social inclusion and economic well-being. Financial ignorance limits social, economic and cultural life.

Therefore, Erste Group is engaged in a wide variety of financial education activities. The main objectives of Erste Group's financial education activities are to enable people of all ages to gain adequate skills and abilities to make informed and appropriate financial decisions. In addition, they assure that employees of Erste Group have up-to-date knowledge about bank products and services as well as a comprehensive understanding of financial concepts and recent economic developments. Erste Group's employees must be able to understand the bigger picture to advise customers to choose the appropriate financial products. Erste Group is committed to ensuring that the financial products and services offered are transparent and easy to understand and meet the customers' short- and long-term financial needs.

In line with a recommendation of the Organisation for Economic Co-operation and Development (OECD) that financial education should start as early as possible, Erste Group puts a particular emphasis on financial education projects for children and young people. Erste Group wants to empower young people to participate in economic life and to understand finance as a system.

Erste Group's most ambitious financial literacy project is the *Financial Life Park (FLiP)* at the Erste Campus in Vienna (<http://www.financiallifepark.at>), open to visitors since October 2016. FLiP offers innovative financial literacy training through a combination of state-of-the-art digital media technology and trained guides. By promoting know-how in money matters, *FLiP* helps visitors to acquire the skills to manage personal financial affairs responsibly and independently. Depending on the visitors' age and background, three different guided tours are available, each with its own approach, didactics, thematic layout and depth of content. In its educational activities, the *FLiP* team is supported by some 80 active and retired Erste Group volunteers. Educational activities are currently offered in German, English and Slovak. In 2017, some 14,000 visitors took part in almost 600 interactive tours conducted at *FLiP*. Since September 2017, two dates a month have been available for Slovak schools. While children and young adults are the main target group, *FLiP* has proved an exciting experience popular with all age groups. While children are the main target group, *FLiP* proved to be interesting for visitors of all age groups.

Since *FLiP* is far from reaching all schools and pupils that may be interested and since Erste Group aims at continuously promoting financial literacy, a mobile version – *FLiP2Go* – will be on tour from 2019. *FLiP* educational content will be displayed in nine interactive booths installed in a remodelled double-decker bus.

More than 1,000 specially trained employees of Banca Comercială Română provide financial literacy training under the umbrella of *The School of Money* in schools, universities and companies. Since summer 2017, the bank has also been running the *Money School on Wheels*. A similar version of FLiP contents is on display in a remodeled bus. During the summer, the bus stopped in three Romanian cities while 2,000 children took part in workshops.

The interactive travelling exhibition *The ABC of Money*, a hands-on show explaining the basics of the money system and how money evolved over time, enjoys unbroken popularity. The exhibition will be in Pilsen, Czech Republic, until April 2018. To date, the exhibition has been on display at seven different venues and viewed by more than 160,000 visitors.

In all of its core markets Erste Group cooperates with schools to promote financial literacy. Slovenská sporiteľňa supports educational projects at Slovak schools and universities, for example a joint project with the Children of Slovakia Foundation on the subject of money called *Get to Know Your Money*, in which more than 20,000 pupils have already taken part. Erste Bank Serbia staff stage workshops in kindergartens and schools to explain what banks do. The local banking subsidiaries have developed a range of e-learning tools and apps to bring financial education to as wide a public as possible. More than 500 teenagers participated in financial literacy workshops called *iCan* across Austria supported by volunteers of Erste Group. Slovenská sporiteľňa piloted activities aimed at over-indebted customers to help them cope with these difficulties. Erste Bank Croatia piloted *Financial parachute*, a new financial literacy programme comprising workshops and mentoring sessions for private individuals. This programme is unique on the Croatian market and aims to stabilise and improve customers' financial health.

ART AND CULTURE

Erste Group supports and promotes cultural and art institutions. Under the *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 a wide variety of institutions such as Klangforum Wien, the Gustav Mahler Youth Orchestra, Wien Modern, Jazz at the Konzerthaus, Secession, Tanzquartier Wien, the ZOOM Childrens' Museum, Wiener Festwochen, the International Childrens' 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 Vienna Design Week, the Erste Bank *ExtraVALUE* Art Prize in collabo-

ration with *das weisse haus* art association and the Erste Bank Composition Prize.

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

Erste Bank Croatia organises a well-known annual competition for emerging artists and art students, called *Erste Fragments. Organ Vida* is an international photography festival in Zagreb that attracts photographers from Croatia and abroad in a series of exhibitions, workshops and lectures. Erste Bank Croatia has supported the international *comic book festival* in Zagreb for many years. In Serbia, Erste Bank focuses on jazz music events such as the *Beogradskje jazz festival* and festivals in Novi Sad, Pančevo, Subotica, Kraljevo, Kragujevac and Kikinda. The *Danube Dialogues* contemporary art festival has received support since it was founded.

CORPORATE VOLUNTEERING

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

Erste Group's Austrian initiative *Time Bank* matches employees who want to donate their free time and skills with more than 50 partner organisations. Employees of the Holding, Erste Bank Oesterreich and their subsidiaries as well as many regional savings banks across Austria volunteer their time in their local communities.

In addition to volunteering, donations in kind are becoming increasingly important as people often lack items that we take for granted such as toys, clothes and sports equipment for children. The Time Bank provides long-term support to its partner organisations by organising regular collection activities to remedy this situation.

Several of Erste Group's local banks successfully support volunteering as a teambuilding activity. Česká spořitelna contributes to the development of the Czech non-profit sector by actively supporting its employees whose volunteer work benefits the public good. Since 2007, employees have been granted two working days off each year to volunteer as part of Česká spořitelna's *Charity Days* programme. The bank supports a special volunteer programme for managers that allows them to spend up to a week offering their skills to NGOs and charity organisations. Erste Bank Croatia signed the *Charter on recognition of competencies acquired through volunteering*, which means that as a bank, it

recognises the importance of skills learned through volunteering and that these skills are considered during the recruiting process and career progression. For example, they organised volunteering in children's shelters and other socially disadvantaged areas.

Slovenská sporiteľňa continued its *Euro to Euro* grant project and supported sports, educational and cultural activities in communities where the bank's employees live.

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 in top 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 puts its customers in control of their financial life by offering financial advice based on their interests, needs and financial literacy and by increasing their accessibility. Erste Group ensures high quality advisory services by continuously training its employees, thereby 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 clients' needs and the individual motives forming those needs is able to develop specific solutions. Customer behaviour is changing: online and digital channels are growing in importance which frees up branch advisors' resources to focus fully on high-quality advice. The sales incentive scheme of Erste Group reflects this development by abandoning purely product-driven targets and shifting attention towards quality-driven criteria like the quality of customer relationships.

To meet increasing customer expectations, it is essential to adapt the education and learning approach of both customers and advisors. The focus is devoted to customer behaviour and the sales channels customers use most frequently for daily and long-term banking activities. Factors such as experience, financial literacy, financial position and the risk appetite of the individual customer are taken into account. The education programmes of Erste Bank Oesterreich and Slovenská sporiteľňa already reflect this new approach.

