

Erste Group investor presentation – Sustainability & sustainable finance framework overview

May 2021

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Presentation topics

- Sustainability at Erste Group
- Sustainable finance framework overview

Sustainability has been part of Erste Group since the early beginning

We strive to bring prosperity combined with social and environmental responsibility

Our purpose and responsibility for social inclusion are anchored in our 200 years old **founding charter**

The founding principle of Erste österreichische Spar-Casse was as simple as it was revolutionary: “No age, no gender, no social class or nationality shall be excluded from the benefits that the Spar-Casse offers every depositor.”

Back then, like today, the bank’s **inclusion-driven strategy** is critical to the achievement of its **purpose to create and secure prosperity for all**

.... with full commitment from our management:

“ If you want to be a socially acceptable player, regardless of the industry, you have to create a **climate-friendly environment** for the next generation. I don't think that **economic success** will be possible in the future **without social and ecological responsibility**. ”



Bernhard Spalt
CEO Erste Group

Ingo Bleier
Chief Corporates
and Markets Officer



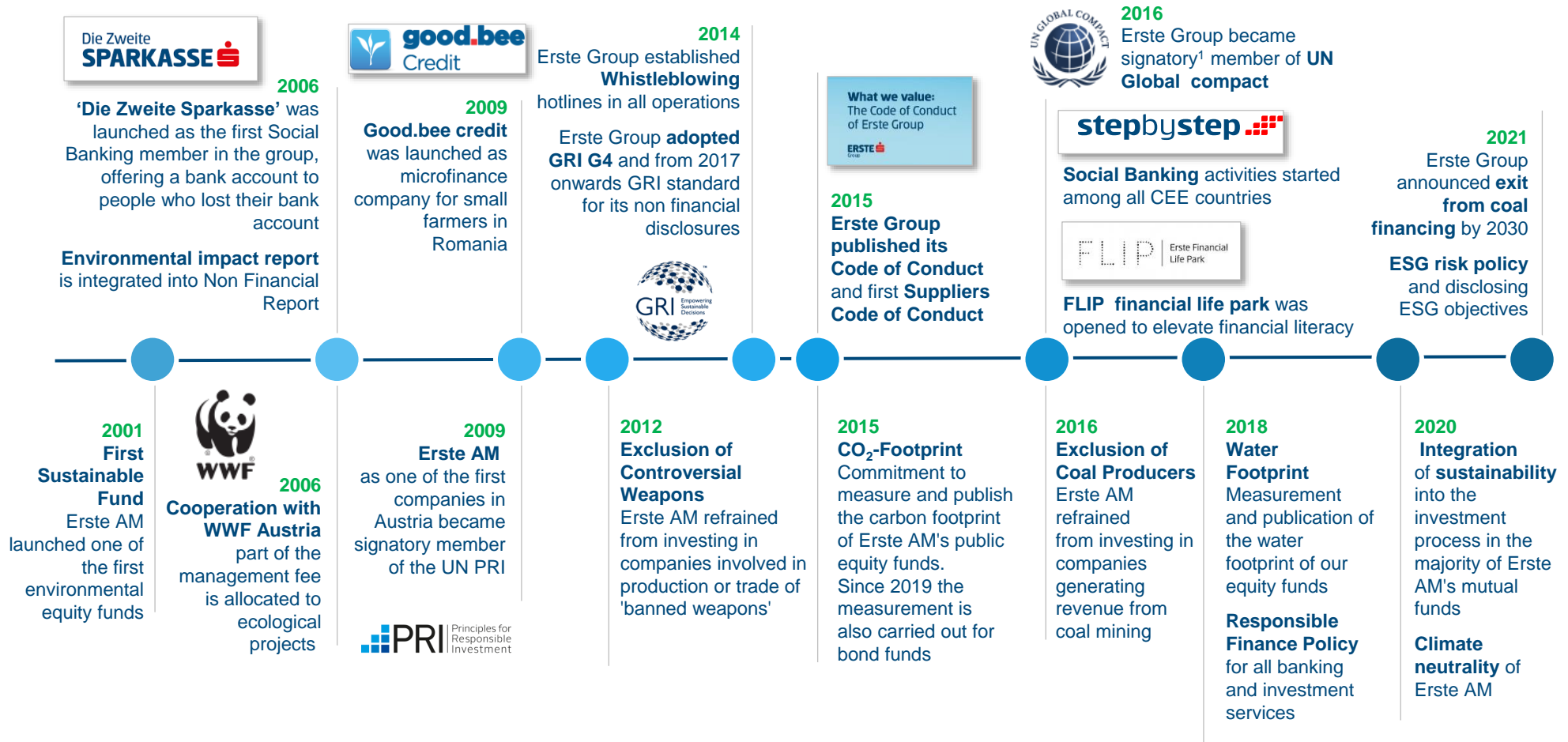
“ Sustainability is a very important joint ambition for our clients and us – so we will be a constructive partner in the transition to cleaner economies and improved social and governance standards, this is in the DNA of Erste Group. ”

