

## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** Erste Alapkezelő Zrt. (LEI 529900S4G4W2K5EO0X04)

### Summary

Erste Alapkezelő Zrt. (LEI 529900S4G4W2K5EO0X04) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Erste Alapkezelő Zrt..

This statement on principal adverse impacts on sustainability factors covers the reference period from 01.01.2023 to 31.12.2023.

Management Company , a.s. (hereinafter "Management Company") is together with Erste Alapkezelő Zrt. the manager of the managed portfolio. Erste Alapkezelő Zrt. is a financial market participant within the meaning of the Disclosure Regulation as a credit institution that provides portfolio management. Erste Alapkezelő Zrt., in cooperation with the Management Company, ensures the provision of information on sustainability in connection with financial products. In the following text, therefore, the main adverse effects of investment decisions on sustainability factors are described from the perspective of the Management Company.

During the period from 01.01.2023 to 31.12.2023, principal adverse indicators of Erste Alapkezelő Zrt. are calculated as a 12-month average of end-of-month values.

### Companies

Total financed GHG Emissions of company investees amount to 2,296,683.93 tCO<sub>2</sub>e, among which Scope 1 GHG emissions is 287,036.06 tCO<sub>2</sub>e; Scope 2 GHG emissions is 50,383.07 tCO<sub>2</sub>e and Scope 3 GHG emissions is 1,959,264.80 tCO<sub>2</sub>e. By adopting the equity ownership approach, the methodology allocates emissions to an investor based on levels of capital invested in a company and quantifies a market participant's responsibility for the GHG emissions of each holding. These metrics measure a portfolio's GHG emissions allocated to the portfolio in absolute terms, which is dependent on the amount of investment. The higher the percentage holding in a company, the more of its emissions the portfolios own.

Carbon Footprint of Scope 1, 2 and 3 is 401.45 tCO<sub>2</sub>e/EUR million invested. Carbon Footprint of Scope 1,2 and 3 are 51.56 tCO<sub>2</sub>e/EUR million invested, 8.99 tCO<sub>2</sub>e/EUR million invested, and 340.90 tCO<sub>2</sub>e/EUR million invested respectively. In contrast with total emissions, carbon footprint allows for portfolios comparison on a like for like basis by normalizing the size of portfolios.

GHG Intensity of investee companies of Scope 1, 2 and 3 altogether is 653.42 tCO<sub>2</sub>e/EUR million sales. GHG Intensity of investee companies of Scope 1, Scope 2 and Scope 3 are 43.26 tCO<sub>2</sub>e/EUR million sales, 17.45 tCO<sub>2</sub>e/EUR million sales, and 592.48 tCO<sub>2</sub>e/EUR million sales respectively. Weighted average GHG Intensity shows investment's exposure to carbon-intensive companies.

Exposure to companies active in the fossil fuel sector is 0.65 % of total investment. It is worth noting that companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage, and trade, of fossil fuels are counted in the figure.

Across the investee companies, the share of non-renewable energy consumption and production is 77.03 %.

Energy consumption intensity per high impact climate sector is on average 1.46 GWh/EUR million sales. The sector with the highest energy consumption intensity is electricity, gas, steam and air conditioning supply, followed by transportation and storage. Other high impact climate sector includes agriculture, forestry and fishing, manufacturing, water supply; sewerage, waste management and remediation activities, construction, wholesale and retail trade; repair of motor vehicles and motorcycles, real estate activities, the energy consumption intensity of which all remain below 2 GWh/EUR million sales for the period concerned.

Investments in investee companies negatively affect biodiversity-sensitive areas is 0.00 %.

Emissions to water by investee companies is 199.29 t/EUR million invested, while the hazardous waste ratio is 8.33 t/EUR million invested.

With regards to the social principal adverse indicators, the share of investment in companies that have been involved in violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises is 0.03 %, which reflects a successful integration of sustainability screening criteria in the investment process.

The share of investments in investee companies lacking processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises is 3.96 %.

On gender equality, unadjusted gender pay gap is 14.05 %, while the data coverage remains low at just 0.89 %. Board gender diversity, the average ratio of female to male board members in investee companies, expressed as a percentage of all board members, is 26.11 %.

Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) is 0.00 % of investments company-wide.

#### **Additional indicators**

To complement abovementioned information, two additional indicators that are integrated in the investment process are selected for reporting. The share of investments in investee companies with sites located in areas of high water stress without a water management policy is 0.44 %. During the reporting period, there has been 0 identified case(s) of severe human rights issues and incidents, thanks to the implementation of human rights violation screening and monitoring of investee companies.

