

# Corporate Governance

## (Consolidated) corporate governance report

Erste Group Bank AG is a stock corporation established according to Austrian law and declare since 2003 its commitment to complying with the rules of the Austrian Code of Corporate Governance (Austrian CCG – see [www.corporate-governance.at](http://www.corporate-governance.at)) with the objective of ensuring responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement reaffirms and states in more detail the purpose of Erste Group Bank AG to promote and secure prosperity throughout the region in which Erste Group is active. Building on this Statement of Purpose, a Code of Conduct defines binding rules for day-to-day business. Erste Group values responsibility, respect and sustainability in pursuing its business activities. The Code of Conduct therefore helps to protect the reputation of Erste Group and to strengthen stakeholder confidence. The Corporate Governance Report has been prepared in accordance with sections 243c and 267b of the Austrian Commercial Code and Rules 60 et seq. of the Austrian CCG and combines the corporate governance report of Erste Group Bank AG, the parent, and the consolidated corporate governance report in one single report. The management board has also prepared a (consolidated) non-financial report in accordance with sections 243b and 267a of the Austrian Commercial Code, which is released as part of the annual report.

In the financial year 2019, Erste Group Bank AG complied with all L-Rules (Legal Requirements – mandatory legal norms) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained) as well as – with two exceptions – all C-Rules (Comply-or-Explain – deviations are permitted but must be explained) of the Austrian CCG. The two deviations are described and explained below: Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. investors have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the shareholder meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency according to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date. Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at

most. In 2019, the supervisory board of Erste Group Bank AG comprised until the death of Brian O'Neill, thus until 20 December 2019, thirteen then twelve members elected by the annual general meeting. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market position in seven core markets in Central and Eastern Europe as well as to the fact that the supervisory board of Erste Group Bank AG must perform a multitude of financial market related and prudential review and oversight duties. Moreover, the supervisory board must meet various criteria to comply with the diversity requirements.

The management board is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board takes its decisions in compliance with the articles of association and its internal rules as well as the Statement of Purpose.

### Selection and assessment of members of management bodies

The qualification requirements for members of the management bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards (Suitability Policy). These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of members of the management bodies. The assessment of proposed and appointed members of management bodies is based on the following criteria: personal reputation, professional qualifications and required experience as well as potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity.

### Training and development

To maintain an appropriate level of professional qualification of members of the management bodies, Erste Group regularly organises events and seminars for members of the management board and supervisory board and facilitates their participation in external training events on relevant topics. An in-house training programme for members of the supervisory board covered the following matters, for example: the capital situation of Erste Group compared with its peers, management board and supervisory board remuneration in the context of the implementation of the Shareholder Rights Directive in Austria, the development of Europe through the combined actions of the European Commission and the European Parliament.

## MANAGEMENT BOARD

In 2019, the management board consisted of up to seven members.

Management board member	Year of birth	Date of initial appointment	End of current period in office
Andreas Treichl (Chairman until 31 December 2019)	1952	1 October 1994	31 December 2019
Bernhard Spalt (Chairman since 1 January 2020, Vice-Chairman until 31 December 2019)	1968	1 July 2019	30 June 2023
Ingo Bleier	1970	1 July 2019	30 June 2022
Peter Bosek	1968	1 January 2015	30 June 2023
Petr Brávek	1961	1 April 2015	31 December 2019
Willibald Cernko	1956	1 January 2017	30 June 2019
Stefan Dörfler	1971	1 July 2019	31 December 2023
Alexandra Habeler-Drabek	1970	1 July 2019	30 June 2022
Gernot Mittendorfer	1964	1 January 2011	30 June 2019
Jozef Sikela	1967	1 January 2015	30 June 2019

Andreas Treichl resigned from the management board as of 31 December 2019, Bernhard Spalt was appointed by the supervisory board as an additional member of the management board in September 2018 with effect from 1 July 2019 to 31 December 2022. On 25 April 2019, the supervisory board extended Bernhard Spalt's management board mandate until 30 June 2023.

Bernhard Spalt initially served as Vice Chairman of the management board before assuming the role of Chief Executive Officer as of 1 January 2020.

Gernot Mittendorfer and Jozef Sikela left the management board effective 1 July 2019. Petr Brávek resigned from the management board as of 31 December 2019.

On 25 April 2019, the supervisory board appointed Alexandra Habeler-Drabek, Ingo Bleier and Stefan Dörfler as management board members as of 1 July 2019 and Ara Abrahamyan and David O'Mahony as of 1 January 2020. On 25 April 2019, Peter Bosek was reappointed as member of the management board before the expiry of his term of office.

### Management board member Areas of responsibility

#### 1 January until 30 June 2019

Andreas Treichl (Chairman)	Group Strategy, Group Secretariat, Brand Management and Company Transformation, Group Investor Relations, Group Human Resources, Human Resources, Group Audit, Group Board Support & Stakeholder Management, Social Banking Development
Peter Bosek	Erste Hub, Digital Sales, Group Retail Strategy
Petr Brávek	Holding IT, Holding Banking Operations, Group COO Governance, Group Architecture and Portfolio Management
Willibald Cernko	Executive Divisional Director Strategic Risk, Group Liquidity and Market Risk Management, Enterprise wide Risk Management, Credit Risk Models, Group Non Financial Risk, Group Workout, Group Credit Risk Management, Group Legal
Gernot Mittendorfer	Executive Divisional Director Strategic Data Program, Group ALM, Group Data Management and Reporting, Group Accounting and Group Controlling, Group Services
Jozef Sikela	Group Corporates, GCRE & Leasing, Group Markets, Operating Office C and M, Group Research

#### 1 July until 31 December 2019

Andreas Treichl (Chairman)	Brand Management and Company Transformation, Group Investor Relations, Group Human Resources, Human Resources, Group Board Support & Stakeholder Management, Social Banking Development
Bernhard Spalt (Vice Chairman)	Group Strategy, Group Secretariat, Group Audit, Group Architecture and Portfolio Management
Ingo Bleier	Group Corporates, GCRE & Leasing, Group Markets, Group Product and Business Management C. and M., Group Research
Peter Bosek	Erste Hub, Digital Governance, Group Retail Strategy
Petr Brávek	Holding Banking Operations, Holding IT, Group COO Governance
Stefan Dörfler	Group ALM, Group Data Management and Reporting, Group Accounting and Group Controlling, Group Services
Alexandra Habeler-Drabek	Group Liquidity and Market Risk Management, Enterprise wide Risk Management, Credit Risk Models, Group Compliance, Group Credit Risk Management, Group Legal

