

Non-financial reporting

The EU has regulated mandatory non-financial reporting for companies within the EU with Directive 2014/95/EU, which was implemented in the Croatian legislation in December 2016. Non-financial reporting leads to greater transparency and responsibility of all companies in the European Union. The legal requirement notwithstanding, Erste Bank Croatia (EBC) had a prior tradition of informing the public about its activities in non-financial and corporate social responsibility segments in its Annual Reports.

One of the fundamental guiding principles in the business of both Erste Group and Erste Bank Croatia (EBC) is the Statement of Purpose, which rests on a total of seven pillars. Expanding and ensuring prosperity, accessibility, independence and innovation, profitability, financial literacy, focus on people, and serving civil society are six out of the seven pillars, and mostly cover the aspects of sustainable business that EBC aims to achieve. What makes Erste Group different is the last, seventh pillar of entire Erste Group's business, i.e. the so-called third question. Before every decision, the questions "Is this profitable?" and "Is this legal?" are asked, but the question that makes the difference, both for EBC and for anyone affected by Erste, is "Is this right?" This is the question that drives EBC to develop its services and products to the highest potential and thus make the greatest contribution to the individual and society as a whole.

Non-financial reporting and corporate social responsibility enable the Bank to support and promote the development of different segments in society through a wide range of activities, aimed towards the wellbeing of its own clients but also the wider community in which the Bank operates, through supporting various humanitarian and educational as well as cultural and sports institutions across Croatia. In this process, the Bank takes into account the specific regional characteristics and local needs present in the society.

The vision of Erste Bank Croatia in its operations is to be the best bank in Croatia taking care of the security of its clients and offering the best quality of products and services, taking account of the wellbeing of its employees, shareholders and the community. The aim of non-financial reporting is to better inform all interested parties about this vision and about everything EBC does in order to achieve it. Through the segments of business, social and environmental responsibility EBC aims to fulfil its mission, i.e. encourage and support its clients, employees, shareholders and the community in achieving wellbeing together.

EBC's efforts in this segment are aided by a commitment to transparent and open communication with the media as mediators between us and the general public. At the same time, these efforts were reflected in the advertising campaign "Believe in yourself", through which EBC aims to promote positive social and economic values, integration, inclusion and fellowship of all individuals in the society, regardless of age, gender, ethnicity, religious or political affiliation, sexual orientation or marital status.

Implementation of the obligation of non-financial reporting

As already stated, Directive 2014/95/EU, which entered into the Croatian legislation at the end of 2016, stipulates the obligation of non-financial reporting for all companies with more than 500 employees. In this respect, the non-financial report of Erste Bank was issued as part of the Annual Report.

ECB's non-financial report has been prepared in accordance with the Global Reporting Initiative (GRI standard: core option) Guidelines. As a minimum, the report covers the business, social and environmental responsibility of EBC.

Sustainable development goals

The Sustainable Development Goals are also known as the Global Goals and were adopted by the United Nations in 2015. There are 17 in total, and by fulfilling these goals, the society will achieve a more sustainable living and a better life for each individual, as well as peace and prosperity for all. Precisely prosperity for the society and each individual is one of the EBC's goals, which it is trying to achieve through its operations.

Erste Bank Croatia, as well as Erste Group, supports all 17 Sustainable Development Goals. Taking into account its business form and its impact on society, EBC can contribute by its operation and by achieving six goals:

1. Good health and well-being (SDG 3)
2. Quality education (SDG 4)
3. Gender equality (SDG 5)
4. Decent work and economic growth (SDG 8)
5. Reducing inequalities (SDG 10)
6. Climate action (SDG 13)

Analysis of material topics

The analysis of material topics is the first step to drafting a non-financial report. It provides the organisation with a better insight into the topics that its stakeholders consider relevant and influential. Through talks with some of Erste's stakeholders, the Bank identified several important topics that will be addressed in this non-financial report. In order to make the information as clear as possible, the report is structured in such a way that each of the topics is classified under a specific part of the interested public, i.e. stakeholders. The following groups have been identified as EBC's stakeholders: clients, employees, investors, society, environment, and suppliers.

Some of the topics, such as the topic of Anti-Corruption and Financial Literacy, are relevant to several interested groups of the public, but for better text organisation, they are categorised as one unit.

Through Table 1, Erste Bank Croatia has divided the topics it considers materially relevant to its stakeholders, that is, to the interested public.

Clients

Responsibility in business (SDG 8)

Responsibility in conducting business, especially when it comes to the treatment of clients, represents a fundamental characteristic of EBC's business operations which is reflected in offering special products and services aimed at different groups of clients in response to their current and future needs and living circumstances. Also, EBC has established and implements the fundamental principles of socially responsible business as well as policies and guidelines regulating the prevention of corruption, the management of the conflict of interest and the system for handling reported irregularities and whistleblower protection (whistleblowing program).

Client satisfaction (SDG 8)

In order to ensure the conditions stipulated by this SDG, incentives for small entrepreneurs and incentives for innovations are necessary. In this objective of sustainable growth, EBC has recognised its role as an essential factor in generating economic growth. Through operations, EBC aims to take care of the most vulnerable groups of society through the placement of special products. Also, the aim is to prevent the negative effects in the society through responsible business, anti-corruption policies, and employee education. Furthermore, EBC aims to provide as many people as possible with access to the bank's financial assets and services through our programmes of socially responsible banking.

Right to personal data protection

The protection of personal data is a fundamental right of every citizen, and in the banking sector, it is of extreme importance. Erste Bank Croatia is continuously working to improve its IT systems and educate its employees to ensure the highest standards of personal data protection. In order to protect the IT system from security threats, the Bank continuously works on upholding and improving compliance with the PCI/DSS standard and compliance with the requirements of the international Erste Group as well as guidelines for managing IT systems issued by the national regulatory body.

Employees

Diversity and equality (SDG 5, 10)

Gender equality is a global issue that prevents peaceful and stable development and progress of humanity. EBC has been working systematically and hard on combating any gender or other inequality in the workplace, and for this reason, it adopted the Diversity Charter, in which it undertook to implement the diversity and non-discrimination policy in the workplace and business environment. Apart from that, other regulations have been adopted to combat inequality.

Trainings and development of competences

Continuous employee development is one of EBC's key principles. Upgrading professional knowledge, acquiring new competencies in line with the trends and the market, and constant personal development are the basic assumptions for the career path of all employees.

Employee work-life balance and health (SDG 3, 5)

The health and well-being of all, but primarily its own employees is one of the sustainable development goals identified by EBC as extremely important. This sustainable development goal is the cornerstone for meeting all other goals. In this respect, EBC provides numerous benefits for its employees, from free annual physical examinations to organised sports activities.

Society

Social banking (SDG 8, 10)

Income inequality, geographical inequality, gender inequality, unfair distribution of resources by age – the subject of inequality is reflected in all aspects of life. For EBC, this sustainable development goal can be achieved through social banking, which provides equal opportunities and access to funding for all. Also, increasing financial literacy, which allows everyone to have the same starting point in the knowledge of finance, is one way in which good foundations can be laid for progress towards fulfilling this goal.

Financial literacy (SDG 4, 10)

Acquiring a quality education is one of the fundamental rights of every individual, and precisely knowledge is one of the main drivers that pushes society forward. In 2018, the need for increasing financial literacy in the society was identified, so EBC launched the programme of free workshops and video trainings called the School of Smart Finance. By the end of 2020, about 8,000 people attended these workshops (unfortunately, because of the specific pandemic circumstances, in-person workshops were held only at the beginning of last year).

Social responsibility

Through its sponsorship and donation activities, EBC is involved and actively supports various initiatives and projects that contribute to the development and improvement of the society as a whole, both locally and throughout the Republic of Croatia. Also, Erste Bank Croatia endeavours to nurture a two-way communication with the local community and achieve as much transparency as possible.

Environment

Effective management of environmental impacts (SDG 13)

Unfortunately, people are witnessing increasing environmental disasters that result from the lack of humanity's care for the environment in which it lives. Since this is a problem that affects all sectors of the economy to a certain extent, more and more companies have lately been introducing more sustainable operations and increasing care for the environment. Therefore, EBC also strives for business processes of the highest quality and for environmentally sustainable business in the segment of ecology and environment. When decorating its branch offices, as well as in its daily work and in communication with clients, EBC strives to achieve the highest environmental standards. EBC demands the same from its suppliers.

Suppliers

Responsibility in selecting suppliers (SDG 10,13)

Erste Group, including Erste Bank Croatia, sees its suppliers as partners in developing the sustainability of its operations. When selecting suppliers, Erste Group takes into account sustainability and corporate social responsibility, and chooses companies that do business in line with international standards that include social and environmental impacts.

Table 1: Analysis of material topics

STAKEHOLDERS	TOPICS OF MATERIAL ANALYSIS	TOPICS OF MATERIAL ANALYSIS ACCORDING TO GRI STANDARDS	CHAPTER IN NON-FINANCIAL REPORT
Clients	Responsibility in operations	Anti-corruption (GRI 205-3)	Anti-corruption and tax transparency
	Client satisfaction	Client satisfaction (additional material topic)	Products and services
	Right to personal data protection		Client experience and contact centre, Right to personal data protection
Employees	Diversity and equality	Diversity and equality (GRI 401-3, 405-1)	Diversity and equality and prevention of discrimination
	Trainings and development of competences	Trainings and education (GRI 404-1)	Trainings and education
	Employee work-life balance and health	Health promotion (GRI 403- 6), Flexibility in workplace	Employee work-life balance and health
Society	Social banking	Anti-corruption (GRI 205-3)	Dialogue with the local community
	Financial literacy	Financial literacy programme (additional material topic)	School of Smart Finance Sponsorships and donations, humanitarian campaigns
	Social responsibility		
Investors		Economic results	
Environment	Effective management of environmental impacts	Energy (GRI 302-4)	Energy
			Emissions and greenhouse gases
Suppliers	Responsibility in selecting suppliers	Responsible selection of suppliers (GRI 308-2)	Waste management
			Suppliers' responsibility

Clients

Anti-corruption

In order to achieve its vision and mission as well as business goals, Erste Bank Croatia strives towards a high-quality and continuous implementation of the highest ethical standards in corporate management and individual employee behaviour.

Within this framework, EBC has established and implements the fundamental principles of socially responsible business as well as policies and guidelines regulating the prevention of corruption, the management of the conflict of interest and the system for handling reported irregularities and whistleblower protection (whistleblowing program). The **Code of Conduct** regulates the basic rules of corporate behaviour of the Bank's employees with the aim of preserving and further developing the reputation of the banking business and the Bank in the society, promoting the idea of professionalism, responsibility and transparency of operations.

In line with its **Anti-Corruption Policy**, the Bank enters into business relationships only based on integrity and high ethical standards. Employees of EBC must avoid any activities that might lead to or suggest that the Bank will offer or accept bribes. Under no circumstances can the Bank offer any kind of value to a civil servant (or a member of a civil servant's family or any charity organization that a civil servant suggests) with the aim of influencing the recipient to take or desists from taking a specific official action, or with the purpose of influencing the civil servant to do business with the Bank.

Furthermore, the Conflict of Interest Policy defines a general framework for identifying and managing potential conflicts of interest and supports the Bank's employees in establishing standards in their work within identified areas where a potential conflict of interest might occur. The policy includes general principles for organizational conflict, the performance of activities that are not job-related, general principles on receiving business gifts and principles related to the conflict of interest when providing investment services and activities. The Bank works on raising awareness and educating its employees on recognizing situations in which a conflict of interest might arise, and on the measures, principles and actions that need to be implemented in everyday business with the aim of preventing and managing conflict of interest.

