

(excerpt of original policy document)

Policy Framework for Erste Group's Environmental, Energy & Climate Strategy

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1. General

There is only one earth we live in and there are many good reasons to care about our natural environment – emotional one but also rational one. Environmental issues become more important in corporate communication with many stakeholders (clients, employees and shareholder). That's why more and more companies worldwide started to integrate “environmental/ecological sustainability” into their corporate strategy. And Erste Group will not abstain from this development.

The history of Erste Group started in 1819 when it was founded following the years of economic crisis in the wake of the Napoleonic War. Its mission was described as follows: *"[Its] purpose is to provide [...] factory workers, peasants, or other industrious and economical minors or persons of full legal age with the means of gradually building up a small amount of capital out of their hard-won earnings, so they can spend it later in life in for retirement, dowries, assistance in sickness, old age, or to achieve any praiseworthy objective".*

(translation from <https://www.sparkasse.at/erstebank/Ueber-uns/Facts/geschichte/milestones-geschichte-erste-bank>) [Sie hat] den Zweck [...] dem Fabrikarbeiter, dem Landmanne, oder sonst einer gewerbefleißigen und sparsamen minderjährigen oder großjährigen Person, die Mittel an die Hand zu geben, von ihrem mühsamen Erwerbe von Zeit zu Zeit ein kleines Capital zurückzulegen, um solches in späteren Tagen zur Begründung einer besseren Versorgung, zur Aussteuer, zur Aushilfe in Krankheit, im Alter oder zur Erreichung irgendeines löblichen Zwecks zu verwenden."

That recurrent theme of a savings bank – the promotion of a sense of savings and provisions for the future has basically remained unchanged up to the present days.

Today our society is confronted with other but not less demanding challenges. Environmental pollution, exploitation of natural resources and “climate change” are threatening the well-being of our society. If the negative trend cannot be stopped our society will face severe problems - social as well as economical ones.

Erste Group as one of the important financial institutions in CEE and with its historic background has an obligation to care about earth's natural resources, to preserve the environment for future generations and to help to avoid that the “climate change” will become reality.

Financial institutions have – compared with other industries - very little direct impact on the natural environment. But indirectly through financing and investment products banks can have a huge impact. Therefore, Erste Group shall include into its corporate strategy also criteria for its products and services to avoid indirect negative consequences to the natural environment.

The guiding principle for Erste Group's environmental strategy and its understanding of “sustainability” is based on the core message of *“Our Common Future”*, a paper released by the UN Brundtland Commission in 1987: *“Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*¹

Erste Group will question itself how to become more sustainable in all businesses and how to minimise the ecological footprint as much as possible and to do its part to avoid the “climate change”.

The employees of Erste Group shall not only ask: “Is it the right thing to do?” – but also: “What is the effect on our natural environment with every product and service we offer!”.

The clients of Erste Group will be supported with adequate banking products and services on their path towards a future employing less carbon based technology and more energy supply from renewable sources.

¹ „Our Common Future“ – Report of the World Commission on Environment and Development

Erste Group will not finance projects that have unacceptable negative consequences on our natural environment.

To be successful Erste Group has to focus on communication to inform employees, clients, shareholders and other stakeholders about targets, and guiding principles of its environmental strategy.

1.1 Objective

This policy defines the principles of environmental strategy Erste Group wants to live by. It shall define roles and responsibilities and general guidelines how to develop, implement and adjust environmental issues. Due to the fact, that up to now there is no common understanding about the necessity and consequences in the different countries Erste Group is active in, this policy document shall give a guideline for all local Erste banks and to all employees.

As already stated before, Erste Group sticks to the definition of sustainable development by the UN Brundtland Commission. Based on this understanding Erste Group will carefully use all kind of (natural) resources we need to do our business.

Clients, shareholders, and the public shall notice that Erste Group will take its part of responsibility to make the world a better place.