#### Since 1 January 2020

Bernhard Spalt (Chairman)	Group Strategy, Group Secretariat, Brand Management and Company Transformation, Group Investor Relations, Group Human Resources, Human Resources, Group Audit, Group Board Support & Corporate Affairs, Social Banking Development
Ara Abrahamyan	Group Portfolio Management, Group Architecture, Digital Initiatives
Ingo Bleier	Group Corporates, GCRE & Leasing, Group Markets, Group Product and Business Management C. and M., Group Research
Peter Bosek	Erste Hub, Digital Governance, Group Retail Strategy
Stefan Dörfler	Group ALM, Group Data Management and Reporting, Group Accounting and Group Controlling
Alexandra Habeler-Drabek	Group Liquidity and Market Risk Management, Enterprise wide Risk Management, Credit Risk Models, Group Compliance, Group Credit Risk Management, Group Legal
David O'Mahony	Holding Banking Operations, CIO Group Functions, Governance and Steering

## Supervisory board mandates and similar functions, management roles in subsidiaries

As of 31 December 2019, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies or material subsidiaries of Erste Group Bank AG (the latter are marked with \*). No management board member holds a management position in a material subsidiary of Erste Group Bank AG.

### Andreas Treichl

Banca Comercială Română S.A.\*, Vice Chair  
 Česká spořitelna, a.s.\*, Vice Chair until 31 December 2019  
 Die Zweite Wiener Vereins-Sparcasse\*, Chair  
 Leoganger Bergbahnen Gesellschaft m.b.H., Member

### Bernhard Spalt

Česká spořitelna, a.s.\*, Vice Chair  
 Banca Comercială Română S.A.\*, Member  
 (since 26 February 2020)

### Ingo Bleier

Erste Bank der oesterreichischen Sparkassen AG\*, Member  
 Erste & Steiermärkische Bank d.d.\* (Erste Bank Croatia), Member  
 Erste Bank a.d. Novi Sad\*, Chair  
 Oesterreichische Kontrollbank Aktiengesellschaft, Member

### Peter Bosek

Wiener Städtische Versicherung AG Vienna Insurance Group, 2<sup>nd</sup> Vice Chair  
 Sparkassen IT Holding AG\*, Member  
 Wien 3420 Aspern Development AG, Member  
 s IT Solutions AT Spardat GmbH\*, Chair

### Petr Brávek

s IT Solutions AT Spardat GmbH\*, 2<sup>nd</sup> Vice Chair  
 (until 31 December 2019)  
 Erste Group IT International GmbH\*, Chair  
 (until 31 December 2019)

### Stefan Dörfler

Česká spořitelna, a.s.\*, Member  
 CEESAG Aktiengesellschaft, Member  
 Erste Group IT International GmbH\*, Vice Chair  
 Slovenská sporiteľňa, a.s.\*, Chair  
 Sparkassen-Haftungs GmbH\*, Member  
 Wiener Börse AG, Member

### Alexandra Habeler-Drabek

Erste Bank der oesterreichischen Sparkassen AG\*, Member  
 Erste Bank Hungary Zrt.\*, Member  
 Prvá stavebná sporiteľňa, a.s.\*, Member  
 Banca Comercială Română S.A.\*, Vice Chair  
 (since 21 February 2020)

In addition, since 1 January 2020 the following mandates have been held:

### Ara Abrahamyan

Erste Bank Hungary Zrt.\*, Member  
 Erste Group IT International GmbH\*, Member

### David O'Mahony

s IT Solutions AT Spardat GmbH\*, 2<sup>nd</sup> Vice Chair  
 Erste Group IT International GmbH\*, Chair  
 Erste Bank a.d. Novi Sad\*, Member

## SUPERVISORY BOARD

In the financial year 2019, the following persons were members of the supervisory board:

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period in office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2022
1st Vice Chairman	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2022
2nd Vice Chairman	Maximilian Hardegg	1966	Entrepreneur	12 May 2015	AGM 2020
Member	Elisabeth Bleyleben-Koren	1948	General Manager ret.	21 May 2014	AGM 2019
Member	Matthias Bulach	1976	Head of Financial Accounting, Control and Capital, CaixaBank	15 May 2019	AGM 2022
Member	Henrietta Egerth-Stadlhuber	1971	Managing Director	26 June 2019	AGM 2022
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2020
Member	Jordi Gual Solé	1957	Chairman, CaixaBank	17 May 2017	AGM 2022
Member	Marion Khüny	1969	Consultant	17 May 2017	AGM 2022
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2024
Member	Brian D. O'Neill	1953	Executive Vice-President, Inter-American Development Bank	31 May 2007	20 Dec 2019
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2020
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2021
Member	Michèle F. Sutter-Rüdissler	1979	Adjunct Professor, University of St. Gallen	15 May 2019	AGM 2022
<b>Delegated by the employees' council</b>					
Member	Martin Grießer	1969		26 June 2019	21 Jan 2020
Member	Markus Haag	1980		21 Nov 2011	until further notice
Member	Regina Haberhauer	1965		12 May 2015	until further notice
Member	Andreas Lachs	1964		9 Aug 2008	until further notice
Member	Barbara Pichler	1969		9 Aug 2008	until further notice
Member	Jozef Pinter	1974		25 June 2015	until further notice
Member	Karin Zeisel	1961		9 Aug 2008	until further notice

In the financial year 2019, the composition of the supervisory board changed as follows: the supervisory board mandate of Elisabeth Bleyleben-Koren expired as of the end of the annual general meeting on 15 May 2019. Elisabeth Bleyleben-Koren was not available for re-election. Matthias Bulach and Michèle F. Sutter-Rüdissler were elected to the supervisory board at the annual general meeting with immediate effect, Henrietta Egerth-Stadlhuber with effect from the registration of the amendment to

the articles of association adopted at the annual general meeting in the companies' register, i.e. as of 26 June 2019. Martin Grießer was delegated to the supervisory board as of 26 June 2019. On 20 December 2019, the long-standing supervisory board member Brian D. O'Neil passed away after a short and serious illness. Following the death of Brian D. O'Neill, Martin Grießer's delegation to the supervisory board was revoked pursuant to section 110 of the Labour Relations Act (ArbVG) on 21 January 2020.