#### **Sovereigns**

For investments in sovereigns, GHG intensity is 415.08 tones CO<sub>2</sub>e/EUR million GDP. A total of 6 investee countries are subjected to social violations, representing 5.42 % of all investee countries.

## **Real Estate**

Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels represented amounts to 0.18 %. The share of investments in energy-inefficient real estate assets represented is 32.59 %. Further, 2.48 % of the buildings are not equipped with waste sorting and disposal facilities.

## Description of the principal adverse impacts on sustainability factors

### Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions of investee companies expressed in tonnes of CO2 equivalent	287,036.06	339,044.83	-	**
		Scope 2 GHG emissions of investee companies expressed in tonnes of CO2 equivalent	50,383.07	60,067	-	**
		Scope 3 GHG emissions of investee companies expressed in tonnes of CO2 equivalent	1,959,264.8	1,721,250.57	-	**
		Total GHG emissions of investee companies expressed in tonnes of CO2 equivalent	2,296,683.93	2,120,362.41	-	**
	2. Carbon footprint	Total GHG emissions expressed in tonnes of CO2 equivalent per million EUR invested	401.45	553.39	-	**
	3. GHG intensity of investee companies	GHG emissions in tonnes per million EUR of revenue of investee companies	653.42	807.57	-	**

4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.65 %	0.75 %	-	**
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	77.03 %	77 %	-	**
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				
	A - AGRICULTURE, FORESTRY AND FISHING	0.39	0.93	-	**
	B - MINING AND QUARRYING	1.64	1.76	-	**
	C - MANUFACTURING	0.69	0.93	-	**
	D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	6.42	6.1	-	**
	E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.78	1.6	-	**
	F - CONSTRUCTION	0.49	0.5	-	**
	G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	0.09	0.11	-	**
	H - TRANSPORTATION AND STORAGE	1.75	1.89	-	**

		L - REAL ESTATE ACTIVITIES	0.91	0.42	-	**
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0 %	0.01 %	-	**
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	199.29	837.74	-	**
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested	8.33	25.34	-	**

## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.03 %	0.03 %	-	**
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	3.96 %	4.32 %	-	**
	12. Unadjusted gender pay gap between female and male employees	Average gender pay gap between female and male employees of investee companies	14.05 %	11.6 %	-	**
	13. Management and supervisory board gender diversity	Average ratio of female to male management and supervisory board members in investee companies, expressed as a percentage of all board members	26.11 %	28.59 %	-	**
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	0 %	-	**
Additional Indicators	1. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	0.44 %	0.58 %	-	**
	2. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0 number of cases	0 number of cases	-	**

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**Indicators applicable to investments in sovereigns and supranationals**

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Environmental	15. Sovereign GHG intensity	GHG intensity of investee countries	415.08 tCO <sub>2</sub> e/EUR million GDP	447.79 tCO <sub>2</sub> e/EUR million GDP	-	**
Social	16. Investee countries subject to social violations	Investments in investee countries subject to social violations from international treaties and conventions, United Nations principles and where applicable national laws or principles	6 count 5.42 %	7 count 6.23 %	-	**

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**Indicators applicable to investments in real estate assets**

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Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.18 %	0.24 %	-	**
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	32.59 %	43.79 %	-	**
Additional Indicators	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	2.48 %	4.56 %	-	**

\*\* see below the description of the measures

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## Explanations, actions taken, and actions planned and targets set for the next reference period

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All climate and other environment-related indicators and indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters as set forth in Annex I to Regulation (EU) 2022/1288 are considered in principle. PAIs are addressed by the application of the Management Company's ESG toolbox as part of the investment process. Two sets of measures are in place, company-wide measures, and product-specific measures.

- **Company-wide measures** - Erste Asset Management implements Coal Divestment Policy, Controversial Weapons Policy for all actively and discretionarily managed mutual funds and portfolios.

Under active ownership, engagement and voting are in action to address matters of primary concerns in the areas of environmental, social and governance.

- **Product-specific measures** - Noting that specific funds may have special focus and tailored guidelines, product-specific measures are further implemented to ensure that all environmental, social, and corporate governance criteria that are relevant for the assessment of the respective investment are considered in the assessment of that investment.