Commitments:



Erste Group's sustainability journey

Pioneering ethical investing and social banking in CEE region



¹ EG withdrew its membership in UN GC in Dec 2019 after fulfilling the program obligations

Erste Group's contribution to the UN Sustainable Development Goals

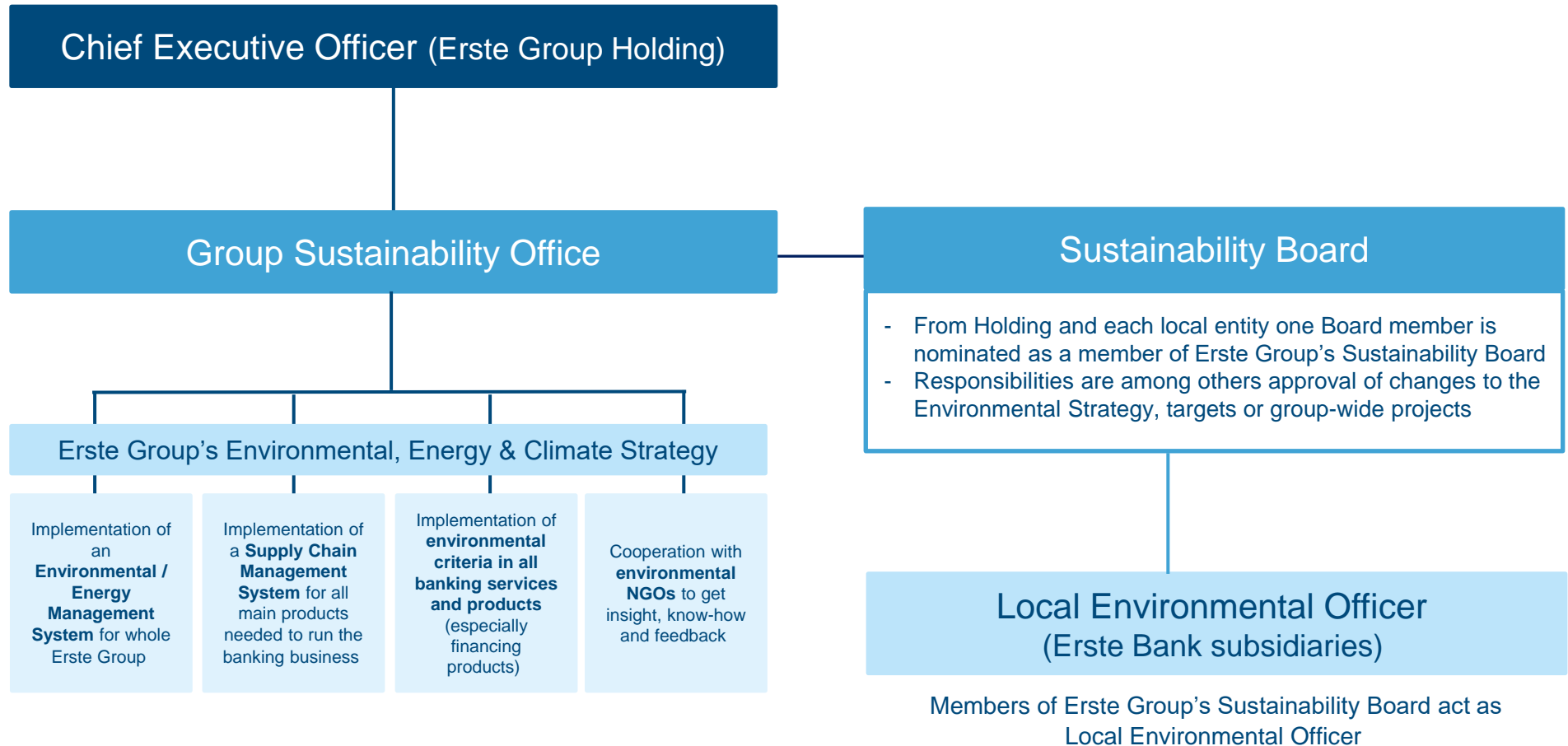
Given its regional footprint and business model, Erste Group is able to make notable contributions to the achievement of the following SDGs



