

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Erste Group
3 May 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bonds, Social Bonds, Sustainability Bonds
Relevant standards	<ul style="list-style-type: none">• ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, EU Taxonomy Draft Delegated Act (April 2021)
Scope of verification	<ul style="list-style-type: none">• Erste Group Sustainable Finance Framework (as of March 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• This SPO is valid as long as no new project categories are added to the Sustainable Finance Framework. The framework and SPO cover Erste Group Bank AG and all entities directly or indirectly controlled by Erste Group Bank AG.

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SCOPE OF WORK

Erste Group (“Erste Group” or “the issuer”) commissioned ISS ESG to assist with its Sustainable Finance Framework by assessing three core elements to determine the sustainability quality of framework:

1. The instrument’s link to Erste Group’s sustainability strategy – drawing on Erste Group’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Erste Group Sustainable Finance Framework – benchmarked against the International Capital Market Association’s (ICMA) GBPs, SBPs and SBGs.
3. Eligible project categories – whether the projects financed contribute positively to the UN SDG, align with the EU Taxonomy Draft Delegated Act (April 2021)¹, on a best effort basis, and benchmarked against the ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

¹ https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part 1:</p> <p>Issuance's link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 23.06.2020, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Financials/Commercial banks and Capital Markets sector. As of 03.05.2021, the company obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 37th out of 287 companies within its sector.</p>	<p>Consistent with the issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Performance against the GBPs, SBPs, and SBGs</p>	<p>The issuer has defined a formal concept for its Green, Social and Sustainability Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs, SBPs and SBGs.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Alignment of the asset pool with the EU Taxonomy and issue specific KPIs</p>	<p>Eligible project categories include green buildings, wind energy, solar PV, hydropower, geothermal, affordable housing, financial and social inclusion, access to essential services (healthcare and education). These use of proceed categories have a positive contribution to SDG 1 'No poverty', SDG 3 'Good health and well-being', SDG 4 'Quality education', SDG 7 'Affordable and Clean Energy', SDG 8 'Decent work and economic growth', SDG 11 'Sustainable cities and communities' and SDG 13 'Climate Action'.</p> <p>For the green project categories, ISS ESG assessed the alignment of Erste Group's due diligence processes against the requirements of the EU Taxonomy (Draft Delegated Act version of April 2021), on a best effort basis.</p> <p>Based on robust processes for selection of Green Loans, the green eligible projects are considered to be aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.</p> <p>For the social project categories, ISS ESG reviewed the selection criteria with the issue specific KPIs. The overall sustainability quality of the social eligible projects in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment.</p>	<p>Positive</p>

² ISS ESG's evaluation is based on Erste Group's Sustainable Finance Framework (March 2021 version), and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 23.06.2020).

ISS ESG SPO ASSESSMENT

PART I: INSTRUMENT'S LINK TO ERSTE GROUP'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF ERSTE GROUP'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
ERSTE GROUP	FINANCIALS/COMMERCIAL BANKS AND CAPITAL MARKETS	2	VERY HIGH

This means that the company currently shows a good sustainability performance against peers on key ESG issues faced by the 'Financials/Commercial banks and Capital Markets' Sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 03.05.2021, this Rating places Erste Group 37th out of 287 companies rated by ISS ESG in the Financials/Commercial banks and Capital Markets sector.

Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

Sustainability Opportunities

Through special product offerings in the areas of social and/or green financial services, as well as by offering socially responsible investment (SRI) products, financial institutions can promote solutions of global sustainability challenges. Erste Group Bank AG (Erste Group) provides various social financial services, including programmes for social entrepreneurship and enterprises with social goals, microfinance, and affordable services for charitable organisations and/or NGOs. Furthermore, Erste Group has established 'Zweite Sparkasse', a specialised savings bank in Austria offering basic accounts and insurance solutions for people with no access to banking services. Erste Group manages several SRI investment funds and mandated portfolios using both negative and positive criteria accounting for approx. 10% of total assets under management in 2019. It is also

involved in financing renewable energy projects. However, these activities/products do not constitute the main business of the company.