### Membership in supervisory board committees

Committee membership as of 26 June 2019:

Name	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT committee
Friedrich Rödler	Chairman	Chairman	Chairman*	Member	Chairman**	Vice Chairman
Jan Homan	Vice Chairman	Vice Chairman	Member	Vice Chairman	Vice Chairman	-
Maximilian Hardegg	Member	Member	Vice Chairman	Chairman	Substitute	Chairman
Matthias Bulach	-	-	Member	-	-	-
Henrietta Egerth-Stadlhuber	-	-	-	Substitute	-	Member
Gunter Griss	-	-	-	-	-	-
Jordi Gual Solé	-	-	-	-	Member	-
Marion Khüny	-	-	-	Member	-	Member
Elisabeth Krainer Senger-Weiss	Member	Member	-	Member	-	Substitute
Brian D. O'Neill (until 20 December 2019)	-	-	-	-	Member	-
Wilhelm Rasinger	Substitute	-	Member	Member	-	-
John James Stack	-	-	-	-	Member	-
Michèle F. Sutter-Rüdissler	-	-	Member	-	-	-
<b>Delegated by the employees' council</b>						
Martin Grießer (until 21 January 2020)	-	-	Member	Substitute	-	Member
Markus Haag	-	-	-	Member	Substitute	-
Regina Haberhauer	-	-	Member	Substitute	-	-
Andreas Lachs	Substitute	Substitute	Substitute	Member	Member	Member
Barbara Pichler	Member	Member	Member	-	Member	Substitute
Jozef Pinter	Substitute	Substitute	Substitute	Member	Substitute	Substitute
Karin Zeisel	Member	Member	-	-	Member	-

\*Financial expert, \*\*Remuneration expert

### Mandates on supervisory boards or similar functions

As of 31 December 2019, the supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Material subsidiaries of Erste Group Bank AG are marked with \*, listed companies are marked with \*\*.

#### Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG\*, Chair  
 Erste Bank Hungary Zrt.\*  
 Sparkassen-Prüfungsverband, Chair  
 Audit Oversight Body of Austria

#### Jan Homan

Frapag Beteiligungsholding AG, Vice Chair  
 Slovenská sporiteľňa, a.s.\*, 1<sup>st</sup> Vice Chair

#### Maximilian Hardegg

DIE ERSTE österreichische Spar-Casse Privatstiftung  
 Česká spořitelna, a.s.\*  
 TIROLER SPARKASSE Bankaktiengesellschaft Innsbruck\*  
 Nadace České spořitelny

#### Matthias Bulach

CaixaBank Payments & Consumer Finance E.F.C., S.A.U.  
 CaixaBank Asset Management SGIIC, S.A.U.  
 BuildingCenter, S.A.U.

#### Gunter Griss

AVL List GmbH, Chair  
 Bankhaus Krentschker & Co. Aktiengesellschaft\*, 1<sup>st</sup> Vice Chair

#### Jordi Gual Solé

CaixaBank, S.A.\*\*\*, Chair  
 Telefónica S.A.\*\*

#### Marion Khüny

KA Finanz AG

#### Elisabeth Krainer Senger-Weiss

Gebrüder Weiss Holding AG, Vice Chair  
 Gebrüder Weiss Gesellschaft m.b.H., Vice Chair  
 Banca Comercială Română S.A.\*

#### Wilhelm Rasinger

Friedrichshof Wohnungsgenossenschaft reg. Gen. mbH, Chair  
 Gebrüder Ulmer Holding GmbH  
 S IMMO AG\*\*, 2<sup>nd</sup> Vice Chair

#### John James Stack

Ally Bank  
 Ally Financial Inc.\*\*  
 Česká spořitelna, a.s.\*, Chair  
 Mutual of America Capital Management  
 Nadace České spořitelny

#### Michèle F. Sutter-Rüdisser

BÜCHI Labortechnik AG  
 Privatbank IHAG Zürich AG  
 Spital Thurgau AG

Henrietta Egerth-Stadlhuber did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2019.

Delegated by the employees' council:

#### Regina Haberhauer

Erste Asset Management GmbH\*

#### Andreas Lachs

VBV-Pensionskasse Aktiengesellschaft

#### Barbara Pichler

DIE ERSTE österreichische Spar-Casse Privatstiftung

Martin Grießer, Markus Haag, Jozef Pinter and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

### Mechanism for shareholders and employees to provide recommendations and direction to the supervisory board

In accordance with the law and the articles of association, the Employees' Council has the right to delegate one member from among its ranks for every two members appointed by the annual general meeting (statutory one-third parity rule). If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative.

### Measures to avoid conflicts of interest

Every year, the members of the supervisory board are obligated to consider the regulations of the Austrian CCG regarding conflicts of interest. Furthermore, new members of the supervisory board receive comprehensive information regarding the avoidance of conflicts of interest when taking up their supervisory board functions.

### Independence of the supervisory board

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the annual general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board. A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct. The supervisory board adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

- \_ The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
- \_ The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- \_ The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- \_ The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- \_ The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- \_ The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

Based on the above criteria, all supervisory board members have declared their independence with the exception of Friedrich Rödler and Jan Homan. Friedrich Rödler and Jan Homan have been serving on the supervisory board for more than 15 years.

No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2019, two members of the supervisory board (Maximilian Hardegg and Barbara Pichler) served on a management body of DIE ERSTE österreichische Spar-Casse Privatstiftung, which holds more than 10% of the shares of Erste Group Bank AG.

### Attendance of supervisory board meetings

In 2019, all members of the supervisory board attended more than half of the supervisory board and committee meetings that took place after their election or delegation to the supervisory board or before their resignation from their mandate or revocation of their delegation.

Furthermore, in 2019, the ordinary members of the supervisory board or their substitutes, if applicable, attended in person, by videoconferencing or teleconferencing more than half of the committee meetings held after their election or delegation to the supervisory board or before resigning from their mandate or their delegation being revoked. The following table shows the attendance of meetings by ordinary members without accounting for the attendance of substitute members.