		Erste Asset Management company-wide measures				Product-specific measures							
PAI		Coal divestment policy	Controversial weapons policy	Engagement	Voting	Exclusions	Norm-based Screening	ESG Risk Analysis/ESGenius score	Best in Class	EAM Integration Minimum Standards	Themed Funds	Focused Sustainability Impact	Austrian ECO label/FNG label
Environment	1. GHG emissions	✓		✓	✓	✓		✓	✓		✓	✓	✓
	2. Carbon footprint	✓		✓	✓	✓		✓	✓		✓	✓	✓
	3. GHG intensity of investee companies	✓		✓	✓	✓		✓	✓		✓	✓	✓
	4. Exposure to companies active in the fossil fuel sector	✓		✓	✓	✓		✓	✓		✓	✓	✓
	5. Share of non-renewable energy consumption and production	✓		✓	✓	✓		✓	✓		✓	✓	✓
	6. Energy consumption intensity per high impact climate sector	✓		✓	✓	✓		✓	✓		✓	✓	✓
	7. Activities negatively affecting biodiversity-sensitive areas			✓	✓	✓		✓	✓		✓	✓	✓
	8. Emissions to water			✓	✓	✓		✓	✓		✓	✓	✓
	9. Hazardous waste ratio			✓	✓	✓		✓	✓		✓	✓	✓

		Erste Asset Management company-wide measures				Product-specific measures							
PAI		Coal divestment policy	Controversial weapons policy	Engagement	Voting	Exclusions	Norm-based Screening	ESG Risk Analysis/ESGenius score	Best in Class	EAM Integration Minimum Standards	Themed Funds	Focused Sustainability Impact	Austrian ECO label/FNG label
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises			✓	✓	✓	✓	✓	✓				
	12. Unadjusted gender pay gap between female and male employees			✓	✓		✓	✓	✓		✓	✓	✓
	13. Management and supervisory board gender diversity			✓	✓		✓	✓	✓		✓	✓	✓
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	✓		✓	✓	✓	✓			✓			✓

		Erste Asset Management company-wide measures				Product-specific measures							
PAI		Coal divestment policy	Controversial weapons policy	Engagement	Voting	Exclusions	Norm-based Screening	ESG Risk Analysis/ESGenius score	Best in Class	EAM Integration Minimum Standards	Themed Funds	Focused Sustainability Impact	Austrian ECO label/FNG label
Additional Indicators	1. Exposure to areas of high water stress			✓	✓			✓	✓	✓			
	2. Number of identified cases of severe human rights issues and incidents			✓	✓			✓	✓	✓			
Sovereign	15. Sovereign GHG intensity							✓	✓				
	16. Investee countries subject to social violations					✓	✓						✓

		Erste Asset Management company-wide measures				Product-specific measures							
PAI		Coal divestment policy	Controversial weapons policy	Engagement	Voting	Exclusions	Norm-based Screening	ESG Risk Analysis/ESGenius score	Best in Class	EAM Integration Minimum Standards	Themed Funds	Focused Sustainability Impact	Austrian ECO label/FNG label
Real Estate	17. Exposure to fossil fuels through real estate assets												
	18. Exposure to energy-inefficient real estate assets												
Additional Indicators	20. Waste production in operations												

## ***Description of policies to identify and prioritise principal adverse impacts on sustainability factors***

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At EAM, the following policies are in place to prioritize the consideration of principal adverse impacts:

- 2009: Signing of the United Nations Principles for Responsible Investment (UNPRI) and integrating the PRI principles in the management company's ESG approach
- 2012: Adoption of the policy on the exclusion of controversial and outlawed weapons
- 2013: Adoption of the policy on the renunciation of food speculation
- 2015: Implementation of the sustainable voting policy for all EAM mutual funds
- 2016: Adoption of the policy on the exclusion of coal production
- 2021: Expansion of the coal policy to include coal-fired power generation
- 2022: Adoption of EAM Stewardship Policy
- 2022: Adoption of EAM firmwide minimum standard for ESG funds
- 2022: Expansion of the food speculation policy to include ETCs

While EAM calculates all PAIs that are specified in the SFDR RTS depending on data quality and availability to provide insights to asset management, it focuses on environmental footprint, in particular carbon emission and water consumption, analysis of risks occurring from negative impacts on biodiversity, water stress or from hazardous waste, as well as social factors such as involvement in controversial weapon, respect for human rights, labor standards and diversity matters, anti-corruption, and anti-bribery matters. Moreover, EAM deploys proprietary ESG analysis and scoring to assess the investability of issuers which cover a wider range of sustainability factors than principal adverse impacts and oftentimes are sector specific.

### **Allocation of responsibility for implementation within organizational strategies and procedures**

The integration of principal adverse impacts in the investment process involves the following parties: Management Board, Chief Investment Officer/Chief Sustainability Officer, Responsible Investments, Investment Teams, Risk Management and Data Management.

The Management Board and the Chief Sustainability Officer are responsible for overseeing the sustainable investment strategy and implementation.

The Responsible Investments Team acts as the focal point for EAM's sustainable investment activities and delivers expertise and insights for the investment teams. It is primarily in charge of formulating sustainable investment policies, performing due diligence, making analysis, ESG risks and opportunities, calculating ESG scores, defining investable universe for ESG funds, generating exclusion screens for company as whole as well as for specific funds as well as engaging with investee companies on relevant ESG topics and exercising voting rights according to the responsible voting guideline.

