

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINE

Principles of Erste Asset Management for Responsible & Sustainable Investment



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## 1. Mission Statement

Erste Asset Management (EAM) identifies its main responsibility in representing the interests of its investors and in ensuring a long-term investment success. Besides financial motivations, the awareness of not impairing the opportunities for future generations is the core driver for this approach. Therefore, EAM aims to harmoniously combine long-term economic success with sustainable conduct.

To us, sustainability means considering a 360 degree perspective in the investment process, which focuses not only on economic factors, but also on environmental, social and governance aspects. We are convinced that such an approach towards sustainability marks not only a positive contribution to society, but also leads to attractive medium and long-term returns as well as to the reduction of various risk factors.

The goal of sustainable investment can be achieved using a number of different methodologies. Hence, in our view, it is not a particular approach that counts, but the actual result. We are convinced that guiding our clients from their different starting points through the world of sustainability will result in long-term success.

To validate and incorporate these principles, EAM signed the Principles for Responsible Investment (PRI) as first Austrian asset manager in 2009. Further, EAM strictly follows the United Nation's convention regarding cluster munitions and banned weapons. On top of that, we actively seek responsibility in various sustainable umbrella organisations and governing bodies such as EUROSIF, CRIC and FNG.



## 2. Principles

The EAM foundation of sustainable investment is governed by the Principles for Responsible Investment (PRI), which obliges the signatories to abide by the following 6 principles:

- 1) We will incorporate ESG issues into investment analysis and decision-making processes.
- 2) We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3) We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4) We will promote acceptance and implementation of the Principles within the investment industry.
- 5) We will work together to enhance our effectiveness in implementing the Principles.
- 6) We will each report on our activities and progress towards implementing the Principles.



In practice, these principles are integrated throughout our investment process. An **ESG analysis** (Environmental, Social, Governance) forms the core of this process.

<p><b>E</b>nvironmental:</p> <ul style="list-style-type: none"> <li>• Conservation of the atmosphere, natural resources and water</li> <li>• Preservation of fauna and flora</li> <li>• Safeguarding of natural habitats</li> <li>• Limiting climate change</li> <li>• Avoidance of animal experiments</li> <li>• Product innovation</li> </ul>	<p><b>S</b>ocial:</p> <ul style="list-style-type: none"> <li>• Respect for international human rights</li> <li>• Avoidance of child labour</li> <li>• Prohibition of forced labour</li> <li>• Zero tolerance for discrimination</li> <li>• Workplace health and safety</li> <li>• Working conditions</li> <li>• Appropriate remuneration</li> <li>• Responsible conduct in war zones and high risk regions</li> <li>• Product responsibility</li> <li>• Education and training</li> <li>• Product innovation</li> </ul>
<p><b>G</b>overnance:</p> <ul style="list-style-type: none"> <li>• Prevention of corruption</li> <li>• Avoidance of accounting fraud</li> <li>• Independent advisory board members</li> <li>• Ensuring fair competition</li> </ul>	

Erste Asset Management regards itself as an active stakeholder, which is realised through making use of voting rights during shareholder meetings. To ensure consistency and transparency in our voting decisions, we developed the EAM Voting Policy, which governs our decision making process.

EAM considers an active dialogue with companies to be the best catalyst for change. In that spirit, we pursue a focused engagement strategy, which we define as allocating and bundling resources to find an efficient platform for engagement. Engagement can on one hand be conducted through partnerships (in either a leading or supporting role) or on the other through measures with strong regional or theme-driven leverage.



### 3. Scope

Erste Asset Management has a fiduciary duty towards its clients and adapts the sustainable investment process according to their individual requirements. Therefore, each client's individual circumstances and preferences will influence and shape their attitude and focus towards sustainable investment.

The prohibition of investment in companies related to controversial weapons and soft commodity speculation applies to all EAM funds. For funds and portfolios which are managed according to our responsibility and sustainability guidelines, we follow an investment process which can be seen as state-of-the-art in the sustainable investment industry.

EAM tries to verify the above principles with all cooperating external partners and prefers partners, who have signed the Principles for Responsible Investment (PRI).



## 4. Approach

To act in the best interest of its clients and the society, Erste Asset Management follows ESG principles as well as economic criteria in its approach towards sustainability.

The Responsible Investment team of EAM develops and actively shapes the investment process. This encompasses the definition and compliance with exclusion criteria, the analysis of companies and the generation of an ESG rating as well as comparing all companies according to the best-in-class approach.

The responsible investment fund managers are responsible for selecting the most promising companies for the portfolios and funds of our clients, considering financial and sustainability aspects. The close cooperation between fund managers and ESG analysts ensures an efficient know-how transfer.

Further, the responsible investment team ensures the distribution and availability of ESG information to all divisions of EAM.

For EAM, responsibility also applies to handling information regarding sustainability, leading to the following criteria:

- Information has to be of high quality, and has to be collected, verified and distributed through a proven process
- EAM actively processes information

According to our experience, this can be achieved through a multi-source approach, where raw data is sourced from different sustainability rating agencies and is then combined to a proprietary EAM ESG rating.

Sustainable investment is a dynamic term and has to be evaluated in practice. Therefore, EAM follows a transparency and disclosure strategy to enable an external evaluation of its sustainable investment process. Frequent external reviews by renowned organizations and compliance with quality standards are part of our full-transparency aspiration. (FNG-Siegel, environmental labels, etc.)

An advisory board consisting of independent experts ensures the compliance and further development of our sustainability standards.



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