In addition to the commitment of Erste Group to act responsibly, the EU issued multiple regulations focused on environmental issues (e.g. EU-Directive on disclosure of non-financial and diversity information -COM(2013)207 or the Energy Efficiency Directive - 2012/27/EU) over the last few years. All these directives have already been or will be translated into local law within each EU-country. For example as of 2017, - based on the EU-Directive on disclosure of non-financial information, environmental data have to be collected and reported by all companies with more than 500 employees and this will be applicable to all local Erste banks.

Environmental data are the fundament to effectively steer and control Erste Group's environmental policy.

Over the last 10 to 15 years, "climate change", "CO2 footprint", environmental protection, organic food ... became buzzwords in our society and environmental issues found their way to the centre of the political arena and the board room. Especially NGO's are still driving the environmental agenda and collected a lot of specific environmental know-how.

1.2 Scope

The environmental strategy shall be an overarching group-wide policy relevant for all parts of Erste Group – especially Holding, all local Erste banks and their subsidiaries (Holding, Erste Bank der oesterreichischen Sparkassen AG (EBOe), Česká spořitelna, a.s. (CS), Slovenská sporiteľňa, a. s. (SLSP), Erste Bank Hungary Zrt. (EBH), Erste & Steiermärkische Bank d.d.(EBC), Erste Bank a.d. Novi Sad (EBS), and Banca Comercială Română (BCR)).

2. Environmental Strategy

2.1 “Erste Group’s Environmental, Energy & Climate Strategy” in a nutshell



Figure 1: Erste Group's Environmental Strategy

a) Environmental Management System (EMS)

An EMS is used to manage an organisation's environmental programs in a comprehensive, systematic, planned and documented manner. It is the target that until the end of year 2016 in all local Erste banks an environmental management system according to ISO 14001 or Eco Management and Audit Scheme (EMAS) shall be implemented.

ISO 14001 and EMAS are international respectively European standards to help organisations to

- minimize negative effects of their operations on the environment (e.g. causes adverse changes to air, water or land)
- comply with applicable laws, regulations and other environmentally oriented requirements and
- continually improve in the above mentioned areas.

b) Supply Chain Management System (SCMS):

Usually, we think that our responsibility starts when a product is in our hands. But responsibility has to go further back and start with the production/creation of all products and services we need to produce and deliver our banking products/services. This requires a supply chain management system taking into account environmental (and social) impacts of the production of products/services used by Erste Group for its own products and services.

Example: Paper is one of the most used resources by a financial institution and it makes a difference under which technical and environmental conditions paper is produced. That's why under the existing environmental strategy only recycled paper or FSC/PEFC² certified paper shall be used.

c) Implement environmental criteria in all banking products and services:

As a financial institution, the largest - but indirect - impact we have on the natural environment is with our banking products and services when financing our clients' business activities.

Our objective is to make balanced, informed and transparent decisions and to serve our clients commercially but also be actively engaged with them and other stakeholders to work towards the implementation of sustainable business practices.

Next to all existing criteria (either to be legally compliant or self-determined credit risks criteria), special environmental criteria shall be developed. Erste Group shall not finance any project that will have unacceptable negative consequences on our natural environment.

One positive example for an already implemented policy is "Erste Group principles for responsible financing – Energy Sector".

d) Co-operation with environmental non-governmental organisations (NGO):

For a financial institution co-operations with NGO's can be a win-win situation. Erste Group started in 2011 a co-operation with the WWF and joined the Austrian "WWF Climate Group". This brought Erste Group additional good public reputation and access to the environmental knowledge base of the worldwide WWF organisation and the WWF got financial funds to continue its valuable work.

2.2 Roles and Responsibilities

Final Decision Body

The final decision body in environmental issues is the CEO of Erste Group.

Group Environmental Management (GEM)

Group Environmental Management is organised as a "group function" and located in Erste Holding. The head of the unit acts as a senior manager (Board-1).