Investment Teams for asset classes are responsible for the implementation of ESG strategies, policies, thereby reducing actual and potential adverse impacts, as well as follow up with engagement or divestment where necessary.

Based on the research and analysis done by the Responsible Investment Team, Risk Management screens all concerned funds towards compatibility with EAM's internal ESG standards on a daily basis.

Data Management enables data and analysis being available and accessible to all relevant divisions.

Through data provided by external partners and the Erste Asset Management's in-house research capabilities, PAIs are identified and monitored on both a fundamental and quantitative basis. The principal adverse impacts are calculated for EAM as entity and for relevant funds to identify the largest contributors.

### **Methodologies to select the indicators & an explanation of how those methodologies take into account the probability of occurrence and the severity of those principal adverse impacts, including their potentially irremediable character**

In line with the expectation of OECD Guidelines "Responsible business conduct for institutional investors", EAM prioritizes its due diligence efforts using a "risk-based approach". It considers the significance, or severity, of an adverse impact as a function of its scale, scope, and irremediable character, which are referred as follows:

- Scale refers to the gravity of the adverse impact.
- Scope concerns the reach of the impact, for example the number of individuals that are or will be affected or the extent of environmental damage.
- Irremediable character means any limits on the ability to restore the individuals or environment affected to a situation equivalent to their situation before the adverse impact.

Specifically, the risk-based approach recognizes the following factors to prioritize the management company's due diligence efforts.

- Sector-specific: concerned/nature of activities (e.g., labor and working conditions in healthcare facilities, factories) of investee companies.
- Country-specific:
  - o socio-economic factors of the context in which investee companies operate (e.g., indigenous communities, countries lack of access to basic needs)
  - o governance context in which investee companies operates (e.g., authoritarian regime, corruption issues or weak rule of law)
- Company-specific: investee companies themselves (e.g., poor track record in responsible conducts, such as fraud and bribery, labor disputes, poor environmental performance etc.)

### **Methodologies to identify and assess the principal adverse impacts**

There are two phases to identify and assess the principal adverse impacts, ex-ante investment, and ex-post investment.

- Before investments, EAM conducts research to identify adverse impact risk, prioritizing by severity. The quantitative process is based on internally developed tools. In addition, there is a qualitative overlay by the analysts of the Responsible Investment team. Unqualified issuers are excluded from the investment universe. If issuers of relevance are not covered in the database, analysts will perform a due diligence and add it to the database.
- Ex-post, investments are screened by Risk Management on an ongoing basis for fulfilling the fund specific ESG criteria based on the investable universes defined by the Responsible Investment Team. The investable universes are updated on a regular basis.



Within portfolios, the selection of principal adverse indicators depends on product strategy and objectives. According to the SFDR, EAM classified three groups of funds, namely, article 6, article 8- EAM ESG Integration Funds and EAM Responsible Funds and article 9 funds-Impact Funds. The classification depends on whether the fund concerned has a sustainable objective and if yes, the extent it incorporates a sustainable investment approach. Consequently, a different set of indicators applies to these groups and individual funds. Built on a companywide exclusion criteria regulated by the EAM Coal Divestment policy, Controversial Weapon Policy as well as the Policy against speculation on food and agricultural commodities that apply to all public funds to reflect the management company's general ethical standards, ESG Integration Funds are overlaid with additional exclusion criteria including Child Labour, Discrimination, Forced Labor, Human Rights Violations, Military & Weapons, UN Global Compact Violations, and keep a minimum ESG rating of 30 (out of 100) for investee issuers, with data coverage no less than 51% of fund's NAV. EAM Responsible Funds and Impact Funds use best-in-class approach with the ESG rating threshold of 50 (or the sector specific median) and apply a variety of exclusion criteria depending on the product setting. Details can be found [here](#).

ESG research is conducted with EAM's in-house expertise, with the support of multiple internal and external resources, including company meetings and a range of data providers. Third-party ESG company ratings are systematically incorporated into the management company's research reports to provide additional context. Currently EAM utilizes ESG information from MSCI ESG Research, ISS ESG Research, Sustainalytics as well as Truvalue-Labs to provide a comprehensive, timely and insightful ESG analysis.

### **Real Estate Investments**

In order to take into account PAIs from investment decisions, it is prohibited to invest in real estate related to the extraction, storage, transportation or production of fossil fuels in a special real estate fund managed by the Management Company. As part of the purchase of real estate, there is an effort to acquire the most energy-efficient property possible. In addition, the Management Company strives to equip properties with waste sorting options.