Sustainability Risks

For financial companies, the most relevant sustainability issues are the systematic integration of environmental and social aspects into relevant business areas as well as the responsible treatment of clients and employees. Erste Group has principles for responsible financing in place, which to some extent provide sector-specific guidance (e.g. for the energy generation industry) for its financing products.

However, the company does not provide much insight into its corresponding assessment and due diligence procedures. The company has taken reasonable steps to promote environmentally and socially sound behaviour of enterprises in which it holds shares/bonds, by applying both positive and negative criteria.

In the field of customer and product responsibility, Erste Group has established a reasonable policy on responsible marketing but it has taken only minor steps to ensure responsible sales practices. The company offers its employees various flexible work options, access to childcare facilities and sabbaticals. In addition, the company is committed to responsible redundancy procedures. Erste Group has established a group-wide code of conduct covering some important issues, such as corruption, antitrust violations and conflicts of interest in varying degrees of detail. The company conducts compliance training and offers its employees anonymous channels to report on non-compliance issues. However, there is no indication on further measures, e.g. third party anti-corruption due diligence.

Governance opinion

Regarding the governance structure of Erste Group, 58% of the board members are independent (as at December, 2020). The chairman of the board (Friedrich Roedler, as at December, 2020) is not considered independent as he has been serving on the board since 2004. The board has established a partly independent audit, remuneration and nominations committees. The company discloses its remuneration policy for executives.

Regarding the governance of sustainability matters, the company has not established a board level sustainability committee. However, there is a sustainability board with representatives from the boards of Erste Group subsidiaries from all seven countries of major operations and the head of the group's sustainability office. It remains unclear whether the company's remuneration policy for executives includes ESG targets. Erste Group has established a group-wide code of conduct covering some important issues, such as corruption, antitrust violations and conflicts of interest in varying degrees of detail. The company conducts compliance training and offers its employees anonymous channels to report on non-compliance issues. However, there is no indication on further measures, e.g. third party anti-corruption due diligence.

Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF THE INSTRUMENT WITH ERSTE GROUP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Erste Group has a longstanding commitment to sustainability. Its understanding of sustainability is taken from "Our Common Future" (UN Brundtland Commission 1986), which states that "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

For Erste Group, sustainable economic activity means creating added value for people, the environment and for the communities in which we operate. This approach is specifically implemented in 3 areas:



„**Diversity**“ – we are convinced that the uniqueness of individuals (age, gender, cultural background) is essential for finding innovative solutions and for business success.



„**Environment**“ – we strive to have a direct positive impact on the management of natural resources and indirectly through our business dealings.



„**Social responsibility**“ – we are committed as Bank to finance cultural and social activities but also by encouraging our employees to personally engage in their communities.

To address these three topics, Erste Group has developed various initiatives and policies.

These are referenced below.

Code of Conduct

The Code of Conduct provides a reference point for the company's actions and behaviour and serves as a binding set of rules governing the behaviour for its daily business activities. It describes what is important and makes its commitments clear and sets the basis to act as a good corporate citizen. The Code of Conduct shows that it needs to act responsibly, respectfully and sustainably in all aspects of its operations.

Code of Conduct for suppliers

The Code of Conduct for suppliers ensures that the basic principles and standards of Erste Group are adhered to by all persons and companies with whom it has business relations.

Responsible Financing Policy

The policy aims at creating principles of responsible finance for socially, environmentally and ethically sensitive sectors.

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

Environmental issues are becoming increasingly important in communicating with stakeholders. In our environmental, energy and climate strategy, you can find out how Erste Group handles this important topic.

Diversity and Inclusion Policy

Erste Group sees diversity and inclusion as an integral part of its business strategy and as a key point in being attractive as an employer

All the above-mentioned policies are available on the issuer's website:

<https://www.erstegroup.com/en/about-us/sustainability>

Rationale for issuance

Erste Group is working to establish sustainable finance in the CEE region, to mobilize funds for a transition towards low carbon economy, to enhance risk management and financing standards and increase the credibility of the sustainable investments of the region. Erste Group in all its countries takes responsibility to finance socially and economically important infrastructure, public administration, or common good projects in demand. Erste Group applies across its regions a social banking concept to support the most vulnerable part of society (individuals, NGOs but also start-ups) and fosters financial literacy. Erste Group refrains from financing projects that have harmful consequences on the ethical, social and environmental wellbeing.