Name	Supervisory board (7 meetings)	Nomination committee (2 meetings)	Audit committee (5 meetings)	Risk committee (14 meetings)	Remuneration committee (4 meetings)	IT committee (4 meetings)
Friedrich Rödler	100%	100%	100%	100%	100%	100%
Jan Homan	86%	100%	80%	86%	75%	
Maximilian Hardegg	100%	100%	100%	93%		100%
Elisabeth Bleyleben-Koren	100%		100% <sup>2</sup>	100% <sup>2</sup>		
Matthias Bulach	100%		100% <sup>1</sup>			
Henrietta Egerth-Stadlhuber	100%					100% <sup>3</sup>
Gunter Griss	100%				100% <sup>2</sup>	
Jordi Gual Solé	86%				75%	
Marion Khüny	100%			86%		75%
Elisabeth Krainer Senger-Weiss	100%	100% <sup>1</sup>		79% <sup>1</sup>		100% <sup>4</sup>
Brian D. O'Neill	57%				50%	
Wilhelm Rasinger	86%		100%	93%		
John James Stack	86%				100%	
Michèle F. Sutter-Rüdisser	100%		100% <sup>1</sup>			
<b>Delegated by the employees' council</b>						
Martin Grießer	75%		100% <sup>3</sup>			100% <sup>3</sup>
Markus Haag	100%			93%		
Regina Haberhauer	100%		60%			
Andreas Lachs	100%			79%	100%	75%
Barbara Pichler	100%	100%	60%		100%	
Jozef Pinter	71%		100% <sup>4</sup>	71%		
Karin Zeisel	100%	100%			100%	0% <sup>4</sup>

<sup>1</sup> since 15 May 2019 member, <sup>2</sup> until 15 May 2019 member, <sup>3</sup> since 26 June 2019 member, <sup>4</sup> until 26 June 2019 member

### Self-evaluation of the supervisory board

At its meeting of 30 January 2019, the nomination committee performed an evaluation of the activities of the supervisory board and its committees for the year 2018. It discussed, for example, the supervisory board members' attendance at supervisory board and committee meetings in 2018, assessed the efficiency of the supervisory board's activities, organisation and working practice and undertook a critical review of the composition of committees. Potential conflicts of interest of management board and supervisory board members were considered and the number of mandates and secondary activities of management and supervisory board members were reviewed. The supervisory board discussed afterwards the results of this evaluation pursuant to C-Rule 36 of the Austrian CCG at its meeting of 28 March 2019 and concluded the evaluation for 2018 with a positive assessment. The self-evaluation of the supervisory board for 2019 will be performed at its meeting on 26 March 2020.

### Contracts subject to approval (C-Rule 49 Austrian CCG)

In 2019, „Am Klimtpark“ LiegenschaftsverwaltungsgmbH, an entity in which Wilhelm Rasinger has a significant economic interest, signed a loan agreement with Erste Group for the amount of EUR 18 million.

## SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up six committees: the risk committee, the executive committee, the audit committee, the nomination committee, the remuneration committee and the IT committee.

### Risk committee

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for large loans as defined in section 28b of the Austrian Banking Act. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. The supervisory board has delegated to the risk committee the right to approve the establishment and closure of branches and to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of partici-

pations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes as well as on important audits of subsidiaries conducted by regulatory authorities. In addition, the risk committee is responsible for reviewing potential stress scenarios in order to assess how the bank's risk profile reacts to external and internal events. Furthermore, the risk committee assesses recommendations of internal and external auditors and monitors the appropriate implementation of measures taken that are not covered by reports of other committees. It also advises and supports the supervisory board in monitoring current and future risk appetite and the risk strategy and submits recommendations on required adjustments to the risk strategy to the supervisory board.

### Executive committee

The executive committee meets on an ad hoc basis at the supervisory board's request for the purpose of preparing specific topics for meetings or for circular resolutions. The committee may also be assigned the power to take final decisions. In case of imminent danger and to prevent significant damage, the executive committee may be convened by its chairperson in order to take action in the interest of the company even without a specific mandate from the supervisory board.

### Audit committee

The audit committee is responsible for overseeing the accounting process; monitoring the effectiveness of the company's internal control system, internal audit system and risk management system; overseeing the annual audit of single-entity and consolidated financial statements; reviewing and supervising the independence of the auditor (Group auditor), in particular with respect to the additional services rendered to the audited company and the group companies; submitting a report on the results of the annual audit to the supervisory board and explaining how the annual audit has affected the reliability of financial reporting and the role of the audit committee in doing so; reviewing the annual financial statements and preparing its approval; reviewing the proposal for the allocation of profits, the management report and the (consolidated) corporate governance report as well as the (consolidated) non-financial report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of the group and the group management report and submitting the report on the results of the review to the supervisory board; carrying out the procedure for the selection of the auditor (group auditor), taking into account the appropriateness of the fees and recommending the appointment of the auditor (group auditor) to the supervisory board; recommending the renewal of the auditor's (group auditor's) mandate to the supervisory board; acknowledging the additional report of the auditor and discussing this report; acknowledging timely information on the focal points of the audit and submitting proposals for additional focal points of the audit; taking note of the annual financial statements of material subsidiaries and of the participations report; acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant to the internal audit of

the Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to Article 25 (3) in conjunction with Article 24 of the Delegated Regulation (EU) 2017/565; in the case of on-site inspection conducted by supervisory authorities acknowledging the inspection report, the report on the contents of the plan to address identified findings and/or the result of administrative proceedings initiated on the basis of the identified findings; acknowledging immediate information on material findings of the auditor, the internal audit function or an audit conducted by a regulatory authority; acknowledging immediate information on loss events that could exceed 5% of consolidated equity or 10% of the budgeted net result; acknowledging reports of the management board on current developments and compliance regarding corporate governance and anti-money laundering rules; acknowledging the compliance activity report pursuant to Article 25 (3) in conjunction with Article 22 of the Delegated Regulation (EU) 2017/565. The audit committee is also responsible for preparing supervisory board decisions concerning the approval of the conclusion of a material transaction pursuant to section 95a of the Austrian Stock Corporation Act (AktG) and overseeing its execution as well as overseeing and periodically (re-)assessing this material transaction; taking note of cases of damage or loss at Erste Group that are reported to the audit committee by internal audit as part of significant audit findings provided they exceed thresholds previously defined by the audit committee; pre-consenting to the removal of the head of internal audit from their position and involvement in the process of filling the position of head of internal audit.

