

Information pursuant to Art 3 and 4 Regulation (EU) 2019/2088 on policies for addressing sustainability risks and on the principal adverse impacts of investment decisions on sustainability factors

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

The United Nations Principles for Responsible Investment (PRI) form the basis of the sustainable investment approach. PRI is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact. 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 integration of sustainability risks in investment decision processes. When introducing new products and improving 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 integrating 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 principal adverse impacts into account and has developed policies for fulfilling its due diligence obligations relating to the adverse 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 into account have been integrated into EAM's processes.

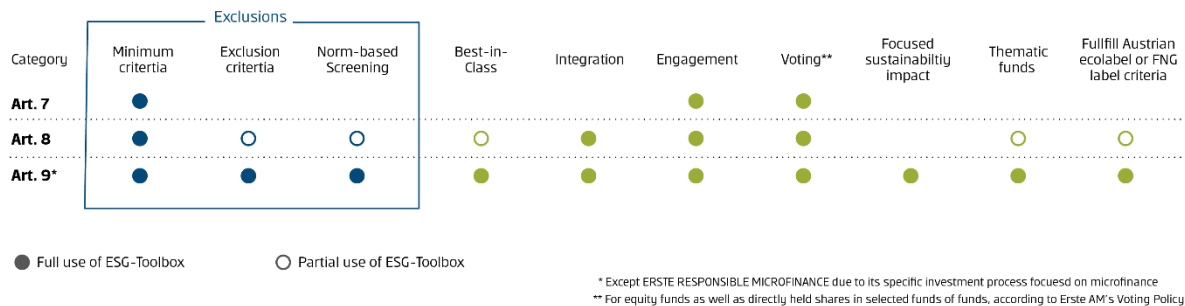
Information about the policies on the identification and prioritisation of principal adverse sustainability impacts and indicators

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 use of the individual tools is decided independently for each investment fund depending on the respective investment strategy and the associated expected risk potential. 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 adverse 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

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



In general, the Management Company may use ESG tools for all of its investment funds to integrate sustainability risks into the execution of its investment process.

Other principles and methods may be used for the special funds issued by the Management Company if third-party management or consulting services are used for these funds. A description of these tools will be provided to the investor in the manner agreed with him.

Description of Erste Asset Management ESG Toolbox

Minimum criteria

The minimum criteria 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 business 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 sustainable 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 sustainable 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 at <https://www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines>.

In addition to the fundamental principles above, the following tools may 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):

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 adverse impacts or risk profile. This makes a direct contribution to improving the social and environmental footprint.

Norm-based Screening

Norm-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 Fund being complicit in the violation of these international standards.

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 sustainable/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 highest sustainability standards. Over the medium term, this contributes to improving the sustainability management of the companies as all sustainable investors direct the capital flows. The success of this approach is demonstrated by a clear increase in the average rating, especially in the European market.

Integration

The integration and associated reduction of ESG risks in the security selection process improves the risk profile of the respective investment fund through the lower weighting of non-sustainable or less sustainable securities in the portfolio and also ensures that the investment fund makes an active contribution to the avoidance of social and environmental problems. One example is a typically better carbon footprint. The improved risk-adjusted return opportunities that result from integrating ESG risks into investment decisions have been confirmed by a large number of scientific studies.

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

Thematic funds

Thematic funds are investment funds that make targeted investments in fields such as energy efficiency, renewable energy, sustainable mobility, the circular economy, and social and development projects.

The sustainability-related impact of the respective theme is reported for each of these funds.

The Austrian Ecolabel and FNG Label

Some of the Management Company's funds have attained certification according to the current financial market sustainability standards such as the FNG Label and the Austrian Ecolabel. This independent external assessment and confirmation ensures compliance with prescribed sustainability requirements.

In addition to the tools mentioned above, the following tool applies 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 investment 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 sustainable impact. The added 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.

Description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned.

The internal ESGenius platform 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 adverse sustainability impacts.

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

Brief summary of our engagement policy, how we fulfil our responsibility for sustainability-related asset management or other obligations towards the shareholders

Active ownership

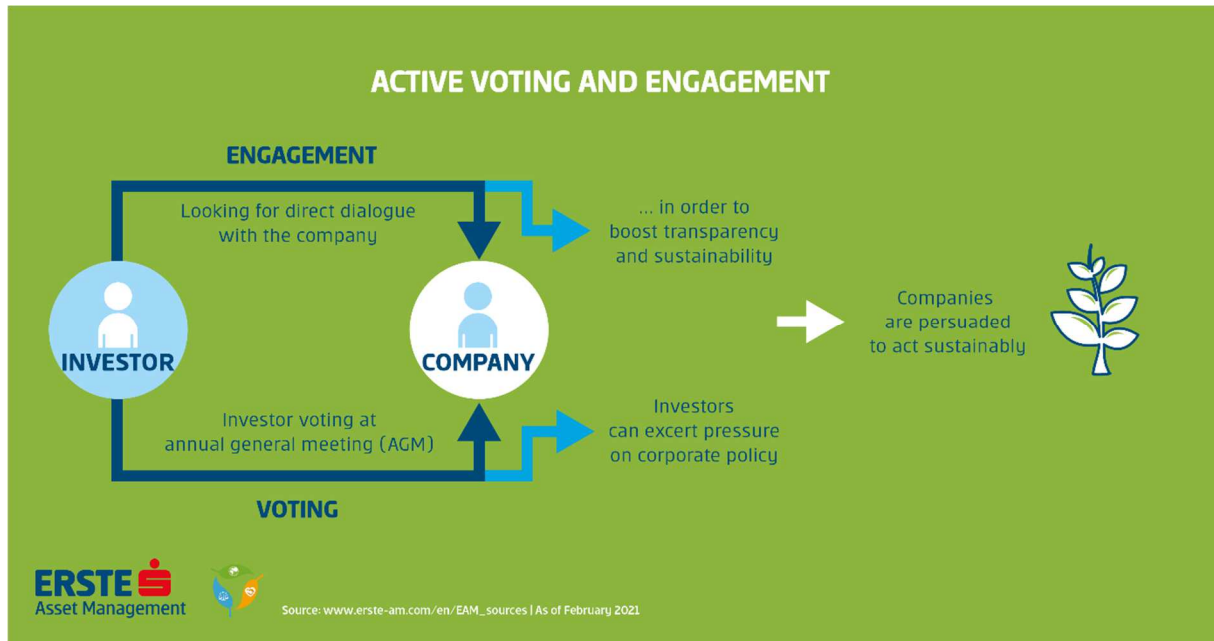
We understand active ownership to mean our responsibility to not only take sustainability criteria into account when selecting securities, but to also be an active investor that engages with the companies to promote measures that serve social responsibility, environmental protection, and enhanced transparency.