In connection with the purchase of new real estate or the refurbishment of existing properties, the selected PAI indicator is taken into account as follows:

- exclusion of investments in real estate used for the extraction, storage, transport or production of fossil fuels
- targeting investments in energy-efficient real estate (assessed on the basis of energy performance certificates) or renovating existing properties to meet or optimise energy efficiency requirements
- ensuring sufficient waste separation and disposal in real estate

### *Tools*

EAM uses an ESG toolbox to address different sustainability impacts and sustainability indicators. Not all elements of the toolbox (tools) are used in all investment strategies. Rather, the use of the individual tools is determined on the basis of the investment strategy and the expected risk potential for each investment fund. Where shares in investment funds of other management companies are acquired, the aim is to achieve the highest possible consistency at the level of the acquiring fund with regard to the main adverse sustainability impacts and sustainability indicators. Changes in the sense of an extension or reduction of the tools used are possible, provided that a need arises from the regular reviews or on a case-by-case basis. Below is a schematic representation.



# Erste Asset Management ESG-Toolbox

Minimum requirements / use of ESG-tools for products to be classified according to Regulation (EU) 2019/2088 Article 8 and Article 9 respectively.

Category	Exclusions			Best-in-Class	Integration	Engagement	Voting**	Focused sustainability impact	Thematic funds***	Fulfill Austrian ecolabel or FNG label criteria
	Minimum criteria	Exclusion criteria	Norm-based Screening							
Art. 6	●					●	●			
Art. 8	●	○	○	○	●	●	●		○	○
Art. 9*	●	●	●	●	●	●	●	●	●	●

● Full use of ESG Tools

○ Partial use of ESG Tools

\* Except ERSTE RESPONSIBLE MICROFINANCE due to its specific investment process focused on microfinance.

\*\* for equity funds as well as directly held shares in selected funds of funds, according to Erste AM's Voting Policy

\*\*\* Thematic funds do not try to depict the economy as a whole, but invest in selected sectors and economic activities. In certain cases, this focus can provide a targeted, positive contribution to environmental and social objectives, for example in areas such as environmental technologies, health or socially and ecologically relevant sectors of the future. Only thematic funds whose theme can make such a contribution shall be considered for classification under Article 8 or 9 on the basis of that theme.

In principle, ESG tools can be used in all investment funds of the management company to take sustainability risks into account as part of the investment process

## Explanation of the associated margin of error within this methodology

As EAM primarily relies on third-party data provider for the raw data to calculate principal adverse impacts, margin of error could arise from the following sources:

- Wrong data
- Incomplete data
- Outdated data
- Different measurement of reported data by issuers
- Erroneous estimation method for estimated data

- Poor data coverage of issuers

EAM recognizes the data limitation and will review carefully in case of abnormality, outliers and abrupt changes and will check the original data source and reports errors to its data provider where identified.

### **Data sources**

EAM data sources include external market research providers, internal financial analysts or responsible investment specialists; specifically, commissioned studies; public information or shared information from peer networks; or collaborative initiatives. Ultimately, information is sourced from:

- Company direct disclosure: sustainability reports, annual reports, regulatory filings, and company websites
- Company indirect disclosure: government agency published data, industry and trade associations, and financial data providers
- Direct communication with companies as described above in Company Communication

ESG Research partners of EAM are:

- ISS ESG
- MSCI ESG
- Sustainalytics
- Factset-Truvalue Labs

### **Engagement policies**

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Within the framework of the Principles of Responsible Investments (PRI), EAM regularly enters into collaborations, especially in the field of engagement, to facilitate positive change even within the biggest companies.

The goal of EAM's engagement approach is to achieve maximum changes towards sustainable management in a direct dialogue with companies and on behalf of its clients. This is not only ethically motivated but also because it is the management company's duty to minimize the ESG risks of its investments while generating new opportunities for its clients.

#### **Active Ownership**

Erste Asset Management understands 'Active Ownership' as a key pillar in its investing approach. This means that EAM's responsibility is not limited to incorporating sustainability criteria into portfolio selection, but also to be an active investor who engages with investee companies, to promote measures that serve social responsibility, environmental protection and enhanced transparency.