- Responsibility, respect and **sustainability have been core values of Erste Group** since its foundation 200 years ago
- As leader in **social banking initiatives**, Erste Group is aiming at the financial inclusion of those parts of the community that are often excluded
- For Erste Group's asset management division, **social and / or ecological criteria are as important as economic criteria** in its investment decision process
- Erste Group substantially **promotes financial literacy**, the key to economic prosperity and **contributes to the cultural and social development of society**
- **Diversity and equal opportunities** are key elements of Erste Group's human resource strategy
- Erste Group aims to **protect the environment by minimising its ecological footprint**, in particular with regards to its consumption of energy and paper
- Erste Group **respects and promotes the work-life balance among its employees** and **contributes to their good health**

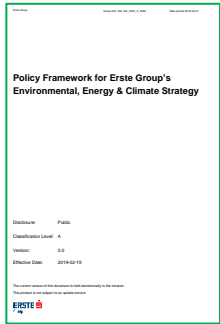
Erste Group's ESG governance

Sustainability is governed by the CEO



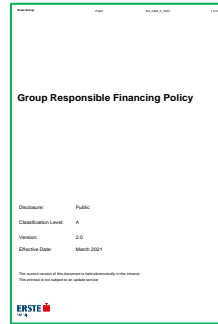
Sustainability policies

Publicly available policies provide a comprehensive ESG coverage



Environmental, Energy and Climate Strategy

Main framework for managing environmental footprint of the Group, including definition of key metrics and future goals



Group Responsible Financing Policy

Defining **exclusion rules for critically harmful activities** to social or environmental wellbeing



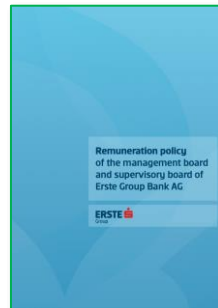
Group Diversity and Inclusion Policy

Our internal framework to promote principles of **equal opportunities** including internal target setting



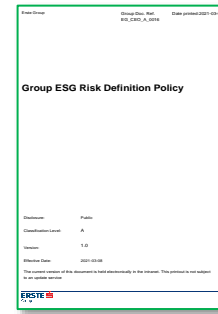
Code of Conduct

Outlining Erste Group principles for human rights, workers' rights and rules governing the behaviour for Erste Group's daily business activities



Remuneration of the Management Board Policy

Outlining **remuneration structure**, principles and main KPIs for management and supervisory board members



Group ESG Risk Definition Policy

including **ESG** into Erste Group's **process and business landscape**

Policies are available on websites of sustainability: <https://www.erstegroup.com/en/about-us/sustainability> and corporate governance: <https://www.erstegroup.com/en/about-us/corporate-governance>