In its operations, the Bank implements the principle of zero tolerance towards fraudulent behaviours harmful to the interests and/or assets of the Bank, towards corruption, violation of existing rules and regulations, the Bank's legal acts and ethical principles. The Whistleblowing Policy establishes the process of reporting inappropriate behaviour regarding financial irregularities, corruption, fraud and money laundering, conflict of interest, actions against the Bank's rules and procedures, violating regulations on banking operations and the process of controlling and resolving these reports as well as the manner of responding to and protecting whistleblowers.

EBC continuously educates its employees with the aim of raising awareness of the importance of managing conflicts of interest and preventing corruption, as well as acting in accordance with ethical standards. Furthermore, through training, the Bank tries to encourage employees to report irregularities such as fraudulent actions, violations of procedures and the Bank's legal acts.

During 2020, the bank's employees were continuously educated on topics related to anti-corruption principles, conflicts of interest and the principles of the Bank's Code of Conduct. A total of 2330 employees of the Bank were educated about anti-corruption principles and conflicts of interest, which accounts for 87.14% of the total number of employees. Furthermore, in 2020, EBC received one report of a potential irregularity which did not include instances of corruption.

Tax transparency

Erste Bank Croatia has always been dedicated to tax compliance as well as the observance and consistent implementation of tax regulations. Since it is dedicated to corporate social responsibility, the Bank takes great care to pay all its dues for the public needs of the country it operates in and to pay a fair tax amount, i.e. the amount the Bank is obligated to pay under tax regulations. The Group Tax Office for Croatia was established in March 2017 in order to ensure this.

The activities of the Office include ensuring tax compliance of Erste Bank Croatia and its affiliate companies in Croatia as a whole, coordinating tax policies of affiliate companies and cooperation with tax authorities. The aim of the Office is to provide good and efficient tax risk management for EBC Group, in response to new tax regulations, which include EU directives and

local regulations. In the context of regulation, it is worth noting that the Bank and its subsidiaries fully comply with the newly implemented rules on the obligation to report on cross-border tax arrangements (DAC 6), thus demonstrating support in the fight against tax avoidance and tax evasion.

In addition to tax compliance, another important task of the Group Tax Office is to support its colleagues in the Bank and affiliate companies to optimize tax requirements related to their everyday operations. The purpose of the Group Tax Office is to support business lines of the Bank and incorporate existing tax know-how and expertise into every segment of the Bank's operations. The Tax Office closely collaborates with other organizational units in the Bank.

The Tax Code of the Bank was adopted and approved by the management Board in early 2017, regulating the position of the Bank towards tax issues and tax risks. The document is publicly available on the website of the Bank and its purpose is to establish tax principles to be followed by all employees as well as to raise awareness on the importance of taxes in the Bank and the entire EBC Group. The Tax Office continually organizes trainings and workshops for its employees for this purpose.

Products and services

Responsibility in conducting business, especially when it comes to the treatment of clients, represents a fundamental characteristic of EBC's business operations which is reflected in offering special products and services aimed at different groups of clients in response to their current and future needs and living circumstances, while also looking after vulnerable groups of clients, offering products customized to meet their specific needs, such as loans with specific terms and lower banking fees for pensioners. The Bank offers a special savings product for children under the Medo Štedo brand which aims to facilitate the first contact between children and the bank and promote the habit of saving money by offering favourable interest rates and a customized rewards programme, and in 2020, EBC continued its activities related to the segment of young clients who have a special current account, Erste Cashtag, introduced for children and young people under the age of 18 which comes with a debit card, which makes it easier for parents to teach children about financial responsibility without charging account maintenance fees.

Challenges of 2020

Since the very beginning of the coronavirus pandemic, EBC has taken preventive measures to ensure uninterrupted continuity of its business activities and availability of services to clients, taking into account the decisions of public authorities on restrictions on movement and temporary suspension of public transport. In this context, particular focus was placed on ensuring the regular functioning of payment operations, the availability of digital banking services, as well as on ensuring a sufficient amount of money across the entire ATM network with cash withdrawal fees at ATMs of other banks temporarily abolished.

Clients who have difficulties paying off their loans have at their disposal various methods aimed at helping them pay off a loan, for example, they may opt for a grace period, and given the special circumstances related to the coronavirus epidemic and the aftermath of the earthquake in Zagreb and its surroundings, a quick and simple measure of delaying the repayment of credit obligations for a period of three to a maximum of six months was introduced. Given the significant impact of the current circumstances related to the coronavirus pandemic on the tourism segment, EBC has enabled its clients, who carry out a tourist activity or other tourism-dependent or tourism-related activity, to opt for a credit grace period of up to 12 months. In order to facilitate the submission of client requests, the possibility of submitting the request via the website was introduced as well as the realization of the deferral without clients needing to come to the branch office and the Bank has taken over the costs of solemnization which may represent a big cost for clients in these situations. Also, in order to alleviate the situation, the activation of new collaterals for the collection of outstanding overdue debts incurred after 31 December 2019 was temporarily suspended, and the calculation of default interest was temporarily suspended. Special measures were introduced for private and business clients.

In 2020, the Bank continued to actively participate in subsidized residential construction programmes (POS) and subsidized housing loans programmes for the purchase or construction of real estate in cooperation with the Croatian Real Estate Agency (APN) in two waves. In 2020, a new loan model for the construction of family houses was introduced.

Changes in customer behaviour and habits, technology and regulatory framework continuously require adjustment of the existing business model and the role of individual distribution and communication channels. Branch offices are increasingly

becoming centres for consulting and resolving more complex client requests, while clients are increasingly using digital services and self-service devices to perform transactions and resolve simpler requests. During 2020, activities which were part of branch transformation project have continued, which in addition to a new visual identity, is characterized by a new way of working focused on the advisory role of employees and a unique user experience for clients. Through the new process of approving non-purpose consumer loans, the time from approving and disbursing loans has been significantly reduced, as well as the necessary documentation.

In the SME segment, communication activities with clients were carried out in order to educate and present the advantages of using Erste Bank self-service devices and digital channels in everyday transactions. These products make daily financial management simpler and safer, and optimise the cost aspect of cash operations because they enable clients to achieve additional savings by using them. The advantages were recognized by the client and the trend of further reduction of cash operations and non-cash orders in branch offices has continued, while the use of self-service devices and digital channels has been growing.

During the year, the Bank continued implementing existing and securing new financial instruments by signing agreements with domestic and international financial institutions (HAMAG BICRO, HBOR, EIF, EIB, EBRD). Financial instruments come in the form of credit lines, guarantees and guarantee schemes, and are available to micro, small and medium-sized companies with the aim of facilitating access to financing to entrepreneurs, and in 2020, were primarily focused on mitigating the negative consequences of the Covid-19 pandemic.

The Bank cooperated with the Croatian Bank for Reconstruction and Development (HBOR) on regular programmes and guarantee instruments and under the financial instrument "ESIF loans for growth and development" for small and medium-sized enterprises. In cooperation with the European Investment Bank, further financing of SME and MidCap clients was provided, including public and private sector clients whose conditions have been adjusted to the new situation caused by the Covid-19 pandemic. With HAMAG-BICRO, guarantee schemes have been adjusted by increasing the maximum guarantee percentage for working capital loans and by increasing the maximum guarantee amount for investments to EUR 4 million and for the expansion of eligible activities. At the end of the year, contracts were signed on the basis of which an 'umbrella structure' was contracted with the European Investment Fund (EIF) for the implementation of the InnovFin SME Guarantee instrument on the SME loan portfolio, while the EBRD cooperation continued through the credit program aimed at supporting the development of the tourism sector (sustainable investments in private catering and tourism activities). Also, the EBRD gave EBC the award for the most active partner bank in financing international trade in Croatia for the third year in a row.

Furthermore, the Bank continued pursuing cooperation with institutions on local markets, entering into or extending business cooperation with counties and local governments through various programmes aimed at supporting SMEs and subsidizing housing loans for citizens.

The Bank operates in accordance with Responsible Business Principles which aim to ensure rules relating to funding, i.e. the provision of services in the area of energy, defence, arms industry and other sensitive industries. Although the Bank does not focus on financing such industries, acting in line with principles ensures that business activities in these industries are conducted in a manner that is responsible towards clients and society in general.

Digitalisation

During 2020, EBC made significant steps in digitising business operations and providing new and improved opportunities to clients, which was greatly significant during the lockdown that lasted during March and April 2020 because clients were provided with significantly easier access to services and products they needed.

The KEKS Pay app, which EBC offered to users a little over two years ago, recorded a 100% increase in the number of users last year, of which there are currently around 175,000. Although user habits have changed significantly due to the pandemic and the primary function of KEKS Pay - the cost allocation - was used slightly less due to objective circumstances, the total number of transactions increased from 400,000 in 2019 to more than a million last year. Interestingly, 75% of the users of the app are not EBC clients and that fact is present since the very beginning.

The possibility of donating to various humanitarian initiatives and associations was one of the most important functionalities of KEKS Pay app in 2020 and early 2021, with special emphasis given to the speed with which it was possible to donate to the Solidarna Foundation and Fund 5.5 after the earthquake that hit Sisak-Moslavina County. In this way, just over HRK 2 million

was collected, out of a total of HRK 9.3 million. Options that a large number of users have recognized as useful include the payment of parking via the KEKS Pay app, the purchase of vouchers for mobile phones and the option of topping up ENC devices. Last year, thanks to the implementation of the so-called plug-ins for the WooCommerce and Magento platforms, online store purchases via KEKS Pay also increased significantly. Moreover, last year, users were able to open a prepaid Keks Pay account with a corresponding Visa card called KEKSICA free of charge. Opening an account and ordering a card via the Keks Pay app is fast, easy, completely digital and free of charge. With this type of account, it is possible to perform all transactions that have already been available within the app, and the biggest advantage is that the money arrives in the recipient's account immediately, regardless of the time the money had been sent and regardless of the sender's bank.

Pursuing the long-term goal of ensuring financial prosperity for all its clients, EBC introduced the modern pan-European digital platform George in Croatia last year. Besides providing a better user experience within mobile and internet banking, George is a platform for innovation through which new opportunities will be continuously introduced in the future, and with each upgrade, it will become even more advanced, smarter and more innovative platform. The first major new functionality which the George platform offers is the possibility of fully digital current account contracting for citizens, intended for new and existing clients. The entire contracting process is completely digital, consists of only a few steps, does not require clients to come to the branch office, and is supported by video identification and digital signing of documentation. The users can also use George Store, where they can digitally take out a cash loan, open savings account, order a Diners Club card, contract Wiener travel insurance or buy a mobile phone voucher. In addition, George offers an exceptional degree of personalization, enabling each user to create their own version of George, by having the user determine how they will view, sort and organise the information George provides them concerning their spending, savings, investments and payments.

The continuous upgrading of the EBC website should also be noted. So, for example, a subpage of the Bank was published in 2020, which for the first time aggregates all necessary information regarding the support of cross-border operations for clients (via International Desk or Transaction Banking Competence Centre). In addition to providing local data, the site is also linked to the Erste Group International Desk website, which also contains all the information of the regional Transaction Banking Competence Centre. This facilitates comprehensive access to information related to the regional or CEE market for Bank's clients and enables the Bank's contacts to access all clients from those markets who are interested in future business cooperation. The site was published only in Croatian and the English version is expected to be published in January 2021.

