

European SRI Transparency Code

Equity





European SRI Transparency Code Version 3.0

The European SRI Transparency Code applies to all socially responsible investment funds that are admitted for sale in Europe and covers numerous asset classes, including equities and bonds. Detailed information about the European SRI Transparency Code can be found at www.eurosif.org, and at www.forum-ng.org for Germany, Austria, and Switzerland. A guidance manual is also provided to assist asset managers in filling out the transparency code.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to clarify their SRI approach to investors and other stakeholders in an easily accessible and comparable format.
2. Proactively strengthen a self-regulation that contributes to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open, honest, and disclose accurate, adequate, and timely information to enable stakeholders, in particular consumers, to understand the ESG1 policies and practices of the fund.

COMMITMENTS FROM SIGNATORIES

- The order and exact wording of the questions shall be respected;
- Responses should be informative and clear, and the resources and methodologies deployed should be described with as much detail and precision as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such a case, signatories should state when they will be able to answer the question;
- Responses shall be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the fund's and/or fund manager's web site. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response;

¹ ESG stands for Social, Environment, Governance.

To clarify these commitments, signatories should include at the beginning of the response document the following two statements:

Statement of Commitment from ERSTE ASSET MANAGEMENT

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of **ERSTE ASSET MANAGEMENT**. We have been involved in SRI since 2001 and welcome the European SRI Transparency Code.

This is our **eleventh** statement of commitment and covers the period from **November 1st 2017** to **October 31st 2018**. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our web site.

Compliance with the Transparency Code

ERSTE ASSET MANAGEMENT is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. **ERSTE ASSET MANAGEMENT** meets the full recommendations of the European SRI Transparency Code with the exception of no questions. (If the full recommendations are not met, please state then if and when you hope to comply with the questions you cannot answer at this time.)

October 31st 2017

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CODE CATEGORIES

1. Basic Details**The Fund Management Company**

1a Provide the name of the fund management company managing the fund(s) to which this code apply.

Provide general information about The Fund Management Company managing the fund(s) to which this code apply (e.g. name, address, website...).

ERSTE ASSET MANAGEMENT GmbH ("EAM")

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Fax: +43 (0)50 100 9 19881

E-Mail: office@erste-am.com

Internet: www.erste-am.at

Registration court: Commercial Court Vienna

Commercial Register Number: FN 102018b

For detailed information, please contact:

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Gerold Permoser, Chief Investment Officer, Tel: +43 (0)50100-17783, Email: gerold.permoser@sparinvest.com.

1b Describe the general approach of the fund management company with regards to how it takes environmental, social, and governance (ESG) criteria into consideration.

Is the fund management company approach towards ESG criteria aligned or inspired by its corporate social responsibility approach? Yes/No. If yes, insert a link to the company's CSR policy. If not, explain why not.

Erste Asset Management is an international asset management company with a strong position in Central and Eastern Europe. Our activities are backed by the financial strength of Erste Group Bank AG.

EAM attaches particular importance to providing responsible products and services. As a company we have committed ourselves to socially responsible and environmentally sustainable conduct. To ensure the highest quality to our clients' assets we strictly adhere to our Environmental, Social, and Corporate Governance (ESG) standards and cooperate with well-known ESG research partners / rating agencies

The investment process of Erste Asset Management follows a so-called “integrative” approach that combines positive and exclusion criteria, engagement, and the best-in-class method. The core of this process is the ESG analysis, which refers to environmental (E), social considerations (S), and corporate governance (G) aspects. The following guidelines, which apply to all actively and discretionarily managed mutual funds and portfolios of Erste Asset Management, form the basic principles of our investment process:

- [Environmental, Social, and Corporate Governance \(ESG\) standards](#)
- [Banned / controversial weapons](#)
- [Speculation on Food \(Soft-Commodity Speculation\)](#)
- [Coal divestment](#)

Institutional funds and special funds as well as externally managed subfunds held as part of a fund’s assets are exempt from this commitments. Third-party mandates where Erste Asset Management is not involved in the management of the fund or the definition of the investment strategy and only acts as a custodian manager are also exempt.

Has the fund management company signed the Principles for Responsible Investment? If yes, please insert the link to the answer to the PRI questionnaire. If not, explain why not.

ERSTE ASSET MANAGEMENT (EAM, 2012) and its subsidiary ERSTE-SPARINVEST have been signatories to the Principles for Responsible Investment (PRI) since 2009.

[RI Transparency Report 2017](#)

Is the fund Manager a signatory or a member of other international and/or national initiatives supporting SRI practices? Please answer if you deem this information to be useful.

Erste Asset Management is a long-time member of the Corporate Responsibility Interface Center ([CRIC](#)), the European Sustainable Investment Forum ([Eurosif](#)), and Forum Nachhaltige Geldanlagen ([FNG](#)), the industry association promoting sustainable investment in Germany, Austria and Switzerland. Furthermore we are a member of the Green, Social and Sustainability Bond Principles ([GBP](#)).

Has the fund management company established an ESG engagement policy? If yes, describe the policy by outlining its objectives and its methodology and/or, if it is public, insert a link to the policy. If not, explain why not.

As committed investor we try to engage in an active dialogue with the invested companies and governments within the framework of our responsibility process. We point at weak spots in the area of environmental, social, and governance criteria and then try to find a solution to improve on the status quo together with the company. Our engagement is not only a question of responsibility, but also contributes to minimising risks and can thus improve the long-term investment success of our clients. We engage with companies that the funds of the ERSTE-RESPONSIBLE family of funds invest in. In some cases we also contact companies that we are not invested in – after all, we also want to

effect changes in companies that are not investable to us due to their shortcomings in the area of responsibility. We may exclude companies from our investment universe that persistently refuse to enter into a dialogue with us.

In our engagement process we follow four strategies:

- **Thematical engagement:** we address ESG-relevant topics at regular intervals and report publicly on them. This way we not only ensure that our engagement remains focused, but we also increase the willingness of companies to enter into a dialogue with us. We frequently report on our topical engagement in our investment magazine [ERSTE RESPONSIBLE RETURN - The ESG Letter](#)
- **Engagement with Austrian companies:** as market leader in Austria we feel obliged to put a specific focus on domestic engagement activities. This is where we leverage our strong market position and reputation.
- **Engagement cooperation:** we bundle our influence with other engaged investors in order to facilitate change. In doing so we often act as leader in responsibility networks such as PRI.
- **External engagement partners:** we cooperate with a specialised partner, GES (Global Engagement Service). The agency bundles the capital of numerous investors who participate in order to be accepted as equal partner by the contacted company. GES is globally active and supports Erste Asset Management especially in developing countries.

Reports ([only in German](#)) regarding our engagement activities are available on our [website](#).

Has the fund management company established a voting policy? If yes, describe the policy by outlining its objectives and its methodology and/or, if it is public, insert a link to the policy. If not, explain why not.

Part of our engagement as investor is the concept of “active ownership”, i.e. the active exercising of our voting rights at the general annual meetings of companies that we are invested in. In order to ensure transparency and consistency of our voting, we have compiled a detailed [guideline](#) and frequently and publicly report on our voting behaviour on our voting portal (see Erste Asset Management Voting Search).

Describe how the fund management company or the group contributes to the promotion and the development of SRI.