It is in this context that Erste Group aims to issue new Green, Social and Sustainability Bonds.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Financials/Commercial banks and Capital Markets sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Eligible categories	<ul style="list-style-type: none"> • Focus on Green Buildings and Efficiency Housing • Climate Change Mitigation via Renewable Energy 	<ul style="list-style-type: none"> • Sustainability impacts of lending and other financial services/products • Sustainable investment criteria • Labour standards and working conditions • Business ethics 	Contribution to a material objective
Social Eligible categories	<ul style="list-style-type: none"> • Access to Essential Services • Financial and Social inclusion • Affordable Housing 	<ul style="list-style-type: none"> • Sustainability impacts of lending and other financial services/products • Sustainable investment criteria • Labour standards and working conditions • Business ethics 	Contribution to a material objective

Opinion: *ISS ESG finds that Use of Proceeds financed through the bonds issued under this Framework are consistent with the issuer's sustainability strategy and to material ESG topics for the issuer's industry. The bond's Use of Proceeds category is appropriately linked to the issuer's strategy and with material ESG topics for its sector. The rationale for issuing Green, Social and/or Sustainability Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH THE GBPs, SBPs, SBGs

1. Use of Proceeds

An amount equivalent to the net proceeds of the Sustainable Finance Instrument issuances (the “Net Proceeds”) will be exclusively used to finance and/or refinance the following loan instruments of Erste Group with environmental and/or social benefits:

Eligible Green Loans (“Green Loans”): loans and investments dedicated to the financing of Eligible Green Projects as defined in Section 3.1 with a positive environmental impact.

Eligible Social Loans (“Social Loans”): loans and investments dedicated to the financing of Eligible Social Projects as defined in Section 3.2 with a positive social impact.

Eligible Loan Portfolio (“Loan Portfolio”): is comprised of all Green Loans and Social Loans.

Eligible Green Projects

GREEN CATEGORY	DEFINITION	ELIGIBILITY CRITERIA
Green Buildings (Residential)	Loans and/or investments to finance new or existing residential buildings	<ul style="list-style-type: none"> Buildings that are within the top 15% low-carbon performing in the respective country Buildings that have undergone refurbishments resulting in an increase in energy efficiency of at least 30% against a baseline performance of the building before renovation (When using EPC labels, at least two label steps increase in energy performance certificate compared to original built quality) New Buildings that comply with Nearly Zero Energy Buildings requirements defined in relevant country building legislation³
Green Buildings (Commercial)	Loans and/or investments to finance new or existing commercial buildings	<ul style="list-style-type: none"> Buildings that are within the top 15% low-carbon performing in the respective country Buildings that have undergone refurbishments resulting in an increase in energy of efficiency of at least 30% against a baseline performance of the building before the renovation Where applicable, minimum certification of BREEAM “Very Good”, LEED “Gold” or any other equivalent certification
Renewable Energy	Loans and/or investments to finance or refinance generation and transmission of energy from renewable sources and manufacturing of the related equipment ⁴	<ul style="list-style-type: none"> Onshore and offshore wind energy Solar (Photovoltaic) Small scale hydro power (<20 MW) and refurbishment (or refinancing) of existing large-scale hydro (>20 MW) Geothermal energy with life cycle assessment emissions ≤ 100g CO₂e/kWh

Eligible Social Projects

³ Within its Sustainable Finance Reporting, Erste Group intends to report on the % of New Buildings complying with the EU F NZEB – 20% criteria, where applicable (for assets located in geographies where NZEB has been defined in terms correspondent Building Regulation).

⁴ All renewable energy products should have lifecycle carbon emissions less than 100g CO₂e/kWh.