Products and processes

Product development is driven by customers' needs and the ways customers carry out their banking activities. Product features and services reflect flexibility, life-cycle changes, simplicity, security, transparency and easy-to-understand features. Identifying and satisfying customers' needs leads to higher customer retention and stronger sales and cross-selling potential. In this respect, Erste Group focuses on simplifying the current product portfolios and aims at developing new products and services to meet as many customer needs as possible.

To this end, Erste Group is continuously reducing the complexity of its product portfolio. With their client centric-approach and initiatives to promote simplicity, Erste Bank Oesterreich, Česká spořitelna and Slovenská sporiteľňa act as forerunners in the group.

OMNI-CHANNEL APPROACH

As an omni-channel bank, Erste Group allows its customers to choose between new and traditional sales and communication channels. Customers decide how, when and where they do their banking. They can switch channels within one single customer journey, expecting seamless experience across all touchpoints. The aim is to integrate all areas of the retail banking business, e. g. advisory services in the branch network, internet or mobile banking and the contact center.

Branches

Direct contact with customers through branches is and will remain a substantial asset, as confidence and trust in the highly-qualified advisor build the basis for successful business relations. The interior and infrastructure of the branches also must meet the increased expectations of the customers. Customers expect to handle their banking business in the branches not only more easily and quickly but also more memorably and conveniently. Cash desk areas are replaced by an appealing reception area as the most important part in the centre of the branches.

The implementation of the new branch concept has started in Erste Bank Oesterreich and Česká spořitelna. More than 20 branches have been refurbished or newly opened in Austria, 50 in the Czech Republic. Banca Comercială Română opened the first pilot branch in Bucharest, Erste Bank Serbia in Belgrade and Erste Bank Hungary in Budapest. Erste Bank Croatia will follow in 2018.

Digital banking

Both only internet-savvy and also traditional customers expect more and more modern digital banking services. The websites of the local banks of Erste Group are constantly enhanced, focusing on accessibility, usability and simple and easy-to-understand content. The range of digitally available products and services is continually being extended.

Erste Group focuses on innovation and has developed its own digital ecosystem. The new digital value offering for existing and potential customers is the next generation web portal and internet banking platform *George* on the one hand and the mobile core app *George Go* on the other.

George and *George Go* are the main digital interfaces that enable customers to activate and use additional applications of the bank or third parties in a secure IT environment to help them in their financial lives. Following the successful implementation in Austria and Slovakia, *George* will be fully available across the Czech Republic and Romania by the end of 2018. Erste Group aims to introduce its unified digital banking platform in all of its seven markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia), thus making *George* the first pan-European banking platform that offers a full range of products and services across all platforms.

Erste Group has launched digital consumer loan offerings in Austria, the Czech Republic and Slovakia. Digital sales contributed significantly to new business development in 2017. Česká spořitelna is now offering its customers a new and convenient method: they can get refinance or a new mortgage completely online. Erste Bank Oesterreich started as the first bank in the country to allow customers to open an account completely online including video authentication that complies with all legal and security requirements. Erste Bank Oesterreich also introduced a new mobile payment (wallet) function as part of the *George Go* app, which allows customers to pay for goods and services directly with their NFC (near-field communication) enabled mobile phones.

Contact Center

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

The contact centers are the bridge between traditional physical banking and the digital world and the interface between digital banking and service at a branch. The contact centers are developing from a help desk to more relevant support in advisory and selling products and services. They are an essential part of the omni-channel strategy of Erste Group and will be further expanded in its core markets. Banca Comercială Română, for instance, has significantly increased the size of its contact center team. The capacities of Slovenská sporiteľňa's call center have also been increased by 60% and it is effectively supporting digital customer service.

THE IMPORTANCE OF THE BRAND

Branding is built on experience and expectation. A brand 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.

By establishing the lead narrative #believeinyourself (#glaubandich), Erste Group introduced purpose-driven brand communication. The lead narrative is designed as a “one group, one brand” approach. The concept was launched in Austria, Czech Republic, Romania, Hungary and Croatia back in 2017.

Erste Group’s brand identity is not only built on its history and past achievements. On the contrary, Erste Group’s digital efforts are very visible to customers and competitors alike and underpin its innovation power. The cutting-edge digital platform *George* allows Erste Group to serve its customers in a very innovative and convenient way.

Erste Group’s marketing efforts are not limited to the bank itself. To familiarise a broader public with the economic importance and potential of Central and Eastern Europe, Erste Group has been running a TV and online campaign in leading international media since 2009. In 2017, the image campaign portrayed selected investments of large corporations in the region that were realised with Erste Group’s support.

In addition to the numerous activities oriented towards amateur and professional sporting events described in the chapter “Commitment to society”, Erste Group has supported professional athletes, teams and events in ice hockey, tennis, soccer and sailing.

Since 2013, Erste Bank Oesterreich has been the main sponsor of the Austrian ice hockey league that bears its name. It also sponsors of the Austrian national ice hockey team and the local Vienna Capitals ice hockey team. The Erste Bank Ice Hockey league grew beyond Austria to include teams from 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 engagement in ice hockey sponsoring with 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 and an ATP World Tour 500 tournament. Erste Bank Hungary supported the Hungarian Sailing Association and was the

main sponsor of the Kékszalag, Europe’s largest round the lake sailing competition at Lake Balaton with 500 boats participating. Slovenská sporiteľňa was once again the official partner of Slovakia’s National Soccer Team.

Erste Group is represented in numerous social media to communicate directly with its stakeholders. Up-to-date information is published on Twitter, YouTube, Flickr and SlideShare. In addition, all subsidiary banks are accessible on local Facebook pages.

ACCESSIBILITY

Erste Group defines accessibility as designing the real-world and digital environment as well as information and product offerings in such a way that they can be used by people with disabilities without any additional help.

In co-operation with the Prague wheelchair users’ organisation, Česká spořitelna tested its branches for barrier-free access, and more than a third of Česká spořitelna’s branches are already entirely barrier-free. At Erste Bank Oesterreich, all new or refurbished branches are fully barrier-free, and Erste Bank Hungary has remodelled its branches so that more than three quarters of the branch network were classified as barrier-free at year-end. Access is also barrier-free at all new or remodelled branches of Erste Bank Serbia.

In addition to past achievements in terms of barrier-free access for blind and visually impaired persons (e.g. bank cards printed in braille or cash dispensers equipped to provide audio instructions), Erste Group now offers mobile banking for the blind through its digital platform, the *George Go* app. Barrier-free use of the app is made possible by the accessibility features of the two main smart phone operating systems iOS and Android. A variety of functions are available: zoom, contrast adjustment, very large fonts and speech output. The barrier-free functions were developed with blind persons and persons with a wide variety of visual impairments. According to the Austrian Federation of the Blind and Partially Sighted, 300,000 visually impaired people live in Austria.

