

ERSTE
Asset Management

Biodiversity Policy

Principles of Erste Asset Management

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1. General

1.1 Objective

The global biodiversity crisis is interrelated with the ongoing climate crisis and climate change, which are both directly related to human economic activity. The degradation of ecosystems challenges planetary resilience and represents a significant threat to the profitability and stability of financial systems. According to the [UNEP FI](#) (United Nations Environment Programme Finance Initiative), 13 out of 18 sectors represented in the FTSE 100 with 1.6 trillion USD in market capitalization are associated with production processes that have a high or very high material dependence on nature. This illustrates, that the global economy and financial portfolios are embedded in natural processes, which are affecting their performance.

The “Federal Agency for Nature Conservation”, together with other partners, recommends that financial institutions should “go beyond regulation” and transform the way in which they think about and act on biodiversity – based on scientific evidence and reflecting the 2030 and 2050 biodiversity objectives agreed by elected decision makers around the world.

In the financial sector, we see a transformation with long-term profitability being dependent on functioning ecosystem services. While nature loss poses a major risk to businesses, nature-positive investments offer opportunities. As an outcome of [COP 15](#), which took place in December 2022, countries must agree on the steps for implementing the [Global Biodiversity Framework \(GBF\)](#) until 2030. Nature-related regulations, therefore, were pushed and are implemented already in common frameworks (non-exhaustive list, selection made by the management company):

- [CSRD](#) disclosure requirement ESRS (European Sustainability Reporting Standards) E4 on biodiversity and ecosystems: companies are asked to report on their transition plans on biodiversity and ecosystems, on policies, actions, resources, and targets related to biodiversity and ecosystems as well as potential financial effects from biodiversity and ecosystem-related impacts, risks, and opportunities.

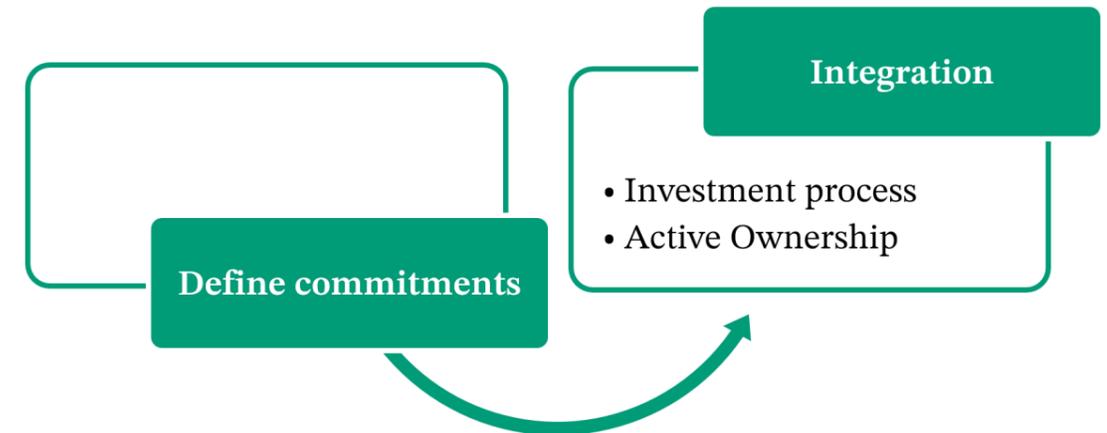
- [EU Taxonomy](#): the 6th environmental objective of the taxonomy asks for the protection and restoration of biodiversity and ecosystems (delegated act, not yet published).
- [GRI standard 304 on biodiversity](#): companies are asked about the proximity of their operational sites to protected areas or areas of high biodiversity value outside protected areas, on significant impacts of their activities, products, or services on biodiversity, etc.
- [TNFD](#) is a science-based framework to report and act on nature-related risks.
- [CSDDD](#) requires companies to identify adverse impacts (including on nature/biodiversity) and to take steps to avoid, mitigate or address these issues.
- [EU regulation on deforestation-free supply chains](#): the regulation will ensure, that a set of key goods placed on the EU market will no longer contribute to deforestation and forest degradation both in the EU and globally.