SOCIAL CATEGORY	DEFINITION	ELIGIBILITY CRITERIA
Access to Subsidized Housing (“Gemeinnütziger Wohnbau”) Affordable Housing	Loans and/or investments to finance or refinance existing or new projects of subsidized housing meeting the relevant statutory definitions ⁵	<ul style="list-style-type: none"> • Financing of “gemeinnützige Bauvereinigungen” (GBV) and following the statutory definitions of the Wohnungsgemeinnützigkeitsgesetz (WGG), (e.g. cap on rental expenses for tenants, income caps, cost coverage principle with limitation on profits) • Affordable housing: Creating and operation of affordable and/or improved housing; Cooperative apartments; Rental Microcredits (Zweite Sparkasse)
Financial and Social Inclusion	Loans and/or investments to finance or refinance start-ups, microfinance businesses or subjects of social economy	<ul style="list-style-type: none"> • Financing must be part of the following activities / programs: <ul style="list-style-type: none"> ○ Financing of social organizations ○ Microcredit program: financing unemployed who start businesses – cooperation with Ministry of Social Affairs ○ Agriculture start-up loans in rural areas ○ Financing of social infrastructure projects like kindergartens, cultural centers, house for orphans or disabled people or sports facilities
Access to Essential Services	Loans to finance or refinance projects related to essential services ⁶	<ul style="list-style-type: none"> • Providers of public healthcare and facilities: <ul style="list-style-type: none"> ○ Public hospitals ○ Elderly care facilities ○ Other Healthcare facilities • Primary and secondary schools (public) and vocational training: <ul style="list-style-type: none"> ○ Related infrastructure ○ Dedicated programmes, learning materials, furniture and other equipment

Erste Group may, at any time, extend the list of Green and/or Social Loans to other type of assets which provide verifiable sustainability benefits. In this case, Erste Group commits to update the current Sustainable Finance Framework and to extend the set of criteria to appropriately reflect the new asset class.

For clarification purposes, the Use of Proceeds of the Sustainable Finance Instruments must be in alignment with the limitations and restrictions outlined and defined in Erste Group’s Responsible Financing Policy.⁷

Opinion: ISS ESG finds that the Use of Proceeds description provided by Erste Group aligns with the GBPs, SBPs and SBGs. Expected environmental and social benefits are clearly displayed in a granular way and the eligible categories are aligned with the broader strategy of the issuer toward sustainability. Both social and environmental eligible projects are aligned with Erste Group’s own Responsible Financing Policy, and other policies available on the issuer’s website. This ensures environmental and social risks are taken into consideration when disbursing loans. Moreover, the issuer includes clear exclusion criteria in its framework.

⁵ As defined by the Austrian federal law of 8 March 1979 on non-profit housing (Wohnungsgemeinnützigkeitsgesetz – WGG), as amended, updated.

⁶ Excluding range of businesses such as, but not limited to alcohol, tobacco, coal mining, weapons, pornography, gambling, activities involving forced or child labour, business with a record of engaging in illegal practices.

⁷ <https://www.erstegroup.com/en/about-us/sustainability>

2. Process for Project Evaluation and Selection

A dedicated Sustainable Finance Committee (the “SFC”) has been established to create and manage this Sustainable Finance Framework. Erste Group’s SFC is comprised by the Sustainability Officer, who will serve as its chairman, and members of the Senior Management Team. The SFC will manage any future updates to the Sustainability Finance Framework, including amendments to the list of Eligible Categories, oversee its implementation and meet at least once a year. The Sustainable Finance Framework will be evaluated according to the Principles and Guidelines mentioned under 2. Erste Group Sustainable Finance Framework.

In identifying Green and Social Loans and their non-financial impacts Erste Group may rely on external consultants and their data sources.

The loans selection is based on the Eligibility Criteria defined in the section above (see the section Use of Proceeds). Erste Group ensures that all Green and Social Loans comply with official national and international environmental and social laws and regulations and any standards on a best effort basis. It is part of Erste Group’s transaction approval process to ensure that all its activities comply with internal environmental and social directives. Erste Group has defined minimum environmental and social requirements for all lending businesses, including those financed with the proceeds of the Sustainable Finance Instruments. These Eligibility Criteria, minimum requirements and ESG related matters are continuously developed and renewed in Erste Group’s external and internal policy frameworks. Erste Group’s environmental and social policies can be found on: <https://www.erstegroup.com/en/about-us/sustainability>.