Client experience and contact centre

Erste Bank Croatia places great attention on client experience and aims to be a leading bank in terms of consumer protection and excellent customer experience. The Bank's strategic goal is to provide excellent, simple, accurate, transparent and timely service. In order to achieve this, the Bank operates beyond the framework of what is legally prescribed and, for example, EBC enables the transparent and simple submission and resolution of complaints, with almost 80% of complaints solved within three working days.

Therefore, the client experience is managed systematically and continuously, through a process defined in five steps:

- _ By listening to the client's voice
- _ By implementing service quality standard
- _ By educating employees
- _ By measuring client's experience, and
- _ By identifying areas for improvement and defining an action plan of improvement.

The purpose of measuring client experience is to create an overall picture of client satisfaction with the provided service, including the overall treatment of the Bank's employees towards the clients. The measuring investigates the area of satisfaction with the Bank's products and processes, as well as the knowledge, expertise, procedures and conduct of employees towards the clients. The measuring results provide specific feedback and the opportunity to improve a client's experience in all contact points with the Bank.

The sources of clients' opinions come from several sides and from several perspectives. There is: mystery shopping, which determines whether employees behave and act in accordance with the pre-defined standards and procedures; client satisfaction surveys, which examine client's satisfaction with the provided service or contracted product (the sample is more than 40,000 respondents per year), and clients' complaints, which are collected and analysed on a monthly and quarterly basis in various categories.

All these measurements are carried out continuously, the results are regularly analysed and reported to the executives, and action plans for the improvements are made. At the bank level, the Committee on Service Quality and Client Experience also operates and its permanent members are the Management Board and directors of the second line of management from those sectors that directly communicate with clients, as well as other sectors that directly influence the clients' experience. The Committee meets four times a year to determine the service quality goals, monitor the service quality and decide on the priorities for improvement.

There are several basic goals which relate to the client experience, and which are aimed to be secured in the coming period. Further development of services and the possibility of contracting products on digital channels, improvement of the efficiency in processes in order to provide customers with a service in the shortest possible time, and transformation of the network in a way that puts the client in focus are just some of them.

Changes in client expectations, behaviour and habits, the technological revolution and regulatory frameworks inevitably require a redesign of the current business model and the role of branch offices as distribution channels for products and services of the Bank and its partners, which is why the network has gradually transformed. Thus, in 2020, another five branch offices were redesigned, bringing the number of redesigned branch offices since 2018 to 13. This kind of branch operating model, which is characterized by changes in both the visual appearance and the approach to work, is aimed at changing the service model in retail business. The plan is to continue the redesign of branch offices according to the new concept.

EBC is available to clients through multiple channels in order to facilitate access to information and allow clients the right to issue a complaint at any given time. In addition to standard channels (call, email, chat, video call and Skype), the EBC's Contact Service became available via the social network WhatsApp at the end of 2020, making EBC the first bank on the market to offer this option.

EBC's long-term focus on excellent clients experience in all contact points with the Bank has also been recognised by clients, as is shown in the CXI (Customer Experience Index) results, which indicate long-term growth trend that remained present in 2020. This result proves that EBC successfully, timely and transparently communicated with its clients during the most uncertain circumstances we have all encountered and provided excellent experience, particularly by ensuring the availability of all digital services, ATM network, as well as branch office services during the coronavirus pandemic and after the earthquakes that hit Zagreb and Sisak-Moslavina County.

Right to personal data protection

Personal data protection represents a basic right of every citizen. The principles and rules regulating personal data protection ensure the protection of private lives and other human rights and fundamental freedoms when collecting, processing and using personal information, and are guaranteed to every individual regardless of nationality, residence, race, skin colour, gender, language, religion, political or other affiliation, national or social background, health, income status, birth, education, social position or other characteristics.

a) GDPR (General Data Protection Regulation)

Application of the General Data Protection Regulation has brought new definitions and clearer obligations with regard to data protection and the right of every citizen to security and privacy. The regulation added value to EBC in terms of its ability to get closer to its clients through transparent operations, using the legal framework as an additional opportunity and motive to raise the level of safety of the entire security system. The General Data Protection Regulation introduced new definitions, described existing concepts in more detail, strengthened the rights of natural persons and one of the objectives was to raise information security to the highest level in the area of access and management of personal data. In relation to the processing of individuals' personal data, EBC is continuously working on improving relevant business processes. The Bank achieves a high level of personal data protection as well as the exercise of the rights of clients, employees and associates in accordance with positive legal regulations by monitoring best practices and industry standards of information and communication infrastructure management, transparent communication and other technical and organizational protection measures.

b) PCI/DSS (Payment Card Industry Data Security Standard) certificate

In order to protect the IT system from security threats, the Bank continuously works on upholding and improving compliance with the PCI/DSS standard and compliance with the requirements of the international Erste Group as well as guidelines for managing IT systems issued by the national regulatory body.

EBC continuously renews the PCI/DSS certificate. This standard confirms that the Bank's operations are in compliance with this high-quality international payment system standard, which requires continuous investment in technology and business processes with the aim of ensuring security for the clients and their sensitive card data. Information security policy, the process of handling data and computer network structures are just some of the twelve areas of strict requirements that companies must meet in order to ensure data protection. Consequently, in 2020, the Bank successfully completed the recertification process confirming that its business processes are in compliance with PCI/DSS standards.

Employees

The goal of EBC is to be the best bank in Croatia that cares about the safety of its clients and provides products and services of the highest quality while taking care of the well-being of its employees, shareholders and the community.

The individuality of each employee is appreciated and respected, as well as the fact that they enrich the organisation with their diversity. Therefore, EBC strives to provide its employees with a motivating working environment by caring about all elements of well-being: through career, i.e. a meaningful and purposeful job, through intellectual progress and opportunities to acquire new knowledge and skills, through good and healthy relationships, economic security and stability, and ultimately care for one's own health. Also, special attention is given to gender equality and reduction of inequality, ensuring quality working conditions and social dialogue, preventing human rights violations and discrimination, and striving for maximum transparency and dialogue with the local community.

Diversity and gender equality and prevention of discrimination

Erste Bank Croatia has a total of 2,462 employees, of whom 1,792 are women, while 670 are men. Employees aged 30 to 50 are predominant. Employees aged 30 to 50 are predominant.

Table 2: Employee structure

TOTAL		< 30 YEARS OF AGE		30-50 YEARS OF AGE		>50 YEARS OF AGE	
women	men	number	%	number	%	number	%
1.792	670	304	12%	1.799	73%	359	15%

Women account for 72.8% of the employees and the remaining 27.2% are men. When we look at the share of women in managerial positions, we see changes in trends compared to previous years. In 2020, women occupy 33% of top management positions, while their share in 2019 was 28%. Particularly noticeable are the changes in the representation of women in B-1 positions with their share significantly increased in 2020 - from 28% to 42%. There is also a positive trend in the middle management positions with women occupying 66% of such positions, while their share in 2019 was 63%. The average age of the employees in the company is 39.8, while the average age of employees in management positions is slightly higher and is 45.

Table 3: Structure of managing bodies

SUPERVISORY BOARD	women	men			
	29%	71%			
MANAGEMENT BOARD	women	men	<30	30-50	50>
	0%	100%	0%	17%	83%
B-1	women	men			
	42%	58%			
B-2, B-3, B-4	66%	34%			
Total Top mgmt	33%	67%			

Combating discrimination is provided in the Code of Ethics, while the Rules of Procedure and Collective Agreement describe the procedure for reporting and the activities to be undertaken by persons authorised to deal with complaints. A special decision of the Management Board appoints persons from the Legal Affairs and Human Resources Sector to be responsible for resolving complaints related to claims for the protection of dignity and protection against discrimination within EBC.

Special attention is paid to preventing discrimination in the recruitment and selection process – EBC’s calls are open to applications from all interested candidates who, according to their competences and experience, meet the conditions of the workplace, regardless of gender, age, nationality, etc. Through individual or group counselling, managers are working on raising awareness of unconscious discrimination in order to make quality and impartial decisions regarding the selection of candidates, and the prohibition of discrimination is integrated as one of the key elements in Employment Policy.

In early May 2017, the ESB Group’s Diversity and Inclusion Policy, available in Croatian and English, was adopted. It regulates the principles of diversity and inclusion with which the ESB group undertakes to comply. Erste Group’s diversity management is organized as a “Group Function” and is located within Erste Holding, as part of the Sustainability Management Office.

EBC responds to a variety of initiatives, panels and lectures on diversity and actively promotes it at all professional conventions outside the bank.

In 2020, the strategy of goals related to the senior management structure was revised at the level of the Erste Group and long-term goals for the 5-year period were defined, which will be monitored in two steps. The target regarding the share of women in top management positions at EBC was defined as follows: 34% by 2023 and 41% by 2025. The focus of the strategy for achieving this goal is on developing a corporate culture and career management tools that support all employees regardless of gender.

In addition to supporting female executives, the focus is also on ensuring equal opportunities for the advancement and development of employees of different age groups, especially those under 30 or over 50, and encouraging successful collaboration in multi-generational teams. Thus, special attention is paid to ensuring that lifelong learning is always a part of the development initiatives and that the 50+ employee segment is equally involved in all educational activities.

With regard to the principles stated above, several activities were initiated in 2019 to support the respect for diversity in the organisation, and despite the specific working conditions in 2020, part of these initiatives continued to be implemented. The workshop, launched in 2019, called #razlicitoplavi, whose main goal was raising awareness of stereotypes and prejudices and which around 500 employees attended was included in the HR catalogue of development activities. The workshop remained part of the HR offer in 2020, but, of course, available online.

The diversity communication activities continued via the intranet, in a manner adjusted to events in 2020 and the needs of EBC employees. Special attention was paid to the inclusion of diversity as an important topic in the new, redesigned process of introducing new employees. In order to raise awareness of the importance of gender equality, all materials, instructions, and guidelines for new employees were written using the feminine gender providing an explanation of why this was done and why diversity in EBC is important. Moreover, the EBC has continuously been working on benefits that support diverse groups of employees and contribute to the work-life balance.

In order to motivate EBC employees to use parental leave, in 2020, a special e-mail to each new father was sent which included a congratulations message for a major life event, listing the benefits of staying on leave with the child and basic information and instructions on exercising the right to use parental leave.

In mid-2020, regular management reporting on the basic diversity parameters in EBC was launched. Data on gender and age distribution among different groups of employees are now part of the monthly report on employees intended for directors. In this way, diversity is monitored using numbers and figures and management awareness of the importance of diversity management is strengthened.

In 2020, no cases of discrimination were reported.

Diversity Charter

The Diversity Charter is a document drafted individually by each country, and the text of the Charter is signed by business and other organisations, thus undertaking to implement diversity and non-discrimination policies in their workplaces and business environment. The project started in 2018, and EBC is one of the signatories of the Charter, with the aim to emphasise diversity in creating a stimulating work environment.

The Croatian Business Council for Sustainable Development is an organisation promoting the implementation of CSR in Croatia, and the Charter serves as a contribution to social development and the promotion of equal opportunities for all social groups. During 2019, in cooperation with the Business Council for Sustainable Development, EBC became involved in trainings and initiatives related to promoting diversity and is an active member of the network of experts in this field at the European Union level.

