

Diversity and Inclusion Policy of ESB Group

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Preamble: Erste Group's Diversity Statement

How do we live diversity at Erste Group¹? What does inclusion mean for our daily interactions with clients and colleagues? How do diversity and our founding purpose go together? The following Diversity Statement gives a comprehensive answer as to why we at Erste Group care about creating an inclusive culture, both within and beyond our company borders.

Diversity is in our DNA.

Our purpose, the reason why we exist, was written down in the founding document of the Erste Oesterreichische Spar-Casse in 1819: to grant everybody access to prosperity, regardless of age, gender, social background or geographical origin. Our founding purpose still tells us what is the right thing to do – today, tomorrow and in the next 200 years.

#believeinyourself

We believe in the people of our region and their power to implement plans, make dreams come true and create prosperity. This is only possible if everyone can develop freely, unhindered by barriers such as discrimination or fear. Believe in yourself as you are and follow your own path – we try to live this attitude towards our customers and employees every day.

The world is diverse, and so are we.

The world in which we operate today is colourful, fast and unpredictable. In order to mirror this complexity and find the right answers for the manifold demands of our clients, we need the best people; the brightest minds who unite different perspectives, understand and reflect the diversity of our corporate environment and live up to the transformative processes of our present and future.

Diversity drives excellence.

The best ideas arise where people with different experiences and skills work together. This is what brings about innovation. Diversity makes us more robust, more creative and supports a corporate culture in which everyone can develop their inherent potential.

Diversity as an inclusive principle.

For us, an inclusive corporate culture means recognizing each and every employee in their individuality. We understand diversity and inclusion as a mindset that obliges us to treat each other with respect, so that everyone feels safe to speak their mind openly. We seek to create an environment in which people are enabled to develop themselves, support each other when facing challenges and bring out the very best in themselves and their peers.

Diversity as part of our corporate strategy.

Diversity management is part of our corporate strategy and embraces the dimensions of age, gender, sexual identity and origin as well as the question of the greatest possible cognitive diversity. In our diversity policy, we define common standards and KPIs for the seven countries in which we operate. These are implemented locally and with individual priorities.

¹ Erste Group includes all companies included in the credit consolidation of Erste Group Bank AG, including Erste & Steiermärkische bank and its affiliated companies

1. General

1.1 Objective

Matters of diversity and inclusion have in the past years grown in importance amongst legislators and regulators at the national as well as European level. The EU has issued regulations focused on diversity, specifically the Directive on Disclosure of Non-financial and Diversity Information (Directive 2014/95/EU) – Annex 1, Ref 3 and the Capital Requirements Directive CRD IV (Directive 2013/36/EU, Article 88) – Annex 1, Ref 4, the latter of which requires financial institutions to take into account the diversity of the management body when recruiting new members and implement a diversity policy. Both directives were implemented into local law within EU member states. Furthermore, the Capital Requirements Directive V (Directive 2019/878/EU) – Annex 1, Ref 5, to be implemented by EU member states by 28 December 2020, introduces a specific requirement for firms to have a “gender neutral” remuneration policy. In a similar vein, the European Banking Authority has recently put forward a proposal to revise the 2017 joint Guidelines on assessing the suitability of members of the management body and key function holders (“Fit and proper guidelines”) – Annex 1, Ref 7. In the proposed revision the EBA calls upon financial institutions to implement policies that prevent all types of discrimination, to ensure the appropriate representation of all genders within the management body as well as the functioning reintegration of staff after a parental leave period.

Apart from legislators and regulators also investors have taken an increased interest in diversity and inclusion at the corporate level. This interest is mainly fuelled by two reasons: first, a growing body of research has shown that an inclusive organizational culture highly correlates with stronger financial performance of a company. Second, an increasing number of investors intend to make a difference and use their financial resources to support social change. They proactively seek information on how firms intend to create equal opportunities for their employees and rely on a growing number of available resources in this regard. Bloomberg, for example, launched the “Gender Equality Index” (GEI) in 2016, which tracks the performance of public companies committed to disclosing their efforts to support gender equality. The index has since grown in importance, industry scope and media coverage, and since 2019, Erste Group is included in the GEI as the only company headquartered in Austria.