CUSTOMER SATISFACTION

The quality of customer relations depends ultimately on the customers’ experiences in their day-to-day dealings with their bank. Keeping a loyal customer base is becoming increasingly difficult in banking due to growing competition that has recently included non-traditional players. Customers are more demanding, well informed and expect a higher value, more speed, flexibility and reliability from their banking services. As high levels of customer satisfaction and thus customer loyalty secure the bank’s long-term success, it is essential to intensify the relations between the bank and the customers and to increase client satisfaction by improving the quality of the offering and answering requests in a timely manner.

The Customer Experience Index was established for this purpose. It focuses on the loyalty of Erste Group's customers, combining five relevant dimensions. It is used to determine the positioning as well as the strengths and weaknesses of the local banks of Erste Group relative to the top three competitors in each country. It is also a bonus criterion for board members of Erste Group and the local banks.

Overall, Erste Group maintained its position across its markets in 2017, a positive development is especially visible in the private individuals and SME customers segments. In the SME customers segment, Erste Bank Croatia confirmed its strong performance and remained comfortably ahead of its competition. Erste Bank Serbia, Erste Bank Croatia, Slovenská sporiteľňa and Erste Bank Oesterreich achieved good results in the private customer segment.

RESPONSIBLE INVESTMENT AND FINANCE

Erste Asset Management (Erste AM) was an early mover in anticipating the growing needs of investors to emphasise environmental and socio-ethical aspects in their investment decisions. Over the past decade, Erste Group has seized this opportunity and developed the most diverse portfolio of sustainable funds in Austria. Since 2012, all entities of Erste AM have been *UN PRI Signatories* and have thus committed themselves to complying with the *UN Principles of Responsible Investment (PRI)*. The decision not to allow any actively managed mutual fund to invest in companies engaged in banned weapons, such as land mines, nuclear weapons, or cluster bombs, was taken back in 2011. Furthermore, funds are not allowed to engage in food speculation. Since November 2016, Erste AM has excluded from all its actively managed mutual funds any company that earns more than 30% of its total revenue from coal mining, coal trading or production of coal-based fuels. The respective guidelines are available on the website of Erste AM (<http://www.erste-am.com>).

In addition to Erste AM, ERSTE Immobilien Kapitalanlagegesellschaft also offers its customers funds involving sustainability. The criteria for sustainable real estate assets in the ERSTE RESPONSIBLE IMMOBILIENFONDS include not only the typical economic criteria, but also aspects such as environmental compatibility, mobility, social infrastructure, quality of life and future viability of the property. Sustainable assets under management amounted to EUR 123 million as of the end of 2017.

Erste AM is a leading provider of sustainable investment funds in Austria and in the CEE region and also works with institutional investors. In 2017, Erste AM managed assets worth EUR 63.4 billion. Actively managed funds that are audited for exclusion of banned weapons, coal sales and coal fuel sales amounted to EUR 23.9 billion. The total volume of assets managed by sustainable investment funds reached approx. EUR 5 billion.

Sustainable investment represents a core competency of Erste AM. As of the end of 2017, Erste AM sustainability experts

managed 31 investment funds in the public funds and special funds/externally mandated portfolio categories. The managed sustainable public funds comprised seven bond funds, three regional stock funds, one newly opened global stock fund focused on a dividend-based strategy, one micro-finance fund of funds, one theme funds for climate protection and the environment (jointly managed with WWF Austria) as well as one asset allocation fund of funds. As in past years, 2017 was again characterised by strong investor demand for sustainability funds that invest in emerging market corporate bonds worldwide.

In 2017, ten of Erste AM's sustainability funds were awarded the FNG label (2016: nine). Created by Forum Nachhaltige Geldanlagen e.V. (FNG) in 2015, the FNG label is the quality standard for sustainable financial investment in German-speaking countries. To qualify for the FNG label, the minimum requirements are transparency and process criteria, the exclusion of weapons and nuclear energy and meeting standards in four UN Global Compact categories: human rights and labour law, environmental protection, the fight against corruption and bribery. Moreover, nine of the sustainable funds have had the Austrian environmental certificate for sustainable financial products, some of them for many years.

Companies were contacted regarding their involvement with various sustainability issues that are highly relevant to Erste AM. Key topics were human rights in industries focusing on the exhaustion and exploitation of raw materials as well as intensive dialogues with German car manufacturers as a consequence of the exhaust emission scandal. Following the results of the 2017 Diesel Summit in Germany, they were excluded from Erste AM's sustainable investment universe. This step was accompanied by intensive dialogue aimed at receiving responses to various unsolved matters. The dialogues with the companies took place in writing, by telephone and also in person with company representatives in Vienna and have already shown initial success. Co-operation with other international asset managers (organised by the PRI Association and GES) continued in 2017 in order to approach companies from a position of greater strength.

Apart from engaging in dialogue with companies on controversial topics in the areas of sustainability and environmental protection, Erste AM represented the interests of its customers at 330 annual general meetings in 2017. In addition, more than shareholder motions were supported to encourage companies to manage their businesses in a more sustainable and transparent manner.

The online magazine by Erste AM's Responsible Investment Team (<http://www.esgletter.at>) also met with great interest in 2017. The quarterly published magazine focused on batteries, child labour, gambling and logistics. Apart from this main publication, specific fact sheets are published monthly on the investment universe and the sustainability funds to inform customers of the selection criteria and their influence on the ESG key indicators (such as the CO₂ footprint of the funds).

In 2015, Erste AM was the first Austrian asset management company to sign the *Montréal Carbon Pledge*. Under this scheme, capital market participants agree to have the CO₂ emissions of their stock holdings measured and to disclose their CO₂ footprint every year. Erste Asset Management calculated and published the CO₂ emissions of their equity investments in 2017 as well. By divesting from CO₂-intensive companies in coal mining and coal trading, the CO₂ footprint of company-wide investments was reduced further.

The Erste Responsible Advisory Board met once in 2017 and again made valuable contributions to the further development of Erste AM's sustainable investment strategies. Active membership in the *Forum Nachhaltige Geldanlagen* (Forum for Sustainable Financial Investments), Eurosif and the *Verein zur Förderung von Ethik und Nachhaltigkeit bei der Geldanlage* (Corporate Responsibility Interface Center, CRIC) was continued.

In line with the Statement of Purpose, Erste Group's finance guidelines also contain specific exclusion criteria to ensure its environmental and social responsibility. These exclusion criteria relate in particular to the energy and the weapon sectors, excluding for instance the financing of nuclear and coal-fired power plants, coal mining and fracking. Exceptions may be projects aimed at improving the safety of existing plants or significantly reducing CO₂ emissions. Examples of financing projects providing ecological benefits are mentioned in the chapter environment, section priorities.

SOCIAL BANKING

Part of the population in Erste Group's core markets of Austria, Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia 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. Therefore, Erste Group has launched a social banking initiative called *Step-by-Step*.