In early 2020, EBC joined the Alliance for Gender Equality, an initiative that brings together companies committed that advocate increasing the number of women in management and other positions, equal pay for equal work and equal opportunities for advancement. Through quarterly meetings of the Alliance, there is an opportunity to exchange experiences and good practices in the field of women's empowerment for management functions with other members and support each other in the implementation of such practices.

At the end of 2020, EBC joined the European project Diversity@Work, coordinated in Croatia by the Diversity Charter. The project includes 80 organisations from ten EU countries, and its aim is to test tools for promoting diversity in organisations, adapt them to practice and ultimately enable organisations to apply the tools to their needs. Completion of the project is planned for next year when we will receive the final materials for use.

Code of Ethics

The EBC Group Code of Conduct is the point of reference for all actions and behaviours and serves as a link in acts regulating employee behaviour during the performance of their activities. It describes all relevant points, clearly defines obligations, and sets the grounds for action for all employees as good corporate citizens. The Code also regulates the need for responsible behaviour, respecting others and sustainability in all aspects of operations, thus protecting the good reputation of the Bank and gaining trust towards the institution.

By adopting the Code of Conduct, the Bank wishes to ensure a certain quality and business sustainability standard through the prism of its employees and corporate culture. The EBC Group Code is also a continuous development process with no expiration date or period of application and is mandatory for all employees. It is available in Croatian and English.

In 2018, EBC launched ethical workshops for target employee groups where the Bank relates guidelines from the Code of Conduct to actual challenges and situations and promotes positive behaviours. EBC continued offering these workshops, as well as lectures on Code of Ethics, in 2019. Workshops and lectures are a mandatory part of educational programmes for certain groups of employees (e.g. new employees, newly appointed managers, sales employees...), and modules for free application of all interested were organised.

In 2020, due to the inability to hold in-person workshops, an e-learning training course was launched on the subject of the Code of Conduct, which a total of 1,050 participants attended and successfully passed by the end of the year. In addition, for colleagues from the sales network, the content of the workshop about the Code of Ethics was adapted to the online format and workshops were held via MS Teams.

Internal service quality

The process of internal service quality management is one of the ways to establish cooperation between different units of the Bank and EBC Group. Through this process, the employees have an opportunity to provide open and constructive feedback on their cooperation with various organizational units and request feedback on their work, based on which they can improve the ways in which they cooperate with others.

This process also establishes criteria internal services must meet in the form of guidelines and standards, but also in the form of key performance indicators (KPI) for the second management line, which are defined based on results of internal research. The internal quality KPIs extend to lower hierarchy levels, as objectives describing certain activities that need to be taken in order to improve cooperation with others.

The systematic and continuous work on internal quality is important primarily for the Bank to ensure excellent services for external clients, and also to strengthen corporate culture based on community and teamwork.

Vežica

As an additional recruitment channel, EBC continued with "Vežica" ("Connection") programme in 2020, which is a programme for attracting new, high-quality IT employees using the network of existing employees. Together with the IT sector and organizations, certain IT positions are singled out, of which the bank is in shortage, and existing employees are rewarded if they proactively recommend a candidate who becomes an employee at the EBC. In this way, it is ensured that existing employees become promoters of Erste Bank Croatia as well as the selection of candidates who might not have applied through a standard job ad. In 2020, preparations began for the further development of Vežica programme. Under the new concept, Vežica would include proactive recommendations for a broader range of jobs, creating a larger range of potential candidates.

Interna uskakalica

In 2020, a platform called Interna uskakalica ("Internal Jump-in-to-Help") was introduced, as an additional channel for internal fulfilment of temporary and short-term resource needs. The goals of this platform are to optimally manage resources and working hours, efficiently manage labour costs, encourage cross-functional cooperation and support, exchange of knowledge, experience and work methods within the organisation.

Spajalica

Spajalica ("Get-Together") is a programme connecting employees with the Management Board, offering an open communication channel through which employees in cities across Croatia have the opportunity to talk to Members of the Board and share their thoughts, experiences, priorities and plans throughout the year. This form of communication with the Management Board was not continued in 2020 due to the special circumstances, but it is planned to continue as soon as epidemiological circumstances allow it. Nevertheless, the Management Board and employees had the opportunity to communicate via an internal communication platform - intranet, where, during the challenging last year, numerous information was published in form of text news and videos about the Management Board's opinion on various topics as well as employees' opinions.

Continued and quality cooperation with employee representatives (Workers' Council and Trade Unions)

The Bank continually works on improving the cooperation with employee representatives so that this open communication channel can also contribute to the growth and development of corporate culture, the organisation as a whole, and all its employees. This is achieved through regular monthly meetings, an open-door policy, and quarterly meetings with the

Management Board and the Workers' Council. In 2020, despite the circumstances, these meetings were organized quarterly in a way that the epidemiological situation permitted, most often online.

In addition to this, Erste Bank Croatia actively encourages sharing knowledge among organizational units, sectors and employees. Work-training meetings are regularly organized with all organizational units as an opportunity to share information, attend various workshops etc. Work-training meetings are organized within one organizational unit or several related units and are a part of the Bank corporate culture, with the purpose of advancing the collective knowledge and awareness of employees within different organizational units. Sharing knowledge improves and develops already established processes, but also establishes new ones, with the vision of improving the level of shared direction in operations and corporate culture. Through 2020, sharing knowledge and work-educational meetings were organised via new virtual communication tools. The recommendation to all organizational units was that, regardless of the circumstances, they maintain exchanges of information among teams and adapt them to online collaboration tools, thus maintaining the team spirit and involvement of their employees.

Blue elephant

This corporate culture project was launched with the purpose of actively managing ECB's corporate culture. It is a common denominator for all activities, values, and behaviours through which corporate culture is defined and supported. The name and identity of the Blue Elephant are manifested through a shared and systematic description of all activities of the Bank, the values, behaviours, and characteristics that define and support corporate culture and its development.

The concept, vision and mission of Blue Elephant are defined through the following segments of corporate business and employee involvement:

- _ Employing a particular ("right") profile of people
 - *Super profile* – defining a universal and optimal profile of candidates for specific jobs (e.g. cashier);
- _ Cooperation
 - Developing the culture of open, honest and constructive feedback with mutual respect;
- _ Impact and development management
 - Lowering responsibility, delegating tasks, promoting and celebrating success, having credibility;
- _ Consequence management
 - Communicating good and bad things/segments in a timely manner and assuming responsibility;
- _ Innovativeness
 - Dedicating time and resources to the development of new ideas and innovativeness in employees

Blue Elephant activities and all related communication are based on the principles established by the Statement of Purpose, a strategic document by the international Erste Group, which gives priority to promoting and ensuring prosperity, serving civil society and the people, as well as setting the validity of procedures above the category of profitability.

Blue Elephant goals:

- _ to raise awareness about the importance of corporate culture and its impact on employees and clients
- _ to ensure personal engagement from top to bottom as well as dedication to implementing changes
- _ to ensure easy and simple identification of all employees with the purpose of the company
- _ to increase satisfaction with internal communication
- _ to contribute to the quality of human resources management

Essentially, the Blue Elephant operates on two levels: the systematic and personal level. As such, it is integrated into a number of processes that have a wide reach in the organisation, but it is also a continuous work with individuals to truly live according to the defined principles.

#radimpametno

In mid-2020, prompted by the changes in the way of working, communication and cooperation caused by the pandemic, the initiative #radimpametno (#worksmart) was launched – a platform whose aim is to enable smarter and better work and focus on the real values that are important for both employees and EBC clients. The idea behind the name of the initiative was to encourage review, adaptation and change of everything that is not in accordance with common sense, that relates to the future of work.

The initiative is conceived as a platform through which a future organisation of work is created, with a focus on the adaptation of culture, processes and infrastructure used in the EBC operations and work. There are three main areas of development:

- infrastructure - providing technical equipment, collaboration tools and workspace that enable employees to #worksmart (#radimpametno)
- processes - redesigning and creating meaningful and simple client-focused processes
- culture – flexible forms of work (Flexi time and Flexi place of work) which encourage employee responsibility and independence and make it easier to balance work and private life and strengthen trust in relationships with managers. More trust – less control is one of the basic principles on which the #radimpametno initiative is built.

Initiatives in the field of culture were the first to be implemented. A set of guidelines related to the way meetings are organised and how e-mails are written and sent was created and initiative I love Friday was launched – with Friday designated as the day for carrying out development activities and developing team relationship.

In the field of the process, we are continuously working on simplifying key client-oriented processes, and now we want to work more actively on improving internal working methods. For example, in the field of human resources, online testing tools have been introduced and working principles related to selection and employment have been redefined. Also, processes of introducing new employees to work have also been redesigned and modernised.

As far as infrastructure is concerned, in 2020, all employees were able to collaborate through the MS Teams app and the first phase of technical equipping was launched providing employees with a company mobile phone. Next year, we plan to provide laptops to all those working from home, further invest in improving technical infrastructure, as well as make investments and improvements related to workspaces.

The final goal of the initiative is to ensure modern and flexible working conditions that support efficiency and effectiveness, but also provide a work-life balance, thus contributing to the health and satisfaction of employees.

Trainings and education

Continuous employee development is one of EBC's key principles. Upgrading professional knowledge, acquiring new competencies in line with the trends and the market, and constant personal development are the basic assumptions for the career path of all employees.

Of course, these activities took a different shape in 2020 and were provided in the form of webinars, online education and workshops, e-learning and educational video materials. In the end, the average number of hours of education decreased, but minimally. However, the decrease was negligible considering the working conditions and circumstances.

Table 4: Number of hours and average number of hours of training at EBC

	WOMEN	MEN	MANAGERS	EMPLOYEES
Number of hours	67776	23881	10839	79139
Average number of hours	38	36	99	34

EBC believes that a combined approach and life-long learning are the optimal learning methods. The Bank, therefore, offers a variety of opportunities and types of educational programmes:

- Trainings, workshops, seminars
- Participation in conferences
- Internal knowledge transfer
- Mentorship
- Coaching
- Rotations
- E-learning
- Project work, etc.

Through the online training catalogue, all employees have the opportunity to choose the educational programmes in which they wish to participate, depending on their own needs for upgrading knowledge and in agreement with the managers. The programmes are divided into:

- Professional trainings
- Trainings related to the key company education model
- E-learning trainings related to key competences and regulatory obligations
- Trainings for upgrading technical knowledge (MS Office, etc.)
- Personal skill development programmes
- Employee rotation programmes
- Programmes for the effective transfer of knowledge ("Train-the-Trainer", mentor training, etc.).

Given the specific circumstances, a part of the planned educational activities was realized throughout 2020, as already mentioned. Wherever possible, online and virtual forms of knowledge transfer or e-learning content were used.

Competences of the Future

EBC is trying to keep up with the trends and make the most of the impact of technology on the operations, so it also encourages the adoption of new competencies, such as the use of digital technologies, artificial intelligence, agile work methods, etc. The purpose of such activities is to direct the company's culture towards growth, recognising new opportunities and addressing the needs of the modern market and clients.

Through the strategic project Competences of the Future, launched in 2019, strategic competencies on which future educational activities will be built have been identified.

Numerous workshops, experts' lectures, the digital school for employees' children, e-leadership programmes aim to bring employees closer to the "competencies of the future" and demystify them, as well as to motivate employees to acquire new knowledge and be open to new things.