As a signatory to the the Principles for Responsible Investment (PRI), Erste Asset Management is committed to promoting and refining socially responsible forms of investment. Milestones in recent years included:

- 2008: Issue of the first SRI Eastern Europe equity fund
- 2009: Erste Sparinvest KAG became the first Austrian fund management company to sign the PRI
- 2010: First microfinance fund in Austria, first microfinance umbrella fund in Europe open to institutional as well as retail investors

- 2011: Company-wide exclusion of stocks and bonds from the manufacturers of banned weapons from actively managed portfolios
- 2012: Expansion of the SRI range of money market, bond, equity, and microfinance funds to include an SRI asset allocation fund
- 2013: Signing of the Bangladesh Memorandum
- 2013: Issue of the first SRI emerging markets bond fund
- 2015: Membership of the Green Bond Principles ([GBP](#)) with the International Capital Market Association
- 2015: Issue of the first Austrian impact bond fund, that exclusively invests in Green, Social and Climate awareness bonds
- 2015: Signing of the [Montréal Carbon Pledge](#)
- 2016: Exclusion of companies which derive more than 30% of their revenues from thermal coal mining, -trading or coal-based fuel generation.

We're continually striving to inspire investors and other asset managers at events, presentations, customer meetings, and the like to invest in a socially responsible manner by setting a good example. Moreover, Erste Asset Management organizes an annual Responsible Investment Forum and publishes a quarterly ESG Newsletter to inform about interesting topics and news from an ESG-perspective.

1c Describe/List your SRI products and the specific resources allocated to your SRI activities.

Briefly describe the SRI fund range (number, assets under management, strategies,...)

Erste Asset Management manages the following SRI investment products:

- ERSTE RESPONSIBLE BOND
- ERSTE RESPONSIBLE BOND EMERGING CORPORATE
- ERSTE RESPONSIBLE BOND EURO CORPORATE
- ERSTE RESPONSIBLE BOND GLOBAL IMPACT
- ERSTE RESPONSIBLE RESERVE
- ERSTE RESPONSIBLE STOCK AMERICA
- ERSTE RESPONSIBLE STOCK DIVIDEND (inception date March 1st 2017)
- ERSTE RESPONSIBLE STOCK EUROPE
- ERSTE RESPONSIBLE STOCK GLOBAL
- ERSTE RESPONSIBLE MICROFINANCE
- ERSTE WWF STOCK ENVIRONMENT
- ERSTE RESPONSIBLE BALANCED

Describe/Detail the resources allocated by the fund management company (organisation, ESG research internal/external, dedicated portfolio management team,...) and indicate where this information is available.

Within EAM's investment division a team of six experts, who directly report to the Chief Investment Officer, the Responsible Investment team (RI Team) is in charge of the theoretic and practical application of sustainability issues. The team consists of two senior fund managers and four ESG

analysts. It pursues an integrative approach to responsible investment. The Responsible Investment team operates in close cooperation with the Equities, Credits and Global Strategies & Research teams of the investment division.

ESG rating agencies:

- [ESG Plus GmbH](#)
- [MSCI ESG Research](#)
- [oekom research AG](#)
- [rfu - Mag. Reinhard Friesenbichler Unternehmensberatung](#)

- ESG Research via Bloomberg:
 - Sustainalytics
 - ISS Quick Score Governance Research
 - RobecoSAM

Engagement & Voting:

- [GES International AB](#)
- [Institutional Shareholder Services Inc.](#)

1d Describe the content, frequency, and resources allocated/used by the fund management company to inform investors about the ESG criteria taken into account.

Erste Asset Management's [website](#) contains a section named "Responsible investing" which covers an overview and information regarding our strengths, investment approach, Engagement and Voting, Cooperations and awards, certifications, etc.

Furthermore there is a website, which is quarterly updated and gives access to our [E-zine](#) „ERSTE RESPONSIBLE RETURN - The ESG Letter on Environmental, Social and Governance issues“. We create monthly reports and fact sheets for all funds. Each issue is dedicated to a specific topic, takes a closer look at a "company of the month" and reports about companies that have entered or dropped out of our responsible investment universe. We also report on the performance and volumes of our funds, exclusion ratio and certifications of our funds.

Responsible investment fund(s)

1e Provide the name of the fund(s) to which this Code applies and its (their) main characteristics

Describe the main characteristics of the fund(s): geographical focus, asset class, SRI strategy used (use the classification provided by Eurosif/EFAMA).

- [ERSTE RESPONSIBLE STOCK AMERICA](#): AT0000858584 (Distributing share USD), AT0000822812 (Distributing share EUR), AT0000812862 (Accumulating share USD), AT0000822655 (Accumulating share USD)
- [ERSTE RESPONSIBLE STOCK DIVIDEND](#): AT0000A1QA61 (Distributing share EUR); AT0000A1QA79 (Accumulating share EUR)

- [ERSTE RESPONSIBLE STOCK EUROPE](#): AT0000645973 (Accumulating share), AT0000A1E0V5 (Distributing share)
- [ERSTE RESPONSIBLE STOCK GLOBAL](#): AT0000A01GL7 (Distributing share), AT0000646799 (Accumulating share)
- [ERSTE WWF STOCK ENVIRONMENT](#): AT0000705660 (Distributing share), AT0000705678 (Accumulating share)

Fund managers in charge:

- Clemens Klein - ERSTE RESPONSIBLE STOCK AMERICA, ERSTE RESPONSIBLE STOCK GLOBAL, ERSTE WWF STOCK ENVIRONMENT,
- Gerhard Ramberger - ERSTE RESPONSIBLE STOCK EUROPE
- Franz Kisser – ERSTE RESPONSIBLE STOCK DIVIDEND

Funds assets as per October 31st 2017:

- ERSTE RESPONSIBLE STOCK AMERICA -72.4 mn. USD
- ERSTE RESPONSIBLE STOCK DIVIDEND - 46,8. mn. EUR
- ERSTE RESPONSIBLE STOCK EUROPE - 76,3 mn. EUR
- ERSTE RESPONSIBLE STOCK GLOBAL - 153,5 mn. EUR
- ERSTE WWF STOCK ENVIRONMENT - 122,7 mn. EUR

1f What is (are) this (these) fund(s) trying to achieve through taking into account ESG criteria?

For instance, financing a specific sector, reducing risks, support better CSR practices, develop new value creation opportunities, other objectives.

Our sustainable funds generally aim to outperform the overall market while reducing the level of risk (risk-adjusted return). The consideration of different ESG effects allows the identification of operational and reputational risks at an early stage, and to act proactively. We primarily want to encourage and promote those companies that have already incorporated environmental, social and corporate governance issues into their business model or have taken substantial steps towards this direction. Furthermore, we try to actively steer companies towards more sustainable conduct and economic activity through our voting rights and engagement activities.

In general, the fund management tries to counter overreactions, and therefore acts in an anticipatory and contrarian manner. The management's goal is to optimise the portfolio between sustainable leaders among defensive large caps and sustainability leaders among small caps. The result is a portfolio with defensive and growth characteristics, whose risk however is lower than a total-market portfolio thanks to the consideration of ESG related topics.

If part of the fund(s) assets is invested in unlisted organisations with high social, community or impact investing relevance, please specify.

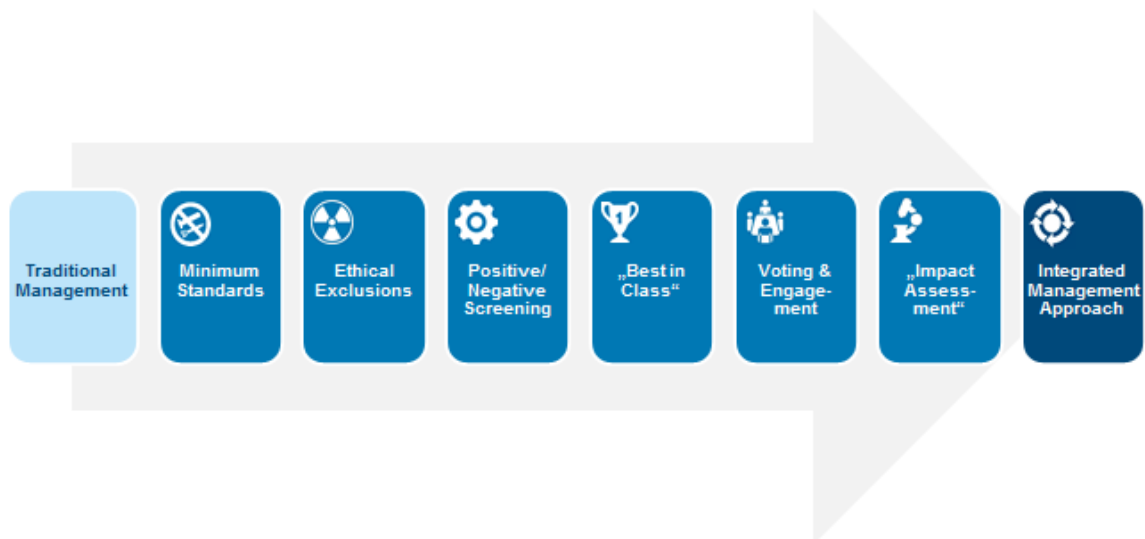
No.