ESG risk factors are always part of financing standards of Erste Group. The standards are industry sector differentiated, related to the size, complexity and impact, and applied at client onboarding or at the financing transactions. Reflecting on the increasing importance of ESG risks, Erste Group is further enhancing its approach with the implementation of a conceptually much broader, balanced ESG scorecard-based screening and a consecutive deep dive ESG risk assessment on the relevant large customer segments.

Erste Group refrains from ethically, social and environmentally harmful transactions. Our risk perspective and exclusion rules are outlined in the publicly available “Responsible Finance Policy”. Erste Group is committed to regularly recalibrate these financing rules, reflecting on the rising urgency of climate action, the evolving new standards of the European Commission and the on-going public behavioural change.

The Erste Group definition of the ESG risks is available in the publicly disclosed “Erste Group ESG Risk Definition Policy”.

Opinion: ISS ESG finds that the description of the Process for Evaluation and Project Selection provided by Erste Group aligns with the GBPs, SBPs and SBGs. Erste Group’s Sustainable Finance Committee is responsible for the project evaluation and selection process. The evaluation and selection criteria are compliant with the issuer’s Responsible Financing Policy, and other policies available on the issuer’s website.

3. Management of Proceeds

The Net Proceeds of the Sustainable Finance Instruments issued under this Sustainability Finance Framework will be managed by Erste Group in a portfolio approach. Erste Group intends to allocate the proceeds from the Sustainable Finance Instruments to a portfolio of loans that meet the Use of

Proceeds Eligibility Criteria and in accordance with the evaluation and selection process presented above.

Erste Group entities will strive, within 24 months after issuance, to reach a level of allocation of the Loan Portfolio that at least matches the Net Proceeds from its outstanding Sustainable Finance Instruments. Additional Green and/or Social Loans will be added to the Loan Portfolio to the extent required.

Pending the allocation of the Net Proceeds of any Sustainable Finance Instrument to the Loan Portfolio, all or a portion of the Net Proceeds may be used for the payment of outstanding indebtedness or other capital management activities.

Opinion: ISS ESG finds that the Management of Proceeds description provided by Erste Group aligns with the GBPs, SBPs and SBGs. Earmarking of proceeds is ensured through a portfolio approach, while allocation mechanism and timeframe are also described. The procedure for eventual unallocated proceeds is also disclosed.

4. Reporting

Erste Group will make and keep readily available reporting on the allocation of Net Proceeds to the Loan Portfolio on a nominal equivalence basis one year from the issuance of the respective Sustainable Finance Instruments, to be renewed annually until full allocation.

Erste Group intends to issue reports on the allocation of the Use of Proceeds to the Loan Portfolio at least at the category level and on an aggregated (portfolio) basis for all Sustainable Finance Instruments issued by Erste Group.

Erste Group intends to align, on a best effort basis, the impact reporting with the portfolio approach described in "Handbook - Harmonized Framework for Impact Reporting (December 2020)" and "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (June 2019)"

In any case, Erste Group will not double count the financing of any Green or Social Loans.

Allocation Reporting

The allocation report will provide, on an aggregated basis, indicators such as:

- the size of the Loan Portfolio;
- the total amount of proceeds allocated to the Loan Portfolio (consisting of Green and Social Loans);
- the balance (if any) of unallocated proceeds;
- the amount or the percentage of new financing and refinancing;
- the geographical distribution of the assets (at country level);
- the total volume of Sustainable Finance Instruments outstanding.

Impact Reporting

Where feasible, Erste Group intends to report on the environmental and social impacts of the projects funded with the Sustainable Finance Instruments' proceeds or refer to existing sustainability reporting of Erste Group. A list of potential indicators is presented below.

