

## **Principles of managing diversity and inclusion within the ESB Group**

This document describes the framework and guidelines of diversity and inclusion within Erste & Steiermaerkische Bank Group (ESB Group). It outlines guiding principles on how to best integrate diversity management into corporate culture and business. The Diversity and Inclusion Policy of the ESB Group, v3.0, was used as a source of information.

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# 1. Preamble: Erste Group's Diversity Statement

How do we live diversity at Erste Group<sup>1</sup>? 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 the right thing is to do – today, tomorrow and in the next 200 years. In addition, to further strengthen the mentioned aspects it is also a part of our Code of Conduct.

## **#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 absolute 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, gender identity and origin as well as physical and cognitive diversity. In our diversity policy, we define common standards for the seven countries in which we operate. These are implemented locally and with individual priorities.

## **Our Diversity Vision**

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<sup>1</sup> Erste Group includes all companies included in the credit consolidation of Erste Group Bank AG, including Erste & Steiermaerkische bank and its affiliated companies

At the Erste Group level, a joint statement on the vision of diversity has been defined: ***We believe in everyone's uniqueness. Together, we drive the change towards prosperity and equal opportunities for our customers, employees and the society.***

## 2. Diversity management

Matters of diversity and inclusion have 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) – Annex 1, Ref 4.

In a similar vein, the European Banking Authority has revised the 2017 joint Guidelines on assessing the suitability of members of the management body and key function holders. In the revision – Annex 1, Ref 5, which applied as of 31 December 2021, 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.

- On the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU – EBA/GL/2021/06
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### 2.1 Definition of terms

#### **Diversity**

The understanding that each individual is unique and recognizing our individual differences. These can go along diversity dimensions (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.

In this context, it is clear that the real power of diversity unfolds when an inclusive workplace is created for everyone in the ESB Group, regardless of individual differences. On the contrary, it is about cherishing those differences and embracing the diversity we are facing every day.

To follow this path, it is important to be aware of where we need to improve and constantly perform a thorough analysis of our status quo. In other words, diversity management at ESB Group shall always be based on evidence and data to establish a clear base and common ground for discussions and decisions.

The impact of establishing an inclusive working culture is twofold:

- 1) Vis-à-vis **clients**: A diverse employee base will be able to better 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 prejudice. Furthermore, an environment in which everyone can be who they are must be seen and lived as an essential part of the corporate culture. The emerging diversity is known to bring about better team performance and more innovative outcomes than homogenous settings would allow for.

These two dimensions are in focus when outlining the fields of action in Erste Group's and ESB Group's Diversity Management. Furthermore, our aim is to make a difference in the societies in which Erste Group and ESB Group operate, as well as to inspire communities to believe in themselves and become change-makers for a more equal and inclusive future.

### 3. Focus on business

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

#### **Non-discrimination**

It is necessary to ensure the equitable treatment of each and every client. Therefore, the Bank and the ESB Group shall not refuse services to any person on the basis of gender, age, marital status, sexual orientation, gender identity, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, heritage or any other aspect unrelated to business criteria.

#### **Accessibility and Inclusion**

Furthermore, it is crucial to ensure that all the customers (e.g. those with disabilities) have adequate access to products and services in accordance with local requirements. In accordance with ESB Group's Statement of Purpose – Annex 1, Ref 2, the Bank and the ESB Group companies shall foster financial inclusion and literacy among all individuals in the regions in which they operate. In this regard, the Bank and the ESB Group shall take a responsibility to care also for those who are socially or financially disadvantaged, to analyse their particular situations and offer a tailor-made approach to meet their financial needs.

#### **Marketing and Communication**

Marketing campaigns and client communication of the Bank and the ESB Group companies shall be based on respect, openness and tolerance. The Bank and the ESB Group shall use an inclusive language and shall avoid images or messages which are stereotypical, offensive or degrading to individuals or groups based on gender, age, heritage, sexual orientation, gender identity and/or physical ability.

Diversity is part of Erste Group's brand, so the Bank and the ESB Group shall include respective contents in the activities towards media and other stakeholders. Furthermore, diversity and inclusion support employer brand vis-à-vis current as well as future employees and shall be communicated actively in this regard.

#### **Openness and Transparency**

The content and measures described in Diversity and Inclusion Policy of the ESB Group 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.