Additional policies

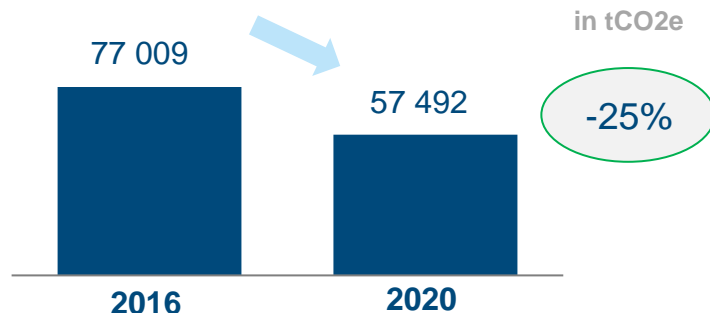
'Anti-Money Laundering, Know Your Customer, Counter-Terrorist Financing, Foreign Account Tax Compliance Act and Common Reporting Standard Policy', 'Group Anti-Corruption Policy', 'Group Risk Policy Whistleblowing', 'Group Risk Policy for Conflict of Interest' can be made available upon demand through Erste Group's investor relations contact

Environmental, energy and climate strategy

Strong progress made toward COP21 targets

Our main achievements

- ✓ Reduction of Scope 1 & 2 emissions in line with COP21



- ✓ Upgrade of main administration centres to high energy efficiency
- ✓ Increasing the share of renewable energy sourcing
- ✓ Group-wide implementation of Energy Management System

Group Responsible Finance policy:
<https://www.erstegroup.com/en/about-us/sustainability>,

Non-Financial Report 2020:

<https://www.erstegroup.com/en/investors/reports/financial-reports>

Key environmental indicators	2019	2020	Δ
Electricity consumption	175 GWh	165 GWh	-10 GWh
Heating / cooling energy	138 GWh	137 GWh	-1 GWh
Fuel consumption	46 GWh	37 GWh	-9 GWh
Total energy consumption	359 GWh	340 GWh	-19 GWh
CO ₂ e emissions (Scope 1 and 2)	64,834 t	57,492 t	- 7,342 t
Copy paper consumption	1,615 t	1,295 t	- 320 t

Next steps

- ✓ We have aligned our energy policy with COP21 targets

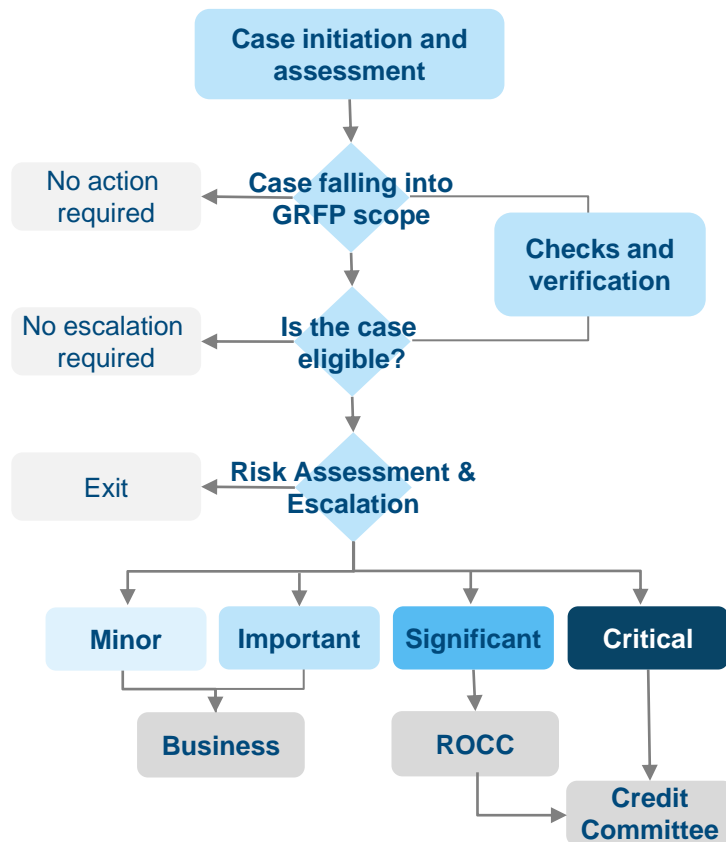
Future focus

- ✓ Move towards **Climate Neutrality** of our operations
- ✓ Finalise inventory of **Scope 3 financed emissions** and work on **portfolio decarbonisation**

Group Responsible Financing Policy (GRFP)

Risk acceptance process at a glance

Risk acceptance process



Key roles within the risk acceptance process

1 Business / Deal Originator

Directly or indirectly linked to the project in question. As a first line of defense, this unit ensures the screening of the transaction, collects information, assesses and validates the transaction perimeters and evaluates the severity of risk on the internal scale.