### **Nomination committee**

Meetings of the nomination committee are held as needed (at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee decides on the employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates that have become vacant. In filling vacant management board and supervisory board mandates, the focus is in particular on the members' personal and professional qualifications, but also a well-balanced board composition in terms of expertise, a well-balanced and broad range of knowledge, skills and experience of the members on each body (collective suitability) and on aspects of diversity. The nomination committee also defines a target quota for the underrepresented gender and develops a strategy to achieve this target. The nomination committee furthermore adopts the internal policy for dealing with conflicts of interest for the management board and the supervisory board, monitors compliance with it and regularly re-

ports to the supervisory board on existing conflicts of interest and the measures taken to control them. The nomination committee must ensure that the management board's and the supervisory board's decision-making processes are not dominated by one single person or a small group of persons. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance and submits proposals for changes to the supervisory board, if necessary. In addition, the nomination committee must conduct periodic assessments of the expertise, skills and experience of both the management board members and the individual members of the supervisory board as well as of each body in its entirety and report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee must review actions taken by the management board and supports the supervisory board in making recommendations to the management board.

### **Remuneration committee**

The remuneration committee prepares resolutions on remuneration matters, including resolutions that have an impact on the bank's risk and risk management and must be passed by the supervisory board. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes in relation to the control, monitoring and containment of risks, the capital base and liquidity, with due regard to the long-term interests of the bank's shareholders, investors and employees as well as the national interest in a well-functioning banking system and financial market stability. The committee approves exceptions from the application of the remuneration policy to individual staff members of the company and monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. It furthermore reviews the (variable) remuneration of senior managers of the company performing independent control functions such as risk management and compliance and of staff members having a significant impact on the company's risk profile. In addition, it approves the identification of employees having a significant impact on the company's risk profile and reviews the criteria on which the management board's decision is based as well as the procedure used in taking such decisions. The committee also ensures that information on the remuneration policy and practices provided to shareholders is appropriate. Once a year, the committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group. For the very first time, the nomination committee also prepared for 2020 the principles for the remuneration of management and supervisory board members pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (Remuneration Policy according to Austrian Stock Corporation Act). In addition, it is responsible for preparing the report on the remuneration of management and supervisory board pursuant to sections 78a and 98a

of the Austrian Stock Corporation Act (Remuneration Report according to Austrian Stock Corporation Act).

### IT committee

The IT committee monitors and supervises IT-related issues and IT strategy in general. In addition, the IT committee is also responsible for taking note of IT reports, of reports on the IT outsourcing strategy and on the outsourcing of IT-related functions; taking note of the Group IT budget; of reports on the status of the IT support function and on the development of key IT initiatives and projects; monitoring the capacity and performance of systems, operating continuity and crisis management, data security, computer and network security and taking note of critical changes in the organisational structure and responsibilities of the IT department.

## MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Seven meetings of the supervisory board were held in the financial year 2019.

At the ordinary meetings of the supervisory board the respective monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk; the status of individual bank subsidiaries in Central and Eastern Europe was discussed and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings pursuant to section 42 para 3 of the Austrian Banking Act. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at supervisory board meetings in 2019 was reports on current regulatory developments in the banking environment and their impacts on Erste Group. The management board regularly presented proposals to the supervisory board that required its approval under the law, the articles of association and internal rules.

At the meeting of 28 March 2019, the financial statements and the management report 2018, the consolidated financial statements and consolidated management report as well as the (consolidated) corporate governance report 2018 and the (consolidated) non-financial report 2018 were reviewed; the auditors' reports as well as the report of the audit committee pursuant to section 63a para 4 (5) of BWG were discussed and the financial statements for 2018 were adopted in accordance with the recommendation of the audit committee. It was also decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 15 May 2019 as an additional auditor of the (consolidated) financial statements for the financial year 2020. In addition, a report on Erste Group's real estate was presented and relevant decisions were taken. In addition, the annual report of the supervisory board on loans to board members pursuant to section 28 para 4 of the Austrian Banking Act as well as the list prepared pursuant to C-Rule 82a of the Austrian CCG were each taken note of. The report on the assessment of the

effectiveness of the risk management was submitted to the supervisory board by the chairman of the audit committee. The supervisory board performed a self-evaluation pursuant to C-Rule 36 of the Austrian CCG and took note of an evaluation of the management board performed by the nomination committee pursuant to section 29 of the Austrian Banking Act. Reports were delivered on the issuance of additional core capital (additional tier 1 bonds), the capital strategy and the potential cooperation with and challenges posed by fintechs.

At the meeting of 25 April 2019, note was taken of the annual report of Group Compliance, the report on the collective suitability of the supervisory board and the annual report on conflicts of interest. The variable remuneration of members of the management board for the financial year 2018 was adopted. Management board matters were discussed in depth and taken note of and management board members were appointed or re-appointed taking into account the recommendations of the nomination committee.

At the constituent meeting of 15 May 2019 held after the annual general meeting, Friedrich Rödler, Jan Homan and Maximilian Hardegg were re-elected to their positions and the members of the supervisory board were elected to the respective supervisory board committees and the committees thus newly formed.

At the meeting of 27 June 2019, which was also attended by members of the supervisory authorities' Joint Supervisory Team, who gave presentations and answered questions raised by supervisory board members, a project of Česká spořitelna was discussed and a report on the status of Social Banking was taken note of. In addition, the extension of Bernhard Spalt's management board mandate was approved, Peter Bosek's conflicts of interest due to his dual role as CEO of Erste Bank Oesterreich were discussed and new rules of representation for management board members, a new allocation of responsibilities, framework plans for the issuance of certificates and warrants as well as the acquisition of own shares, changes in the internal rules of the audit committee and a related party transaction of a member of the supervisory board were approved.

At the meeting of 3 October 2019, the supervisory board took note of reports on sustainable finance and directors' dealings; the Group Recovery Plan was presented. In addition, Erste Group Bank AG's self-evaluation pursuant to the savings banks' governance code was approved.

At the meeting of 12 December 2019, reports on a project, on large exposures pursuant to section 28b of the Austrian Banking Act and the budget and the capital plan for the financial year 2019 were discussed, approved and taken note of. New representation rules for the management board and a new allocation of responsibilities were adopted. Pursuant to section 95a of the Austrian Stock Corporation Act, a procedure was defined for dealings with related entities and individuals. In addition, a

framework programme for the acquisition of own shares for the employee share programme, an anticipatory resolution pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act as well as a resolution on long-term funding activities in the financial year 2020 were adopted and changes to the internal rules of the supervisory board, the remuneration committee and the audit committee were approved.

