

Erste Group Comments on ISS Proxy Voting Recommendations 2022

Erste Group will hold its annual general meeting on 18 May 2022. In this context, ISS has issued a report including voting recommendations. ISS is recommending voting against three resolutions, related to authorized capital (Item 9), articles of association (Item 10), and supervisory board composition (Item 11.8). Erste Group recognizes the quality and in-depth analysis provided in these reports but believes it is important to clarify some critical points, so shareholders are in a position to make decisions that are in the best interest of the company and shareholders alike.

Item 9 (Authorized Capital)

Item 9 provides for the prolongation of Erste Group's existing authorized capital, which has been in place already since 2018.

The proposal for authorized capital in the amount of EUR 343.6 million (40% of share capital) is explicitly limited to 10% of the share capital if new shares without preemptive rights are issued for cash. Only in the exceptional case of *contributions in kind* this limit does not apply. This must, for practical and legal purposes, necessarily be so, because contributions in kind, such as enterprises, real estate, intellectual property, participations in non-listed companies etc., are non-fungible assets that typically cannot be contributed by all shareholders alike. As stated in the management board's rationale for the resolution, such a transaction could support the implementation of the Company's growth strategy.

However, as no specific transaction is currently under consideration, ***Erste Group has decided to adapt item 9 to reflect a cumulative cap of 10% (of share capital) for capital increases excluding preemptive rights***, irrespective whether new shares are issued against cash and/or contribution(s) in kind.

Item 10 (Amendment of the Articles of Association)

ISS recommends voting against all amendments of the articles of association (even though they state that the proposed amendments are largely adaptations to regulatory requirements, editorial, or non-contentious), because they oppose one single item, namely the retirement age for directors. This age limit has been part of Erste Group's articles for years and has

been welcomed by shareholders as an instrument of board refreshment. As described in the rationale given by the management board, all the current proposal does is to clarify a technical point of calculating the existing retirement age. Voting against Item 10 would not eliminate the retirement age (as it is already in the articles), but it would prevent the amendment of the articles in all other necessary and uncontroversial points. This, Erste Group believes, would be to the detriment of the Company and its shareholders. ***Erste Group therefore asks the shareholders to approve Item 10 and allow the articles to be updated and improved.***

Item 11.8 (Re-election of Friedrich Rödler to the Supervisory Board)

Erste Group understands that shareholders may rely on the current composition of supervisory board committees as a guide for projecting committee compositions of the future. On this basis, the remuneration committee could be considered as insufficiently independent, thus leading to votes against the re-election of Friedrich Rödler. However, a projection for the post-AGM composition of the remuneration committee, which assumes that all existing remuneration committee members bar those that will no longer serve as members of the supervisory board are re-elected, is not in compliance with Austrian law, as four shareholder-elected directors can only be complemented by a maximum of two employee representative directors (rather than three). In such case, ISS independence requirements would already be fully satisfied (50% of board members elected by shareholders independent; one third of all committee members independent).

Independent of this Erste Group believes that such concern is not warranted, because the remuneration committee will be freshly elected and constituted after the AGM. Its current composition is hence of no significance. 8 out of 13 supervisory board members are up for election, and all functions in the supervisory board must be newly distributed and all committees newly elected after the shareholders meeting. A sufficient number of independent supervisory board members has been selected and proposed by the Nomination Committee incorporating the Proxy Voting Guidelines of ISS, so that national legal provisions and international standards concerning independence can be observed.

The **supervisory board will ensure** that the remuneration committee is composed of at least **50% independent board members elected by shareholders** and at least **one third of all board members in the remuneration committee are classified as independent**, in line with the ISS definition of independence. ***Erste Group therefore asks its shareholders to vote in favour of Friedrich Rödler's re-election.***

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