As a new learning and development channel, as of this year employees have the opportunity to use an online learning application (Degreed), through which they have access to an extremely wide range of topics and trainings. This is aimed at creating new learning habits, redirecting the development initiative to the employees themselves, and enabling learning in accordance with personal preferences, anywhere, anytime, and through all online devices.

Competence Quarter

Trainings related to the key company training model are offered in the Competence Quarter format, which gives employees an opportunity to apply for trainings for individual competences and introduces them to a different competence each quarter. In addition to this, since the intention is to offer different training formats to EBC employees, short 90-minute trainings ("Espresso Trainings") were introduced, offering trainings in specific skills such as feedback, SMART goals etc., depending on the current topic in the performance management cycle.

Due to the specific working conditions in 2020, and consequently the specific needs of employees, the Competence Quarter was organised in a form and with topics adapted to the specific conditions and needs. Employees were offered content related to the challenges of working from home, balancing private and business life during lockdown situations imposed due to the pandemic, coping with stressful events and psychological empowerment. Such content was available to employees via video materials and written content on the intranet, webinars and online workshops and e-learning. Special content was created for managers in order to successfully adapt to the situation of virtual team management and communication via online tools.

All employees have the opportunity to apply for some of the trainings at their own initiative, regardless of their job type or role. Last year, every EBC's employee underwent some form of training. Out of the total number of days invested in trainings, 51% were internal trainings organised and facilitated by internal trainers from the Bank, employees of organizational units or Human Resources Division, which shows that EBC is still making very intensive use of the internal knowledge database and internal trainers.

Compared to the previous year, the average number of training days per active employee has slightly decreased and was 4,25. However, considering the working conditions in 2020, this is a good result.

Table 5: Average number of training days per active employee

	2017	2018	2019	2020
	4.89	4.17	5.08	4.25

Employee programmes

In 2020, due to business line needs, development of various tailor-made programmes for specific groups of employees continued:

- *Erste Start* – a modular programme for the development of leadership skills and soft skills for newly appointed managers,
- *Erste Forward* – a modular programme for upgrading leadership and soft skills for managers
- *UP* - programme for the development of managerial and sales skills for sectors in business operations with corporates,
- *HR refresh* – a programme for line managers related to current issues and practices managers encounter in their everyday operational staff management,
- *E-Leadership Academy* – programme for top manager, for the development of modern leadership skills and adoption of new trends and strategic competences
- Specific targeted programmes for individual organisational parts, depending on established development needs

Employees also have the opportunity to participate in workshops related to current topics on the work environment, such as *Diversity* and *Ethics in business*.

Erste Bank Croatia employees also have the possibility of attending various specialized trainings organized by the owner, Erste Holding. These trainings cover the needs for specialized trainings which are not available on the market or the number of experts at disposal is too low to organize an in-house program. EBC highlights the following:

1. Front-Office Credit School Programme
2. Licence-to-Lend
3. Non-Financial Risk (NFR) Manager Programme
4. Strategic RM Training Programme
5. Credit Portfolio Management for Distressed Portfolios
6. Group WO Training
7. Data Science for Managers

A special emphasis is also placed on identifying and developing talents, i.e. employees who show high potential. International programmes are organised for them at Erste Holding level, as well as at the local level.

Development programmes are organised in cooperation with local and international educational institutions and experts, but largely also via internal transfer of knowledge, by internal coaches and educators.

Due to specific circumstances during 2020, most of these programmes were shortened, and wherever resources and contents of the programme permitted, programmes were held online.

Employee work-life balance and health

Starting in August 2019, a new position has been introduced – Employee Benefit and Satisfaction Coordinator. Their task is to integrate, structure and improve the pre-existing activities and initiatives that fall into the area of employee health care, occasional sports, and trainings on physical and mental health and introduce new ones in accordance with the employees' interests.

The common denominator of all activities and initiatives is Well-being. It is in line with the purpose and priorities of the international Erste Group and forms the basis of common value – for the employer, for the employee and for the wider society.

The wellbeing elements representing the Erste Standard, a document adopted in 2019, cover five interrelated areas that affect one another: career, social aspect, finance, intellectual advancement and health.

In different life situations, the importance of certain elements changes, and it is necessary that all elements are represented and there is a balance between them. EBC pays special attention to the needs of different groups of employees and creates occasional initiatives precisely for them, thus integrating the care of ones for the other into our daily operations, collaborations, processes and development.

For EBC employees, this means being in good health, having security for themselves and their family, having a sense of fulfilment and satisfaction, a sense of growth and development through work and fun.

The year 2020 was very challenging in terms of well-being and physical and mental health for all employees. To make it easier for them to adjust to working from home and cope with a long-lasting pandemic, internal resources have launched a 'mental health corner' on the intranet aimed at maintaining mental health and balance, and an Erste hotline for mental health support has been launched. The idea behind this platform for mental health is to help employees overcome fears and concerns and encourage them to take care of their mental health through conversation with the expert team and regularly published content on current topics. In addition to providing phone contact, we have offered employees the option of sending inquiries via email or anonymously via a web form.

All Erste employees who were affected by the March earthquake were proactively contacted via the mental support helpline and were offered support and advice to help them cope with the consequences of the earthquake. The same has been done at the end of the year after an even more devastating earthquake hit the Sisak-Moslavina County.

In order to meet all the set goals, Erste employees have the following benefits at their disposal:

- Trainings and development programmes focused on professional growth and development, and additional lectures and workshops that are not closely related to business topics;
- Internal job openings available to all;
- Annual awards depending on the results achieved, appropriate payments (Easter, Christmas bonus, recourse, gift for Christmas child, jubilee awards in accordance with years of work spent in the Erste Group, solidarity allowance for e.g. birth or adoption of a child, death in the family...), reimbursement for meal expenses, reimbursement for travel expenses, payments to a closed voluntary pension fund;

- Flexible working hours where the work process allows such organisation of working hours (flexible working hours, shorter Friday, different work start and end schedules, possibility of part-time work);
- Private health insurance policy at a polyclinic with free annual physical examination, with a cheaper price for indicated examinations, voluntary health insurance policy at the employer's expense, 24-hour accident insurance, preventive flu vaccination at the employer's expense;
- Multisport – a co-financed membership fee for using various activities in sports facilities throughout Croatia, participation in sporting events (banking games, humanitarian races, football league, etc.);
- Paid leaves to perform a physical examination, blood donation, relocation, birth of a child, the first day of school and kindergarten, wedding, for educational purposes, corporate volunteering, participation in cultural, sports and other activities organised by the employer, etc.;
- Unpaid leave in other life situations which requires more time devoted to private obligations and solidarity;
- More favourable products of the Bank and associated companies and additional benefits in terms of cheaper prices of services and products made possible through a wide and stable network of external partners in several categories (e.g. culture, sport, health, beauty, entertainment, travel, knowledge...);
- Various initiatives that bring fun into the daily business (marking Ugly Christmas sweater day by wearing Christmas sweaters one day in December, shorter working hours for all women on Women's Day, posting texts on the occasion of Day of Happiness, Day of Kindness, helpful online shopping instructions ahead of Black Friday...)

All health benefits are available equally to all employees.

Table 6: Total number and rate of new employees during the reporting period

WOMEN		MEN		< 30 YEARS OF AGE		30-50 YEARS OF AGE		>50 YEARS OF AGE	
number	%	number	%	number	%	number	%	number	%
102	72%	39	28%	71	50%	66	47%	4	2%

Table 7: Total number and rate of employee fluctuation during the reporting period

WOMEN		MEN		< 30 YEARS OF AGE		30-50 YEARS OF AGE		>50 YEARS OF AGE	
number	%	number	%	number	%	number	%	number	%
174	9%	56	8%	60	14%	123	7%	47	14%

Table 8: Rates of return to work and retention for employees who have used the right to maternity leave

2019				2020			
WOMEN		MEN		WOMEN		MEN	
number	%	number	%	number	%	number	%
80	84%	3	100%	108	81%	9	100%

Safety

In order to ensure the integrity of its business processes and thus to protect the personal data of its employees, clients and associates, EBC is making continuous efforts to raise the level of security - a key area for the regular operation of the Bank. Raising awareness and educating EBC employees is one of the key foundations for successful and continuous operations. All employees are required to attend safety training on an annual basis, and special attention is also visible to new employees who are necessarily undergoing a set of initial trainings in which the role of security also plays a role.

Occupational safety represents an important segment in everyday operations of the Bank. Last year, this segment took on an extremely important function of prescribing and implementing measures to protect against the coronavirus according to the recommendations of the National Civil Protection Headquarters of the Republic of Croatia. In order to protect and prevent EBC employees, as well as employees in related companies of the Bank, the epidemiological situation was regularly monitored, and based on that, new working methods were organized and recommendations related to the work of employees were created.

Occupational safety as a system prescribes a range of organization measures in work processes with the aim of protecting employees from injuries, work-related illnesses as well as securing their ability to work throughout their careers. In implementing occupational safety, EBC uses basic, special and approved rules, and the primary legal framework is set through the Occupational Health and Safety Act. Employees within the Bank are trained in different segments. They are trained in theory and practice, depending on the type of training.

The occupational safety system includes the development of a Risk Assessment which includes all risks related to tasks in all job positions at the Bank. Occupational safety also covers fire protection trainings and insistence on evacuation in case of emergency. In addition, by maintaining facilities based on SLA (Service Level Agreement within the maintenance agreement) and the legal obligations, direct attention is paid to employees' health through regular cleaning of ventilation ducts, air conditioners, office cleaning and disinfection, DDD measures (disinfection, disinsection, deratisation) and other preventative space maintenance.

Salaries

Erste bank's salaries and benefits policy is guided by the principle of transparency (all pay grades are publicly available to all employees), the market principle and the principle of safety and stability for employees and their families. Compliance with these principles is one of the cornerstones of decision making in the area of salaries and benefits. Also, as noted above, during 2019, the Erste standard was defined, which EBC undertook to follow in both good and difficult times.

Society

Social banking

EBC sees entrepreneurship as a positive model for addressing social issues or situations. From the Bank's perspective, supporting a sustainable entrepreneurial project instead of a one-off sponsorship and donation can be a long-term solution. Erste's social banking initiative encourages the financial inclusion of start-up entrepreneurs, non-profit organisations and social entrepreneurs, offering them access to financial products, financial consulting and ongoing mentorship tailored to their needs.

With its programme of support to entrepreneurs, EBC has so far financed 260 clients in Croatia with 4 million euros in loans, and the most represented activities of supported projects are service activities, transport and agriculture. This is a special group of clients, persons who are self-employed, i.e. start-up entrepreneurs who have started their own business, craft or family farm within the last two years. The aim of the programme is to encourage self-employment and development of entrepreneurship by providing support on the path of designing and realising a business idea. It includes free online trainings on relevant entrepreneurial topics, consulting and financing. So far, nearly 1,800 start-up entrepreneurs have successfully completed the training, over 600 business plans have been developed and 3,700 hours of consultations have been conducted by the bank.

In addition to supporting start-up entrepreneurs, EBC has been implementing the programme of support and funding of non-profit organisations and social entrepreneurs and partnership programmes since the beginning of 2019. A total of 50 non-profit organisations and social entrepreneurs have been funded with EUR 1.7 million during this year. Non-financial support was provided through the Erste Foundation through the implementation of two projects - loans with an interest rate of 0% for up to 6 months and additional one-time grants in response to the crisis related to the coronavirus pandemic and devastating earthquakes.