Legislative action and investors’ interests in the topic both epitomize the importance of promoting diversity for the public at large. In traditional as well as social media, journalists, opinion leaders and users voice their criticism of overtly discriminatory or biased practices by companies or institutions on a regular basis. The same critical attitude, furthermore, is found amongst most young university graduates. When making their choices for or against a future employer, members of the generations X, Y and Z consider a firm’s commitment to certain values, the company culture and framework conditions much more important than traditionally cherished factors like income or status. A truly inclusive culture, thus, has become a strong competitive advantage in today’s labor market.

The purpose of this policy is to outline how Erste & Steiermärkische bank (hereinafter referred to as: the Bank) and Erste & Steiermärkische bank Group² (hereinafter referred to as ESB Group) respond to the societal context in which they operate and describe the answers which are given to the manifold expectations of stakeholders. The policy describes roles and responsibilities as well as general guidelines on how to develop, implement and adjust diversity and inclusion strategy and targets.

² Erste & Steiermärkische Bank d.d., Erste Card Club d.o.o., Erste & Steiermärkische S-Leasing d.o.o., Erste bank a.d. Podgorica, Erste Group IT d.o.o., Erste nekrenine d.o.o.

1.2 Scope

The diversity policy in its full context is relevant on the Bank level, however, the principles and guidelines of this policy are also adapted and applied in all companies of ESB Group, depending on the level of complexity, size and organisational possibilities of each company. The Bank LDM as referred to in paragraph 4.2. of this Policy acts as a coordinating person for all activities performing on the level of ESB Group.

2. Diversity Management Applied

2.1 Definition of terms

Diversity

The understanding that each individual is unique and recognizing our individual differences. These can go along demographic (e.g. ethnicity, gender, sexual orientation, gender identity, socio-economic status, age) as well as cognitive dimensions.

Inclusion

Everybody is treated equitably and with respect, feels valued and belonging. People feel safe to speak up, without fear of embarrassment or retaliation. They feel empowered to grow and do one's best work.

Against this definitional background, it becomes clear that the real power of diversity will unfold once an inclusive workplace for everyone in our Group has been created, irrespective of individual differences. On the contrary, it is about cherishing those differences and embracing the diversity we are facing every day.

In order to follow this path, it is important to analyse those fields where we need to improve and start with a thorough analysis of our status quo. In other words, diversity management at Erste Group shall be **based on evidence and data** in order to establish a clear base and common ground for debate and decisions.

The impact of establishing an inclusive working culture is twofold:

- 1) Vis-à-vis **clients**: A diverse employee base will be better able to understand and mirror the heterogeneous backgrounds and needs of clients and consequently find the right, possibly new, answers.
- 2) Within **company**: Creating a level-playing field for everyone will allow the best talents to develop, unhindered by barriers or biases. The emerging diversity is known to bring about better team performance and more innovative outcomes that homogenous settings would allow for.

These two dimensions are in focus when outlining the fields of action in Diversity Management. It is important to note that by promoting diversity we want to influence the society in which we operate. We strive to encourage the community to believe in itself and move towards a more equal and more inclusive future.

2.2 Focus on business

The following four areas are key to leverage the benefits of inclusion for customer relations:

Non-discrimination

- The Bank and the ESB Group companies shall not refuse service to any client on the basis of gender, age, marital status, sexual orientation, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, heritage or any other aspect unrelated to business criteria.

Accessibility and Inclusion

- The Bank and the ESB Group companies shall ensure that special needs customers (e.g. those with disabilities) have adequate access to products and services, where it is possible and in accordance with local authorities;
- The Bank and the ESB Group companies shall foster financial inclusion and literacy among those individuals in the regions in which they operate who are socially or financially disadvantaged or excluded.

Marketing and Communication

- Marketing campaigns and client communication of the Bank and the ESB Group companies shall be based on respect and shall not include images or messages which are offensive or degrading to individuals or groups based on gender, age, heritage, sexual orientation and/or physical ability.
- Diversity and inclusion shall be a part of the Bank and the ESB Group companies branding strategy as an employer towards existing employees, and especially towards potential employees. Here, too, the communication shall be based on respect and inclusive messages.

Openness and Transparency

- The Bank and the ESB Group companies shall communicate this Policy, its content and measures, shall be communicated transparently to regulators, investors, clients, as well as current and future employees. The Bank shall participate in the exchange of best practices with other companies in the region and beyond to show by example what it means to be open and inclusive.