Step-by-Step promotes the financial inclusion of low-income individuals, starting entrepreneurs and social organisations, offering them fair access to financial products, sound financial advice and business training and mentoring. The *Step-by-Step* programme was rolled out throughout Erste Group's network of local banks and in partnership with local organisations and NGOs. It builds on individual programmes that Erste Group's subsidiaries in the CEE region have already launched and works together with existing local social banking projects.

Access to basic financial products for people on low-income is an essential element to reduce poverty. Financial inclusion empowers people to cope with unexpected financial shock and better manage unexpected events. Zweite Sparkasse has supported a total of 16,700 people in financial difficulties in Austria for more than ten years, and, currently, serves about 7,800 customers. It also supports 500 customers through caregiver accounts with debt counselling services, which is intended for customers with full legal capacity but a lack of control over their money. Slovenská sporiteľňa launched a new offer combining micro savings, financial education and micro loans for housing.

One of the most difficult tasks for starting entrepreneurs is raising financing 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 guarantee agreements between the European Investment Fund (EIF) and local banks, more micro-loans can be granted 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. With the help of savings banks, more than 600 start-ups have received funding under this programme. Banca Comercială Română was one of three banks to participate in a state-supported start-up lending program called *Start-up Nation* in which it financed more than 160 start-ups and opened more than 1,800 new business accounts. Erste Bank Serbia launched its new micro-finance programme called *Korak po korak* (Step-by-step) that supports the unemployed persons who want to become entrepreneurs as well as small social businesses. In 2017, Erste Group financed 407 starting entrepreneurs with a total volume of EUR 10.5 million.

Social organisations (non-profit organisations and social enterprises) deal with some of the most challenging issues in our society such as youth unemployment, social integration and reducing poverty. Erste Group offers a bundle of working capital loans, bridge loans, investment loans and capacity building programmes. In 2017, together with Erste Foundation and financial support of the EU Commission, Erste Bank Hungary started to implement its three-year programme *SEEDS* to help social organisations in strengthening their financial independence. Česká spořitelna strengthened its market leadership in financing the social sector with more than 100 new customers. In 2017, Erste Group financed 166 social entrepreneurs and NGOs with a total volume of EUR 20.7 million. For further information and social banking client stories please visit <https://www.erstegroup.com/en/about-us/social-banking>.

good.bee Credit offers micro loans to farmers and small entrepreneurs in rural and urban areas in Romania. As the first micro-finance company in CEE, good.bee Credit received a certification for compliance with the European Code of Good Conduct for

Microcredit Provision in November 2017, which is the result of its clear focus on incorporating the requirements set forth in the priority clauses of the Code in the areas of customer and investor relations, governance, risk management, reporting and information systems. In 2017, good.bee Credit provided 1,177 loans with a total volume of EUR 9.9 million and reached an outstanding loan balance of EUR 19 million. More information on good.bee Credit can be found at <http://www.goodbeecredit.ro/>.

Launched initially as a social banking initiative in Austria, the Fund of Excellence, an alternative investment fund, was included in the Group Corporates business segment in 2017. Through the fund, the bank invests in people with potential, including funding for students, support for working parents and, under the Vision Capital programme, investing in the early stage of promising business start-ups. Overall EUR 1.2 million has been committed for investment since 2014, thereof EUR 0.5 million in 2017.

PRIVATE BANKING

Despite the persistent low interest-rate environment, Erste Group continued to strengthen its market position in private banking and asset management in Central and Eastern Europe. Across the group, the focus of the 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 solution, Erste Private Banking offers investments in securities, real estate, gold and diamonds. Erste Private Banking focuses on offering its customers advisory excellence, sustainability and transparency. A group-wide training programme has been initiated to meet these high quality requirements.

In 2017, Erste Group was named the *Best Private Bank* in CEE for the fourth consecutive year and again the *Best Private Bank* in Austria and Croatia by the business magazine *The Banker*. In addition, Erste Private Banking was named the *Best Private Bank* in the Czech Republic by the business magazine *Euromoney*.

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 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
- _ comply resolutely with environmental legislation
- _ respect and implement the following basic principles of corporate social responsibility:
 - _ protection of fundamental human and labour rights
 - _ protection of the environment
 - _ promotion of health & safety
 - _ commitment to the fight against corruption

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 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, 90% 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 2017, 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 39.9% of the total amount spent), followed by expenses for services, operations and marketing (37.9%) and facility management (22.2%). Out of a total of approximately 22,000 suppliers at the group level, 80% of the total procurement expenses relate to 549 suppliers.

98.8% of the suppliers (reflecting 97.6% of the expenses) are located in the European Union, highlighting Erste Group's focus on its markets in CEE. An additional 0.5% of the suppliers are located in North America, 0.5% in other European countries and the rest (0.2%) are based on other continents.

Only 12.3% 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 CO₂ 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 of 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.

In 2017, a supplier sustainability scorecard was introduced: suppliers must provide their ecological footprint (energy usage, waste, emission) for the last two years – either on a general level or related to their activities for Erste Group. 30 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.

Some 26% of the suppliers with new and renewed contracts were audited according to environmental standards in 2017. No supplier was subject to a specific environmental 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

Some 26% of the suppliers with new and renewed contracts were audited according to both labour practice standards and human rights criteria in 2017. 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

The financial industry is facing a dynamic transformation in the way it does business. Customer behaviour is changing, digital channels are growing in importance. As a result, employees need a different set of skills than just a few years ago. Erste Group regards learning and competency building as key to its business future as well as to individual employability and development of its workforce and the organisation.

Retaining talented, engaged and experienced employees is fundamental to the long-term success of every company. As one of the largest employers in the region, Erste Group aims to maintain its position as an employer of choice in Central and Eastern Europe, encourages its employees to continually strive for professional and personal development and offers equal opportunities to everyone in its organisation.

Erste Group focuses on operational excellence, market-competitive compensation and recognition as well as attracting, developing and retaining the best people. Its leadership culture is engaging and empowering and promotes a high-performing and inclusive work environment.

Developing employees with high potential in special programmes is part of Erste Group's human resources strategy. Erste Group's people management strategy reflects the changing demands of the business environment. It is based on three key pillars:

- _ culture
- _ competence
- _ competitiveness

In addition, Erste Group places a strong emphasis on providing its employees a safe and healthy work environment. As an employer of choice, Erste Group recognises that a satisfying work-life balance enhances a stable work environment. Employees are encouraged to volunteer their time and share their knowledge and expertise to give back to the society and communities in which the bank operates.

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.

The diversity priorities for 2017 were the following:

- _ to adopt and implement the group diversity policy framework in the local banks of Erste Group
- _ to develop and encourage further initiatives in the area of generation management and inclusion
- _ to increase the number of women in top management by at least 3 percentage points and develop more group-wide initiatives to support female leadership
- _ to encourage more men to use paternity leave options
- _ to continue to encourage local diversity initiatives
- _ to continue monitoring the gender pay gap and identify measures for closing it

In December 2016, the management board approved the group-wide diversity policy framework and the policy was implemented in all local banking subsidiaries in 2017. Local diversity managers define priorities and initiatives that support the group diversity strategy.