Financial literacy

School of Smart Finance

For more than 20 years, Erste bank has been working in Croatia to improve processes, products and services, all in order to respond to the clients' wishes and needs in the best possible way. Also, due to the fact that knowledge is a driver of the society and social changes, Erste bank as a financial institution has a responsibility in the field of financial literacy development at every age.

Therefore, based on a survey which showed that 87% of citizens recognise the importance of financial literacy, in 2018, the Bank launched a pilot programme called the School of Smart Finance. In 2019, this programme which includes free educational workshops on personal finance management and interactive video training, was fully implemented and by the end of 2020, 500 workshops were held which were attended by more than 8,000 citizens. As much as 85% of participants said that the workshop has encouraged them to adopt good financial habits.

However, due to special circumstances, the lockdown and recommended epidemiological measures which spanned the entire last year, in-person classes of Schools of Smart Finance were conducted for a short period of time at the beginning of the year. We plan to continue their implementation in 2021 by adjusting the workshop format.

Nonetheless, training videos titled *Personal finance management*, *How to make smarter purchasing decisions*, and *Third pillar in brief* are still available to all those who are interested.

Other

In addition to the comprehensive project of the School of Smart Finance, it is worth mentioning some of the other initiatives of EBC and its employees in the field of increasing financial literacy.

This is especially emphasised on Savings Day, which is marked in the Bank by the arrival of kindergarten and elementary school children to the branch offices, where they have the opportunity to talk with cashiers, advisers and personal bankers and ask anything they want to know. EBC's savings mascot Medo Štedo is especially interesting to children and also plays a large role in promoting financial literacy.

Also, EBC has supported and participated in the traditional celebration of World and European Money Week for many years. Employees of EBC are happy to respond to the invitations to participate in other workshops, lectures and events organised to increase financial literacy.

Of course, due to specific circumstances which continued through the whole year 2020, these activities were held in reduced and changed scope.

Social responsibility

Dialogue with the local community

EBC endeavours to nurture a two-way communication with the local community and achieve as much transparency as possible.

This is also fostered via partnerships with numerous associations, faculties, exhibitions and presentations at fairs, conferences and conventions throughout Croatia. In the year 2020, this cooperation was less intensive than in the previous year due to cancellations of numerous fairs and conferences. The following was successfully realised:

- Participation at the 2020 Career Week organised by the Faculty of Organisation and Informatics in Varaždin (a stand at the 'Career *špancir*', participation in a panel discussion on business analysis, organizing workshop for students)
- Continuation of the strategic cooperation with selected colleges and universities (for example organising guest expert lectures and workshops for students, professional practical training for students);

The pandemic also impacted the ability to hold professional practical training for students. In 2020, at EBC, only 13 students performed their professional unpaid practical training, which is a requirement for fulfilling their obligations at the university or provides a basic insight into a real business environment in which the student is interested.

Unfortunately, in 2020, EBC's summer student programmes – BizLab (previously General Rehearsal), and IMLab and MathLab (which in the meantime received new format) were not held.

With its student programmes, EBC joined the Youth Initiative as early as 2018, which was launched with the aim of facilitating the inclusion of young people in the labour market. The Youth Initiative was launched by the Croatian Employers' Association and the European Bank for Reconstruction and Development, while EBC wants to bring the possibility of acquiring quality first work experiences and potential further employment even closer to young people.

It is also necessary to mention the segment of non-profit organisations which participated or continue to participate in programmes for novice entrepreneurs which the EBC facilitates, and the work of which it also supports, not only financially, but in various other ways as well, such as by taking part in marketing, promoting their activities on the bank's communication channels etc.

Scholarships

During previous years, students could apply for the "Best of South East" scholarship programme, initiated by Steiermärkische Bank und Sparkassen AG (Sparkasse Bank) in cooperation with the University of Graz. It is intended for graduates and students with very good grades and expressed characteristics such as dedication, developed communication skills as well as analytical and practical economic thinking. The programme comprises a one-year traineeship programme at the Sparkasse Bank or another Styria-based company for graduates and one year of studying at the University of Graz for students.

In 2020, this programme was not realised due to the epidemiological situation. EBC hopes to continue with the programme when the conditions allow it.

In 2020, the Bank once again participated in the "Step into Life" campaign by granting scholarships to children without adequate parental care to enable them to attend university. Along with the Rotary Club Zagreb Kaptol, EBC is the largest individual sponsor and will grant scholarships in the monthly amount of HRK 1,600 to three students during the next five years.

In the fall of 2019, the ECB introduced the practice of providing scholarships for secondary school and university students with disabilities within the framework of hiring persons with disabilities within the quota. This practice was continued in the school year 2020/2021 and currently, 23 secondary school and university students receive a regular monthly scholarship. In addition to this, cooperation agreements have been concluded with two protective workshops which mostly hire persons with disabilities on the purchase of marketing materials.

Sponsorships and donations

Through its sponsorship and donation activities, EBC is involved and actively supports various initiatives and projects that contribute to the development and improvement of the society as a whole, both locally and throughout the Republic of Croatia. Aware of the needs of the community, as a socially responsible company, during 2020, and despite the new circumstances, earthquakes and coronavirus pandemic, EBC has supported numerous cultural, scientific, health, educational, sport, and humanitarian projects in equal scope. In 2020, a total of HRK 14.42 million was awarded through the programme of sponsorships and donations, of which large share of funds was directed to health institutions for the purpose of fighting the coronavirus and providing assistance to victims of the devastating earthquake.

Of the regular sponsorships projects which the ECB has been supporting for many years, most of them were held with adjustments to epidemiological conditions, while a smaller number of events did end up being cancelled due to epidemiological reasons.

Summary of most important initiatives which the bank supported through sponsorships and donations:

- around 180 projects and institutions of humanitarian character

- around 100 projects of educational character
- around 200 sporting clubs, associations and projects
- around 70 projects and institutions of cultural-artistic character

EBC has traditionally remained the general sponsor of projects such as the Rijeka and Samobor Carnival, DOKUart documentary film festival which, along with its regular programme, encourages children and young people from all over Croatia to create their own documentaries and open-air Christmas jazz concert in Bjelovar.

EBC has also supported a series of other cultural events, which contribute to the promotion of local customs, culture and tourism such as the traditional Alka Tournament in Sinj, Museum of the City of Rijeka – the opening ceremony of the Sugar Refinery Palace and other traditional manifestations specific to a certain region or city in Croatia.

Through the creative platform Urbanka powered by Erste, various international exhibitions were supported, projects such as the Graffiti na gradele, an international festival bringing together world-known graffiti artists, Crtani romani šou, a comic book festival, DA2 film festival dedicated to design, art and architecture. It received over 150 applications from young artists, works of art were purchased within it and exhibited in Erste business premises and branch offices across Croatia, while scholarships were granted to the best young artists. A new feature introduced in 2019 was the opportunity for all authors of the selected works to present and offer for purchase one additional work at a joint exhibition was also continued in 2020, with an additional prize in a new category for best sculpture. Erste fragmenti exhibition was held in September 2020 at the Kuća za ljude i umjetnost Lauba.

As part of activities aimed at supporting the social community through donations and sponsorships, the Bank supported the education of young paediatric surgeons at the Children's Hospital Zagreb (Klaićeva), supported the Special Hospital for Chronic Diseases of Children in Gornja Bistra, the Children's Home Nazorova, and the SOS Children's Village for children without parental care. With regard to the donations to fight the coronavirus, EBC supported the Dr. Fran Mihaljević Hospital for Infectious Diseases in Zagreb, Andrija Štampar Teaching Institute of Public Health, Bjelovar General Hospital, Koprivnica General Hospital, Special Hospital for Orthopaedics Biograd and Zadar General Hospital.

As part of a broader strategy that promotes, among other things, the integration, inclusiveness and fellowship of all individuals in society, EBC has supported the activities of the Zagreb Pride parade.

Knowledge is one of the drivers of creation, progress and growth. Therefore, through donor and sponsorship activities, EBC strives to include as many initiatives, associations, manifestations and events that deal with educational activities as possible. For this purpose, EBC cooperates with various faculties and schools, such as the Faculty of Economics and Business Zagreb and Rijeka, the Bjelovar University of Applied Sciences and the Centre for Student Support and Career Development at the Faculty of Organisation and Informatics Varaždin.

In addition, EBC promotes the importance of sports projects and sponsorships that emphasise the importance of promoting sports, and especially promoting awareness of the importance of physical activity in children. Two major projects that are focused on this goal are the Erste Plava Liga and Erste rukometna liga Dalmacije (Handball League of Dalmatia) which were, as of 2020, unified into the children sports platform named Ersta prva liga.

Erste Plava liga is a project intended for all students in grades 3 to 6 of primary schools in Croatia and is designed to help children develop an athletic spirit and to encourage them to play sports.

Despite the specific circumstances, the ninth season of the competition was held last year, and the campaign "60 minuta KRENI!" included famous athletes, coaches, educational workers and institutions with the aim of providing a contribution and raising equal opportunities and conditions for doing daily sixty-minute physical activity for interested children. The competitions were held in a total of nine cities (Rijeka, Zagreb, Osijek, Makarska, Zadar, Pula, Knin and Vukovar and Čakovec) with a total of 1,393 children participating.

The Erste Handball League is a unique children's handball league intended for primary school students enrolled in grades 2 to 7. By organising this league, EBC wants to show that everyone needs physical activity to grow up healthy and happy and enable children to take part in competitions, socialize and have fun while doing it. World-renowned handball players Ivano Balić

and Petar Metličić, together with their handball club, are involved with the organization of the League. They are role models to all competitors of the League and represent additional motivation for the children and clubs to take part in the competition.

In the third season of Erste Handball League, which was played despite special circumstances due to coronavirus, competitions were held in eight cities with a total of nine tournaments (Split, Zadar, Šibenik, Dubrovnik, Labin, Poreč, Umag and Pula and finals in Split) and a total of 2,375 children participated.

Through sports sponsorships, EBC traditionally supports the Croatian Table Tennis Association, the Erste Beach Volleyball Club Zagreb, the Primorje Rijeka Water Polo Club, the Croatian Olympic Committee, the traditional Fiumanka sailing regatta in Kvarner, with more than 200 sailboats participating, and a number of other regional clubs to promote different types sports and sports activities among the young generations of athletes. EBC also supported charity runs – the Terry FOX run which was held in 2020 but with adjustments due to present circumstances.

Initiatives launched by various sectors of the Bank should also need to be noted. Since 2013, the Bank has had the HOPE donation fund which collects employee donations that go towards helping orphaned children that live in children's homes across Croatia. Employees are free to choose whether they will donate and how much, and can opt for a one-time donation or set up regular monthly donations via an open payment order. The initial idea was to collect small monthly donations from a larger number of employees in order to help children's homes to procure equipment and other necessities that children need. After the devastating earthquake which hit Zagreb in March 2020, more than HRK 94,000 was collected in employee donations which were paid as financial aid to colleagues whose real property was damaged in the earthquake. In addition to these donations, the Bank paid an additional aid and thus became actively engaged in helping its employees. Internal donation campaign was also started at the end of 2020 for colleagues affected by an even stronger earthquake which hit Sisak-Moslavina County.