GBP/SBP Categories	Potential Impact Indicators
Green Buildings (Commercial)	Estimated ex-ante annual energy consumption in KWh Estimated annual avoided carbon emissions (in tCO2 eq) Overview of sustainable labels and certificates of eligible buildings
Green Buildings (Residential)	Estimated ex-ante annual energy consumption in KWh Estimated annual avoided carbon emissions (in tCO2 eq)
Renewable Energy	Installed renewable energy capacity (GW or MW) Estimated annual avoided carbon emissions (in tCO2eq)
Access to Subsidized Housing ("Gemeinnütziger Wohnbau")	Number of units built Number of beneficiaries (if possible)
Financial and Social Inclusion	Number of projects/facilities financed Volume allocated to projects Number of beneficiaries
Access to Essential Services	Number of projects/facilities financed Volume allocated to projects Number of beneficiaries

Both the allocation report and the impact report will be made available on the Erste Group's websites.

Opinion: ISS ESG finds that Erste Group's Reporting as described in the framework aligns with the GBPs, SBPs and SBGs. The issuer gives great details about level, frequency, scope and duration of reporting for both allocation and impact reporting. Impact indicators are well defined, and intended public disclosure further enhances the quality of the reporting.

External review

Erste Group's Sustainable Finance Framework has been reviewed by ISS ESG who has issued a Second Party Opinion. ISS ESG evaluated Erste Group's Sustainable Finance Framework and its alignment with relevant industry standards and has provided views on the robustness and credibility of the Sustainable Finance Framework.

The Second Party Opinion as well as the Sustainable Finance Framework are available to investors and other stakeholders on Erste Group's website.

Erste Group may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the Sustainable Finance Instruments proceeds to the Loan Portfolio, provided by its external auditor or reputable verifier.

PART III: SUSTAINABILITY QUALITY OF THE PROJECT CATEGORIES











1. CONTRIBUTION OF THE PROJECT CATEGORIES TO THE UN SDGs

Using a proprietary methodology, ISS ESG assessed the contribution of Erste Group’s Sustainable Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the Sustainable Bond Framework and the issuer’s specific sectorial context.





This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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The green and social project categories have been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings	Significant contribution⁸	
	Limited contribution	
Wind energy	Significant contribution	 
Solar PV	Significant contribution	 
Hydropower	Significant contribution	 
Geothermal	Significant contribution	 

⁸ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs. The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Draft Delegated Act for the activity 7.7. Acquisition and ownership. As the projects to be financed under the Use of Proceeds category “Green Buildings” have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Draft Delegated Act, a significant contribution to climate change mitigation by the projects is attested.

Social housing	Significant contribution	
Social financing and employment generation	Significant contribution ⁹	
Healthcare	Significant contribution	
Education	Significant contribution	

⁹ This issuance/framework-specific assessment is diverging from the ISG ESG SDG assessment proprietary methodology.

2. ALIGNMENT OF THE ELIGIBLE GREEN PROJECTS WITH THE EU TAXONOMY

ISS ESG assessed the alignment of the eligible projects and the due diligence and selection processes in place, with the EU Taxonomy, on a best effort basis.

2.1. Acquisition and Ownership of buildings (7.7.)

Projects under this category include acquisition and ownership of green buildings. All Green Projects are located in Austria, Slovakia and/or Romania. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Draft Delegated Act April 2021 requirement:</p> <p><u>For buildings built before 31 December 2020</u>, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings</p> <p><u>For buildings built after 31 December 2020</u>, the building meets the criteria specified in Section 7.1 established for the ('Construction of new buildings') that are relevant at the time of the acquisition</p>	<p>The buildings selected by Erste Group comply with:</p> <ul style="list-style-type: none"> <u>Requirement for buildings built before 31 December 2020</u>: The calculated performance of the building must be within the top 15% of the local existing stock¹⁰ in terms of operational Primary Energy Demand, expressed as kWh/m²y. <u>Requirements for buildings built after 31 December 2020</u>: Erste Group intends to report on the percentage of New Buildings complying with the EU Taxonomy NZEB – 10% criteria, where applicable (for assets located in geographies where NZEB has been defined in terms correspondent Building Regulation). <p>During its internal credit process, Erste Group ensures that large non-residential buildings are efficiently operated through energy performance and monitoring and assessment.</p> <p>Then, during the life of the loan, Erste Group follows the E&S risks related to the financed assets.</p>	<p style="text-align: center;">✓</p>

¹⁰ This approach aligns with the EU Taxonomy Draft Delegated Act requirement, which only takes into consideration buildings with an EPC class A, for buildings built before 31 December 2020.

Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment		
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Erste Group’s own Responsible Financing Policy and Austria and Slovakia environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-

CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

Erste Group has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.

2.2. Production of Electricity from Solar PV (4.1.)

The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
The activity generates electricity using solar PV technology	Solar PV activities selected are taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Erste Group’s own Responsible Financing Policy and Environmental, Energy & Climate Strategy as well as national environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
High durability, easy dismantling, refurbishment, and recycling ensured by PV panels design and manufacture	PV modules are subject to the national and EU regulation. A list of acceptable panel types to be chosen is described in the Group Renewable Energy Policy.	✓

Reparability ensured by accessibility and exchangeability of PV panels components	<p>PV modules are subject to the national and EU regulation.</p> <p>The operational and maintenance during the operation of solar powers is described in the Group Renewable Energy Policy.</p> <p>The operational and maintenance related contractual arrangements shall cover the whole system and in particular any replacement of the inverters during the (remaining) loan life which might become necessary.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	<p>Green Projects are subject to Group Responsible Financing Policy, which ensures compliance with EU legislation.</p> <p>Environmental risk assessment is conducted at the planning stage are the projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.</p>	✓
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Erste Group has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.3. Production of Electricity from Wind Power (4.3.)

The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
The activity generates electricity from wind power	Wind power activities selected are taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Erste Group's own	✓

	Responsible Financing Policy and Environmental, Energy & Climate Strategy as well as national environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.	
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Water quality and water consumption	An environmental assessment has been conducted at Green Projects planning stage, including water considerations. As per conformity with national and EU legislation and ESG Evaluation assessments conducted by Erste Group, measures regarding water use and conservation are in place.	✓
Compliance with the EU Water legislation	Green Projects are subject to the EU Water legislation.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
End-of-life waste management and decommissioning	Green Projects are subject to decommissioning obligations as per regulation and internal policies.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented	Green Projects are subject to Group Responsible Financing Policy, which ensures compliance with EU legislation. Environmental risk assessment is conducted at the planning stage are the projects are not	✓

	located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.	
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Erste Group has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.4. Production of Electricity from Hydropower (4.5.)

The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>The activity complies with either of the following criteria:</p> <ul style="list-style-type: none"> the electricity generation facility is a run-of-river plant and does not have an artificial reservoir the power density of the electricity generation facility is above 5 W/m² the lifecycle GHG emissions¹¹ from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh 	Hydropower activities selected are taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Erste Group’s own Responsible Financing Policy and Environmental, Energy & Climate Strategy as well as national environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant	✓

¹¹ The lifecycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified lifecycle GHG emissions are verified by an independent third party.

	measures are applied to reduce identified risks.	
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Implementation of a River Basin Management Plan	Confirmed. The issuer’s projects comply with the World Commission on Dams (WCD) Framework and international conventions such as the European Union Water Framework Directive.	✓
Compliance with: -EU Water Framework Directive for assets located in the EU, or, -Principles of the UNECE Convention on the Protection and Use of Transboundary, Watercourses and International Lakes	Green Projects are subject to the EU Water Framework Directive.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented	Green Projects are subject to Group Responsible Financing Policy, which ensures compliance with EU legislation. An Environmental Impact Assessment is conducted at the planning stage are the projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.	✓

CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

Erste Group has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.

2.5. Production of Electricity from Geothermal (4.6.)

The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Lifecycle GHG emissions ¹² from the generation of electricity from geothermal energy are lower than 100gCO ₂ e/kWh	Geothermal activities selected are taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Erste Group’s own Responsible Financing Policy and Environmental, Energy & Climate Strategy as well as national environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓

¹² The lifecycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified lifecycle GHG emissions are verified by an independent third party.