To support generation management and inclusion, various lectures and workshops on anti-discrimination, unconscious bias and inclusive leadership were offered. Best practice sharing and benchmarking with other companies also took place.

Erste Group set a group-wide internal target of having at least 35% of positions in top management and on supervisory boards filled by women by 2019. This target applies to the local banks (excluding other subsidiaries or the savings banks in Austria). As of the end of 2017, 31% of positions in top management were filled by women (2016: 29%) and the share of female supervisory board members stood at 36% (3%).

To increase the number of women in senior management positions, Erste Group aims for a greater gender and age balance in its talent pools. The international talent pool is made up of 39% women and 29% 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, for instance, 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 focused on encouraging more men to take parental leave options and flexible work hours. *Women in IT (Erste WIT)*, a new initiative, strives to encourage more women to pursue careers in IT. Erste Bank Hungary signed the Hungarian Diversity Charter and launched *Erste Nő* (Erste Women Club), which focuses on promoting a family-friendly organisation, the work-life balance of working women and supporting mothers returning from maternity leave.

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. In February 2017, the *ErsteColours* LGBT & Friends network was launched in Austria, promoting inclusion by focusing on LGBT issues in human resources and society. Erste Group is contributing to the implementation of the UN sustainable development goals and Agenda 2030. Its diversity strategy and activities support gender equality, decent work & economic growth and reduced inequalities.

The diversity priorities for 2018 are the following:

- _ increase the number of women in top management by at least one percentage point and develop more group-wide initiatives to support female leadership
- _ make careers in the field of IT more attractive for women through *Erste WIT*
- _ develop and encourage more initiatives in the area of LGBT inclusion
- _ further develop local diversity initiatives in CEE
- _ 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 act 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 2017, 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 co-operation with the renowned IESE Business School. Other cooperation partners are IMD Lausanne, ESMT Berlin, 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 Transformation 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 junior professionals up to board minus 3 management levels. As of the end of 2017, 39% of the International Talent Pool were women. The next level, the Group Key Positions Pool, aims at preparing managerial talents for roles at division head level. This pool comprises 29% women. The Executive Pool, which identifies and develops top executive level talent, also comprised 29% 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 52% of the participants are women.

In 2017, each employee of Erste Group had on average 30 training hours for professional development – women 33.3 and men 24.6 training hours. Employees in managerial positions had on average 24.6 training hours, while employees without managerial functions had 46.3 training hours.

The focus for 2018 is the mobilisation of identified talents within the group and to further develop the digital learning offering.

REMUNERATION AND PEOPLE PERFORMANCE MANAGEMENT

Erste Group's remuneration policy is geared towards an appropriate balance in rewarding the performance, competence and level of responsibility of the employees. The link between company performance and retail sales incentive schemes is transparent, retail incentive payments are based on quantitative and qualitative criteria. Erste Group's reward system is consistent, competitive and transparent. The remuneration policy aims to

- _ create an environment where employees can perform, develop and be engaged
- _ 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

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 more transparent, market-driven and linked to performance and personal development. Erste Group

offers competitive but not market-leading compensation packages. The local banks' remuneration practices remain well balanced with the business line needs and local country pay practices. The remuneration schemes are designed to meet all EU and national regulatory requirements on remuneration.

Fixed remuneration is the core component of any employee's remuneration and is based on job complexity, individual contributions and local market conditions. Fixed salary represents a sufficiently high proportion of the total remuneration to allow the operation of a flexible and variable remuneration policy. The total remuneration is balanced in such a way that it does not promote excessive risk-taking. The variable remuneration component may be offered to all employees. Awarding a variable salary is based on company, business line and individual performance and also reflects local country practices. On all these levels, Erste Group uses a balance between financial, business growth, risk, customer and cost indicators. The overall performance evaluation also includes the employee's behaviour and competence. Retail sales incentive schemes are offered to selected employees working in the retail business line and are based on company, business line and individual performance.

Benefits are provided as a means to stimulate well-being in the work environment and to support an appropriate work-life balance. Examples of benefits are flexible working time, study leave, parental leave and the 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.

The supervisory board reviews group and local remuneration policies and practices annually. The respective group and local remuneration policies and execution are evaluated 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.

EMPLOYEE HEALTH AND WORK-LIFE BALANCE

The development of health literacy, embedded in the UN sustainable development goals and Agenda 2030, is essential for dealing with illnesses better, 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 offers 38 courses covering a wide range of measures such as relaxation techniques and physical activity. The courses include yoga, circuit training, Pilates, preventive back pain training, and more. In addition, the health centre continued to focus on health risk factors (in particular the prevention of heart disease and stroke) and on changing personal health practices and behavioural patterns (e.g. smoking and diet). It also offers comprehensive programmes in nutrition, physical fitness and addiction prevention.

Chronic diseases have a major impact not only on quality of life and life expectancy but also on the labour market, since chronic illnesses affect job fluctuation and wages. Erste Group implemented a wide variety of measures to prevent or at least limit the impact of chronic diseases. These measures include preventive medical examinations, access to rehabilitation centres and treatments and a reintegration programme after long-term absence. Erste Group is still one of very few companies with a company agreement on gradual reintegration after an extended sickness. The company agreement is a very good example of bridging health and labour issues.

The workplace directly influences the physical, mental, economic and social well-being of employees and affects the health of their families, communities and society. Consequently, the health centre continued to focus on strengthening its effectiveness on maintaining mental health of the employees in 2017.

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 maternity/parental leave. 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 paternity leave options. As of the end of the year, a total of 3,554 employees were on paternity leave, thereof 3,373 women (94.9%) and 181 men (5.1%). The share of men on paternity leave is the highest in Austria, where almost 10% of all employees on leave are men.

As an additional offer, Erste Group opened its *MiniCampus* company kindergarten at Erste Group's headquarters in Vienna in 2016.

Staff indicators

Overview 2017

	Total		Permanent employment contract		Temporary employment contract		Full-time employees		Part-time employees	
	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males
Erste Group	28,917	17,160	26,081	15,999	2,836	1,161	24,292	16,218	4,625	942
thereof Holding	1,002	1,101	981	1,072	18	32	688	1,045	309	61
Austria	7,453	7,132	7,143	6,846	310	286	4,203	6,525	3,250	607
Czech Republic	7,300	3,256	6,359	2,962	941	294	6,563	3,162	739	92
Slovakia	3,086	1,269	2,472	1,053	614	216	3,028	1,257	58	12
Romania	5,218	2,333	4,800	2,182	418	151	4,871	2,188	347	145
Hungary	1,986	1,172	1,913	1,143	74	28	1,828	1,095	159	76
Croatia	2,179	1,030	1,894	898	299	118	2,153	1,016	40	0
Serbia	753	319	654	295	99	24	751	318	2	1

With the exception of the Austrian savings banks with fewer than 500 employees that are not majority-owned by Erste Group Bank AG, all relevant subsidiaries are included.