There is also the AZIL initiative, a cashiers' solidarity fund, i.e., a special purpose and completely voluntary fund for covering cashiers' shortages and financial damages suffered by clients as a result of cashiers' mistakes when working with clients. All employees may join the fund, regardless of their job position, but only employees employed as cashiers, treasure cashiers, employees working at the cash register benefit from the fund.

The membership fee is HRK 15 a month for cashiers and is collected from members' salaries, while other members that join the fund donate any amount they want, which they specify upon joining a membership application created specifically for this purpose.

Last year, EBC once again supported and actively participated in the project of the international Erste Group entitled Kontakt. The Art Collection of Erste Group and ERSTE Foundation. The collection was founded in 2004 and includes more than 940 works of art made by 139 artists/artist groups from 20 countries, focusing on Eastern, South-Eastern and Central Europe. 112 of these works are by 18 Croatian artists. The collection is complemented with new works of art every year.

[Humanitarian campaigns](#)

Erste challenge

For the third consecutive year, as part of the campaign that lasted from January to December 2020, the employees of the entire EBC Group in Croatia undertook to reach a mileage target by engaging in a sport or recreational activity with the aim of securing a humanitarian donation. Last year, the target distance was set at 120,000 kilometres. Due to the unforeseen circumstances, lockdown and special epidemiological measures which were in force throughout the year, activities included in the humanitarian donation were expanded to include some activities at home. At the end of the year, more than 160 kilometres were reached, and HRK 20,000 donation was distributed to three associations: Veliko srce malom srcu, Udruga NEVEN, Đakovo and Udruga Sv. Vinko Paulskog in the Republic of Croatia.

Corporate volunteering – “Pay It Forward”

Corporate volunteering is more than a one-off campaign at the Bank level. It is a process of volunteering and providing help by setting aside the employees' time to help others. For the employer to further encourage employees, the possibility of volunteering during working hours has been introduced for all employees interested in being included. They can use one working day per year for this during their working hours. This was the third consecutive year in which employees were allowed to carry out corporate volunteering activities during their working hours, as individuals or in groups.

Through various projects throughout the year, employees helped and acted together to do good. This may have included socialising with elderly or sick retirement home users, improving homes for children, caring for the poor and the homeless, cleaning the environment, etc.

Last year was marked by several individual and one group volunteer actions due to the already mentioned reasons caused by the epidemic. Volunteer work was performed:

- within the scope of Business Skills Academy (workshop on sales skills)
- cleaning Mljet coves (ecological actions)
- Centre for Culture of Dialogue Rijeka (development assistance to children from families of a lower socio-economic status)

Volunteer actions were carried out in such a way that employees were informed about the possibilities of volunteering via intranet or the employees themselves found such opportunities in their surroundings, in their environment, and sometimes the Human Resource Department provided assistance in organising volunteering which then proposed the place for volunteering and assisted in taking care of everything that is necessary to do the volunteer work. The number of days of volunteer work in 2020 was 13 days during working hours, which is considerably less compared to the previous year, due to the aforementioned reasons.

Since 2015, EBC has been a signatory to the Charter Recognising Competences Acquired by Volunteering, and since last year the Bank has been a signatory to the Corporate Volunteering Charter. The best acknowledgement of the efforts and engagement of numerous Erste volunteers is the many thanks from various institutions and associations received in 2020.

Happy Hour

Employees of the Bank, but also of other affiliated companies, regularly, on an annual level, organise campaigns of selling cakes and other sweet or salty products (made by themselves) and thus raise funds that they donate to associations or individuals in difficult life circumstances. Unfortunately, due to epidemiological circumstances, campaigns of this type were suspended in 2020 but they will again be organised as soon as the circumstances allow it.

Environment

In the last few years, the subject of environmental protection has become increasingly important for the sustainable development and viability of companies and people. As climate change has started to affect almost every country on every continent and change the way people live and work, the battle for environmental protection has become a global preoccupation. The importance of these topics is evidenced by numerous summits, agreements and initiatives of the world's leading powers in order to reach the best possible solution through unification. The Paris Agreement, signed in 2016, is just one of the examples – it was agreed that all countries would work on preventing the global temperature in the coming years from growing by more than 2°C.

Due to the nature of their business, banks and other financial institutions do not have too much of an environmental impact, but Erste Bank still strives for the best possible business processes and environmentally sustainable operations. When designing branch offices, but also in their day-to-day work and in communication with clients, they strive to achieve the highest possible environmental standards.

Managing environmental impacts

In 2017, EBC adopted an Environmental Policy that aims to contribute to the community in which it operates. Some of the goals EBC is committed to are:

- Protection of natural resources through their responsible use, systematic increase of energy efficiency and compliance with all applicable legal regulations
- Use of recycled paper and continuous reduction of waste paper
- Introduction of a waste sorting system and promotion of responsible waste management among employees
- Reduction of harmful emissions through the selection and use of electricity from renewable energy sources

In 2020, a new Environmental Policy was adopted which sets out a framework for the continuation of work on the objectives that were set out in the previous Policy adopted in 2017.

To achieve its goals, EBC has implemented an environmental management system that complies with the requirements of ISO 14001:2015. The Environmental Management System according to the ISO 14001 standard was extended (recertified) at the end of 2020 and integrated with the Energy Management System according to the ISO 50001 standard, which would enable more advanced monitoring of electricity consumption and its rational use in the coming years, which should ultimately result in savings.

The active involvement of our employees is crucial for achieving these goals. In this regard, EBC educates all employees on rational energy saving and paper consumption, on proper waste separation, and educate systematically on the ISO 14001:2015 standard, with all its elements and goals. From the beginning of 2020, education on environmental protection and rational use of energy is mandatory for all new employees.

As was the case in the previous years, a yearly external audit was performed by a licenced certification company in 2020 too, to check the functioning of the Environmental Management System according to the international standard ISO 14001: 2015. The Bank has completed all necessary activities to extend the ISO 14001:2015 certificate for another year. Some of EBC's affiliates (Erste Card Club, Erste Leasing and Erste Bank A.D. Podgorica) have done the same successfully.

The Strategic Environmental Objectives for the period 2020 to the end of 2021 were also set last year. Compared to the reference year 2018, they are:

- Reduction in electricity consumption by 12% (2018: 4,363 kWh/FTE)
- Reduction in heat consumption by 7% (2018: 1,657 kWh/FTE)
- Reduction in photocopier paper consumption 13% (2018: 16.84 reams A4/ FTE)

Based on the Strategic Objectives, the Operational Objectives for 2020 were also defined and largely realised:

- Electricity consumption per FTE was kept on the 2018 level (4,363 kWh/FTE), i.e. save from 0 to 4%
- Heat consumption was increased (thermal energy that also includes gas) per FTE on the 2018 level (1,657 kWh/FTE).
- Photocopier paper consumption was reduced per FTE compared to the 2018 level (16.84 reams A4/ FTE) by 39%

Energy

People need energy for everyday life – both of an individual and the entire economy. In that process, energy needs to be transferred from the initial location to the end-user, which of course causes pollution. Monitoring electricity consumption allows for better management of this segment of sustainable business. Erste Bank Croatia has several initiatives in the area of electricity savings.

When designing branch offices and other business premises, all aspects of environmentally friendly and sustainable business are taken into account, using software and technical solutions to optimise energy consumption, regularly maintain equipment to increase its durability and reduce waste, use energy-saving light bulbs and energy-saving LED panels for advertisements, etc.

EBC wants to encourage its clients to think about energy efficiency and, consequently, to act in that direction. Thus, the Bank has designed and offered several products for the purpose of financing energy efficiency, the so-called eco loans, both for citizens and companies, which encourage the use of ecological forms of energy, the use of renewable energy sources, energy efficiency, etc., thus further promoting the development of sustainability and energy efficiency in society. For example, for clients who buy, build or renovate properties with A+, A, B, or C energy the Bank grades a lower interest rate than for regular housing loans. In addition, the Bank cooperates with local and international financial institutions to offer more favourable financing conditions for projects in the private and public sectors, including energy efficiency and renewable energy projects. With more favourable financing conditions, the Bank wants to further stimulate investments in segments that contribute to increasing environmental awareness, efficiency and sustainability.

As part of Erste Group, EBC is committed to providing financial services in the energy sector because it believes that electricity supply is the key element for economic and social development, especially when it comes to Central and Eastern Europe. At the same time, this part shows the need for reasonable management of environmental and social impacts and better management of environmental risks. This is precisely why guidelines have been provided in the corporate finance section of Erste Group for the purpose of applying the sustainability principle and regulating the participation of Erste Group in this industry.

In 2020, the installation of sun protection foils was continued. Apart from providing much better working conditions for employees in summer, they reduce electricity consumption for air conditioning and lighting. Last year, foils were installed on glazed surfaces at four branch offices.

The Bank constantly controls and works to reduce energy consumption, and in order to do this more efficiently, it requires the education of all employees and users of the premises, which was carried out throughout the year. In 2020, education on environmental protection and rational use of energy became mandatory for all new employees.

In 2020, the consumption of all energy sources decreased, which can be partly attributed to the coronavirus pandemic and increased demand for work-from-home from employees. Thus, this effect is most pronounced in fuel consumption for official vehicles, which decreased by 40,6% compared to 2019. Electricity consumption decreased by 0.25% compared to the reference year 2018.

It should be noted that it is not realistic to expect more significant reductions, despite the measures for rational use and saving of energy, which are implemented by the employees. The reason for this is the modernisation of branch offices with new 24-hour zones with a greater number of self-service devices and other equipment (new consumers) which have a significant impact on the consumption of electricity, and the replacement of old equipment with new is evident by the quantity of disposed equipment powered by electricity. Also, in 2020, a new ECB facility in Bjelovar was put into operation which houses a processing segment of the ECB. Thermal energy consumption was increased by 5,48%.

Emissions

It has been scientifically proven that the increase in global temperatures by more than 2°C also increases the risk of irreversible and catastrophic consequences for the planet. Global warming leads to extreme weather phenomena, such as floods, droughts, unmanageable forest fires, heavy rains and heat waves, all of which people could already notice, if not locally, then certainly globally.

In 2020, EBC continued to use electricity that is 100% from renewable sources, which means that in addition to maintaining low CO₂ emission levels, EBC contributed i.e. participated in the realisation of national energy efficiency projects through the ZeIEN fund.

CO₂ emissions at the Erste Group level are monitored in all member states and are calculated using the data on energy consumption and consumption of photocopier paper. EBC continues to record a constant decline in CO₂ emissions:

Table 9: CO2 emission

	2018	2019	2020
tCO2e	2,476	2,251	1,936

Waste separation and reduction of unselected municipal waste

It has been identified that the Bank generates the most waste in the area of paper consumption. Therefore, ecological, recycled printing paper is used throughout Erste Bank in Croatia, and this is planned in the future too. Also, due to the environmental aspect, but also easier use, the Bank's clients are encouraged to do business online as much as possible. Therefore, digital submission of applications for the Bank's products is provided, and the General Terms and Conditions are available in the branches on tablets instead of on paper. Posters in the branches have largely been replaced by digital displays wherever possible. Instead of the classic notices sent by mail to the home address, EBC strives to send emails to clients as much as possible, and individual campaigns for switching from paper monthly statements to electronic ones are often carried out. Also, centrally operated digital filing folders are used to save paper.

The Bank constantly controls and works to reduce the consumption of photocopier paper at the Bank level, and trainings have been organised for this purpose. Compared to 2019, the reduction in consumption was significant (23%), and in 2020, this reduction is even more pronounced amounting to nearly 40%. But it should be noted that the coronavirus pandemic and lockdown which in part of March and April causes a significant increase in work from home had an impact on the reduction of consumption.