2. Approach to ESG Evaluation of Companies

2a What fundamental principles underlie the ESG research methodology?

Describe the principles, standards, or norms on which the ESG analysis is based for each of the environmental, social/societal, and governance dimensions. Include brief comments about how stakeholders are consulted, as appropriate.

Erste Asset Management's ESG Analysis is a so-called "integrative" approach combining positive-, negative and exclusion criteria with best-in-class analysis, company engagement and voting. The core of this process is the ESG analysis covering the three areas of environment, social considerations, and corporate governance. We are using input from ESG rating agencies that were specifically selected for their special research areas like sector research, environment and stakeholder research, and corporate governance/ethics. Depending on the sector, we assess the importance of the environmental and social dimensions and adapt their weightings in the ESG assessment as appropriate.



The Erste Responsible Advisory Board supports Erste Asset Management in the ESG-approach and the investment process. The board of five includes internationally recognised experts who share their knowledge and view from areas such as medicine, NGO, environment, religion and governance, and contribute to the decision making. The main responsibilities of the Erste Responsible Advisory Board are the validation of the sustainability process, of existing products and suggestions for new sustainable products. Further, the board consults on requirements and qualifications for employees of the RI Team and provides inputs to recent sustainability issues.

The analysis of the fund ERSTE WWF STOCK ENVIRONMENT follows a different approach (see **2d b**).

2b What internal and external resources are used to carry out this research?

Describe the general information used to carry out the ESG research: internal analysis, ESG rating agencies, other external sources of information.

The Responsible Investment model of Erste Asset Management is based on data, provided by our research partners. This data is analysed on a monthly basis by Erste Asset Management's Responsible Investment Team. We cooperate with the following ESG research partners / rating agencies:

- [MSCI ESG Research](#): ESG-driven risk and opportunities research, sector analysis of ESG risks
- [oekom research AG](#): The ESG analysis for companies is based on a combination of the assessment of ESG risk factors at the sector level and detailed stakeholder research for each company based on the Frankfurt Hohenheimer Guidelines. Government issuers are assessed solely on the basis of oekom research AG's Country Rating. Furthermore positive and negative screening on the basis of ERSTE RESPONSIBLE criteria, as well as the screening of the issuers involved in controversial weapons (land mines, cluster bombs, uranium munitions,...)
- [rfu - Mag. Reinhard Friesenbichler Unternehmensberatung](#): research for selected Austrian Central and Eastern Europe (CEE) and Emerging Markets (EM) issuers.
- [ESG Plus GmbH](#): Analysis and presentation of the "impact" of the fund ERSTE WWF STOCK ENVIRONMENT.

The analysed universe is based on the coverage provided by above research partners. For equity from Austria and CEE, which are not covered by MSCI or oekom, the analysed universe is coordinated between RFU and EAM.

2c Which ESG analysis criteria are used? Indicate what the main criteria for each of the environmental, social/societal, and governance dimensions are.

Specify if these criteria differ according to sectors, the geographical zones, the type of company,... If appropriate, provide an example.

The following Key Performance Indicators (KPI's), which are provided through research material and ratings by our external research partners, are considered in the computation our EAM ESG-Rating.

Environmental Indicators / Issues:

- Carbon Emissions (MSCI ESG, oekom research AG)
- Product Carbon Footprint (MSCI ESG, oekom research AG)
- Climate Change Vulnerability (MSCI ESG)
- Water Stress (MSCI ESG, oekom research AG)
- Raw Material Sourcing (MSCI ESG)
- Opportunities in Clean Tech / Green Building / Renewable Energy(MSCI ESG)
- Environmental Management (oekom research AG)
- Products and Services (oekom research AG)
- Eco-Efficiency (oekom research AG)

Social Indicators / Issues:

- Labor Management (MSCI ESG, oekom research AG)
- Health and Safety (MSCI ESG, oekom research AG)
- Supply Chain Labor Standards (MSCI ESG, oekom research AG)
- Product Safety and Quality (MSCI ESG, oekom research AG)
- Controversial Sourcing (MSCI ESG)
- Opportunities in Nutrition and Health (MSCI ESG)

Governance Indicators / Issues:

- Independence, Experience and Effectiveness of the board and governance of sustainability (MSCI ESG, oekom research AG)
- Remuneration of members of the executive management team (MSCI ESG, oekom research AG)
- Shareholder structure (MSCI ESG, oekom research AG)
- Transparency and Validity in Accounting (MSCI ESG)
- Business Ethics (MSCI ESG, oekom research AG)

a) The following criteria apply for the funds

- I. **ERSTE RESPONSIBLE STOCK AMERICA,**
- II. **ERSTE RESPONSIBLE STOCK EUROPE,**
- III. **ERSTE RESPONSIBLE STOCK GLOBAL and**
- IV. **ERSTE RESPONSIBLE STOCK DIVIDEND**

Positive criteria:

Positive criteria are identified by our ESG-research partners during their evaluation process. Depending on the weight and the scoring, positive criteria do have a positive impact on the total scoring or total rating of the particular company.

- *Corporate Governance* - the orientation of the company towards the interests of its stakeholders and open/transparent reporting
- *Efficient use of resources* - outstanding levels of ecological efficiency
- *Energy and water consumption* - pertains to consumption reductions
- *Focus on renewable energy*
- *Leadership in environmental technology*
- *Low levels of environmental pollution*
- *Medical/healthcare*
- *Water treatment*
- *Workplace conditions* - these pertain to protection against unfair dismissal, social standards, and educational promotion

Negative criteria:

Negative criteria are identified by our ESG-research partners during their evaluation process. Depending on the weight and the scoring, negative criteria do have a negative impact on the total scoring or total rating of the particular company. The sole identification of negative criteria does not automatically result in an exclusion from the investment universe. As long as the company achieves the minimum scoring according to our own EAM ESG-rating and does not violate exclusion criteria, it is investable.

- *Biodiversity* - consideration of the breeding and specialised trading of (especially endangered) species
- *Environmental pollution* - includes CO₂ emissions and carbon leakage
- *Exploitation of the environment, employees, and society* - also includes large-scale socially and ecologically controversial projects
- *Oil industry*
- *Proven (serious) business manipulation* - anti-trust violations and others
- *Red gene technology* - manipulation of the germ line and experiments on embryos lead to exclusion

Exclusion criteria:

Violations against exclusion criteria are identified by our ESG research agencies during their evaluation process and provided to Erste Asset Management. Companies, which violate our specific criteria, are excluded from our investment universe and are not investable for our funds.