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 committed investor, EAM seeks active 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 a way to find a joint solution for improvement. Engagement is not only a question of responsibility, but also contributes to minimising risks and can thus improve long-term investment success. EAM can exclude companies that consistently refuse to enter into dialogue from the investment universe. EAM employs four engagement strategies:

Austrian engagement	Promoting the integration of ESG criteria in management decisions of Austrian companies through investor meetings/personal discussions.
Collaborative engagement	Combination of ESG interests with other investors to have a more powerful voice, especially with international corporate groups. International sustainability networks such as PRI and CRIC and the engagement service of a research services provider are used for this.
Theme-specific 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 integration 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. EAM has already exercised the voting rights conferred by the shares held by its RESPONSIBLE funds in accordance with the EAM Voting Policy since 2012. And EAM expanded its voting to the conventionally managed equity funds in 2016. 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 at <https://www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines>.

To ensure transparency and consistency in voting behaviour, the voting behaviour is reported regularly and publicly on the EAM voting portal. <https://www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines#/active-ownership>

Reference to adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting

Code of conduct

EAM subscribes to the fundamental values of a law-abiding, ethical, and sustainability-oriented corporate culture and lays the foundation for this culture in the EAM Code of Conduct, which contains binding rules for all day-to-day activities.

Carbon footprint

EAM is actively striving to reduce its carbon footprint in all areas. To this end, the Scope 1 and Scope 2 emissions are measured in accordance with the Greenhouse Gas Protocol. Plans are in place to measure Scope 3 emissions when such data become available. 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 and that is designed 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 objective is to measure how portfolios align with the Paris climate goals.

In 2016, EAM became the first Austrian asset manager to sign the PRI Montreal Pledge. This obligates EAM to measure and publish the carbon footprint of its equity and bond funds.



Calculation of the CO₂ risks in the mutual fixed income funds

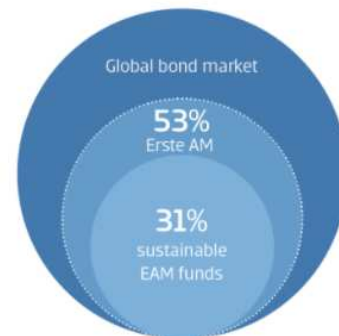
For its holdings of end-of-2018, Erste Asset Management expanded the calculation of the CO₂ risks across the entire range of mutual funds for the first time. This means that since then and beyond the specification of the Montréal Pledge, bond funds have been taken into account in the model.

The result is impressive both in relation to all mutual bond funds of Erste Asset Management (47% below the referential value) and to the sustainable bond funds alone (less than one third of the global fixed income average).

At the individual fund level, ERSTE RESPONSIBLE RESERVE (9.5%), ERSTE ETHIK ANLEIHEN (10.5%) and ERSTE RESPONSIBLE BOND (19.5%) performed particularly well.

CO₂ Emissions in comparison

Global bond market vs. Erste AM vs. sustainable EAM funds



Sources: MSCI-ESG, Erste Asset Management, CO₂ and sales data as of the end of the year 2020

CO₂-intensity of sustainable EAM bond funds by comparison

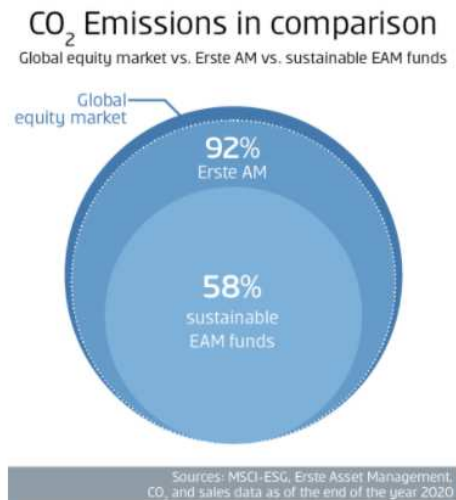


Sources: MSCI-ESG, Erste Asset Management, CO₂ and sales data as of the end of the year 2020

Mutual equity funds, better than the global equity market

The most recent results for the mutual equity funds of Erste Asset Management, which have been published for five years and running, were again convincing. The CO₂ intensity of the EAM equity funds is below that of the global equity market, and when taking into account only sustainable equity funds, below 42% of global emissions.

The detailed analysis at individual fund level shows very good results for ERSTE RESPONSIBLE STOCK GLOBAL (45.9%), ERSTE ETHIK AKTIEN FLOBAL (53.5%) and ERSTE RESPONSIBLE STOCK AMERICA



CO₂-intensity of sustainable EAM equity funds by comparison



Disclaimer:

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