Table 10: Consumption of photocopier paper

	2018	2019	2020
Ream/FTE	16.84	14.35	11.18

In order to reduce the negative impact on the environment in the future and further reduce the amount of unselected municipal waste, the use of linen towels was introduced in late 2018 instead of paper towels for wiping hands in sanitary facilities. As part of this, employee education was organised. In 2019, a significant financial saving of nearly 30% (27.81%) was achieved and this also eliminated the largest amount of unselected waste by volume that the Bank produces. However, last year, these trends were upended, and there was an increase in unselected waste, mostly due to the paper towels being used again.

Also, in 2018, tanks for the selective separation of waste were installed throughout the entire Croatian business network, and as a result, prescribed procedures were introduced and employee education was carried out. In addition to paper, plastic, metal and glass being separated, storage tanks for waste batteries have been set up in administrative buildings in Zagreb, Rijeka and Bjelovar. It should be noted that the Republic of Croatia has unfortunately not yet introduced a system for collection of disposed waste based on volume or weight, therefore data on quantities of certain types of disposed waste are not available. However, special categories of waste disposal are registered, so there is data that EBC disposed of 21 tonnes of bulk waste in 2020, more than 50 tonnes of electrical waste, 400 kg of metal and 30 kg of waste batteries.

Other activities

A few years ago, the Bank started the praiseworthy "Project for PET", which was previously launched at the initiative of the employees. This is a project of organised collection of plastic packaging in Erste business centres in Zagreb and Bjelovar, which is carried out in cooperation with the Association for the Promotion of Inclusion. Bank employees collect plastic bottles from beverages, which are taken by users of the association for recycling, and the raised funds are used for financing a part of their needs. By organising the collection of plastic packaging, EBC shows double support for the community in which it operates. In addition to recycling large quantities of plastic bottles, which is in itself an environmentally beneficial act, the Bank helps

launch an entrepreneurial activity for the socially disadvantaged population – people with intellectual disabilities who are otherwise hard-to-employ. In addition, the reduction of the amount of plastic waste in the form of PET water bottles at the level of the entire bank network is achieved by introducing a device for the production of drinking water obtained from the water supply network by reverse osmosis. The drinking water available to employees is thus not in plastic packaging. Additionally, buying more glass cups in kitchenettes aims to reduce the use of disposable plastic water cups, at least as far as our employees are concerned.

Also, in the office buildings in Zagreb, Rijeka and Bjelovar, Erste Bank organised an ecological-humanitarian project of collecting plastic caps from PET bottles for the need of raising funds for the Association of Leukaemia and Lymphoma Patients of the Republic of Croatia. This type of campaign has also been carried out in the Erste Card Club.

When designing branch offices according to the new concept of a service model, which, in addition to the mode of operation, includes the visual identity of ECB, green walls made of living plants are standardly installed, which have proved to be extremely beneficial for the pleasant work of our employees and their coexistence with nature. In addition to the office building at Ivana Lučića Street in Zagreb, green walls have been installed in branches in Pula, Makarska and Zagreb (Masarykova Street and Avenija Dubrovnik), Zadar, Šibenik, Vinkovci, and Viškovo.

The Bank is also a member of the non-governmental organisation Croatia Green Building Council and actively participates in discussions and projects regarding green construction projects, discussions on new trends in the area, etc.

Suppliers

Suppliers' responsibility

Erste Group sees its suppliers as partners in developing the sustainability of its operations. When selecting suppliers, Erste Group takes into account sustainability and corporate social responsibility, and chooses companies that do business in line with international standards that include social and environmental impacts.

Erste Group Procurement (EGP) is Erste Group's company specialised in procurement. Its main objective is to ensure a transparent and fair procurement and supply and such contracts. Meeting the needs of Erste Group for national and foreign goods and services, delivered in time and in accordance with quality requirements, under the best possible conditions, is the key element.

The suppliers of Erste Group are required to meet the stipulated standards in the fields of business ethics, environmental protection and human rights.

In the fulfilment of the contractual obligations, Erste Group expects the following from the suppliers of materials, equipment and services chosen as partners: respect of national and local laws and regulations, the fulfilment of all legal obligations regarding the health and safety of their employees and contractors, strict compliance with environmental regulations, compliance with and application of the fundamental principles of corporate social responsibility, protection of basic human and workers' rights, environmental protection, the promotion of health and safety, and decisive fight against corruption.

These principles are also expressed in the Supplier Code of Conduct, which is publicly available on the Erste Group Procurement website.

Erste Group Procurement carries the "CIPS Corporate Ethics Mark". This certificate is provided by the Chartered Institute of Procurement and Supply (CIPS). This certificate is issued to companies that have been dedicated to high standards of ethics and have proven that their employees are trained and do business in line with them. Employees are fully certified with respect to ethical conduct while 90% of suppliers have undergone ethical certification in accordance with EGP standards.

In the process of selecting suppliers at a strategic and operational level, sustainability is also taken into consideration. Along with an initial assessment, suppliers' operations are regularly reviewed, covering the most important or most vulnerable suppliers. The audit questionnaire refers to areas such as the existence of an environmental management system, participation in

the Carbon Disclosure Project (CDS), the existence of a written environmental policy, methods of measuring CO₂ emissions, the existence of environmental targets, information on fines and penalties for violations of environmental regulations and description of the suppliers' supply chain.

In the case of the procurement of goods, the audit questionnaire is supplemented with questions on potentially hazardous chemicals, product recycling possibilities, end-of-life recovery, and *Energy Star* or similar standards.

Erste Group, including Erste Bank Croatia, is pleased to point out that no actual or potential negative environmental impacts have been detected in the supply chain of Erste Group and no contract with a supplier has been terminated as a result of significant actual or potential negative environmental impact.

When selecting suppliers, Erste Group also addresses social aspects, and the questionnaire covers questions such as child labour, elimination of all forms of forced labour, elimination of discrimination in the employment process, freedom of association and the right to collective negotiation, reasonable working hours and fair compensation, health care, work safety, job restructuring, salary, appropriate working conditions, and other important social criteria in the supply chain.

Erste Group also encourages social responsibility through the selection of suppliers and the type of goods and services it uses, including promotional marketing materials. Among other things, Erste Group often chooses products that have an ecological certificate or are the final product of a socially responsible project involving marginalised groups of the society. For example, at the end of each year, Erste Group orders holiday cards from SOS Children's Village Croatia, and not from commercial suppliers, and thus encourages responsible business within the society and the community.

GRI Content Index

GRI Standard Number GRI 102 General Disclosures 2016	GRI Standard Title	Disclosure Number	Disclosure Title	Reference to Annual Report 2019	Comment/Reason for omission
1. Organisational profile					
GRI 102	General Disclosures	102-1	Name of the organisation		Erste&Steiermärkische Bank d.d.
GRI 102	General Disclosures	102-2	Activities, brand, products, and services		Annual report: General information
GRI 102	General Disclosures	102-3	Location of headquarters		Rijeka, Jadranski trg 3a, Republic of Croatia
GRI 102	General Disclosures	102-4	Location of operations		General information
GRI 102	General Disclosures	102-5	Ownership		General information
GRI 102	General Disclosures	102-6	Markets served		General information
GRI 102	General Disclosures	102-8	Information on employees		Non-financial report: Employees
GRI 102	General Disclosures	102-9	Suppliers		Non-financial report: Suppliers
GRI 102	General Disclosures	102-10	Changes in the supply chain		No significant changes
GRI 102	General Disclosures	102-11	Precautionary principles		Non-financial report: Code of Conduct of the ESB Group; Statement of Purpose
GRI 102	General Disclosures	102-12	External initiatives		Non-financial report: Customers, Environment
GRI 102	General Disclosures	102-13	Membership of associations		Croatian Banking Association, Croatian Chamber of Economy
2. Strategy					
GRI 102	General Disclosures	102-14	Report of the Chairman of the Management Board		Report of the Chairman of the Management Board
GRI 102	General Disclosures	102-15	Key impacts, risks and opportunities		Non-financial report: Materiality analysis
3. Ethics and integrity					
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behaviour		Non-financial report: Employees
4. Governance					
GRI 102	General Disclosures	102-18	Governance structure		General information: Supervisory Board, Management Board
5. Stakeholders					
GRI 102	General Disclosures	102-40	List of stakeholders		Non-financial report: materiality analysis
GRI 102	General Disclosures	102-41	Collective bargaining agreements		Non-financial report: Employees
GRI 102	General Disclosures	102-42	Identifying stakeholders		Non-financial report: Materiality analysis

GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	Non-financial report: Materiality analysis
GRI 102	General Disclosures	102-44	Key topics and concerns	Non-financial report: Materiality analysis
6. Reporting practice				
GRI 102	General Disclosures	102-46	Defining report content	Non-financial report: Materiality analysis
GRI 102	General Disclosures	102-47	List of material topics	Non-financial report: Materiality analysis
GRI 102	General Disclosures	102-49	Changes in reporting	2020 reporting complies with GRI standards (core option)
GRI 102	General Disclosures	102-50	Reporting period	From 1.1.2020. to 31.12.2020.
GRI 102	General Disclosures	102-51	Date of most recent report	Annual report for the year ending on 31.12.2019.
GRI 102	General Disclosures	102-52	Reporting cycle	Annual
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with GRI standards	EBC's non-financial report was prepared in accordance with the requirements of the Global Reporting Initiative (GRI standard: core option)
GRI 102	General Disclosures	102-55	GRI content index	Non-financial report
GRI 103 Management Approach 2016				
GRI 103	Management Approach	103-1	Explanation of the material topics	Non-financial report: Materiality analysis
Material and additional topics				
Material topic: Anti-corruption (GRI 205 Anti-corruption 2016)				
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption	Non-financial report: Anti-corruption. There were no confirmed incidents of corruption in 2020
Material topic: Energy (GRI 302 Energy 2016)				
GRI 302	Energy	302-4	Energy consumption	Non-financial report: Energy
Material topic: Responsible criteria in the supply chain (GRI 308 Negative environmental impacts in the supply chain and actions taken 2016)				
GRI 308	Negative impact on the environment by the suppliers	308-2	Negative impact on the environment by the suppliers	Non-financial report: Suppliers
Material topic: Health and work-life balance (GRI 401 Employment 2016)				
GRI 401	Employees	401-1	New employees	Non-financial report: Employees. Total number of new employees: 141; Fluctuation: 230
GRI 401	Employees	401-3	Parental leave	Non-financial report: Employees

Material topic: Training and education (GRI 404 Training and education 2016)				
GRI 404	Training and education	404-1	Number of hours of training	Non-financial report: Employees. Women: 38 hours; men: 36 hours
Material topic: Diversity and equality (GRI 405 Diversity and Equal Opportunity 2016)				
GRI 405	Diversity of managerial bodies and employees	405-1	Structure of managerial bodies and employees	Non-financial report: Employees
Material topic: Diversity and equality (GRI 406 Non-discrimination 2016)				
GRI 406	Anti-discrimination	406-1	Total number of incidents of discrimination	There were no incidents of discrimination recorded in 2020
Material topic: Customer satisfaction				
Information on customer satisfaction				Non-financial report: Clients
Material topic: Financial literacy				
Information on activities implemented in the area of raising financial literacy				Non-financial report: Society