## Engagement

As a committed investor, the management company seeks active dialogue with the management of relevant companies as part of its sustainability process. This exposes weaknesses of the management in handling environmental, social and governance aspects. Furthermore, addressing these issues with companies serves to seek joint solutions for improvement. Engagement is not only a question of responsibility, but also contributes to minimizing risks and thus can improve the long-term investment outlook. Consequently, EAM may exclude companies that fail to show responsiveness. Erste Asset Management employs three engagement strategies:

Local engagement	As market leader in CEE, EAM regards domestic companies as one of its focal areas. EAM's market position and reputation allow to maintain an efficient dialogue with companies. The engagement process is launched as soon as the management company's regular research efforts indicate that engagement would make sense. This automatically ensures a focus on relevant issues.
Collaborative engagement	Bundling of ESG interest with other investors in order to increase the clout with international groups and jointly promote sustainable change through dialogue with companies. In doing so, the management company resorts to international sustainability networks such as Climate Action 100+, PRI, CRIC, and the engagement service of Sustainalytics.
Dialogues	EAM initiates direct dialogue with companies to discuss their sustainability approach and future strategy, and ESG-related concerns are addressed by its fund managers through regular investor calls.

### **PAI-focused engagement**

Within EAM's engagement activity, it considers the PAI in relation to greenhouse gas emission/ environmental and social matters.

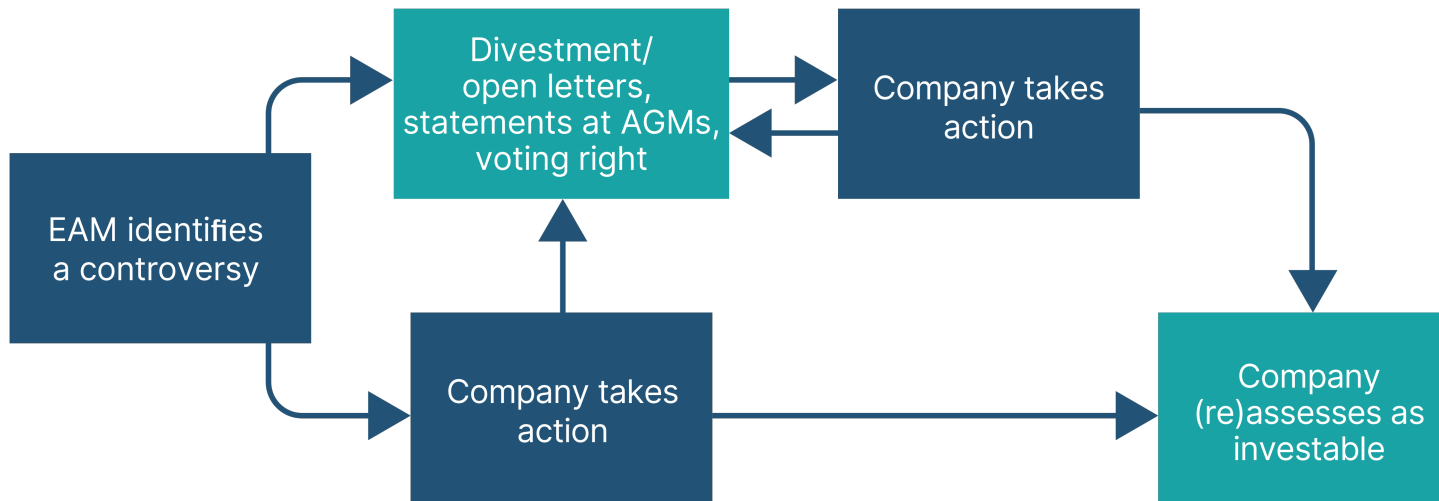
Through these engagements, investee companies measure and report relevant information in respect to PAI affecting their businesses.

Typically, the objectives of these dialogues on PAI include:

- better disclosure of PAI (including the steps issuers are taking to address them)
- more efficient management of PAI
- commitment for change that are expected to positively impact PAI

Unsuccessful engagements with companies who have had significant adverse sustainability impacts will be subject to EAM's escalation process (i.e., open letters, vote against the management, statements at AGMs) and might lead to divestment (see below).

## Escalation process



Further information on EAMs Engagement Policy and Reports can be found on the management company's [website](#).

### Voting

Voting is a central pillar of EAMs Active Ownership approach. Since 2012, the management company has been exercising voting rights for the shares held in EAM's RESPONSIBLE funds in accordance with the EAM voting policy which follows sustainable guidelines. Since 2016, EAM extended its voting rights to traditionally managed equity funds. As a result, the voice of investors invested in EAM funds is actively perceived as indirect shareholders of the invested companies.

Further information on the voting policy can be found [here](#).

To ensure transparency and consistency of voting behavior, the EAM voting portal regularly and publicly reports on voting behavior ([here](#)).

The plausibility check of the existing guidelines is carried out on a regular basis. Should it be found that no improvement of adverse sustainability effects can be achieved, EAMs engagement strategy will be revised (i.e. the management company's engagement channels, targeted regions/companies, proxy voting policy, thematic engagement...) and new or additional priorities will be set, to increase its leverage. Such policy adjustments would be written according to PAI and engagement results.