Regulations will help to support investments in nature less-risk products/services and will also push protection efforts: the [EU](#) as a major economy and consumer of the commodities mentioned in the deforestation-free supply chain-regulation, has great influence on stopping a significant share of global deforestation and forest degradation, in turn reducing greenhouse gas emissions and biodiversity loss.

Since 2001, Erste Asset Management has responsible investment standards in place and increased the share on assets, which correspond to these standards, constantly. Today we are managing [21.7% of our assets](#) according to responsible investment standards (as of 12.2022). Biodiversity agendas, to a certain degree, are already integrated in the way we are implementing our responsible investment standards. Nevertheless, to fulfil our commitment on biodiversity (see 2.1 Commitment), we decided to develop an integration plan to address the subject accordingly.

2. Integration

Erste Asset Management integrates biodiversity / ecosystem related agendas by using three approaches:



1.2 Scope

All retail funds and portfolios actively managed by Erste Asset Management on a discretionary basis are subject to this obligation.

Special funds are generally excluded from this obligation. In the case of special funds investing on a sustainable basis - as defined by Art 8 or 9 of the Disclosure Regulation/Art 6 or 5 of the Taxonomy Regulation - adherence to this guideline can only be dispensed with if, at the request of the client of the special fund, another sustainable obligation compatible with the approach of Erste Asset Management is applied with regard to the exclusion in question.

At the express request of the client of a mutual fund (large investor fund), this rule may be dispensed with for third-party mandates in which Erste Asset Management does not participate in the management of the fund or the investment strategy and merely provides the fund shell. In the case of sustainable - as defined by Art 8 or 9 of the Disclosure Regulation/Art 6 or 5 of the Taxonomy Regulation - large investor funds, adherence to this guideline can only be dispensed with if, at the request of the client, another sustainable obligation compatible with the approach of Erste Asset Management is applied with regard to the exclusion in question.

Similarly in asset management: At the explicit request of the clients, adherence to this guideline can be dispensed with in the case of individual portfolio management, provided that the portfolio management has not been classified as an Art 8 or 9 product as defined in the Disclosure Regulation/Art 6 or 5 product as defined in the Taxonomy Regulation.

Alongside our own responsible investing standards, we consider the following norms and sources when evaluating biodiversity agendas (non-exhaustive list, selection made by the management company):

- [CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora](#)
- [Convention on Biological Diversity- Cartagena protocol on biosafety](#)
- [Corporate Sustainability Reporting Directive](#)
- [EU regulation on deforestation-free supply](#)
- [EU taxonomy for sustainable activities](#)
- [European Commission: Assessment of Biodiversity Measurement Approaches For Businesses and Financial Institutions](#)
- [European Commission/ Joint Research Centre: Environmental Impact Assessment Review](#)
- [Finance for Biodiversity: Guide on biodiversity measurement approaches](#)
- [Financial sector statement on biodiversity for COP15](#)
- [Forest 500](#)
- [IUCN Red List of threatened species](#)
- [Nature Action 100+](#)
- [OECD work on biodiversity and ecosystems](#)
- [Task-Force on nature-related financial disclosures](#)
- [WWF Biodiversity Risk Filter](#)
- [WWF Water Risk Filter](#)

Some of the sources are from the partnership with WWF Austria (the partnership is limited to the contents of the fund: ERSTE WWF STOCK ENVIRONMENT).

2.1 Commitment

To actively show our commitment, Erste AM decided to sign the [statement from the private financial sector to the conference of the parties to the convention on biological diversity](#), which was drafted by the UNEP Finance Initiative (UNEP FI), the Principles for Responsible Investment (PRI), and the Finance for Biodiversity Foundation. It was endorsed by 154 financial institutions, representing over \$24.8 trillion in assets under management:

"We - the signatories of this statement - realize that biodiversity loss threatens our ability and the ability of future generations to live and thrive in a healthy, peaceful and prosperous world. As a result, we commit to contribute to the protection and restoration of biodiversity and ecosystems through our financing activities and investments. In support of this, we call for the adoption of an ambitious Global Biodiversity Framework (GBF) at the Biodiversity Conference to the UN Convention on Biological Diversity (COP 15) held 7 - 19 December 2022 in Montréal under the presidency of the People's Republic of China."

2.2 Investment process

Our responsible investment process is a Best-in-Class approach, which also considers specific exclusion criteria. Detailed explanation on the process and the applied criteria can be found on our [website](#). Biodiversity agendas, respectively the functionality of ecosystems and their protection are integrated by considering sustainable land use, as well as sustainable water evaluations.

