Disclosures from Erste Asset Management pursuant to Art 3 and 4 Regulation (EU) 2019/2088 on strategies for addressing sustainability risks and on the most significant negative impacts of investment decisions on sustainability factors

The following describes the most substantial – material or considered by EAM to likely be material – negative impacts of investment decision on sustainability factors.

The United Nations Principles for Responsible Investment (PRI) form the basis of our sustainable investment approach. As a signatory, EAM has undertaken to integrate the following principles in its investment policy:

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.

Our product strategy places a particular focus on the consideration of sustainability risks in investment decision processes. When introducing new products and refining existing products, we clearly prefer those investment strategies that conform with this strategic orientation. Products being currently offered are proactively evaluated at least once per year and enhanced where possible in terms of incorporating the consideration of sustainability risks in the respective investment strategy.

The Management Company also pays particular attention to sustainability principles in its proprietary investments. Experts from the ESG team are involved in making investment decisions for the proprietary portfolio.

EAM has drawn up procedures for taking the most substantial negative impacts into account and has developed strategies for fulfilling its due diligence obligations relating to the negative impacts of investment decisions on sustainability factors.

The due diligence procedure consists primarily of

- the regular review of quantitative requirements and limits in risk management using
  - positive lists and/or
  - negative lists
- additional supporting (quantitative) evaluations in risk management for verifying the plausibility of assumptions and further (relevant) information for management
- the review of the processes and documentation as part of the regular OP risk, ICS, and compliance audits

Procedures for taking the relevant financial and sustainability risks have been integrated into EAM's processes.

Disclosures about the strategies for identifying and weighting the most substantial negative sustainability impacts and the sustainability indicators

EAM makes use of an ESG toolbox to address and consider various sustainability impacts and sustainability indicators. Not all elements of the toolbox are used in all investment strategies, rather the individual tools are selected depending on the investment strategy and the associated anticipated risk potential of the investment fund in question. If units in investment funds from other management companies are purchased, funds are generally selected that offer the highest possible level of conformity between the EAM fund and target fund in terms of the most significant negative sustainability impacts and the sustainability indicators. The number of employed tools can be increased or reduced if regular reviews or current developments warrant this. The following chart provides an overview.

Erste Asset Management ESG Toolbox

Mindestanforderungen/Einsatz von ESG Tools an Produkte, um entsprechend Verordnung (EU) 2019/2088 Artikel 8 bzw. Artikel 9 klassifiziert zu werden

	Ausschlusskriterien									
Kategorie	Mindestkriterien	Ausschlüsse	Normbasiertes Screening	Best In Class	Integration	Engagement	Voting *	Fokussierte Nachhaltigkeitswirkung	Themenfonds	erfüllen Umweltzeichen oder FNG Siegel
Art. 7	●					●	●			
Art. 8	●	◒	◒	◒	●	●	●		◒	◒
Art. 9	●	●	●	●	●	●	●	●	◒	●

* Für Aktienfonds, gemäß der Voting-Richtlinie der Erste AM

In general, the Management Company may use ESG tools for all of its investment funds to account for sustainability risks in executing its investment process.

Minimum standards

The minimum standards for direct investments are the fundamental environmental and sustainability requirements for the Management Company's funds. By substantially limiting investments in coal, we contribute to a shift away from the greatest source of greenhouse gas emissions and to displacing this energy source from the market over the long term. Our minimum standards also include social and ethical principles. A key consideration is the exclusion of controversial weapons (manufacture and sale), which are regulated or prohibited under international conventions because of the immense suffering they can inflict upon the civilian population. These ethical principles also include the exclusion of instruments for speculating on food prices.

Engagement

Engagement means that the Management Company enters into a constructive and targeted dialogue with the companies in which it invests as part of its business activities in order to urge the decision-makers in these companies to employ a sustainable strategy approach. The Management Company acts directly as well as through investor platforms such as PRI and CRIC and takes part in joint engagement activities through a research services provider. These projects are of a longer-term nature so that they can have a lasting impact on complex sustainability change processes, for example the effective abolishment of child labour.

Voting

The exercise of voting rights is an integral part of the management process. The Management Company exercises the voting rights conferred by the financial instruments that are held directly by its investment funds according to the sustainable EAM Voting Policy, for which it can also commission a voting rights consultant. The objective here is to advocate for a sustainable business approach and the targeted management of individual, particularly relevant ESG risks. If the business approach is not sufficiently sustainable, possible actions include not discharging the management board of a listed company from liability, or voting against supervisory board nominees for the listed company. Solutions for environmental and social issues are formally submitted to the management board of the listed company by voting yes on corresponding shareholder's motions. Irrespective of ethical, moral, and sustainability interests, this is also in the financial interests of all investors. More detailed information about the voting policy can also be found on the Management Company's website.