- **Abortion**
 - **Zero tolerance:** exclusion of commercial abortion clinics (zero tolerance for pharmaceuticals and clinics)
- **Arms/weapons**
 - **Zero tolerance:** manufacturers of military arms or particularly of ABC weapons (atomic, biological, and chemical weapons) and manufacturers and dealers of weapons (systems), banned weapons
 - **Companies with 5% of revenues or more:** other arms
- **(Avoidable) animal testing**
 - **Zero tolerance:** activities conducted with live animals for research purposes that include the risk of harm to the animals involved, namely for the testing of consumer products in forms not required by law
- **Banks / provider of financial services**
 - **Zero tolerance:** systematic violation of generally accepted business practices
- **Child labour**
 - **Zero tolerance:** child labour in massive violation of the fundamental principles of the ILO Declaration
- **Coal Mining & Power from Coal**
 - **Companies with 5% of revenues or more:** from coal mining

- Utilities with revenues >20%: from coal-based power production
- **Embryonic research**
 - affected are *specialized companies* which are involved in research that has negative influence on the ability to live of human embryos or uphold the possibility to do such research
- **Gambling**
 - Companies with 5% of revenues or more: e.g., operators of gambling facilities such as casinos, slot machines or other betting establishments (e.g., lotteries) as well as producers of key products to gambling operations; not covered are suppliers of dual-use components (e.g., computer chips, etc.)
- **Green gene technology**
 - Zero tolerance: producers of genetically manipulated crops
- **Nuclear energy**
 - Zero tolerance: producers of atomic energy and sale of the generated power (feeding into the grid), producers of uranium as well as uranium traders
 - Companies with 5% of revenues or more: producers and traders of core components of nuclear power plants
- **Proven (serious) business manipulation**
 - balance sheet fraud and corruption: flagrant violation of legal regulations or generally accepted standards of business conduct
- **Pornography**
 - Zero tolerance: producers
 - Companies with 10% of revenues or more: traders
- **Tobacco**
 - Zero tolerance: producers
- **Unconventional oil / gas** (hydraulic fracturing, tar sands, etc.)
 - Ratio of unconventional to conventional reserves >20%
- **Violation of Human Rights**
 - Zero tolerance: massive violations against internationally accepted principles, e.g. UN Universal Declaration on Human Rights, that are not covered by state law or the ILO-Protocol for companies and suppliers/sub-contractors
- **Violations of the ILO Protocol**
 - Zero tolerance: pertains primarily to the core principles of the ILO, i.e., freedom of association and the right to collective bargaining, forced labour, discrimination, other aspects for companies and suppliers/sub-contractors

b) The following criteria apply for the fund ERSTE WWF STOCK ENVIRONMENT:

Product- and technology-related exclusion criteria (no tolerance thresholds):

- **Animal testing**
 - Zero tolerance: in the cosmetics industry (the pharmaceuticals industry, where animal testing is required by law in some cases, is not automatically excluded)

- **Destruction of natural habitats** (e.g., rainforests, primary forests, bogs, ...)
 - **Zero tolerance**
- **Green gene technology**
 - **Zero tolerance:** production and use of genetically manipulated seed and plant material
- **Nuclear energy**
 - **Zero tolerance:** production of components of the nuclear reactor core and the operation of nuclear power plants including material shareholdings
- **Products emitting CFCs**
 - **Zero tolerance:** production and sale of systems that emit CFCs (such as refrigerators and air conditioners), if it is a material area of business
- **PVC products**
 - **Zero tolerance:** production and sale of products based on PVC, if it is a material area of business
- **The Washington Convention (CITES)**
 - **Zero tolerance:** trade with products that are covered by CITES (such as mahogany, ramin, tortoise shell, etc.)
- **Whale hunting**
 - **Zero tolerance**

Sector-related exclusion criteria (no tolerance thresholds):

- **Alcohol industry**
- **Aviation industry: manufacture of aircraft and the operation of airlines and airports**
- **Coal- and gas-fired power plants**
- **Gambling**
- **Industrial livestock farming**
- **Mining industry**
- **Oil industry**
- **Passenger car and motorcycle industry:** does not include companies that primarily manufacture and sell hybrid and alternative-drive vehicles.
- **Pornography and prostitution**
- **Tobacco industry**
- **Weapons and defense industry:** manufacture and sale of weapons (including land mines); in particular atomic, biological, and chemical (ABC) weapons.

Clause for human rights and against corruption:

In addition to the previously mentioned criteria, **violations of the ILO Principles**, the **UN Declaration on Human Rights** and/or justified suspicion of **corruption**, if known, immediately disqualify an issuer for inclusion in the investment universe.

Erste Asset Management has drawn up strict exclusion criteria. This criteria set is strictly applied and will be discussed and adapted as and when required in collaboration with Erste Responsible Advisory Board. These can have ecological, social, or governance-specific grounds. Taking these criteria into

account allows additional risk factors to be accounted for in the investment process. The inclusion of positive criteria also improves the long-term earnings potential of the companies in the investment universe.

The focus on the best companies in a sector in the form of the best-in-class approach is intended to promote sustainability and trigger positive competition among the companies to improve their Corporate Social Responsibility. The comparative rating based on sector-specific factors takes into account additional risk factors in the companies' stakeholder relations.

The dialogue with companies serves to improve their long-term sustainability performance. The engagement results are also applied to the company selection process

2d What is your ESG analysis and evaluation methodology (how the investment universe is built, rating system,...)?

Describe the ESG evaluation/rating system and how it is built by explaining how the various ESG criteria are articulated. If appropriate, provide an example.

a) ESG analysis and evaluation methodology for the following funds

- I. **ERSTE RESPONSIBLE STOCK AMERICA,**
- II. **ERSTE RESPONSIBLE STOCK EUROPE,**
- III. **ERSTE RESPONSIBLE STOCK GLOBAL and**
- IV. **ERSTE RESPONSIBLE STOCK DIVIDEND**

ESG approach

The ESG approach of Erste Asset Management is generally based on a multidimensional structure. The company applies an integrative process with the dimensions of a) criteria set, b) best-in-class, and c) engagement/active ownership. This combines different approaches for socially responsible investments, and includes active/positive and dialogue-based elements on a restrictive basis.

External fundamental data for sustainability research is obtained from different partners in accordance with their focus and strengths and processed internally. The results of engagement activities and voting behaviour at annual general meetings are also included in the process. In addition to external fundamental data, the expertise of Erste Asset Management also plays a key role in the process. In assessing the issuers, an EAM ESG-rating is determined for each security on the basis of sector and instrument assessments.

The ethical part and the ESG-opportunities/risks part contribute 70% and 30% to the proprietary EAM ESG-Rating respectively. This proportion is assessed, discussed and adjusted annually.

The Erste Responsible Investment Board combines the sustainability know-how of Erste Asset Management and its external partners. The Investment Board discusses individual company assessments and methodological issues in regular committee meetings, which ensures that the sustainability assessments are as current as possible.

Engagement is implemented for certain regions and key holdings. There are specific guidelines for engagement and voting that were developed by our sustainability experts.

Tailor-made solutions of the investment process are available to the specific customer.

EAM ESG-Rating

The range of the EAM ESG rating is A+ to E (A+, A, A-, B+, B, B-, C+, C, C-, D+, D, D-, E). The minimum score lies at 700 points and the maximum score amounts to 4,000 points. The minimum threshold was determined at 1,750 points, which corresponds to an EAM ESG rating of C. For the fund ERSTE RESPONSIBLE BOND GLOBAL IMPACT a minimum threshold of C- was determined due to the low number of existing issuers. The minimum score is verified annually and adjusted if required. Currently, the highest allocated EAM ESG rating is A-. Based on the calculated EAM ESG scores, Best-in-Class companies according to the Global Industry Classification Standard (GICS) per industry sector are identified. Companies, which fall within 10% below the best rated company in the industry sector, are classified as Best-in-Class.

