



# Controversial weapons policy

**ERSTE**  
Asset Management

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## 1. Principles

**As of 1 July 2011, Erste Asset Management (EAM) has committed to abstain from investing in companies that can be tied to being active in the area of „controversial weapons“.**

EAM defines controversial weapons as defense equipment whose use and production are rejected due to the excessive suffering they cause and regulated by several international conventions such as:

the **Cluster Munitions (2008) convention**<sup>1</sup> ,

the **Ottawa-Convention**<sup>2</sup> ,

the **Treaty on the Non-Proliferation of Nuclear Weapons (1968)**<sup>3</sup>,

as well as conventions on **biological**<sup>4</sup> and **chemical**<sup>5</sup> weapons.

These are often referred to as “banned weapons”. This directive also covers controversial conventional weapons such as uranium munitions. Biological and chemical weapons

On the basis of these texts and in cooperation with external research partners, EAM evaluates companies with regard to their (potential) involvement in the following areas:

- **Weapons of mass destruction: biological, chemical and nuclear weapons (NBC weapons)**
- **Banned weapons:** in addition to biological and chemical weapons, **cluster munitions and anti-personnel mines are also banned.**
- **Conventional arms: Uranium Ammunition**<sup>6</sup>

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<sup>1</sup> Convention on Cluster Munitions (2008)

<sup>2</sup> Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997)

<sup>3</sup> Treaty on the Non-Proliferation of Nuclear Weapons (1968)

<sup>4</sup> Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Weapons and on their Destruction (1972)

<sup>5</sup> Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993)

<sup>6</sup> No international treaty yet. The exclusion is based on the draft of the International Coalition to Ban Uranium Weapons for such a treaty.

The development of new controversial types of weapons and the drafting of international regulations are constantly monitored, taking into account the available data. EAM can include these weapons in its catalogue of criteria if necessary.

In addition to companies whose business activities are associated with banned weapons, EAM also excludes government bonds of countries against which international sanctions have been imposed by the UN Security Council as a result of a violation of one of the abovementioned agreements.

## 2. Scope

This policy applies to all actively and discretionarily managed retail funds and portfolios of Erste Asset Management.

Large investor and special funds as well as externally managed or managed sub-funds included in the portfolio are exempt from this policy.

In the case of individual portfolio management, compliance with this policy is subject to the client's instructions.

Third party mandates for which Erste Asset Management does not participate in the management of the fund or the investment strategy and merely performs the function of the management company are not affected by the regulation.

### 3. Approach

The analysis of companies is carried out with the help of data provided by EAM's external research partners<sup>7</sup>. The focus lies on considering a wide range of information.

Companies in which involvement in banned weapons is considered confirmed or proven or where there are meaningful indications of involvement, are excluded from EAM's investment universe. General accusations regarding a possible indirect involvement in banned weapons, which cannot be directly linked to any of the company's products, do not necessarily lead to exclusion.

In order to minimize the risks resulting from involvement in controversial weapons, no threshold value is defined for sales of banned weapons. Involved companies that meet the above requirements will be excluded in any case.

Within a group, the parent-subsidary principle is applied. Holding A is liable for all subsidiaries. Subsidiary B whose business activities are not related to outlawed weapons is not liable either for the holding company or for a subsidiary C involved. In this case, holding A and company C would be excluded, company B would remain investable.

Existing positions in securities of newly identified companies that violate this policy will be sold within one quarter. Should the suspicion against a company be refuted, it will immediately be reinvestable.

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<sup>7</sup> Currently, data provided by ISS ESG and MSCI ESG Research is considered.

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