At a strategy retreat held from 15 to 17 May 2019, the supervisory board considered strategic topics of Erste Group comprehensively and in great depth; the management board and other experts were invited to join in more detailed debates.

## MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held fourteen meetings in 2019, at which it regularly took decisions on exposures and loans exceeding the powers of the management board, was briefed on loans granted within the scope of authorisation of the management board and approved the granting of statutory powers of attorney (Prokuren). The committee was regularly informed on the risk strategy, risk appetite, the monitoring required to comply with these limits, individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on current regulatory risk topics, the situation of specific sectors and industries, including the real estate and automotive industries and the resulting impacts on the risk strategy. Further items on the agenda were audits by supervisory authorities, internal risk models and various legal disputes. Reports were regularly delivered on risk development in individual countries and subsidiaries. Without prejudice to the duties of the remuneration committee, the risk committee members were also informed on whether the incentives offered by the internal remuneration system adequately account for risk, capital, liquidity and the probability and timing of profit realisation. Also on the agenda were reports on stress tests and the Graben project (former headquarters). In addition, the members of the risk committee were informed about developments in the corporate workout portfolio in general and major workout cases in particular.

The executive committee did not meet in 2019.

The audit committee met five times in 2019 and, in addition, held one informal meeting to prepare the meeting on the review of the (consolidated) financial statements. The external auditors were present at all meetings. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2018 and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the management report as well as the (consolidated) corporate governance report and the (consolidated) non-financial report were reviewed and the financial statements recommended for approval by the supervisory board. The additional report of the auditors pursuant to Article 11 of EU Regulation 2014/537 was taken note of. The head of the inter-

nal audit department reported on the audit subjects and material audit findings for the year 2018 and, on an ongoing basis, about audit-relevant matters in the group and explained the audit plan for 2019. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act and to the quality assurance programme as well as – jointly with the compliance department – a report pursuant to Article 25 (3) in conjunction with Article 24 of the Delegated Regulation (EU) 2017/565. In addition, a report was delivered on the assessment of the functionality of the risk management system pursuant to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. Based on these reports, the audit committee monitored the effectiveness of the internal control system, the internal audit system and the risk management system pursuant to section 63a para 4 no 2 of the Austrian Banking Act. The audit committee also discussed its work plan for 2020 and defined agenda topics for the meetings. It was decided to recommend the renewal of the audit mandate of PwC Wirtschaftsprüfung GmbH as additional auditor of the (consolidated) financial statements for the financial year 2021 to the supervisory board. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2019. Besides, discussions were held on the reports on the development of participations, on the half-year report as of 30 June 2019, as well as on the 2018 management letter. Audit reports on on-site inspections conducted by supervisory authorities were taken note of, as were reports on the contents of the plan to address the findings made. The audit committee continuously reviewed and monitored the independence of the auditors of the (consolidated) financial statements with a particular focus on non-audit services rendered for Erste Group pursuant to section 63a para 4 (4) of the Austrian Banking Act. Among other things, the audit committee gave therefore pre-approval to permissible non-audit services rendered by the (group) auditor, received reports on their current status. The audit committee's report on activities included in the 2018 annual report was discussed and approved. The exchange of views between the audit committee and the auditors in the absence of the management board pursuant to C-Rule 81a of the Austrian CCG was conducted in December 2019. Besides, the head of internal audit was evaluated by the audit committee and the current status of the (consolidated) non-financial report 2018 was discussed. The annual report of Group Regulatory Compliance and the letter from the Financial Market Authority including the circular on specific issues in relation to the appointment of statutory auditors at public-interest entities were taken note of.

The nomination committee met twice in 2019, and, in addition, held one informal meeting to prepare management board matters. At one meeting the nomination committee assessed the qualification of Peter Bosek, Stefan Dörfler, Ingo Bleier, Alexandra Habeler-Drabek, David O'Mahony and Ara Abrahamyan for their (re-)appointment as members of the management board of Erste Group Bank AG and recommended that the supervisory board approve their appointments. The review of whether the requirements for the extension of the contract and early re-appointment

of Bernhard Spalt were met ended with a positive result and hence a recommendation to this effect was made to the supervisory board. The nomination committee furthermore conducted a fit and proper assessment of Henrietta Egerth-Stadlhuber for the elections to the supervisory board at the annual general meeting of Erste Group Bank AG on 15 May 2019. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and the evaluation of the supervisory board pursuant to section 29 no 6 and 7 of the Austrian Banking Act and considered, in particular, the possible conflicts of interest and the attendance at meetings by supervisory board members. The collective suitability of the management board was likewise established and the report on the collective suitability of the management board and the supervisory board was discussed, with a special focus on members' time availability. The report on the selection of senior management pursuant to section 28 of the Austrian Banking Act was taken note of.

The remuneration committee met four times in 2019. The supervisory board's resolution on the variable remuneration of members of the management board was prepared. In addition, various remuneration topics relating to Erste Group Bank AG were discussed and approved, including the structure of key performance indicators, the bonus policy including the requirements for the payment of variable remuneration components and remuneration rules for Material Risk Takers and the question of which employees are subject to these rules. In addition, changes to the remuneration policy of Erste Group Bank AG and Erste Group were approved and the 2018 remuneration report was presented. Reports were delivered on the complexity assessment of George Labs GmbH, the recruiting of IT experts in Austria and management remuneration in countries in which Erste Group operates. The report on the review of the remuneration policy by internal audit was acknowledged.

The IT committee met four times in 2019. The main topics were a periodic update on a project, infrastructure strategy and the timeline set for its implementation as well as the presentation of the Book of Architecture and its impact on processes. Also presented were a George update and news on the entities s IT Solutions AT Spardat GmbH and Erste Group IT International GmbH. The implementation of requirements regarding IT set by the supervisory authorities was also discussed. The IT project portfolio and IT governance for Erste Group as well as IT risk management were considered on an ongoing basis. Reports were also delivered on IT security, on the strategy concerning use of data while handling data and digitalisation, on the current status of various infrastructure projects and on IT strategy. In addition, the IT budget and IT costs were discussed and the new organisational structure for 2020 including key performance indicators for management board members was considered in more detail.

## REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

### Principles governing the remuneration policy

The principles governing the remuneration of the management board of Erste Group Bank AG and of the management boards of consolidated material subsidiaries are specified in the remuneration policy of Erste Group Bank AG at Group level, including in particular the definition and evaluation of performance criteria.