2 Assignment Office

Provides an additional checkpoint in the internal control system before presenting the transaction to the decision makers.

3 Local & Group Non-Financial Risk Management

Ensures an independent opinion and acts as a second line of defense ensuring a process compliant with laws, regulations and internal policies at any time, verifies the completeness and quality of documentation (KYC, environmental impact assessment, export licences, certifications, etc). Assesses and potentially escalates risk decision to higher operational decision levels. Holds ultimate veto right on non-financial risk.

4 Group Regional Operational Conduct Committee (ROCC)

Serves as a sounding board. ROCC takes business/risk decisions concerning non-financial risks, ESG impacts and escalations to Management Board (Credit Committee). Committee is chaired by Chief Non Financial Risk Officer and has voting members from business, risk, compliance, sustainability and some other functions.

5 Group Sustainability Office

Ensures directional alignment of the financing principles with the overall Group sustainability objectives, and participates on the decision making in large transactions, reinforcing the Group sustainability principles.

Group Responsible Financing Policy

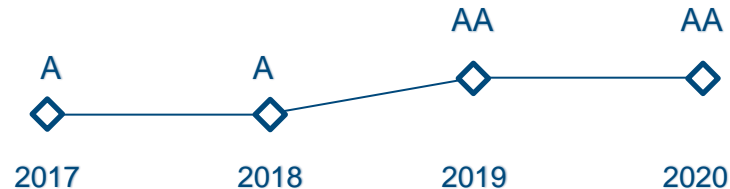
Climate objectives are aligned to COP21 undertakings

Oil Sand / Tar sand	No financing
Arctic Oil & Gas	No financing
Oil & Gas	Only project with strong do-not harm environmental and social checks (IFC, EBRD)
Coal	No financing of coal facilities (new, supply or maintenance) & coal developers, coal phase out by 2030 , max. 25% of company revenues from coal activities
Nuclear	No financing No power plants (new, supply or maintenance) or uranium extraction
Biofuels	No financing of projects with harmful impact on natural habitat, food security and / or sustainable use of land / soil
Renewables	No financing of projects in protected natural habitat areas (Natura 2000 or similar regional / national protected sites)
Hydro Power and other Renewables	No financing of projects with harmful impact on critical natural habitat, freshwater resources and compliance with 'World Commission on Dams' & 'EU Water Framework Directive'
Defence and Weapons	No to controversial weapons Large arms allowed only within EU markets; small arms finance is further differentiated based on our Responsible Finance Country Index

Group Responsible Finance Policy is available through <https://www.erstegroup.com/en/about-us/sustainability>

Erste Group's ESG ratings and indices

Strong ESG rating credentials confirm industry leadership



- **Upgrade to 'AA'** in July 2019
- Strong in 'Access to Finance' and 'Financing Environmental Impact'
- Among the best rated ('AA', 'A') upper quartile of rated banks



- **Upgrade to 'low risk'** with a score of 18.9 in March 2021
- Strong in product governance, ESG integration of financials, data privacy and human capital



Vienna Stock Exchange's sustainability index
.. included since 2008



- **Bloomberg Gender-Equality Index. Erste Group is the only Austrian company represented** in this index



FTSE4Good

FTSE4Good Index Series
.. included since 2016



- **'Prime' status'** in ISS ESG ratings
- .. since 2018 (reconfirmed in March 2021)



Euronext Vigeo Index Eurozone 120
.. included since 2017



- imug Investment Research rating: **'positive' (B)**
- Mortgage covered bonds rated **'positive' (BB)**
- Public sector covered bonds rated **'very positive' (A)**

Presentation topics

- Sustainability at Erste Group
- Sustainable finance framework overview

Rationale for sustainable finance framework (SFF)

under which green, social and sustainable finance instruments can be issued

Sustainable finance framework is the right choice for Erste Group to ...