An exemption rule was introduced to stabilize the investment universe. If a title invested by an ERSTE RESPONSIBLE fund does not fall by more than 1% below the defined minimum threshold during the monthly update cycle (which equates to a shift to an EAM ESG-Rating to C-), then the title does not have to be removed from the portfolio. However, an increase of the stake is not allowed in this case. Only passing the minimum threshold allows the increase in the stake again. Contrarily, a further decrease in the rating or a violation of exclusion criteria results in the exclusion of the specific company.

Extra information regarding ERSTE RESPONSIBLE STOCK DIVIDEND

The investment process of the ERSTE RESPONSIBLE STOCK DIVIDEND fund is largely quantitative and completely structured.

The analysed universe covers a known global equity index. The application of our EAM ESG-Rating process leaves a universe of ethically and sustainable operating companies for further quantitative analysis. This part of the process is done by the EAM Responsible investment team.

The following quantitative process is the responsibility of the Global Strategy & Research team. The eligible issuers carefully selected and ranked from the perspective of dividend yield and volatility (i.e. price fluctuations). The company valuations, as measured by the P/E ratio, are substantially low. This process leaves a portfolio suggestion of 50 companies/issuers.

An investment committee, that covers specialists from the Global Strategy & Research, fund managers, ESG-Analysts and, if necessary, sector specialists of the equity team has been checks the portfolio recommended by the Global Strategy & Research team. Recommended companies/issuers can be rejected, substitutes are suggested by the Responsible Investment team.

The portfolio, consisting of a maximum of 50 companies/issuers, is re-balanced semi-annually in the months of March and September. Violations of exclusionary criteria within this period are considered during the following reallocation of the portfolio.

b) ERSTE WWF STOCK ENVIRONMENT

The ERSTE WWF STOCK ENVIRONMENT invests globally in companies of the environmental sector. Following topics are focus areas of the fund: Water treatment and supply, recycling, renewable energy, energy efficiency and mobility. Due to the concentration in small and mid-cap companies, which are often pioneers in these focus areas, the volatility of this fund may be higher compared to the ERSTE RESPONSIBLE funds.

Potential companies are identified by the RI Team of EAM based on public information regarding IPOs, Spin-Offs, reports, magazines, etc. and investigated under the sector specific exclusion criteria defined by the WWF environmental committee (see **2c b**). The analyzed companies have to generate their revenue primarily through products and services sustaining the environment and promoting climate protection. There isn't a threshold defined, in practice the WWF environmental committee asks for revenues of 60-70% generated through products and services promoting environmental benefits. WWF Austria creates a sustainability profile for every suggested company including potential violations against governance such as environmental laws. These profiles are hence presented to the WWF environmental committee, which meet at least once a year. The WWF environmental committee consists of five members and decides about the admittance of a company into the investment universe. The board considers social and ethical aspects and bases its decision on the profiles and information provided by WWF Austria and EAM.

Furthermore, the board verifies if the investment strategy is compliant with the exclusion criteria and consults the fund management regarding sustainability issues. A simple majority is needed for a resolution and the board member representing WWF Austria has a veto right, if a company violates fundamental WWF values. The WWF environmental committee can also exclude companies, which have already been classified as investable, from the investment universe by resolution. The fund management has to remove these companies from the portfolio within reasonable time.

Company engagement and voting occur upon consultation with WWF Austria.

The quality of EAM's ESG approach and ESG-Rating is confirmed by national and international [certifications](#).

2e How frequently is the ESG evaluation reviewed?

Please briefly explain the methodology update process and who is involved. If appropriate, explain if the methodology has changed in the past 12 months and the nature of the key changes.

Permanent contact with our ESG research partners / rating agencies, internal discussion, contact with the EAM-Investment Board and discussion with the Erste Responsible Advisory Board ensure a continuous development of the EAM-ESG Rating.

The methodology was slightly enhanced within the last twelve months. In June 2017 Gambling has been included as a new exclusionary criterion (see **2c a**).

A complete overhaul of EAM’s ESG-Rating and a change in the updating intervals is considered for the year 2018.

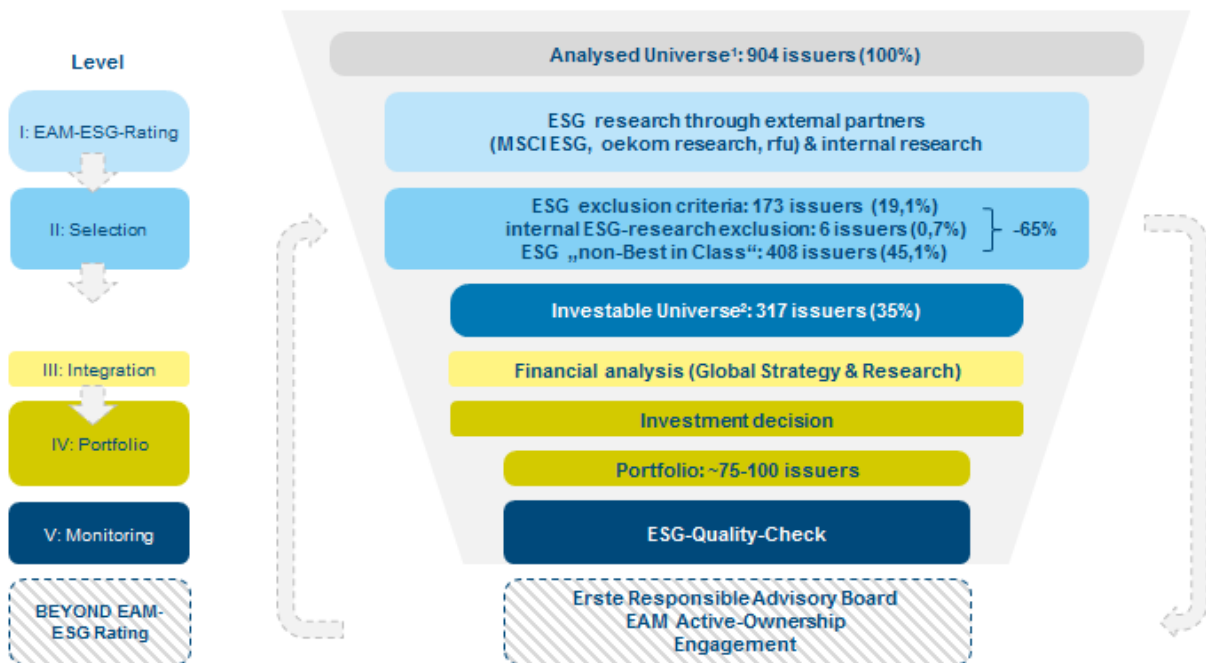
3. Fund Management Process

3a How do you take into account ESG criteria when defining the universe of eligible investments?