The contractual maximum value of performance-linked payments to management board members is 100% of the fixed salaries.

The performance criteria and their impact on the variable remuneration of the management board of Erste Group Bank AG are defined at the beginning of the year by the supervisory board following consultations with the responsible organisational units (Group Strategy and Group Human Resources). Management board members must achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2019, target achievement is measured by reference to the following indicators: compliance with capital and liquidity requirements, net profit and operating result minus risk cost, cost/income ratio and customer experiences. The second performance criterion is the achievement of individual objectives. For 2019, these are, for example, operating result, return on tangible equity, risk costs, NPL ratio, risk-weighted assets and strategic goals depending on areas of responsibilities.

The performance criteria and their impact on the variable remuneration of the management boards of major consolidated subsidiaries are defined at the beginning of the year by the respective supervisory or advisory boards following consultations with the responsible organisational units (Group Strategy and Group Human Resources). Management board members must achieve the defined performance criteria at both company level and individual level.

The variable part of the management board's remuneration, including both cash payments and share equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

At the annual general meeting of Erste Group Bank AG in May 2020, the principles governing the remuneration of members of the management board and the supervisory board (remuneration policy) drawn up pursuant to sections 78a et seq., 98a Austrian Stock Corporation Act will be put to the vote for the first time for the year 2020.

## Remuneration of management board members

### Remuneration in 2019

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2018	for previous years	
Bleier Ingo (since 1 July 2019)	350.0	64.4	0.0	0.0	414.4
Bosek Peter	700.0	140.3	160.9	132.0	1,133.1
Bravek Petr	700.0	370.9	164.0	132.0	1,366.9
Cernko Willibald (until 30 June 2019)	350.0	72.0	164.0	48.0	634.0
Dörfler Stefan (since 1 July 2019)	350.0	65.1	0.0	0.0	415.1
Habeler-Drabek Alexandra (since 1 July 2019)	350.0	64.9	0.0	0.0	414.9
Mittendorfer Gernot (until 30 June 2019)	350.0	76.1	164.0	140.8	730.9
Sikela Jozef (until 30 June 2019)	350.0	74.8	138.8	132.0	695.6
Spalt Bernhard (since 1 July 2019)	350.0	65.1	0.0	0.0	415.1
Treichl Andreas	1,475.0	643.8	365.0	326.2	2,810.0
<b>Total</b>	<b>5,325.0</b>	<b>1,637.4</b>	<b>1,156.6</b>	<b>911.0</b>	<b>9,030.0</b>

The item “Other remuneration” comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2019, performance-linked remuneration and share equivalents were paid out or vested for previous years. No performance-linked remuneration was paid to members of the management board for 2014.

In addition to his role as board member in the Holding, Peter Bosek assumed the position as CEO of Erste Bank Oesterreich as of 1 July 2019. A portion of his remuneration is charged out to this entity. From 1 January 2015 to 31 January 2016, he had likewise held board positions at both Erste Bank Oesterreich and the Holding.

Where remuneration had been paid in 2018 to management board members for supervisory board or similar mandates in entities outside the Haftungsverbund (cross-guarantee system) or other subsidiaries majority-owned by Erste Group, the first cash tranche of the bonus for the year 2018 was reduced by the same amount.

### Non-cash performance-linked remuneration in 2019

Share equivalents (in units)	for 2018	for previous years
Bleier Ingo (since 1 July 2019)	0	0
Bosek Peter	4,446	4,843
Bravek Petr	4,446	4,843
Cernko Willibald (until 30 June 2019)	4,446	1,456
Dörfler Stefan (since 1 July 2019)	0	0
Habeler-Drabek Alexandra (since 1 July 2019)	0	0
Mittendorfer Gernot (until 30 June 2019)	4,446	5,213
Sikela Jozef (until 30 June 2019)	4,446	4,843
Spalt Bernhard (since 1 July 2019)	0	0
Treichl Andreas	10,845	12,146
<b>Total</b>	<b>33,075</b>	<b>33,344</b>

Pay-outs will be made pro rata in 2020 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG in 2019 in the amount of EUR 32.08 per share.

In 2019, EUR 1,941.3 thousand was paid in cash and 4,862 share-equivalents were assigned to former members of management bodies and their dependants.

### Principles governing the pension scheme for management board members

Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as other employees. If a management board member’s tenure ends before they reach the age of 65 by no fault of the member, compensatory payments will be made to the pension fund for such management board member. Pension plan expenses are shown in “other remuneration”.

### Principles governing vested benefits and entitlements of management board members in case of termination of the position

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to one member of the management board.

The remuneration granted to the management board members complies with the banking rules on management remuneration.

## Remuneration of members of the supervisory board

in EUR thousand	Meeting fees for 2019	Supervisory board compensation for 2018	Total
Friedrich Rödler	37	170	207
Jan Homan	29	100	129
Maximilian Hardegg	33	90	123
Elisabeth Bleyleben-Koren	10	60	70
Matthias Bulach	8	-	8
Henrietta Egerth-Stadlhuber	8	-	8
Gunter Griss	10	60	70
Jordi Gual Solé	10	60	70
Marion Khüny	22	60	82
Elisabeth Krainer Senger-Weiss	23	60	83
Brian D. O'Neill	2	60	62
Wilhelm Rasinger	25	60	85
John James Stack	10	60	70
Michèle F. Sutter-Rüdisser	8	-	8
Martin Grießer	-	-	-
Markus Haag	-	-	-
Regina Haberhauer	-	-	-
Andreas Lachs	-	-	-
Barbara Pichler	-	-	-
Jozef Pinter	-	-	-
Karin Zeisel	-	-	-
<b>Total</b>	<b>235</b>	<b>840</b>	<b>1,075</b>

The annual general meeting granted the members of the supervisory board for the financial year 2017 and the following years annual remuneration based on the following fixed scale: in accordance with this resolution, the chairperson of the supervisory board receives remuneration of EUR 150,000, the 1<sup>st</sup> vice chairperson EUR 90,000, the 2<sup>nd</sup> vice chairperson EUR 80,000 and ordinary members of the supervisory board EUR 60,000 each. The chairpersons of the risk, audit and IT committees receive additional remuneration of EUR 10,000 each, the chairpersons of the remuneration and nomination committees EUR 5,000. Total remuneration for supervisory board members for the financial year 2018 thus totalled EUR 840,000. In addition, attendance fees paid to the members of the supervisory board were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

### Directors' and officers' liability insurance

Erste Group Bank AG has directors' and officers' liability insurance. Unless otherwise provided by local law, the insurance policy covers former, current and future members of the management board or managing directors, of the supervisory board, of the administrative board and of the advisory board as well as senior management, holders of statutory powers of attorney (Prokuristen) and management staff of Erste Group Bank AG and the subsidiaries in which Erste Group Bank AG holds more than 50% of the shares or voting rights either directly or indirectly through one or more subsidiaries. The costs are borne by the company.