Enhance Erste Group's sustainability commitment

- **highlights its social commitment**
- underlines its commitment towards **climate and environmental objectives**
- recognize the **importance of financial institutions** to promote sustainable investments

Strengthen customer awareness and satisfaction

- contributes to **sustainability awareness** of our **customers**
- helps to **increase investor dialogue and engagement on ESG topics**
- contributes to **the credibility of sustainability in the CEE region**

Strengthen Erste Group's financial position

- **Fosters long-term investor relationships**
- enhances our competence in **important future market**
- **diversifies our funding profile** with new instruments

Overview of Erste Group's sustainable finance framework

1 Use of proceeds

Eligible Green portfolios include

- Residential buildings
- Commercial buildings
- Renewable energy (wind, solar / PV, small scale hydro, geothermal)

Eligible Social portfolios include

- Subsidized housing program ('gemeinnütziger Wohnbau')
- Affordable housing ('Die Zweite Sparkasse')
- Financial & social inclusion financing
- Financing access to essential services (hospitals, schools)

2 Project evaluation and selection

- A dedicated Sustainable Finance Committee (the 'SFC') manages any future update of the Sustainable Finance Framework
- The loans selection is based on the Eligibility Criteria defined in respective section of Sustainable Finance Framework.
- EG has relied on the support of an external consultant to set up detailed Eligibility Criteria for Green Buildings
- EG refrains from ethically, social and environmentally harmful transactions. Risk perspective and exclusion rules are outlined in the publicly available 'Responsible Finance Policy'

3 Management of proceeds

- Net Proceeds of the Sustainable Finance Instruments will be allocated based on a portfolio approach.
- EG entities will strive, within 24 months after issuance, to reach full-allocation of the Net Proceeds to the Loan Portfolio
- Additional Green and / or Social Loans will be added to the Loan Portfolio to the extent required

4 Reporting

- EG will issue annual reports on the allocation of the Use of Proceeds and on the environmental and social impacts of the funded projects
- EG will not double count the financing of any Green or Social Loans
- EG intends to obtain verification of the Allocation Report, on a limited assurance basis, by an auditor or any other qualified party











Erste Group's SFF is aligned with:



Sustainable finance framework - use of proceeds

Eligible **green** projects under our sustainable finance framework



Green Category	Definition	Eligibility Criteria	UN SDG	EU Environmental Objective
Green Buildings (Residential)	Loans and/or investments to finance new or existing residential buildings	<ul style="list-style-type: none"> Buildings that are within the top 15% energy efficient buildings in the respective country Buildings that have undergone refurbishments resulting in an increase in energy of efficiency of at least 30% against a baseline performance of the building before renovation (When using EPC labels, at least two label steps increase in energy performance certificate compared to original built quality) New Buildings that comply with Nearly Zero Energy Buildings requirements defined in relevant country building legislation 	  	Environmental Objective (1): Climate Change Mitigation
Green Buildings (Commercial)	Loans and/or investments to finance new or existing commercial buildings	<ul style="list-style-type: none"> Buildings that are within the top 15% energy efficient buildings in the respective country Buildings that have undergone refurbishments resulting in an increase in energy of efficiency of at least 30% against a baseline performance of the building before the renovation Where applicable, minimum certification of BREEAM 'Very Good', LEED 'Gold' or any other equivalent certification 	  	Environmental Objective (1): Climate Change Mitigation
Renewable Energy	Loans and/or investments to finance or refinance generation and transmission of energy from renewable sources and manufacturing of the related equipment	<ul style="list-style-type: none"> Onshore and offshore wind energy Solar (Photovoltaic) Small scale hydro power (<20 MW) and refurbishment (or refinancing) of existing large-scale hydro (>20 MW) Geothermal energy with life cycle assessment emissions $\leq 100\text{g CO}_2\text{e/kWh}$ 	 	Environmental Objective (1): Climate Change Mitigation