Main responsibilities of the Head of Group Environmental Management are:

- Development of an consistent and challenging environmental strategy for Erste Group
- Identification of areas within Erste Group where environmental issues shall be taken into account
- Implementation of an appropriate monitoring system for environmental data in all parts of Erste Group.
- Development of environmental criteria for the most used natural resources, goods and services

² Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC)

- The Head of GEM shall be involved in discussions and development of measures to increase energy efficiency of buildings and technical equipment, development of investment products with a positive effect on our environment, of financing products which honour energy efficiency

The GEM function requires a minimum of 2-3 full-time equivalents (FTEs) (1 senior environmental manager, 1 junior environmental manager and 1 support function) and access to resources from other service units as GEM is acting cross functional through many parts of the organisation (e.g. Group Services, Group Procurement, ..).

Environmental Committees and Teams

Environmental activities are mainly cross functional and have an impact on many business/service areas. Therefore, new committees at Holding level and at local level are needed. The business/service areas which are mainly affected by environmental issues are: property management, procurement, IT and to some extent the business units if environmental criteria are relevant for financing. Ideally representatives of these areas shall be part of the new committees. The following committees and teams need to be set-up:

a) Top-Environmental Steering Committee

Members at Holding level: CEO and the Board member responsible for property management and procurement and the Head of Group Environmental Management.

Responsibility:

- approval of and changes to Erste Group Environmental Strategy
- approval of the yearly environmental program/targets for environmental key indicators
- approval – if needed – of financial resources for group wide projects
- discussion of the annual environmental report.

Meetings will be organized by the Head of Group Environmental Management.

b) Local Environmental Managers/Local Chief Environmental Officer:

Each management board of a local Erste Bank shall nominate one of its board members as “Local Environmental Manager” (LEM) who shall be responsible for environmental issues of the respective bank (see Annex 2 – actual list of nominated local environmental managers).

While GEM defines the general rules and principles for environmental strategy the LEM’s shall translate these rules according to local requirements and – if necessary – to be compliant with local law. Intensive communication between GEM and LEM shall ensure that a common understanding of environmental issues across Erste Group exists.

c) Local Environmental Steering Team:

The Local Environmental Manager nominates a “Local Environmental Steering Team” which shall consist of members from different business and service areas. Main task of this committee is the local implementation of Erste Group Environmental Strategy and the development of the yearly “environmental program”.

2.3 Details about the core elements of Erste’s Environmental Strategy

2.3.1 Implementation of an Environmental Management System

Environmental Management System refers to the management of an organisation’s environmental programs in a comprehensive, systematic, planned and documented manner. It includes the organisational structure and resources for developing, implementing and maintaining the policy for environmental protection (criteria are defined by ISO 14001 or EMAS).

All local Erste banks shall become ISO 14001 or EMAS certified organisations until the end of 2016.

Environmental Data Collection: the fundament of an EMS is a database about all kind of environmental data relevant for a financial institution like Erste Bank.

Environmental data become even more relevant to all companies since the EU Commission passed the EU-directive [COM(2013)207] regarding disclosure of non-financial and diversity information where reporting of such data as part of the annual report will be required by law latest in 2017.

Since 2012, Erste Group has collected environmental data (5 000 to 20 000 individual data per local Erste bank). Until the end of 2015, a state-of-the-art sustainability software (“Credit360”) will be implemented to improve collection and management of environmental data under the responsibility of GEM.

2.3.2 Implementation of a Supply Chain Management System (SCMS)

A SCMS is needed to be able to trace back under which environmental conditions products and services are produced that are needed for Erste Group’s own banking services and products. Until the end of 2016, Group Procurement will implement a strict Supply Chain Management System for (natural) resources used by Erste Group.

By value, the main (natural) resources used by Erste Group are:

- heating-/cooling energy (for offices and branches)
- electric energy (for lighting, IT infrastructure ...)
- paper (copy paper, note pads, office paper, advertising materials ...)
- office equipment and office material (furniture, electronic devices ...).