## PROMOTING WOMEN TO MANAGEMENT BOARDS, SUPERVISORY BOARDS AND MANAGING POSITIONS

In 2014, the nomination committee of Erste Group Bank AG's supervisory board approved a target for the main banking subsid-

aries to have 35% women in board and B-1 positions (combined) by 2019 and a second target of 35% women in supervisory boards by 2019. The following entities contribute to the target: Erste Group Bank AG (Holding), Erste Bank Oesterreich, Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia, Banca Comercială Română.

In 2019, 49.0% of all management positions in the Holding and the local banking subsidiaries were held by women (2018: 46.2%). The proportion of women in top management positions in the Holding and the local banking subsidiaries declined to 27.4% (2018: 30.0%), the highest shares were in Banca Comercială Română, Erste Bank Serbia and Erste Bank Oesterreich. The target to reach a share of at least 35% women in top management was thus not reached. The results of the analysis of this negative development will be incorporated in the measures to reach the targeted level. A new medium-term goal will be defined in 2020. With Alexandra Habeler-Drabek, a woman was appointed as board member of Erste Group Bank AG in 2020.

At year-end 2019, the share of women on the Holding's supervisory board stood at 38.9% (2018: 35.3%). The target to reach 35% female representation at supervisory board level was also reached in Erste Bank Oesterreich, Erste Bank Hungary, Banca Comercială Română and Slovenská sporiteľňa. Taking into account all banking subsidiaries across Erste Group, 34.3% of all supervisory board seats were held by women.

Erste Group organised a variety of initiatives to support female leadership in 2019. An important instrument is the more balanced gender and age structure in its talent and succession pools. In Austria, initiatives such as the Erste Women's Hub employee resource group, the *WoMentoring* program, financial education for

women, networking events for female employees and clients were continued. Another focus was on encouraging more men to take advantage of parental leave options and flexible working. *Erste Women in IT (Erste WIT)* was launched to encourage more women to pursue IT careers and develop those who are in IT. Erste Bank Hungary's *Erste Nő* (Women's Club) focused on promoting a family friendly organisation, the work-life balance of working women and supporting mothers returning from maternity leave. In 2019, Česká spořitelna set a focal point on mentoring activities and rolled out an initiative to facilitate the job re-entry of women after parental leave.

## DIVERSITY

Erste Group's diversity and inclusion principles are reflected in its Statement of Purpose and Code of Conduct, which both emphasise that the work environment must be free of discrimination and harassment and must value the work of each and every person, regardless of gender, age, marital status, sexual orientation, physical ability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment. An independent Anti-Discrimination Officer advises and mediates in matters concerning harassment and discrimination, and works with management on awareness and prevention.

Erste Group's Diversity and Inclusion Policy provides the framework for local diversity managers to define priorities and initiatives that support the group diversity strategy. As of year-end 2019, all local Erste banks were signatories to their respective national Diversity Charters. The Policy also defines the diversity concepts applicable in appointing management board and supervisory board members with regard to age, gender, education and professional career. In addition to setting group-wide targets for the share of women in top management and on the supervisory board, it also requires that all positions, including management positions, have to be advertised internally (unless candidates from a succession pool are already available for a position). Selection processes and criteria must be transparent and job offers have to be worded in a gender-neutral manner: Talent pools and programmes must be open to suitable employees of any age group, gender or origin; when filling top management positions, at least one candidate per gender must be short-listed; when filling supervisory board mandates, the nomination committees (Holding and local banks) must consider female candidates.

In 2019, Erste Group pursued the following diversity priorities: to increase the number of women in management positions group-wide; to make careers in the field of IT more attractive for women through Erste WIT (Women in IT); to develop and encourage more initiatives for LGBTIQ inclusion in the CEE region; and to implement local initiatives promoting diversity in CEE.

## EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with C-Rule 62 of the Austrian CCG at least every three years, most recently for the 2017 fiscal year. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. The deviations from C-Rules were described and explained. Summary reports on these evaluations are available at the website of Erste Group Bank AG.

## SHAREHOLDERS' RIGHTS

Erste Group Bank AG has no rights arising from its own shares. Neither a subsidiary nor a third party holding shares on behalf of Erste Group Bank AG or of a subsidiary may exercise its voting rights and its rights for subscription of these shares.

### Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the articles of association require a qualified majority vote.

The articles of association differ from the statutory majority requirements in three cases: First, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the annual general meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended by a resolution of the annual general meeting. Provided that such amendment does not concern the business purpose, this requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, any provision regulating increased majority requirements can only be amended with the same increased majority.

### Dividend rights

Each shareholder is entitled to receive dividends if and to the extent the distribution of dividends is resolved by the annual general meeting.

### Liquidation proceeds

In case of dissolution of Erste Group Bank AG, the assets remaining after the discharge of liabilities and repayment of supplementary capital as well as additional tier 1 capital will be distributed pro rata to the shareholders. The dissolution of Erste Group Bank AG requires a majority of at least 75% of the share capital present at an annual general meeting.

## Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscription rights do not apply if the respective shareholder does not exercise these subscription rights or subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.

The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must be treated equally under equal circumstances unless the shareholders affected have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.

The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.

Stock corporations like Erste Group Bank AG must hold at least one annual general meeting (ordinary shareholders' meeting) per year, which must be held within the first eight months of any financial year and cover at least the following items:

- \_ Presentation of certain documents
- \_ Appropriation of profit
- \_ Discharge of the members of the management board and the supervisory board for the financial year ended.

At annual general meetings, shareholders may ask for information about the company's affairs to the extent that this is required for the proper assessment of an agenda item.

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### Management board

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Bernhard Spalt mp, Chairman

Ara Abrahamyan mp, Member

Stefan Dörfler mp, Member

Ingo Bleier mp, Member

Alexandra Habeler-Drabek mp, Member

Peter Bosek mp, Member

David O'Mahony mp, Member

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Vienna, 28 February 2020