If appropriate, describe the eligibility threshold and the resulting level of selectivity.

a) **ERSTE RESPONSIBLE STOCK AMERICA**

**Research- and Investment process
ERSTE RESPONSIBLE STOCK AMERICA**



¹analysed universe 31.10.2017 ²investable universe 31.10.2017

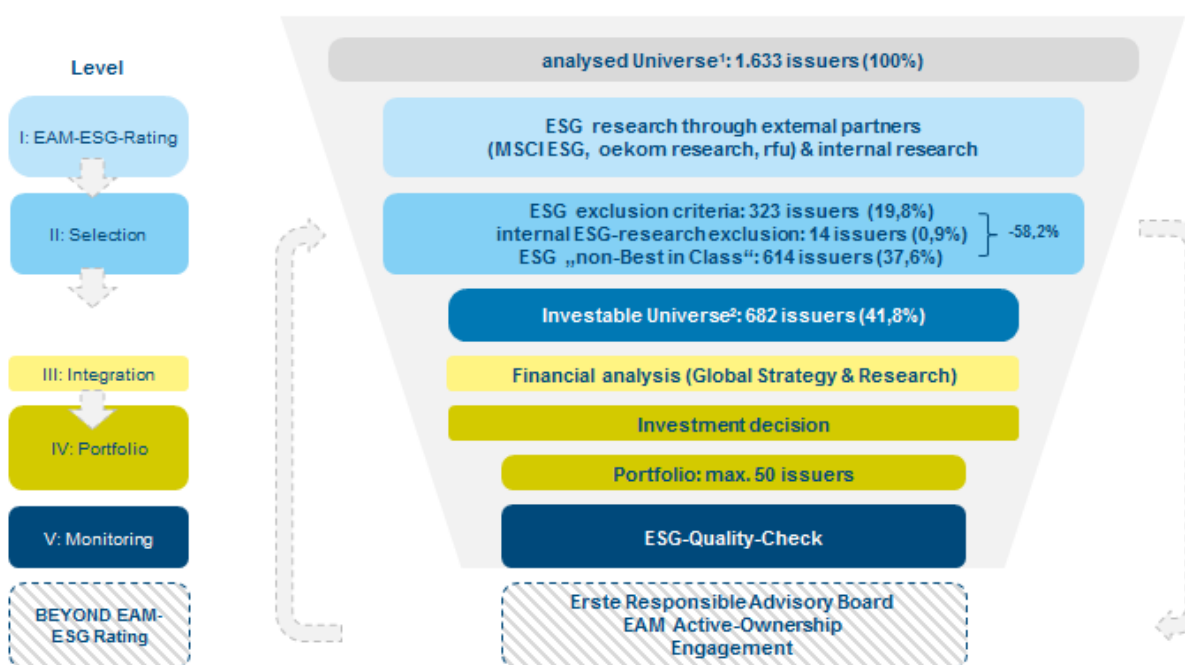
The analysed universe is reduced due to the following factors by

- about **19,1%** according to the application of exclusionary criteria (see **2c a**),
- roughly **0,7%** according to internal ESG-Research (dissenting opinion towards ESG-Data provider/s) and
- **45,1%** based on EAM's ESG-Rating (issuers beyond best-in-class threshold).

The combination of these factors results in a total reduction by approximately **65%** of the screened universe.

b) ERSTE RESPONSIBLE STOCK DIVIDEND

**Research- and Investment process
ERSTE RESPONSIBLE STOCK DIVIDEND**



¹analysed universe 31.10.2017 ²investable universe 31.10.2017

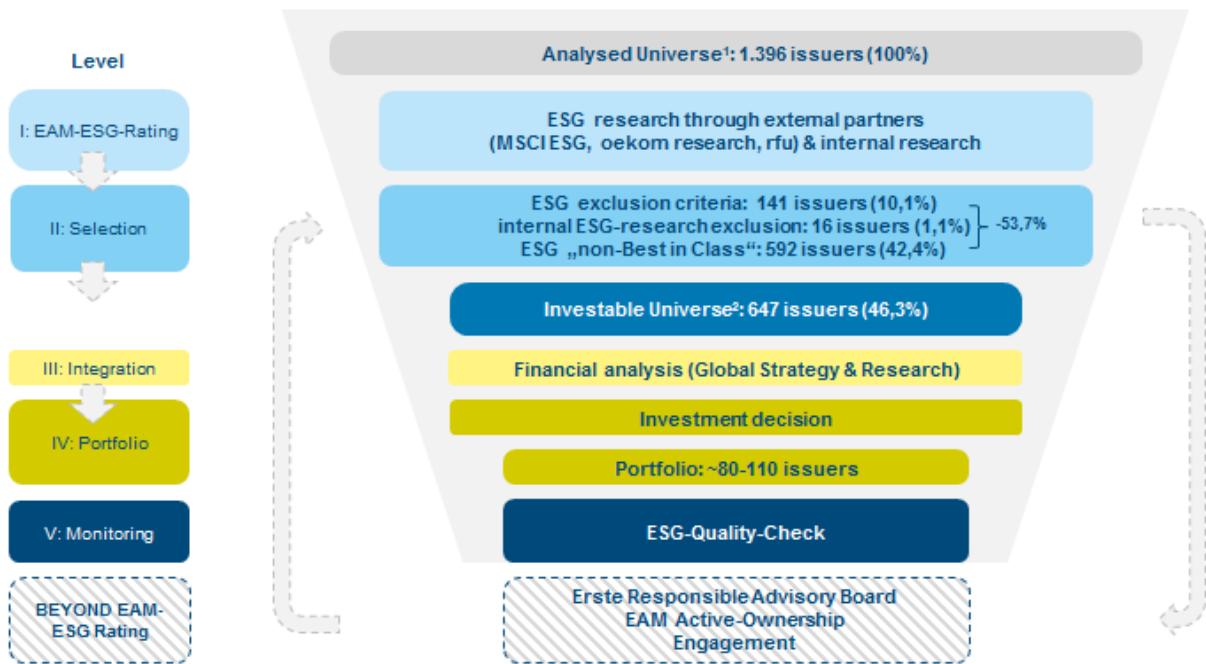
The analysed universe is reduced due to the following factors by

- about **19,8%** according to the application of exclusionary criteria (see **2c a**),
- **0,9%** according to internal ESG-Research (dissenting opinion towards ESG-Data provider/s) and
- **37,6%** based on EAM's ESG-Rating (issuers beyond best-in-class threshold).

The combination of these factors results in a total reduction by **58,2%** of the screened universe.

c) **ERSTE RESPONSIBLE STOCK EUROPE**

**Research- and Investment process
ERSTE RESPONSIBLE STOCK EUROPE**



¹analysed universe 31.10.2017 ²investable universe 31.10.2017

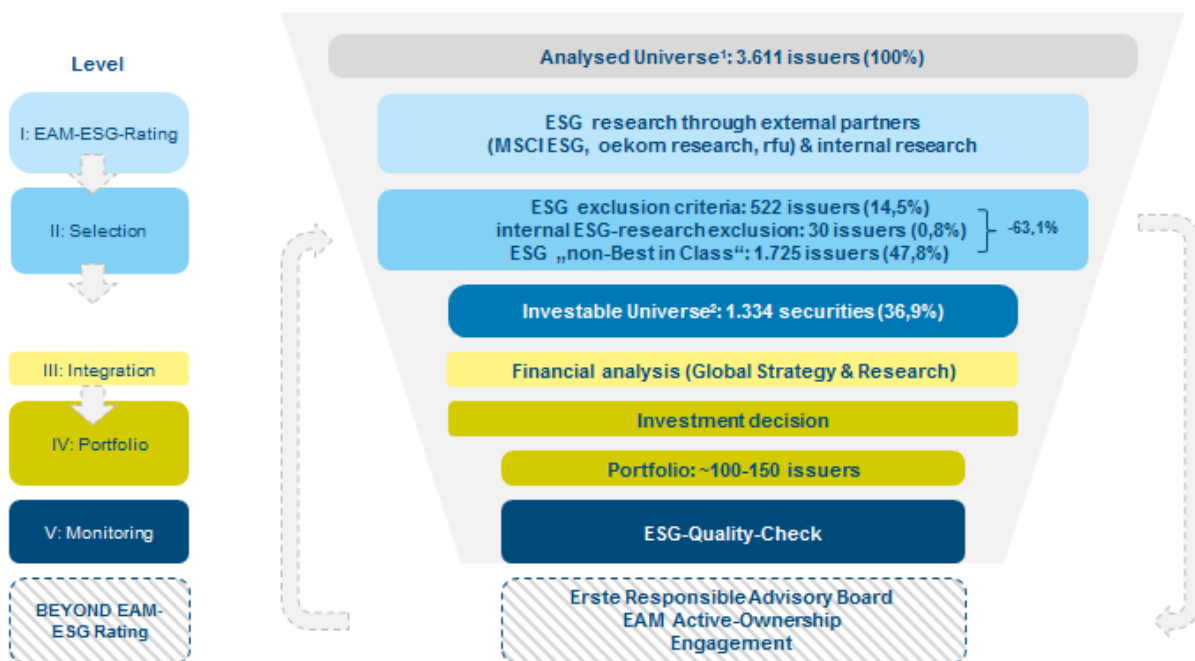
The analysed universe is reduced due to the following factors by

- **10,1%** according to the application of exclusionary criteria (see **2c a**),
- slightly more than **1,1%** according to internal ESG-Research (dissenting opinion towards ESG-Data provider/s) and
- **42,4%** based on EAM's ESG-Rating (issuers beyond best-in-class threshold).