Erste Group’s guiding principles for a Supply Chain Management System:

GEM together with Erste Group Procurement shall define specific environmental criteria for all products and services used to run the banking business. Especially for office material/stationary - which are usually used in large quantities. And for all single investments

or purchases of goods worth more than EUR 50,000 – when environmental criteria are applicable.

The hierarchy of the applicable criteria is always:

1. the technical requirements have to be fulfilled
2. The resources and products needed for Erste Group's own products and services shall not have been produced with negative effects on the environment. This requires the definition of ecological criteria (e.g. material, production method ...)
3. Finally and as important as the other criteria are the economic criteria. But the purchase price shall not be the only relevant item. Costs of life cycle have to be taken into account (e.g. energy consumption until the end of life cycle and disposal costs).

For examples see annex 1.

2.3.3 Implement environmental criteria in all banking products- and services

The biggest (indirect) impact financial institutions have on the environment is when financing business activities of their clients.

Erste Group's objective is to make balanced, informed, and transparent decisions and to serve its clients commercially but also be actively engaged with them and other stakeholders to work towards the implementation of sustainable business practices:

- GEM together with credit risk management shall develop appropriate environmental criteria to make sure that projects of our clients realized with Erste Group's financial services - will not have an unacceptable negative impact on the environment
- Wherever possible existing international regulations/recommendations shall be taken into account (e.g. recommendations by international financial institutions like "Screening and Assessment Criteria for Energy Projects of the European Investment Bank") or
- Erste Group shall follow the example of many other financial institutions and become a signatory of international environmental (and social) risk management frameworks like
 - ✓ UN Environment Program's (UNEP) – a declaration providing the basis for UNEP's Financial Initiative (UNEP FI) which seeks to promote the integration of environmental aspects into the financial sector ³,
 - ✓ "Equator Principles" ⁴ a risk management framework for determining, assessing and managing environmental and social risks in projects.
 - ✓ or "UN Global Compact" ⁵ which 10 principles include next to the area "environment" also "human rights", "labour" and "anticorruption" enjoying universal consensus

GEM shall initiate the internal discussion with all relevant risk management and business units within Erste Group.

2.3.4 Co-operation with environmental NGO's:

NGOs who have successfully driven environmental agenda over the last 10 to 15 years have collected a lot of specific environmental know-how. To get access to this knowhow, Erste Group and/or each local Erste Bank shall enter into co-operations with such NGO's. The Top-

³ <http://www.unepfi.org/about/statements/statement/>

⁴ <http://www.equator-principles.com/index.php/ep3>

⁵ <https://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

Environmental Steering Committee shall be made aware of any important/current topics concerning relevant NGOs by the GEM, especially about those where Erste Group or its subsidiaries have entered into a formal co-operation on a regular basis.

2.4 Erste Group's environmental quantitative targets until 2016

2.4.1 Environmental Management System (EMS)

A prerequisite for the successful implementation of an EMS is the implementation of a state-of-the-art sustainability software to collect and manage environmental

It is one of the main tasks of the Local Environmental Manager to implement an EMS according to ISO 14001 or EMAS based on group-wide criteria defined by GEM.

Both targets (implementation of sustainability software and the EMS) shall be implemented until the end of 2016.

2.4.2 Overall Reduction targets on the consumption of natural resources until 2016

Reduction targets (consumption of natural resources and greenhouse gas emissions) of environmental criteria valid for whole Erste Group:

Consumption of:

Electric energy:	-10%	(figure for 2012 - 186 GWh)
Heating energy:	-10%	(figure for 2012 - 162 GWh)
Copy paper:	-20%	(figure for 2012 – 1.711 tones)
Car fleet fuel:	-15%	(figure for 2012 – 3,300,000 l)
CO2-footprint:	-30%	(figure for 2012 – 156.992 tones).

Based on these group-wide targets for Erste Group, each local Erste bank shall implement its own individual targets.

It is the responsibility of GEM together with the Local Environmental Manager to develop actual yearly targets and a process/strategy to realise them.