2.3 Focus on employees

ESB Group strives to ensure equal opportunities of development for all employees. To achieve this, we shall focus on the following four areas:

Anti-discrimination and harassment

- designating a contact person authorized to receive and resolve employee complaints related to the protection of dignity and protection against discrimination (such as ombudsperson, anti-discrimination officer) who mediates or takes actions in case of discrimination or harassment complaints, as well as tracks frequency and type of complaint related to discrimination;

- defining a transparent and clearly defined policy or process in place for dealing with discrimination and harassment. This shall be made available to all employees via the intranet and induction days;
- providing training and awareness raising measures on preventing discrimination and harassment on an on-going basis to managers and employees.
- conducting an annual analysis related to the gender-based difference in salaries between men and women and implement corrective measures to narrow gaps where they exist.

Setting targets for women in leadership

- According to the Group-wide guidelines, and in accordance with Directive 2013/36 / EU (CRD IV) and the Decision of the Croatian National Bank on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution, Article 25 (4), Erste & Steiermärkische bank in Croatia sets the following long-term targets for the representation of the underrepresented gender in the Bank's top management bodies:

The Bank	Target 2023	Target 2025
Share of women, Board & Board-1	34%	41%
Share of women, Supervisory Board & Board	23%	31%

- The target representation of the underrepresented gender in the Management and Supervisory Boards as well as senior management of other companies of ESB Group shall be set as follows:
 - Erste bank a.d. Podgorica – targets shall be set on the level of the bank by a separate decision and integrated in the Diversity and Inclusion policy of Erste bank a.d. Podgorica
 - Targets for other financial institutions of ESB Group in Croatia³ shall not be set on the level of each respective company due to their size and complexity.
- To achieve these goals, the Bank shall continue to develop an inclusive corporate culture, break stereotypes related to gender roles and create a work environment that is flexible and ensures work-life balance. We shall pay special attention to educating management as decision makers and to creating benefits for the employees that support women in balancing career and family.
- In the process of planning successors for key positions, we will implement diversity, focusing on gender, as one of the key criteria for the nomination of successors. With this, we want to get a gender-balanced base of future leaders and thus contribute to the inclusion of women in top managerial positions and breaking the "glass ceiling".
- Besides gender, we will consider other diversity dimensions such as age, professional experience or education when nominating successors for key positions.

Career development

- In order to ensure transparency and equal opportunity, all positions, including managerial positions, shall be advertised on the internal job market (unless there are succession pool candidates in line for that position). Selection process and criteria must be transparent and focus

³ Erste Card Club d.o.o., Erste & Steiermärkische S-Leasing d.o.o.

entirely on the individual's qualifications and level of excellence. Gender-neutral language must be used in job advertisements;

- Talent pools and development programs shall be open to qualified employees of all ages, genders, professional experience and backgrounds;
- Short lists of candidates for top management positions shall include at least one of each gender;
- Members of senior management (Supervisory and Management Board) are to be sufficiently diverse as regards age, gender, culture, educational and professional background to present a variety of views and experiences. By this we shall avoid "group think" and foster constructive challenge and discussion based on different points of view;
- Training on diversity issues, including diversity management concepts such as inclusive leadership, unconscious bias, cross-cultural and multi-generational issues shall be managed and organized by Human Resources;
- Additional development tools such as mentoring for women and the support of multi-generational dialog through reverse mentoring and other suitable instruments shall be offered by Human Resources.

Reconciliation of private lives and careers

- The employees are not only employees, they are also mothers, fathers, sons, daughters, friends and passionate followers of their most cherished spare time activities. Inclusion also means following this holistic approach to people management. The dichotomous divide between private lives and professional roles stems from the time of the first industrial revolution, and it is time to move on. Not least the COVID-19 pandemic and its implications on the working lives of employees have epitomized this long-blurred line.
- It is the aim to establish a company culture that values output over presence culture, individual contribution over the question of work-time-factor. In this context the future way of working will ask a lot from the leaders of tomorrow: a high degree of self-motivation, output orientation, team leadership, drive and cross-divisional collaboration. And it calls for a higher degree of responsibility, empowerment, confidence, team play and commitment from employees than a traditional working environment.
- In order to achieve this, we shall strive to introduce flexible and home working arrangements wherever possible, in accordance with the legal framework. A special focus shall be given to active parental leave management as well as the aim to increase the number of men using the possibilities to go on paternal leave.