Sustainable finance framework - use of proceeds

Eligible **social** projects under our sustainable finance framework



Green Category	Definition	Eligibility Criteria	UN SDG
Access to Subsidized Housing ('Gemeinnütziger Wohnbau') Affordable Housing	Loans and/or investments to finance or refinance existing or new projects of subsidized housing meeting the relevant statutory definitions	<ul style="list-style-type: none"> Financing of 'gemeinnützige Bauvereinigungen' (GBV) and following the statutory definitions of the Wohnungsgemeinnützigkeitsgesetz (WGG), (e.g. cap on rental expenses for tenants, income caps, cost coverage principle with limitation on profits) Affordable housing: Creating and operation of affordable and/or improved housing; Cooperative apartments; Rental Microcredits ('Zweite Sparkasse') 	
Financial and Social Inclusion	Loans and/or investments to finance new or existing commercial buildings	Financing must be part of the following activities / programmes: <ul style="list-style-type: none"> Financing of social organizations Microcredit programme: financing unemployed people who start businesses – co-operation with Ministry of Social Affairs; Agriculture start-up loans in rural areas Financing of social infrastructure projects like kindergartens, cultural centers, house for orphans or disabled people or sports facilities 	
Access to Essential Services	Loans to finance or refinance projects related to essential services	Providers of public healthcare and facilities: <ul style="list-style-type: none"> Public hospitals Elderly care facilities Other Healthcare facilities Primary and secondary schools (public) and vocational training: <ul style="list-style-type: none"> Related infrastructure Dedicated programmes, learning materials, furniture and other equipment 	

Sustainable finance framework - selection process

Green and social asset selection is based on well-founded internal controls

Evaluation and selection of assets

- Green or social loan origination is subject to the **standard origination process** within Erste Group.
- **ESG risk management screening** at origination is based on Group Responsible Financing Policy, strengthened with a dedicated ESG scorecard (starting with July 1st, 2021) for Commercial Real Estates and Large Corporate transactions.
- Deal **origination units collect and verify information**; green and social eligibility is checked based on clear decision rules.
- **Sustainable Finance Committee** is responsible to decide on definition or changes of eligibility criteria.
- Technical screening criteria were established based on the **Taxonomy Delegated Act (Nov 2020)** as well as with a clear reference to the Taxonomy TEG final report (**March 2020**).
- For defining the technical screening criteria, the **technical guidance from an external consultant** (Drees & Sommer) was used.

Governance

Supervisory Board

- Acknowledges sustainability strategy
- Reviews the sustainability framework implementation

Management Board

- Approves sustainability strategy
- Approves the establishment of Sustainable Finance Framework

Sustainable Finance Committee


- Consists of members of Sustainability Office, Risk Management, ALM, DCM and business lines
- Approves eligibility and allocation of assets
- Approves changes in the Sustainable Finance Framework
- Signs off allocation and impact reports

Asset and Liability Management

- Runs asset allocation and selection
- Provides allocation and impact reports

Second party opinion

ISS ESG verified sustainable finance framework

Summary of Second Party Opinion			
PRINCIPLES ALIGNMENT	ASSET CATEGORIES	SUSTAINABILITY PERFORMANCE	CONTRIBUTION
POSITIVE	POSITIVE	Status PRIME Decile Rank: 2 (score 14.4)	
TRANSPARENCY LEVEL			
VERY HIGH			

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Erste Group
3 May 2021



- The issuer shows a **good sustainability performance** against industry peer group on key ESG issues and **has been rated 'PRIME'**.
- The issuer's **formal concept** of Green, Social and Sustainability Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting **is in line with the ICMA GBPs, SBPs and SBGs** and based on robust selection processes, the green eligible projects are considered to be aligned with the EU Taxonomy.
- For the **social project categories**, the overall sustainability quality is good.

Investor relations details

- **Erste Group Bank AG, Am Belvedere 1, 1100 Vienna**

E-mail: **investor.relations@erstegroup.com**

Internet: **<http://www.erstegroup.com/investorrelations>**
<http://twitter.com/ErsteGroupIR> **http://www.slideshare.net/Erste_Group**

Erste Group IR App for iPad, iPhone and Android http://www.erstegroup.com/de/Investoren/IR_App

Reuters: **ERST.VI** Bloomberg: **EBS AV**

Datastream: **O:ERS** ISIN: **AT0000652011**

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