3. WATER – DO NO SIGNIFICANT HARM CRITERIA

Water risk management and Environmental Impact Assessment	<p>The assessment of production of electricity from geothermal is a case-by-case analysis.</p> <p>Either a dedicated environmental due diligence for geothermal energy or a technical due diligence that contains the ESG topics (including review of environmental impact assessment) is in place, which follows a best market practice.</p> <p>Compliance with national and EU legislation is ensured.</p>	✓
Compliance with EU Water legislation	Green Projects are subject to EU Water legislation.	✓

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

Not applicable		-
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5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Minimisation of discharges to water bodies, air and of waste heat	Green Projects are subject to Group Responsible Financing Policy, which ensures compliance with EU legislation.	✓
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6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	<p>Green Projects are subject to Group Responsible Financing Policy, which ensures compliance with EU legislation.</p> <p>An Environmental Impact Assessment is conducted at the planning stage when required, and the issuer’s policies ensure the projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.</p>	✓
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CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

Erste Group has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	The OECD Guidelines are included as part of Erste Group Supplier Code of Conduct. Risks analysis processes are in place to identify any potential breach. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓
UN Guiding Principles on Business and Human Rights	Erste Group' due diligence processes ensure the alignment and compliance with the UN Guiding Principles on Business and Humans Rights. Risks analysis processes are in place to identify any potential breach. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓
ILO Core Labour Conventions	Erste Group due diligence processes ensure the alignment and compliance with the ILO Core Labour Conventions. Risks analysis processes are in place to identify any potential breach. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓

3. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SOCIAL ELIGIBLE PROJECTS

Social eligible projects include affordable housing, financial and social inclusion, access to essential services (healthcare and education).

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

ASSESSMENT AGAINST ISS ESG KPIs

Inclusion

- ✓ The issuer has policies in place promoting inclusion and non-discriminatory access referencing fairly priced and/or subsidized participation for socially disadvantaged groups. These are in line with statutory definitions expressed in national legislation.

Safety of users/consumer

- ✓ Assets to be financed under this framework ensure good measures for the safety of users, based on internal policies and national legislation.

Labour, health and safety

- ✓ Assets to be financed under this framework provide for high labour and health and safety for construction and maintenance work aligned with the ILO Core Conventions.

Environmental impact

- ✓ The issuer has policies in place reducing the potential negative environmental impact that the assets financed could have. This is provided by the issuer's Responsible Financing Policy, and Policy for Environmental, Energy and Climate Strategy.

Exclusion of sectors and activities with a detrimental impact on society

- ✓ The issuer has excluded financing to sectors or activities detrimental to society in accordance with its Responsible Financing Policy.

DISCLAIMER

1. Validity of the SPO: This SPO is valid as long as no new project categories are added to the Sustainable Finance Framework. The framework and SPO cover Erste Group Bank AG and all entities directly or indirectly controlled by Erste Group Bank AG.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: Methodology

ISS ESG Social KPIs

The ISS ESG Social KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Erste Group’s Sustainable Finance Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Erste Group (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

ASSESSMENT OF THE CONTRIBUTION AND ASSOCIATION TO THE SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the Erste Group Green Bond project category contribute to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Erste Group Bank AG

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

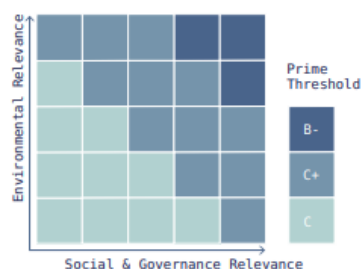
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Erste Group Bank AG

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Erste Group commissioned ISS ESG to compile a Framework SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Moreover, the assessment included whether the green project categories align with the EU Taxonomy and associated technical annex, on a best effort basis.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs, SBPs, and SBGs.
- EU Taxonomy Draft Delegated Act (April 2021).

ISSUER'S RESPONSIBILITY

Erste Group responsibility was to provide information and documentation on:

- Framework
- Selection process
- Documentation of ESG risks management at the asset level for EU taxonomy

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Financing Framework issued by Erste Group based on ISS ESG methodology and in line with the ICMA GBPs, SBPs and SBGs.

The engagement with Erste Group took place in January/February/March 2021 (update in May 2021).

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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