## ***References to international standards***

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### **Code of Conduct**

EAM is committed to the basic values of the legally compliant and ethically sustainable corporate culture and bases its own activities on the EAM Code of Conduct with its binding rules for the daily business life of its own activities.

The management company supports several international standards and works together with a diverse range of institutions to make financial markets more sustainable. With collaboration on sustainability issues via these important platforms, EAM contributes actively to help shape the global investment agenda.

Erste Asset Management is signatory of:

- Principles of Responsible Investing (PRI)
- Montreal Carbon Pledge

Erste Asset Management is member/participant of:

- Climate Action 100+
- European Sustainable & Responsible Investment Forum (Eurosif)
- Forum Nachhaltige Geldanlagen (FNG)
- Association for the Promotion of Ethics and Sustainability in Investment (CRIC)
- Capital Transition Assessment (PACTA)
- Spainsif

Erste Asset Management cooperates with:

- World Wild Fund for Nature (WWF) Austria

Erste Asset Management managed funds (selective) are awarded with:

- Austrian Ecolabel
- German FNG Seal
- Eurosif Transparency Seal

Erste Asset Management supports the following principles and best practices:

- Universal Declaration of Human Rights
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work

- Rio Declaration on Environment and Development
- United Nations Convention against Corruption
- OECD Guidelines for Multinational Enterprises
- OECD Principles of Corporate Governance
- United Nations Global Compact

Erste Asset Management complies with:

- The International Corporate Governance Network (ICGN) Global Stewardship Principles
- The Responsible Business Conduct for Institutional Investors under the OECD guidelines

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“. Controversial weapons are defined 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 Convention on Cluster Munitions (2008)
- The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997)
- Treaty on the Non-Proliferation of Nuclear Weapons (1968)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993)
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Weapons and on their Destruction (1972)

In addition, Erste Asset Management is a subsidiary of Erste Group Bank AG. Erste Group Bank AG is signatory and member to various international standards and business codes.

International standards/initiatives we support/adhere to	Indicator used to assess alignment
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development Principles of Responsible Investing (PRI) Montreal Carbon Pledge	THG-Emissionen
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development Principles of Responsible Investing (PRI) Montreal Carbon Pledge	Carbon footprint
Paris Climate Agreement EU Green Consumption Pledge	GHG intensity of investee companies

Rio Declaration on Environment and Development Principles of Responsible Investing (PRI) Montreal Carbon Pledge	
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development Principles of Responsible Investing (PRI) Montreal Carbon Pledge	Exposure to companies active in the fossil fuel sector
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development Principles of Responsible Investing (PRI) Montreal Carbon Pledge	Energy consumption intensity per high impact climate sector
The Convention on Biological Diversity	Activities negatively affecting biodiversity sensitive areas
Rio Declaration on Environment and Development	Emissions to water
Rio Declaration on Environment and Development	Hazardous waste ratio
Paris Climate Agreement EU Green Consumption Pledge	Investing in companies without carbon emission reduction initiatives
The Convention on Biological Diversity	Natural species and protected areas
Universal Declaration of Human Rights International Labour Organization's Declaration on Fundamental Principles and Rights at Work Rio Declaration on Environment and Development United Nations Convention against Corruption OECD Guidelines for Multinational Enterprises United Nations Global Compact	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Universal Declaration of Human Rights International Labour Organization's Declaration on Fundamental Principles and Rights at Work Rio Declaration on Environment and Development United Nations Convention against Corruption OECD Guidelines for Multinational Enterprises United Nations Global Compact	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises



International Labour Organization's Declaration on Fundamental Principles and Rights at Work	Unadjusted gender pay gap
International Labour Organization's Declaration on Fundamental Principles and Rights at Work	Board gender diversity
The Convention on Cluster Munitions (2008) The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997) Treaty on the Non-Proliferation of Nuclear Weapons (1968) Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993) Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Weapons and on their Destruction (1972)	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)
OECD Principles of Corporate Governance	Excessive CEO pay ratio
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development	Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development Principles of Responsible Investing (PRI) Montreal Carbon Pledge	GHG intensity
Universal Declaration of Human Rights International Labour Organization's Declaration on Fundamental Principles and Rights at Work United Nations Convention against Corruption OECD Guidelines for Multinational Enterprises United Nations Global Compact	Investee countries subject to social violations
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels
Paris Climate Agreement EU Green Consumption Pledge Rio Declaration on Environment and Development	Share of investments in energy-inefficient real estate assets

EAM utilizes MSCI SFDR Adverse Impact Metrics dataset to calculate the relevant indicators mentioned above along with other datasets provided by third-party providers. Data sources include company direct disclosure, indirect disclosure and direct communication with companies. Currently, the methodology does not predict future performance, due to lack of a wide coverage of reliable data on carbon reduction target and non-comparability of prediction methods with regards to Paris Climate Agreement alignment.