3. Abbreviations

Abbreviation	Text	Comment
Credit360	Credit360 Ltd, Compass House Vision Park, Cambridge cb249bz UK	Provider of Erste Group's sustainability data software.
EMAS	Eco Management and Audit Scheme	European regulation (EC 1221/2009) for the voluntary participation by organisations in a community eco management and audit scheme (is comparable with a certification according to ISO 14001) (http://ec.europa.eu/environment/emas/index_en.htm)
EMS	Environmental Management System	
FSC	Forest Stewardship Council	FSC is an independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests – mainly driven by the WWF
GEM	Erste Group Environmental Management	"Group function" located within the Holding OU 01960333 "Group Secretariat"
GRI	Global Reporting Initiative	one of the world's most prevalent standards for sustainability reporting (https://www.globalreporting.org/Pages/default.aspx)
KWh GWh	Kilowatt hour Gigawatt hour	Kilowatt hours is commonly used as a billing unit for energy delivery (electric- or heating energy) Gigawatt hour equal 1 million KWh
ISO 14001	International Organisation for Standardisation	Set of measures related to the implementation of an Environmental Management System including a certification. (http://www.iso.org/iso/iso14000)
ISO 50001	International Organisation for Standardisation	Set of measures related to the implementation of an Energy Management System including a certification. (http://www.iso.org/iso/home/standards/management-standards/iso50001.htm)
NGO	Non-Governmental Organisation	
PEFC	Programme for the Endorsement of Forest Certification	Is similar to FSC certification, less strict in some areas. (http://www.pefc.at/)

SCMS	Supply Chain Management System	The management of upstream and downstream value-added flows of materials, final goods, and related information among suppliers, company, resellers, and final consumers.
WWF	World Wild Fund for Nature	a nature conservation organisation previously named "World Wildlife Fund for Nature"

4. Annex

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Annex 1 Supply Chain Management - Examples for guiding principles

Paper:

Recycled paper or FSC/PEFC-certified paper shall be used whenever paper is needed (e.g. copy paper, material for printed advertising, annual reports). If for technical reasons only thermographic paper (“Thermopapier”) has to be used, it has to be free of Bisphenol-A” and similar toxic substances.

Energy:

Energy from renewable sources shall be used wherever possible for electric energy, heating and cooling energy to avoid the additional production of greenhouse gas (CO₂-emissions).

Increase of efficient usage of electric energy by implementing technical features like daylight- and occupancy-sensors to turn off light or technical equipment when not needed (e.g. PC and screens, printers). Only technical equipment with an “energy star” label or energy efficiency label “A” or higher shall be used.

Stationary/office material:

As far as possible and reasonable from an economic point of view, only office material shall be used where the production did not harm the environment and that at the end of its life cycle can easily be recycled.

Annex 2 List of local managers responsible for environmental issues (as of April 2015)

Holding		-
TREICHL Andreas	CEO	Andreas.Treichl@erstegroup.com
MITTENDORFER Gernot	CFO/COO	Gernot.Mittendorfer@erstegroup.com
BERGSMANN Klaus	Head of Group Environmental Management	Klaus.Bergsmann@erstegroup.com
EBOe		-
UHER Thomas	CEO	Thomas.Uher@erstebank.at
WOHLMUTH Martin	Head of Strategy (Leitung Strategieentwicklung)	Martin.Wohlmuth@erstebank.at
BERGSMANN Klaus	Head of Group Environmental Management	Klaus.bergsmann@erstegroup.com
SLSP		-
CHOMIST Richard	Member of the Management Board /Chief Environmental Officer	chomist.richard@slsp.sk
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Annex 3 Change Log

Version History	Approval Date	Section(s)	Changes	Author(s)	Approved by
1.0	17.9.2013		Original document: Holding Board Resolution on "Erste Group Environmental, Energy & Climate Strategy".	K. Bergsmann	Holding Board
2.0		All	Upgrade to Group Policy Framework format and including further details and explanations	K. Bergsmann	