The combination of these factors results in a total reduction by **53,7%** of the screened universe.

d) **ERSTE RESPONSIBLE STOCK GLOBAL**

Research- and Investment process ERSTE RESPONSIBLE STOCK GLOBAL



¹analysed universe 31.10.2017 ²investable universe 31.10.2017

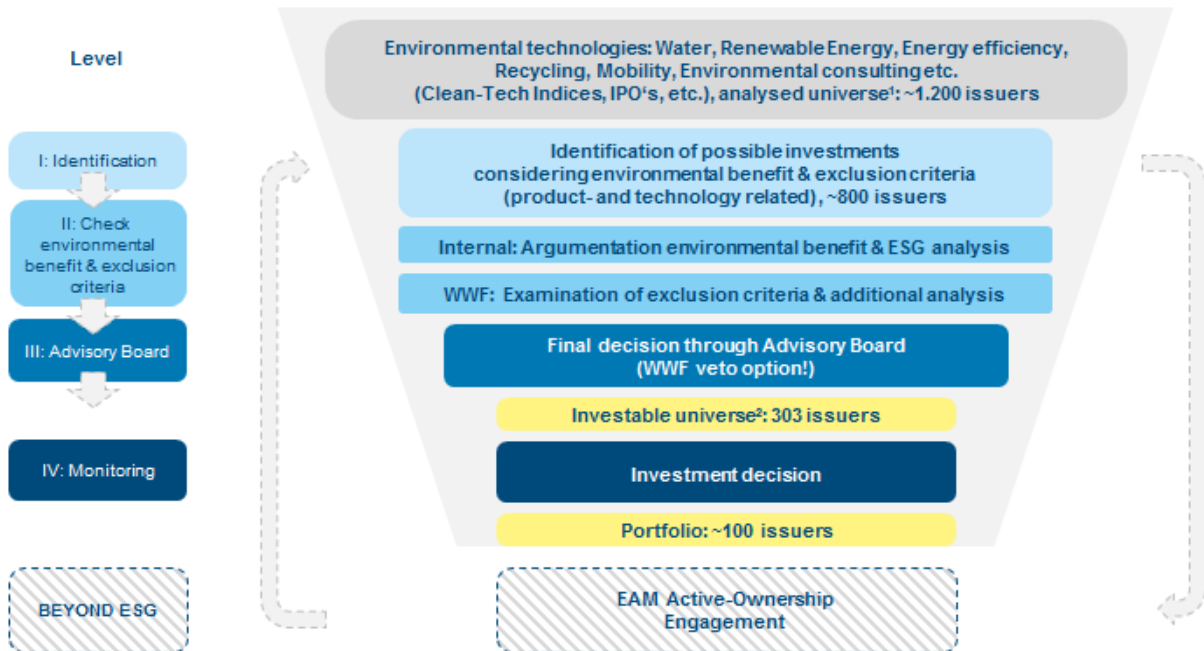
The analysed universe is reduced due to the following factors by

- **14,5%** according to the application of exclusionary criteria (see **2c a**),
- slightly more than **0,8%** according to internal ESG-Research (dissenting opinion towards ESG-Data provider/s) and
- **47,8%** based on EAM's ESG-Rating (issuers beyond best-in-class threshold).

The combination of these factors results in a total reduction by about **63,1%** of the screened universe.

e) **ERSTE WWF STOCK ENVIRONMENT**

**Research- and Investment process
ERSTE WWF STOCK ENVIRONMENT**



¹analysed universe 31.10.2017 ²investable universe 31.10.2017

The screened universe covers companies involved in clean technologies (see **2d b**).

Verification of the environmental benefit of the companies' products or services and pre-screening for exclusionary criteria (see **2c b**) ensures that only eligible companies are presented to the WWF Environmental committee. Combined with liquidity requirements this leaves an investable universe of 303 companies.

3b How do you take ESG criteria into account in the portfolio construction?

Describe how you link ESG selection with the financial analysis or with portfolio management. More precisely, describe how the results of the analysis of each of the dimensions (E, S and G) are integrated into the investment / divestment process. If applicable, state where you provide information on divestments occurred in the past year on the basis of ESG criteria? If appropriate, explain how potential ESG weightings are defined and describe your treatment of companies that are not subjected to an ESG analysis.

What principles and methods were applied in connection with individual divestments made on the basis of ESG criteria? What divestments occurred over the past year on the basis of SRI criteria?

If an issuer falls below the minimum EAM ESG-score, the fund manager has to sell the concerned position within one month. If EAM is in an active engagement dialogue with such a company, and this

process is deemed to yield improvements in sustainability performance, our analysts can decide not to exclude this issuer.

For the **ERSTE WWF STOCK ENVIRONMENT** any violation of the fund's specific exclusion criteria set by WWF Austria leads to the immediate exclusion from the investment universe. The investment universe is verified annually by WWF Austria. Companies, which do not comply with the standards of WWF Austria, or where violation of exclusion criteria were identified have to be removed from the portfolio within reasonable time.

Between November 2016 and October 2017 securities from the following issuers were divested due to violation of exclusion criteria:

- Anheuser-Busch InBev SA/NV
- BT Group PLC
- Danone SA
- Deutsche Telekom AG
- Dr Pepper Snapple Group Inc
- Eni SpA
- International Consolidated Airlines Group SA
- McDonald's Corporation
- Morgan Stanley
- NIKE Inc
- RELX NV
- SHIRE PLC

The following companies had to be divested due to internal research:

- Bayerische Motoren Werke AG
- Daimler AG

The following company had to be divested because of falling below the minimum threshold (Best-in-Class):

- DSV A/S

Between November 2016 and October 2017 securities from the following issuers were divested by **ERSTE WWF STOCK ENVIRONMENT**, due to the resolution of the WWF environmental committee:

- United Technologies Corporation

Holdings of the funds are publicly available with a one month time lag on EAM's [website](#) under the header "List of funds with Responsible Investment Labels". The downloadable file contains information regarding violation of exclusionary criteria and/or falling below the required minimum threshold (Best-in-Class).

Changes in the investment universe are published regularly in the [Erste ESG Letter](#).

3c Does (do) the fund(s) have a specific ESG engagement policy?

Please explain what you mean by engagement. Describe how you select the companies/ themes for engagement activities and the impact on the portfolio management of the fund(s). Who undertakes engagement on behalf of the fund (internal and/or service providers)?

As a responsible investor, Erste Asset Management is convinced of the importance and potential of engagement as a key element of active ownership. The purpose is to exert direct influence on companies in all sectors. During the engagement process, we identify weaknesses in the fields of environment, social performance and governance with the target company, and try to jointly establish avenues for improvement. The aim of such engagements is to stir companies towards more sustainable thinking, which is expected to yield higher returns in the long run and reduced risk for investors. Erste Asset Management's RI Team pursues four distinct approaches to engagement: thematic engagement, engagement in Austria, leader-co-leadership in engagement partnerships and engagement by our external partner.