EAM proactively contributes to the objective of the Paris Agreement by disclosing carbon footprint for portfolios under the Montreal Pledge.

The management company also participated the PACTA program to assess portfolio alignment with different climate scenarios in 2021, and it is an active contributor to the initiative Climate Action 100+.

### **CO<sub>2</sub> Footprint**

EAM actively strives to reduce the CO<sub>2</sub> footprint in all areas of the company. For this purpose, scope 1 - 2 emissions are measured in accordance with the Green House Gas Protocol. With appropriate data availability, it is also planned to measure Scope 3 emissions. In addition, the CO<sub>2</sub> emissions determined are not only compensated in accordance with international standards, but also actively set and pursued targets to reduce emissions (replacement of business trips by video conferences, switching to public transport for the way to work, reduction of paper consumption, etc.).

### **Degree of alignment of EAM with the objectives of the Paris Agreement**

EAM is a member of Climate Action 100+. Climate Action 100+ is an investor coalition launched in 2017 and designed for five years.

The goal is to help the 100 largest global greenhouse gas emitters reduce their emissions and to motivate the financial assessment of climate risks on their balance sheets and to align their business strategies with the goals of the Paris Agreement. The 100 companies contacted are jointly responsible for about two-thirds of global greenhouse gas emissions. As part of Climate Action 100+, Erste Asset Management has taken the lead in its joint commitment with OMV AG.

EAM decided in May 2020 to participate in PACTA 2020. PACTA stands for "Paris Agreement Capital Transition Assessment" and is a model developed by the independent non-profit think tank 2° Investing Initiative for the climate impact assessment of financial portfolios. The aim is to measure the alignment of portfolios with the Paris climate goals.

In 2016, EAM signed the PRI Montreal Pledge and since then measures and publishes the CO<sub>2</sub> footprint of its equity and bond funds.

### **Predictive climate scenario**

Predictive climate Scenarios are implemented. Based on heuristic scenarios the impact of natural disasters and transition mechanics is measured.

## Description of the principal adverse impacts on sustainability factors

### Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Comparison versus previous year		
		absolute	relative	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>				
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions of investee companies expressed in tonnes of CO2 equivalent	-52,008.77	-15.34 %
		Scope 2 GHG emissions of investee companies expressed in tonnes of CO2 equivalent	-9,683.93	-16.12 %
		Scope 3 GHG emissions of investee companies expressed in tonnes of CO2 equivalent	238,014.23	13.83 %
		Total GHG emissions of investee companies expressed in tonnes of CO2 equivalent	176,321.53	8.32 %
	2. Carbon footprint	Total GHG emissions expressed in tonnes of CO2 equivalent per million EUR invested	-151.94	-27.46 %
	3. GHG intensity of investee companies	GHG emissions in tonnes per million EUR of revenue of investee companies	-154.15	-19.09 %
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	-0.1 %	-

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	0.03 %	-
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector		
		A - AGRICULTURE, FORESTRY AND FISHING	-0.55	-58.82 %
		B - MINING AND QUARRYING	-0.12	-6.62 %
		C - MANUFACTURING	-0.25	-26.52 %
		D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0.32	5.23 %
		E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	-0.83	-51.49 %
		F - CONSTRUCTION	-0.01	-2.59 %
		G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	-0.02	-16.79 %
		H - TRANSPORTATION AND STORAGE	-0.14	-7.22 %
		L - REAL ESTATE ACTIVITIES	0.49	117.07 %
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	-0.01 %	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	-638.45	-76.21 %
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested	-17.01	-67.12 %

## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.01 %	-
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	-0.36 %	-
	12. Unadjusted gender pay gap between female and male employees	Average gender pay gap between female and male employees of investee companies	2.45 %	-
	13. Management and supervisory board gender diversity	Average ratio of female to male management and supervisory board members in investee companies, expressed as a percentage of all board members	-2.49 %	-
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	-
Additional Indicators	1. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	-0.15 %	-
	2. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0	-

### Indicators applicable to investments in sovereigns and supranationals

Environmental	15. Sovereign GHG intensity	GHG intensity of investee countries	-32.71 tCO2e/EUR million GDP	-7.3 %
Social	16. Investee countries subject to social violations	Investments in investee countries subject to social violations from international treaties and conventions, United Nations principles and where applicable national laws or principles	-1 count -0.81 %	-14.29 % -

#### Indicators applicable to investments in real estate assets

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	-0.06 %	-
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	-11.2 %	-
Additional Indicators	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	-2.08 %	-

Column "relative" is only applicable to those PAI indicators, that have absolute metrics.