The staff indicators are based on headcount data as of the end of the year.

Total data (46,077 employees) include data from indirect holdings of Erste Group outside its core markets.

	Share of female staff		Share of part-time staff		Share of female part-time staff in total part-time workforce		Share of male part-time staff in total male workforce		Share of executive positions	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Erste Group	62.8%	64.0%	12.1%	8.2%	83.1%	82.5%	5.5%	4.8%	1.5%	1.9%
thereof Holding	47.6%	47.6%	18.4%	15.4%	83.5%	79.5%	5.5%	7.6%	1.8%	1.8%
Austria	51.1%	50.0%	26.4%	25.8%	84.3%	81.1%	8.5%	9.8%	1.4%	2.9%
Czech Republic	69.2%	69.7%	7.9%	7.6%	88.7%	89.4%	2.8%	2.7%	1.1%	1.2%
Slovakia	70.9%	68.7%	1.6%	1.2%	82.9%	83.3%	0.9%	0.6%	1.1%	1.1%
Romania	69.1%	70.3%	6.5%	5.8%	70.5%	80.1%	6.2%	3.9%	1.0%	1.7%
Hungary	62.9%	62.5%	7.4%	3.4%	67.7%	74.0%	6.5%	2.4%	2.0%	2.4%
Croatia	67.9%	66.4%	1.2%	1.5%	100.0%	80.0%	0.0%	0.9%	1.9%	2.7%
Serbia	70.2%	69.9%	0.3%	0.1%	66.7%	0.0%	0.3%	0.3%	2.1%	2.8%

	Other managerial positions		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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Erste Group	7.8%	6.8%	29.9%	29.4%	43.3%	46.4%	7.9	8.4	548	394
thereof Holding	10.2%	9.2%	18.9%	23.1%	26.7%	27.4%	5.6	6.1	16	23
Austria	8.9%	6.9%	19.3%	26.5%	29.2%	27.8%	7.1	7.3	230	138
Czech Republic	4.4%	4.2%	25.6%	25.4%	40.5%	44.3%	8.9	8.3	152	109
Slovakia	9.1%	8.8%	26.5%	23.1%	56.9%	54.6%	4.5	12.0	116	102
Romania	6.9%	6.3%	50.6%	44.0%	55.3%	56.0%	8.4	7.9	30	27
Hungary	11.8%	12.2%	23.8%	22.9%	50.8%	51.4%	7.7	7.6	3	8
Croatia	4.6%	5.5%	35.5%	32.6%	60.5%	55.9%	12.5	9.4	10	9
Serbia	14.9%	14.4%	40.9%	33.3%	53.8%	56.2%	6.0	6.7	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.

In 2017, the scope of consolidation was extended. 2017 data are therefore not comparable with 2016 data.

As of year-end 2017, 18.8% of the total workforce was younger than 30, 62.4% was between 30 and 50 and 18.8% older than 50 years.

Governance bodies: Detailed information about the members of the Management Board and the Supervisory Board of Erste Group Bank AG is presented in the Corporate Governance Report. As of year-end 2017, only males were members of the Management Board, and none was younger than 30, 16.7% was between 30 and 50 and 83.3% was older than 50 years. As of year-end 2017, 64.7% of the members of the Supervisory Board were males, 35.3% were females. No Supervisory Board member was younger than 30, 29.4% was between 30 and 50 and 70.6% was older than 50 years.

New employee hires

2017	Females		Males		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	5,250	11.4%	3,108	6.7%	4,398	9.5%	3,577	7.8%	383	0.8%
thereof Holding	180	0.4%	215	0.5%	275	0.6%	112	0.2%	8	0.0%
Austria	1,113	2.4%	1,140	2.5%	1,441	3.1%	693	1.5%	119	0.3%
Czech Republic	1,419	3.1%	661	1.4%	1,240	2.7%	764	1.7%	76	0.2%
Slovakia	604	1.3%	227	0.5%	417	0.9%	390	0.8%	24	0.1%
Romania	809	1.8%	414	0.9%	646	1.4%	510	1.1%	67	0.1%
Hungary	775	1.7%	406	0.9%	307	0.7%	793	1.7%	81	0.2%
Croatia	305	0.7%	140	0.3%	193	0.4%	242	0.5%	10	0.0%
Serbia	109	0.2%	59	0.1%	73	0.2%	92	0	3	0.0%

Total data include data from indirect holdings of Erste Group outside its core markets.

The ratio of new employee hires (in total 8,358 or 18.1%) is calculated on the basis of the total headcount.

Employee turnover

2017	Females		Males		<30 years		30-50 years		>50 years	
	Number	in %								
Erste Group	4,145	9.0%	2,471	5.4%	2,174	4.7%	3,389	7.4%	1,053	2.3%
thereof Holding	48	2.4%	84	4.2%	19	0.9%	66	3.3%	47	2.3%
Austria	608	4.2%	662	4.5%	411	2.8%	459	5.5%	400	2.7%
Czech Republic	1,313	12.4%	573	5.4%	721	6.8%	876	8.3%	289	2.7%
Slovakia	547	12.6%	199	4.6%	230	5.3%	421	9.7%	95	2.2%
Romania	828	11.0%	376	5.0%	451	6.0%	676	9.0%	77	1.0%
Hungary	549	17.4%	315	10.0%	199	6.3%	577	18.3%	88	2.8%
Croatia	139	4.3%	225	7.0%	113	3.5%	188	5.9%	63	2.0%
Serbia	71	6.6%	45	4.2%	17	1.6%	71	6.6%	28	2.6%

2016	Total		<30 years		31-40 years		41-50 years		>50 years	
	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males
Austria	3.2%	4.1%	5.3%	5.6%	2.8%	4.5%	1.6%	2.3%	2.9%	4.2%
Czech Republic	12.4%	5.3%	18.7%	8.9%	11.6%	6.3%	7.5%	3.1%	11.6%	3.1%
Slovakia	12.8%	5.0%	18.7%	8.3%	11.8%	6.9%	8.2%	2.6%	12.3%	2.3%
Romania	11.5%	6.3%	21.6%	10.0%	12.3%	6.2%	6.3%	3.7%	5.8%	5.2%
Hungary	13.8%	8.1%	17.1%	12.6%	12.1%	8.0%	10.8%	6.4%	15.0%	5.5%
Croatia	4.6%	2.7%	10.5%	4.6%	2.7%	1.7%	2.0%	2.2%	3.2%	2.2%
Serbia	6.3%	5.7%	12.2%	14.5%	4.7%	5.1%	1.9%	1.4%	6.5%	1.7%

Total data include data from indirect holdings of Erste Group outside its core markets.