Thematic Engagement

As part of our approach to sustainability, EAM pursues thematic research. We regularly raise themes and issues, which are relevant from an ESG perspective and analyse those from multiple perspectives. The results are published in our ESG newsletter – [ERSTE RESPONSIBLE RETURN - The ESG Letter on Environmental, Social and Governance issues](#) – and hence available to a large audience. As part of this process, we contact selected companies to enter into a dialogue over the selected theme. We consider that this approach has two advantages: not only does this focus our engagement activities, it also increases companies' willingness to enter into a dialogue, due to the added publicity. We typically engage with five to ten companies during each thematic cycle.

Engagement in Austria

As the leading asset manager in Austria, Erste Asset Management has increased responsibility to emphasise its engagement activities in its home market. As a result of its market power and reputation, EAM is well positioned to lead an efficient dialogue with Austrian issuers. To focus our engagement process on the most relevant topics, we use any issues defined during our company analysis as the starting point for the dialogue.

Leadership / Co-Leadership in Engagement Partnerships

By bundling their interests, responsible investors can increase their influence on companies. Sustainability networks offer an efficient platform to aggregate these interests. EAM considers such partnerships promising in achieving efficient engagement outcomes with high probability of success. EAM therefore regularly (co-)leads joint engagement processes through the networks we are a member of (e.g. UN PRI). The selection of themes and companies is made in coordination with the each network.

Engagement through External Partners

EAM's fourth approach to engagement relies on our specialised partner GES (Global Engagement Service). GES bundles the capital of all participating investors, which ensures a dialogue on an equal footing, even with large companies. GES operates globally and particularly helps EAM to enter into a dialogue with developing markets issuers. Companies are contact whenever a relevant breach of our sustainability guidelines is identified. The engagement activity is focused on those areas where we see the highest potential for improvement. Themes include Human Rights, environmental management, health and safety, labour rights and business ethics.

Further Information is available via our [website](#).

3d Does (do) the fund(s) have a specific voting policy integrating ESG criteria?

Yes. The main focus of EAM's voting policy is good corporate governance. Environmental and social factors are addressed to balance sustainability considerations and the financial interest of our clients. Potential issues undergo close scrutiny by EAM's RI Team.

3e Does (do) the fund(s) engage in securities lending activities?

No, the **ERSTE RESPONSIBLE funds** as well as the **ERSTE WWF STOCK ENVIRONMENT** fund do not engage in securities lending.

3f Does (do) the fund(s) use derivative instruments?

No, the ERSTE RESPONSIBLE funds as well as the ERSTE WWF STOCK ENVIRONMENT fund do not use derivative financial instruments.

3g Is a share of the fund(s) invested in unlisted entities pursuing strong social goals?

No.

4. Controls and ESG Reporting

4a What internal/external control procedures are in place to ensure the compliance of the portfolio with the ESG rules defined in section 3 of this Code?

State who is carrying out the controls, their frequency and within which timeframe the fund(s) have to comply should a breach be detected.

Funds are monitored during our monthly data updates (on the basis of the ratings of the research agencies (oekom, MSCI, RFU) by our fund controlling and EAM's RI Team.

Moreover, EAM's financial auditors audit the funds on an annual basis. In addition, the funds undergo regular external compliance audits for the Austrian environmental seal and the German FNG-Siegel.

4b Please list all public media and documents used to inform investors about the SRI approach to the fund, and include URLs.

This should include a link to the detailed, no more than 6 months old, list of holdings of the fund(s).

The respective reports and factsheets can be found through following URLs:

- [ERSTE RESPONSIBLE STOCK AMERICA](#)
- [ERSTE RESPONSIBLE STOCK DIVIDEND](#)
- [ERSTE RESPONSIBLE STOCK EUROPE](#)
- [ERSTE RESPONSIBLE STOCK GLOBAL](#)
- [ERSTE WWF STOCK ENVIRONMENT](#)

Links to the web sites of sustainability research agencies:

- [MSCI ESG RESEARCH INC.](#)
- [oekom Research AG](#)
- [rfu - Mag. Reinhard Friesenbichler Unternehmensberatung](#)

Others:

-

Additional

If applicable, specify what the amount of donations and the percentage of management fees that the fund gave to charities in the last year.

30 basis points of the management fee of the ERSTE WWF STOCK ENVIRONMENT goes to environmental projects of the WWF, This corresponds to donations in the amount of around EUR 240,000 p.a.

COMMITMENT FROM EUROSIF AND THE NATIONAL SUSTAINABLE INVESTMENT FORUMS (SIFS):

- Eurosif is responsible for maintaining and publicising the Transparency Code.
- Forum Nachhaltige Geldanlagen (FNG) e.V. is the central contact for Germany, Austria, and Switzerland.
- Eurosif promotes received responses to the Code on its web site.
- Eurosif maintains a “transparent” logo that is awarded to those funds complying with the Code and whose answers have been sent to Eurosif. Complying funds can use this logo in their marketing collateral, in accordance with the Logo Specifications Manual (see: www.eurosif.org) and provided the Code is up to date. The Code must be updated annually.
- Eurosif commits to reviewing the Code. The process for reviewing the Code will be open and inclusive.

ABOUT EUROSIF

The European Sustainable Investment Forum (Eurosif) is the leading European membership association whose mission is to develop sustainability through European financial markets.

Eurosif works as a non-for-profit partnership of the national Europe-based national Sustainable Investment Forums (SIFs) with the support and involvement of Member Affiliates. Eurosif Member Affiliates include a range of organisations covering the value chain of the sustainable investment industry, from institutional investors, asset managers to financial services providers, ESG analysis firms, academic institutes, and NGOs.

Through its members, Eurosif represents assets of roughly one trillion euros. Eurosif membership is open to all organisations in Europe that are committed to sustainable financial investment.

Eurosif speaks authoritatively and broadly on SRI (sustainable and responsible investment) issues. The main activities of Eurosif are public policy, research and creating platforms for nurturing sustainable investing best practices. For more details, please see www.eurosif.org.

National sustainable investment forums in Europe to date include:

- Dansif, Denmark
- Finsif, Finland
- Forum Nachhaltige Geldanlagen* (FNG) e.V., Germany, Austria, and Switzerland
- Forum per la Finanza Sostenibile*(FFS), Italy
- Forum pour l'Investissement Responsable* (FIR), France
- Norsif, Norway
- Spainsif*, Spain
- Swesif*, Sweden
- UK Sustainable Investment and Finance Association* (UKSIF), Great Britain
- Vereniging van Beleggers voor Duurzame Ontwikkeling* (VBDO), Netherlands

*Member of Eurosif

You can contact Eurosif at +32 2 743-2947 35 or by e-mail at contact@eurosif.org zu erreichen.

Eurosif A.I.S.B.L.
Avenue Adolphe Lacomblé 59
1030, Schaerbeek

FNG

Forum Nachhaltige Geldanlagen (FNG), the professional association for socially responsible investment in Germany, Austria, and Switzerland, represents over 170 members that are committed to greater social responsibility in the financial sector. This includes banks, investment firms, rating agencies, financial consultants, and scientific institutions. FNG promotes dialogue and information exchange between businesses, researchers, and the government and has been committed to

improving the legal and political framework for socially responsible investments since 2001. FNG awards the transparency logo for sustainable retail funds, publishes the FNG SRI profiles and the FNG matrix, and is a founding member of the European umbrella organisation Eurosif.

Forum Nachhaltige Geldanlagen can be contacted at +49 (0)30 264 70.544 or at office@forum-ng.org.

Forum Nachhaltige Geldanlagen e.V.
Rauchstr. 11
D-10787 Berlin

Further information about Eurosif and the European SRI Transparency Code can be found at www.eurosif.org and at www.forum-ng.org.

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