Biodiversity & Land use

Companies are evaluated by their operations' proximity to fragile ecosystems and their involvement in deforestation like high-risk industries in deforestation fronts or related production of commodities (such as timber, soy or beef), respectively the use of palmoil.

As the global water crisis is clearly linked to ecosystem services, sustainable water management was identified as of importance as well.

Sustainable Water

Company evaluations include considerations of water risk, sustainable water management and/or water-positive products/ services. Water risk measures the extent to which companies' operations are in geographies projected to experience water stress as well as companies' primary business lines and their water intensiveness. Products or services that attempt to resolve water scarcity and water quality issues, improving the quality of water supply or improving the availability and reliability of water, are rewarded positively. On a company level, freshwater use reduction targets and action plans are considered as well as wastewater management and water management at outsourced production sites. Finally, the impact of a companies' involvement in controversies related to sustainable water targets and remediation are also factored. These points were initiated to mitigate the negative impacts of the controversial behaviour.

To measure our water-related accomplishments, Erste AM has published the [water footprint](#) of its sustainable funds since 2017.



3. References

2.3 Active Ownership

Our Active Ownership approach comprises of our engagement and voting work and is explained in more detail on our [website](#), especially in our [stewardship policy](#) as well as in our [Engagement & Voting report](#).

2.3.1 Nature Action 100

Erste AM decided to take part in nature-related engagements with companies most responsible for nature loss / ecosystem devastations and will conduct an active role in the Nature Action 100 initiative.

[Nature Action 100](#) is an emergent initiative to drive greater corporate ambition and action on tackling nature loss and biodiversity decline. Supporters of the initiative engage companies in key sectors that are considered to be systemically important in reversing nature and biodiversity loss by 2030. It was conceived by a group of institutional investors and the initiative's Secretariat and Corporate Engagement Working Group is co-led by Ceres and the Institutional Investors Group on Climate Change (IIGCC). The initiative's Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker.

The initiative will:

- Map sector pathways and identify a list of 100 focus companies for investor engagement
- Support engagements between investor teams and focus company executives and board members around initiative priorities
- Identify corporate actions that must be implemented to protect and restore nature
- Track the progress of focus companies against key indicators and supply annual progress updates
- [Support investor and corporate advocacy efforts](#) with relevant policymakers on nature-focused policies

2.3.2 Local Engagement

In Austria, Erste AM exercises engagements with local companies in long term collaborations, as the one with OMV AG, which is part of the Climate Action 100+ initiative. Since 2022 we focus also on nature-related agendas and have approached affected companies and responsible parties with relevant questions. We define Wienerberger AG as one of the companies with multiple structures in place already, which is described in our [Engagement & Voting report 2022](#).

2.4 Integration plan

To correspond to our commitment on biodiversity and to deepen our analyses on nature-related risks / opportunities, we defined targets we want to achieve until 2030:

1. Implementation of more specific biodiversity / ecosystem related data into our Active Ownership approach (engagement & voting) by focusing on companies which perform bad / are laggards on these categories (Erste AM is at the moment examining and evaluating different, available data):
 - [Forest 500](#): focus on most influential companies driving tropical deforestation and/or
 - [WWF Biodiversity Risk Filter & Water Risk Filter](#): to identify dependencies and impacts on biodiversity and biodiversity risks across operations, value chains or investments
2. Support shareholder proposals, which specifically focus on biodiversity / ecosystem related agendas. In order to accomplish this, we have previously indicated in our [voting policy](#), that we want to support appropriate proposals.
3. Start engagements with companies that were identified as laggards and / or are part of the Nature 100 initiative, track improvements and divest, if no achievements were determined, in a manner that preserves interests.

3.1 Contact

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Erste Asset Management GmbH
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 Registration court: Commercial Court Vienna

3.2 Company description

Erste AM (www.erste-am.com) coordinates and is responsible for the asset management activities (asset management based on investment funds and portfolio solutions) within Erste Group Bank AG and is active on locations in Austria, Croatia, Czech Republic, Germany, Hungary, Romania and Slovakia.



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Please note that investments in securities entail risks in addition to the opportunities presented here.

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