## 4. Focus on employees

ESB Group strives to ensure equal opportunities of development for all employees. In order to establish this level-playing field, the following fields of action are defined:

### 4.1 Anti-discrimination and harassment

- A discrimination-free environment is the basic prerequisite for establishing an inclusive working culture. Therefore, the Bank shall have a focal person (such as an ombudsperson or anti-discrimination officer) who mediates or takes actions in case of discrimination or harassment complaints and track frequency and type of complaints related to discrimination.
- The Bank shall have 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 introduction days.
- Training and awareness raising measures on preventing discrimination and harassment (such as training on unconscious bias and mandatory anti-sexual harassment training) shall be provided on an ongoing basis to managers and employees. Diversity Management shall define the content of such trainings and Human Resources shall organize and implement the trainings.
- The Bank is committed to equal pay for the employees regardless of gender. To achieve this goal, the Bank shall conduct an annual analysis related to the gender-based difference in salaries between men and women and shall implement corrective measures to narrow gaps where they exist.
- The Bank and ESB Group's job advertisements shall be formulated in gender-neutral language to be inclusive and to prevent discrimination through language.

### 4.2 Fostering gender-balance

The Bank is committed to constantly progress towards a gender-balanced management on all levels. In order to achieve this, several accompanying measures have been taken.

#### 4.2.1 Gender targets for management body and senior management

The Holding Management Board together with Group Diversity Management shall decide on a minimum target for the underrepresented gender in local Management Board and local Supervisory Board, where applicable. While not falling below this minimum, the gender targets shall be adapted to local regulatory requirements and, if necessary, interpreted more ambitiously. The targets shall be approved by the respective Nomination Committee.

Furthermore, the Holding Management board together with Group Diversity Management shall set a target for the underrepresented gender for Board-1 positions of each bank subsidiary.

All minimum targets shall be approved and complied with by end of performance year 2028:

Management Board	Supervisory Board	Board -1
30%	30%	33%



In line with the Group-wide minimum targets, 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 targets for the representation of the underrepresented gender in the Bank's top management bodies:

Erste & Steiermärkische Bank	Management Board	Supervisory Board	B-1
<b>Target 2028</b>	30%	30%	40%

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 Croatia<sup>2</sup> shall not be set on the level of each respective company due to their size and complexity.

To achieve these goals, Management Board of the Bank shall focus on share of underrepresented gender in Board-1 positions and shall take care for the representatives of the underrepresented gender defined per Board -1 succession list in order to establish a gender-balanced succession pipeline. 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. Special attention shall be paid to the education of management as decision-makers and to the creation of benefits for employees that support women in balancing career and family

In order to ensure achievement of the 2028 targets, gender diversity is incorporated in the yearly management key performance indicators (KPIs).

#### 4.2.2 Succession Process

Management Board of the Bank shall establish a gender-balanced succession pipeline through the yearly succession talks. Therefor succession lists for every target management position shall include at least one possible successor of the underrepresented gender. If this not achievable in the respective year, follow-up measures are taken for the upcoming succession talks.

In the process of planning successors for key positions, the Bank has implemented diversity, focusing on gender, as one of the key criteria for the nomination of successors. With this, the Bank aims to have 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, other diversity dimensions such as age, professional experience or education shall be considered when nominating successors for key positions.

<sup>2</sup> Erste Card Club d.o.o., Erste & Steiermärkische S-Leasing d.o.o.

### **4.2.3 Career Development**

- To enhance transparency and equal opportunity, all positions, including management positions, must be advertised on the internal job market. Exceptions to this can be made if (1) there are succession candidates in line or (2) other selection methods have been chosen. If there are two applicants with the same qualifications and level of excellence but of different gender, the decision should be in favour of the underrepresented gender.
- Leadership positions do not have to be limited to full-time employment, but could also include formats such as shared leadership positions or part-time leadership positions if feasible.
- 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.
- Development programs must be open to qualified employees of all ages and backgrounds and include a balanced number of participants of all genders.
- Training on diversity topics, including diversity management concepts such as inclusive leadership, cross-cultural and multi-generational issues shall be managed and organized by Human Resources.
- Additional development tools such as coaching and mentoring for women and the support of multi-generational dialog through reverse mentoring and other suitable instruments shall be offered by Human Resources.