In addition to the fundamental principles above, the following rules apply to investment funds that promote environmental or social characteristics or a combination of such characteristics pursuant to Art 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (Disclosure Regulation):

Integration

Integrating the consideration of ESG risks in the instrument selection process and the reduction of these risks that this brings improves the risk profile of the respective investment fund due to the lower or entire lack of exposure to less-sustainable assets in the portfolio and also ensures that the fund makes an active contribution to averting social and environmental problems. One example is a typically better carbon footprint. The improved, risk-adjusted earnings potential that results from the integrated consideration of ESG risks in investment decisions has been substantiated by an array of scientific studies.

The internal ESGenius rating model provides all fund and portfolio managers with access to relevant ESG information on their portfolios and individual securities.

Standard-based screening
Standard-based screening assesses investments for their conformity with certain international standards so as to manage and limit sustainability risks in the portfolio. The exclusion criteria of the Management Company's investment funds take the relevant international standards into account, ranging from human rights and the International Labour Organization (ILO) standards to the UN Global Compact. Companies that do not adhere to these requirements are strictly excluded to avoid the investment fund being complicit in the violation of these international standards.

The following tools can also be used:

Exclusion criteria
The Management Company's exclusion criteria set strict ethical boundaries. These exclusion criteria serve not only to meet the high ethical requirements of the investors, but to also expressly prohibit investments in socially, economically, and environmentally relevant fields such as nuclear energy, petroleum products, and the generation of electricity from coal due to the associated negative impacts or risk profile. This makes a direct contribution to improving the social and environmental footprint.

Best in class
Under a best-in-class approach, ESG criteria are applied to identify the pioneers within a specific sector. This approach allows a sector-neutral investment strategy while partially reducing sustainability risks.
The ESG analysis using the Management Company's ESGenius model evaluates companies based on their SRI/ESG risk profile. Applying a best-in-class approach limits the investment universe to the best companies from an ESG perspective and ensures compliance with the most stringent sustainability standards. Over the medium term, this contributes to improving the sustainability management of the target companies as all sustainable investors direct the capital flows. The success of this approach is borne out by a clear increase in the average rating, especially in the European market.

In addition to the fundamental principles and rules above, the following guidelines apply to investment funds that promote a sustainable goal pursuant to Art 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (Disclosure Regulation):

Focused sustainability impact
The core objective of the Management Company's impact funds is to generate the expected returns while investing in concrete solutions to social and environmental challenges such as climate change. This is intended to achieve a measurable positive impact. The environmental or social value that the Management Company's impact funds create is calculated in detail and depicted in a transparent manner. This information is provided in addition to the company-wide reporting on carbon intensity and the calculation of the water footprint.

Theme funds
Sustainable theme funds make targeted investments in fields such as energy efficiency, renewable energy, sustainable mobility, the circular economy, and social and development projects.
The sustainability impact of the respective theme is reported for each of these funds.

Description of the most substantial negative sustainability impacts and all measures taken or planned in this context.

An internal application provides all fund and portfolio managers with access to relevant ESG information, which can then be taken into account in the investment decision.

The active implementation of minimum criteria, exclusion criteria, standard-based screening, and a best-in-class approach will make it possible to maintain a low level of investments with foreseeable negative sustainability impacts.