3. Overview of Roles and Responsibilities

3.1 Group Diversity Management (GDM)

Group Diversity Management is organized as a "Group function" and is a staff unit within the CEO division of Erste Holding. The function holder acts as a senior manager. The main responsibilities of the Group Diversity Manager are:

- Development of a comprehensive diversity strategy for Erste Group, in close co-operation with local diversity managers; aligning of the strategy with Holding Board and securing its implementation within Erste Group.
- Ensure the horizontal character of successful diversity management, especially in close collaboration with Group Human Resources, Group Marketing and Communications as well as Group Strategy. Identification of areas within Erste Group where diversity issues are to be taken into account and driving its inclusion in these fields; furthermore, development of an adequate and comprehensive communications strategy for diversity topics.
- Establishment of an evidence base for decision-making and implementation of an appropriate monitoring system for diversity data (gender, position, age, nationality, part-time/full-time, maternity/paternity leave etc.) in all parts of Erste Group.
- Close collaboration with the Group Sustainability Office, especially in view of the increased importance of reporting and transparency in the field of Environmental, Social and Governance-related topics (ESG); in this context, collecting diversity data for annual reports, Global Reporting Initiative (GRI) reporting, rating agencies and communication on a Group level;
- Setting diversity targets for the Group and bi-annual reporting of progress to the Holding management board and the Nomination Committee of the Erste Group Supervisory Board, as well as other relevant committees.
- Providing leadership and guidance to diversity-related employee resource groups (e.g. Erste Women's Hub, ErsteColours).
- Serving as an advisor and sparring partner to local diversity managers as well as Erste Group (top) management and employees on all issues regarding diversity and inclusion.

GDM will be involved in discussions and development of measures to increase diversity and inclusion in Erste Group and ensure that diversity and inclusion are an integral part of Erste corporate culture.

3.2 Local Diversity Managers (LDMs)

The Bank shall establish the function of a "Local Diversity Manager" (LDM) who will act as a focal point for all diversity-related issues on the level of ESB Group. The LDM could be organized as a full-time or part-time function and / or as part of an existing function.

While GDM defines the overall principles and cornerstones of the diversity strategy, the LDM shall be an integral part in this development process. LDM is responsible for the adoption and implementation of the strategy according to local requirements and local law and regulations. Regular communication in the form of bilateral and Group calls between GDM and LDM as well as workshops shall ensure that a common understanding of diversity issues across Erste Group exists.

The main responsibilities of the LDM are:

- Implementing group diversity initiatives and adjusting them to local reality (local priorities).
- Identifying local diversity priorities and ensure their implementation and concrete actions.
- Collecting diversity data, conducting diversity audits, identifying gaps, aligning and consulting with GDM.

- Reporting on progress and providing updates to the local Board member responsible for diversity, as well as to the GDM.
- Reporting on annual targets and progress to the local Management Board and local Supervisory Board. In this regard, supporting local CEOs in their overall strategic responsibility to drive and support diversity and inclusion.
- Driving close collaboration with local heads of HR in the design and implementation of HR-related measures to promote diversity.
- Collecting diversity data for annual reports, Global Reporting Initiative (GRI) ratings, other rating agencies and communication on the local level.
- The LDM shall be a member of local committees or working groups dealing with diversity and inclusion-related issues, if they exist.

3.3 Responsibilities of the Management Board

The Bank Management Board shall in particular:

- Designate a board member responsible for diversity issues.
- Debate our group diversity strategy and targets within local board meetings; ensure the local adoption of these targets and adopt a local catalogue of measures to reach them.
- Generally, support and implement activities promoting diversity and an inclusive corporate culture.
- Approve a dedicated local budget on diversity management.
- Engage in the debate on the reaching of Erste group targets and measures at least once per annum in the framework of the CEO Board.

3.4 Responsibilities of the Nomination Committee of the Supervisory Board

The Nomination Committee within the Supervisory Board of the Bank is formed based on the principles of Erste Group and in accordance with the Rules of Procedure of the Supervisory Board.