The presentation of the turnover data was amended pursuant to GRI Standard. 2017 data are therefore not comparable with 2016 data.

Employee turnover means employees who left Erste Group (including retirees) and does not include employees on parental leave, internal transfers within Erste Group or departing trainees and interns. The total number of employees who left Erste Group is presented as a ratio of the headcount at the beginning of the reporting period, amended by new employee hires and employees who left during the year. The turnover rate is calculated on the basis of the total headcount and not on the total headcount by gender.

Total turnover was 6,616 (14.4%).

Parental leave

2017	Return to work after parental leave				Retention 12 months after return			
	Females		Males		Females		Males	
	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	955	73.8%	83	95.4%	814	81.7%	59	86.8%
thereof Holding	54	96.4%	18	100.0%	91	95.8%	15	93.8%
Austria	268	91.5%	64	98.5%	294	95.5%	47	90.4%
Czech Republic	173	53.2%	1	100.0%	132	87.4%	0	n.a.
Slovakia	54	40.9%	8	100.0%	38	74.5%	1	100.0%
Romania	202	86.7%	7	87.5%	120	63.5%	7	87.5%
Hungary	121	84.0%	0	0.0%	39	44.3%	0	0.0%
Croatia	54	83.1%	1	100.0%	115	98.3%	3	100.0%
Serbia	40	72.7%	0	n.a.	31	93.9%	0	n.a.

Total data include data from indirect holdings of Erste Group outside its core markets. The ratio (in %) shows the return rate after parental leave has ended. As parental leave includes different terms, the ratios do not refer to the total number of employees on parental leave. Every employee in a permanent employment contract is eligible to take parental leave. In 2017, 3,372 female and 181 male employees were on parental leave, a total of 1,038 employees returned from parental leave (75.2%) and the retention ratio was 82.4% (873 employees).

N.a. indicates that no employee was on parental leave in the reporting or reference period.

Environment

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

Many states – including Austria – have signed the Paris Agreement on climate change, committing themselves to a reduction or even all-out ban of 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.

Due to their lack of production facilities, 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 environmental responsibility and has implemented a group-wide environmental strategy that aims at minimising both its direct and, more importantly, its indirect ecological footprint.

ENVIRONMENTAL STRATEGY

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

- _ implementation of an environmental management system
- _ implementation of a supply chain management system for all products and services needed to run the banking business
- _ integration of environmental criteria into banking products and services
- _ 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 until 2016

In 2012, initial group-wide targets were defined for reducing energy consumption, paper consumption and CO₂ emissions by 2016. These targets were largely met or even exceeded.

	Target	Achieved
Electricity consumption	-10%	-13%
Heating energy	-10%	-18%
Copy paper consumption	-20%	-20%
CO ₂ e-emissions (Scope 1,2)	-30%	-28%

Environmental footprint

	2016	2017
Electricity consumption	161 GWh	186 GWh
Heating energy consumption	134 GWh	165 GWh
Cooling energy consumption	0 GWh	4 GWh
Fuel consumption	30 GWh	38 GWh
Total energy consumption	325 GWh	393 GWh
CO₂e-emissions (Scope 1, 2+3/mobility)	81,484 t	79,846 t
Copy paper consumption	1,376 t	1,733 t

Due to the first-time inclusion of additional subsidiaries in Austria, the number of business entities included in the data rose significantly in 2017. Comparing this data with the ecological footprint of 2016 is therefore not meaningful.

Ecological group-wide targets taking into account the new consolidation scope are planned in 2018 in line with the new non-financial reporting requirements.

Implementation of environmental management systems

ISO 14,001 certification in Croatia and ISO 50,001 in Hungary have been completed, while implementation at the Holding and Erste Bank Oesterreich was postponed to 2018/2019. Of the Austrian savings banks, Steiermärkische Sparkasse has been ISO 14,001 certified and Allgemeine Sparkasse OÖ has been ISO 50,001 certified.

All local subsidiaries are expected to implement a certified environmental management system by 2020. This should create the basis for efficient monitoring of all environmental data at all banks.

PRIORITIES

Improving energy efficiency

For banks, the most effective approach to cutting CO₂-emissions is to use electricity from renewable energy sources. Erste Group has completed this switch to "green" electricity in Austria and Croatia and partially completed it in Hungary and the Czech Republic.

Reducing consumption of electrical energy, heating and hot water is largely ensured by the construction and use of new headquarter buildings, such as in Vienna (Erste Campus), Bucharest (The Bridge) and Belgrade (Sirius Office).

Measures to improve energy efficiency are being implemented group-wide on an ongoing basis. Erste Campus in Vienna, for example, is being supplied with non-fossil fuel energy (district heating and cooling and green electricity). In the future, use of cold groundwater and optimisation of heat pumps combined with geothermal energy will reduce the need for external energy sources. Energy monitoring has been rolled out to another 19 branches, primarily to cut consumption of electrical energy.

Banca Comercială Română has completed its new headquarters building and most of its employees have already moved in. This building has been certified LEEDS (Leadership in Energy and Environmental Design) GOLD and replaces the use of old, energy-inefficient buildings. The extent of energy savings will not be seen until next year when the move into the new building is complete. The replacement of old and inefficient heating systems in 110 branches in Romania is expected to save up to 1 GWh per year.

At Slovenská sporiteľňa, the focus was on raising the energy efficiency of the data centre. The use of new servers and a more efficient cooling system is projected to save 2.1 GWh/year.

Česká spořitelna already procured 50% of its electricity demand from renewable sources, which resulted in a reduction of CO₂ emissions by 34%. In the Czech Republic, installation of advanced energy monitoring systems in the branches was continued. Staff are now able to check their branch's energy consumption at any time.

In July 2017, Erste Bank Serbia started to move to the new Sirius Office complex, which had been built to the highest ecological standards, including high energy efficiency and renewable or recycled structural materials. Certification of the building to BREEAM (Building Research Establishment Environmental Assessment Method) standards will be completed in 2018.

Ecological sourcing of products and services

Erste Group Procurement (EGP) continued its efforts to include environmental criteria in its purchasing activities. Since 2014, the Ethical and Environmental Code of Conduct for Suppliers of Goods and Services of EGP has applied across the group. Supplier evaluation criteria include sustainability and environmental aspects. In addition, EGP staff must pass the on-line test of the Chartered Institute of Procurement and Supply (CIPS) based in England. For further details, please refer to the sections on Customers and Suppliers.

Measures to reduce office paper consumption

To minimise its environmental impact, Erste Group continuously runs paper-saving initiatives and takes into account ecological criteria by purchasing only 100% recycled paper or paper that is FSC or PEFC-certified.

The trend towards digitalisation of the banking business is also reducing paper consumption. In many transactions that are still done at the bank counter, customers sign on electronic pads rather than on printed forms.