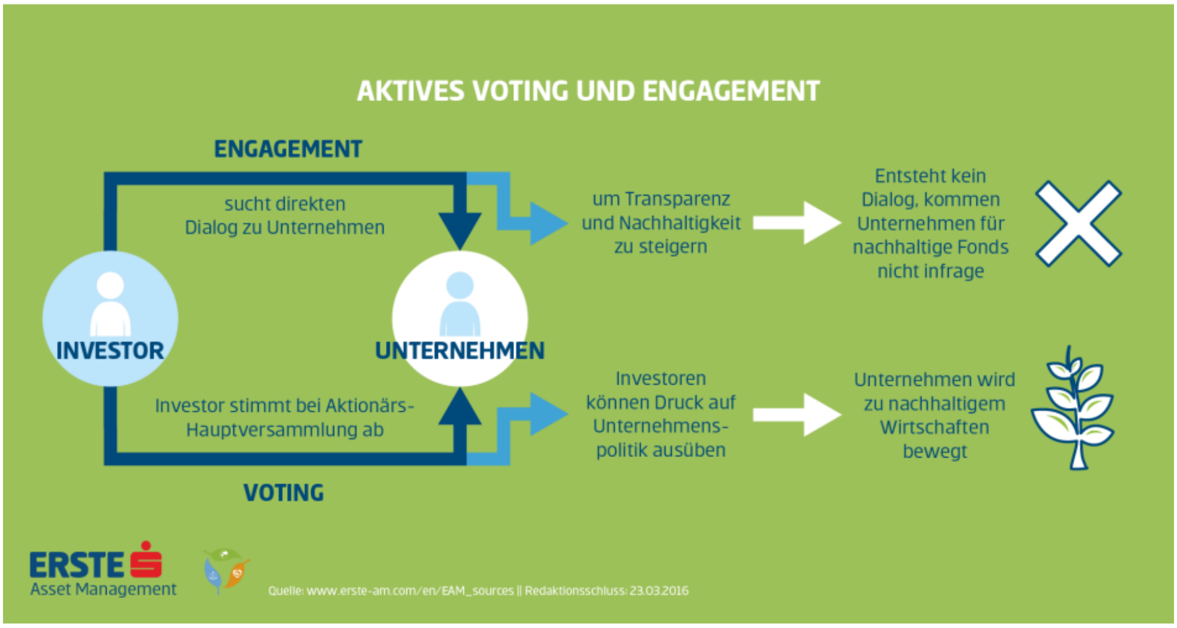
Voting and engagement also facilitate the direct exercise of influence on target companies to advocate for and achieve the better management of sustainability aspects.

Brief summary of our investor participation policy, how we fulfil our responsibility for sustainable asset management or other obligations towards the shareholders

Active ownership
We understand active ownership to mean our responsibility to not only take SRI criteria into account when selecting securities, but to also be an active investor that engages with the companies to promote measures that serve social responsibility, environmental protection, and greater transparency.
We differentiate here between engagement, in other words formal and informal dialogue with companies, and the exercise of voting rights at annual general meetings.

Engagement
As a proactive investor, EAM seeks effective dialogue with the management of relevant companies as part of its sustainability process. This puts the spotlight on weaknesses in the management of environment, social, and governance aspects and is intended to serve as an impetus for finding a joint avenue of improvement. Engagement is not only a question of responsibility, but also contributes to minimising risks and can thus improve the long-term success of the investment. EAM can exclude companies that consistently refuse to enter into dialogue from the investment universe. EAM employs four engagement strategies:

Local engagement	Promoting the integration of ESG criteria in management decisions through investor meetings/personal discussions.
Theme-specific engagement	Combination of ESG interests with other investors to have a more powerful voice, especially with international conglomerates. International sustainability networks such as PRI and CRIC and the engagement service of Sustainalytics are used for this.
Collaborative engagement	ESG research on topics of particular social relevance. The results are made available to the fund management and may result in divestment. Investor pressure can also be increased by addressing the issue in the ESG letter and/or in a press release.
ESG dialogues	Promotion of the consideration of ESG risks in management decisions of international companies via dialogues at the executive management level.



Voting
Voting is a central pillar of the active ownership approach. This actively makes the voices of the investors who hold units in EAM funds heard as indirect shareholders of the target companies.
More detailed information about the voting policy can also be found on EAM's website.

Reference to the Code of Corporate Governance and internationally recognised standards for due diligence and reporting

Carbon footprint
EAM is actively striving to reduce its carbon footprint in all areas. To this end, the Scope 1, Scope 2, and Scope 3 emissions are measured in accordance with the Greenhouse Gas Protocol. The determined carbon emissions are then not only offset according to the pertinent international standards, but emission reduction goals are also defined and pursued (replacing business trips with video conferences, switch to commuting by public transport, reduced paper use, etc.).

EAM's alignment with the Paris climate goals

EAM is a member of Climate Action 100+. Climate Action 100+ is an investor coalition that was launched in 2017 for a period of five years.
The goal is to motivate the 100 largest global greenhouse gas emitters to reduce their emissions, to financially measure climate risks in their balance sheets, and to bring their business strategies in line with the goals of the Paris Agreement. The 100 addressed companies together are responsible for around two thirds of worldwide greenhouse gas emissions. Under Climate Action 100+, Erste Asset Management has assumed primary responsibility for the joint engagement with OMV AG.

EAM decided to participate in PACTA 2020 in May of 2020. PACTA stands for Paris Agreement Capital Transition Assessment and is a model that was developed by the independent non-profit think tank 2° Investing Initiative to evaluate the climate-friendliness of financial portfolios. The goal is to measure how portfolios align with the Paris climate goals.

Signatory of: PRI Principles for Responsible Investment | Montréal PLEDGE