In accordance with Article 88 (2) (a) of Directive 2013/36/EU (CRD IV) and the Decision of the Croatian National Bank on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution, Article 25 (4), the Nomination Committee of the Supervisory Board of the Bank shall in particular

“Decide on a target for the representation of the underrepresented gender in the collective of Supervisory Board, Management Body and senior management (Board -1), prepare a policy on how to increase the number of the underrepresented gender in the aforementioned bodies and monitor the activities for meeting that target”.

Decisions related to diversity and inclusion in other companies of ESB Group who do not have a Nomination Committee established are made by the respective supervisory board.

4. Transparency and Disclosure

The Bank shall disclose, in accordance with the provisions of Article 435(2) c of the Regulation (EU) No 575/2013 and EU Directive on Non-Financial and Diversity Information Disclosure (Directive 2014/95/EU) information on its diversity policy, targets and measures. The information shall be included in the corporate governance statement and contains the objectives of such a policy, its implementation and the results obtained.

The GDM and LDM both shall ensure that Group and local diversity targets, policies and measures are published in Group, as well as Local Annual Reports (if there are any), as well as on Group and local websites and intranets (external and internal).

5. Definitions

European Diversity Charters – an EU level exchange platform for organizations promoting and implementing national diversity charters in member states. National diversity charters encourage companies to implement and develop diversity policies.

Management Body: the management body/bodies of the credit institution or other companies of the Group, including the management functions that are authorized to make final decisions and create the strategy, goals and overall guidelines of the institutions.

Nomination Committee: (in relation to this policy) a part of the Supervisory Board with a focus on assessing the skills, knowledge and experience of the Members of the Management Board and Supervisory Board. If no Nomination Committee is established in an institute, the Supervisory Board is in charge of the tasks and responsibilities of the Nomination Committee.

Supervisory Board: Management Body in its supervisory function responsible for overseeing and monitoring management decision-making.

GDM – Group Diversity Manager - person responsible for diversity management at Erste Group level (responsibilities described in section 4.1)

LDM - Local Diversity Manager - person responsible for diversity management at the Bank level (responsibilities described in Chapter 4.2)

GRI - Global Reporting Initiative - one of the world's prevalent standards for reporting on diversity (<https://www.globalreporting.org/Pages/default.aspx>)

6. Annex

6.1 Related documents

Ref	Document (name/title)	Link or Detail
1	Why We Exist: Purpose and Priorities of Erste Group, "Our Statement of Purpose"	http://intranet/sadržaj/odjeli/hr/Biblioteka%20dokumenata/Izjava%20o%20svrsi.pdf
2	<u>Erste & Steiermärkische bank Code of Conduct</u>	09. Code of Conduct 3.0_eng_2022.pdf (sitshr.net)
3	Directive on Disclosure of Non-financial and Diversity Information (Directive 2014/95/EU)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095
4	Capital Requirements Directive CRD IV (Directive 2013/36/EU, Article 88)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0036
5	Capital Requirements Directive V (Directive 2019/878/EU)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019L0878
6	Regulation (EU) No 575/2013, Article 435(2) c	https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=en
7	Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body ("Fit and Proper Guidelines")	https://eba.europa.eu/regulation-and-policy/internal-governance/joint-esma-and-eba-guidelines-on-the-assessment-of-the-suitability-of-members-of-the-management-body
8	Erste&Steiermärkische Bank Suitability Policy,	07. Politika procjene primjerenosti v. 5.0 hr.pdf (sitshr.net)
9	Decision of the Croatian National Bank on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution	https://narodne-novine.nn.hr/clanci/sluzbeni/full/2021_02_20_486.html

7. Change Log

Version History	Approval Date	Section(s)	Changes	Author(s)	Approved by
1.0	2017-05-02		New document	Maja Crnjak	Management Board of ESB
1.1	2018-05-08		Annual review, new chapters: 1.3 and annex 1	Maja Crnjak	Management Board of ESB
1.2.	2019-03-05 2019-03-25	Chapter 3.1.3.	Leadership / Targets topic reviewed and adjusted to Croatian National Bank guidelines	Ines Šuvak Mora	Management Board Nomination Committee
2.0	2021-11-02		Major document update	Ines Šuvak Mora	Management Board of ESB Nomination Committee
2.1	2023-02-28	Document details and throughout the text Chapter 3.3	A more clearly defined scope of application of the Policy considering Bank's affiliated companies. Updated guidelines on women in management and on senior management diversity.	Ines Šuvak Mora	Management Board of ESB