In Romania, Banca Comercială Română redesigned many of the processes in its branches in such a way that a total of about 15,000 photocopies are being saved per day. The bank was the last local subsidiary to switch to 100% recycled copy paper.

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

Bank products with ecological benefits

Erste Group continuously develops products and services for its customers that incorporate sustainability criteria, including investment products and financing. For more information on sustainable investment please refer to the Customers section.

There are also numerous examples in the lending business: Erste Bank Serbia financed the construction of one of the largest wind farms in Kovacica. This project forms part of Serbia's efforts to increase the share of renewable energy and curb CO₂ emissions. Ceska spořitelna, market leader in municipal financing in the Czech Republic, runs the Smart City project to assist local authorities who promote the use of new resource-saving technologies. Also worth mentioning is project financing that is critical to the improvement of ecological conditions in the Ostrava region: cleaning up a huge spoil heap from a former coal mine. This heap, which is more than 30 metres high and covers an area of about 100 hectares, has smouldering material inside; it has been emitting noxious greenhouse gases for 20 years.

Other environmental initiatives

Another element of Erste Group's environmental strategy is cooperation with independent 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. In Austria, Erste Group and Erste Bank co-operate with the WWF Climate Group. The primary aim of this platform of leading Austrian companies is to fight climate change. In 2017, it marked its 10-year anniversary with a number of public events, debates and a prize drawing that was open to some 50,000 people working for WWF Climate Group members.

For a number of years, Erste Bank Serbia has been sponsoring a nation-wide *Green Ideas* competition, which awards the best green projects submitted by 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.

Slovenská sporiteľňa placed bee hives on the rooftop of its headquarters building, following the example of Erste Campus. As well as producing excellent honey, these bee hives also serve as a visible symbol of the need for nature conservation.

An exciting project in Romania supports a car-sharing initiative (eGO) by making 20 e-cars available for the exclusive use of customers of Banca Comercială Română. The bank thus helps to reduce emissions in Bucharest while at the same time making a

statement in the fight against climate change. If this initiative proves popular with customers, it will be rolled out to other cities in Romania. At Erste Campus in Vienna, a car sharing system using an e-car was tested at the initiative of s-Leasing in late 2017. Employees can rent it at attractive terms for both personal and business travel. Ceska spořitelna is testing the use of e-cars in its fleet and at Erste Bank Hungary an e-car is being used as a board member's company car for the first time.

Environmental data

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

CO₂e-emissions

in tonnes	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
2017								
Cooling agents	2,124	307	118	248	870	148	284	116
Mobility	8,227	1,787	2,726	695	1,302	678	745	268
Heating/ warm water	17,503	3,250	742	2,869	9,509	343	625	166
Σ Scope 1	27,854	5,343	3,587	3,811	11,681	1,169	1,653	550
District heating / cooling	13,508	2,254	9,303	134	320	771	395	221
Electricity	35,127	436	14,736	3,379	11,549	2,664	273	1,900
Σ Scope 2	48,635	2,690	24,038	3,513	11,869	3,435	668	2,121
Scope 3 (only mobility)	3,357	1,709	818	45	565	27	119	51
Total (Scope 1,2 and 3)	79,846	9,742	28,443	7,369	24,115	4,630	2,440	2,721
2016								
Cooling agents	1,246	14	399	176	159	148	268	81
Mobility	7,642	949	2,964	720	1,333	680	724	273
Heating/ warm water	13,742	994	807	2,895	7,863	449	585	150
Σ Scope 1	22,630	1,957	4,169	3,792	9,355	1,277	1,577	504
District heating	11,076	144	9,208	269	490	436	293	236
Electricity	43,302	109	22,365	3,391	12,283	3,137	14	2,002
Σ Scope 2	54,377	253	31,573	3,661	12,773	3,573	307	2,237
Scope 3 (only mobility)	4,476	1,478	2,043	84	728	24	48	71
Total (Scope 1,2 and 3)	81,484	3,688	37,785	7,537	22,856	4,874	1,933	2,812

If national emission factors for Scope 2 (district heating and electricity) were applied, the CO₂e-emissions would amount to 124,970 t. Erste Group procures primarily CO₂e-neutral electricity and district heating from waste or biomass. For this reason, Erste Group's actual CO₂e-emissions are significantly lower.

Environmental indicators

Total figures shown in the following tables include data of indirect holdings of Erste Group outside its core markets. A detailed presentation of Holding data is not available, as a meaningful separation of the environmental indicators is not possible due to the shared usage of the location (Erste Campus) with other entities. In 2017, the scope of consolidation was extended; the 2017 data are therefore not comparable with the preceding year. Relative values for 2017 refer to 40,630 FTEs (full-time equivalent; defined as an employee times his/her employment factor). CO₂ equivalents (CO₂e) are the sum of all greenhouse gas emissions, i.e. carbon dioxide, methane and nitrous oxide.

Relative values

	Heating kWh/m ²	Electricity kWh/m ²	Copy paper kg/FTE	CO ₂ e Scope 1 t/FTE	CO ₂ e Scope 2 t/FTE	CO ₂ e Scope 3 t/FTE
2017						
Erste Group	99.1	108.6	42.7	0.69	1.20	0.08
Austria	79.8	121.8	45.5	0.42	0.21	0.13
Croatia	73.7	180.6	41.7	0.58	0.23	0.04
Czech Republic	107.5	98.6	25.7	0.35	2.37	0.08
Hungary	77.5	131.6	41.9	0.39	1.14	0.01
Romania	129.1	91.6	74.9	1.91	1.94	0.09
Serbia	74.8	106.1	48.6	0.51	1.98	0.05
Slovakia	87.3	98.4	28.8	0.89	0.82	0.01
2016						
Austria	92.0	186.7	20.0	0.24	0.03	0.18
Croatia	76.7	193.1	37.3	0.51	0.10	0.02
Czech Republic	96.1	90.4	24.4	0.40	3.04	0.20
Hungary	63.5	158.0	45.4	0.44	1.22	0.01
Romania	107.2	91.2	72.2	1.29	1.80	0.10
Serbia	69.0	98.8	52.8	0.50	2.23	0.07
Slovakia	84.4	107.0	33.0	0.87	0.84	0.02

Copy paper

	2016			2017		
	total weight tonnes	recycled in %	non-recycled in %	total weight tonnes	recycled in %	non-recycled in %
Erste Group	1,376.0	65.9	34.1	1,733.0	74.1	25.9
Austria	163.5	88.7	11.3	586.9	26.8	73.2
Croatia	116.2	99.9	0.1	119.9	99.8	0.2
Czech Republic	254.0	98.4	1.6	261.0	97.0	3.0
Hungary	132.8	100.0	0.0	125.7	100.0	0.0
Romania	513.2	13.4	86.6	458.7	99.1	0.9
Serbia	53.1	100.0	0.0	52.1	100.0	0.0
Slovakia	143.2	98.8	1.2	122.7	99.3	0.7

Management board

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

Vienna, 13 March 2018