



Handbook for Responsible Investing

ERSTE
Asset Management

www.erste-am.com

Our long-standing partners in the field of sustainability

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www.esgletter.com



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Preface

Investing with a good conscience



More and more investors are interested in the idea of investing their money responsibly. Last year, assets under management held by funds and investment solutions that focus on financial as well as environmental

and social criteria reached a new peak at almost EUR 212bn only in Austria and Germany (source: Forum Nachhaltige Geldanlagen). This is one of the big success stories of the asset management sector in the past ten years, with no end in sight. We are only at the beginning of a path that will have a positive impact on the entire cycle of money.

The big percentage increase in investment volume in the low double-digits has been generated primarily by institutional investors. Public and private pension funds and insurance companies have structured their financial investments so as to adhere to ESG criteria (environmental, social, and governance aspects). At the same time, an increasing number of quoted companies are putting their sustainable activities to the test and have entered into a dialogue with us, the investor.

As market leader in Austria and top player in the region of Austria, Germany, Switzerland, and CEE, Erste Asset Management is an experienced and successful partner both in the institutional and the retail segment. With sustainably invested assets under management of currently EUR 14bn (as of December 2020), a total of 43 sustainable mutual and special funds, 20 years of experience, and the expertise of one of the biggest teams of sustainability experts in the region, we are the leading provider when it comes to “investing with a good conscience”. For this reason, we not only restructured our offering in 2020, but also started the company-wide integration of ESG criteria into our traditional mutual funds.

I wish you an interesting reading and many suggestions with the fourth edition of the “Erste Asset Management Handbook for Responsible Investing” as well as many cues for your own investment projects as possible.

A stylized, handwritten signature in blue ink, consisting of fluid, overlapping loops and strokes.

Heinz Bednar
Chief Executive Officer
Erste Asset Management

The concept of sustainability and responsibility



Many of you will know the allegory of the blind monks and the elephant. A group of monks living in complete darkness want to know what an elephant is. Each of them examines a different part of

the animal, tries to match it mentally to a previous experience, and of course comes out with a completely different result than all the others about the essence of an elephant.

Sometimes I think that the discussion about sustainability follows similar patterns. On the basis of the often substantial differences between the concepts of sustainability lived (and sometimes faked) by the various providers, we see the same terminology used in arguing what sustainability actually is. When two people mean something different but call it by the same name, it may provide a good script for a 50s screwball comedy, but it does not offer a basis for a fruitful discussion as far as content goes. A bad premise, therefore, for a discussion about what sustainability means and how we handle it.

Even as clear market leader in Austria, Erste Asset Management cannot give a universally valid definition of sustainability. But in view of our experience and resources we can and must set the quality standard in the market, and in doing so have to be so transparent as to ensure that anyone who wants to understand us, can do so. Along those lines, this handbook is meant to bring light into the darkness and to make transparent what sustainability (or responsibility) means to us. If we fail to establish a clear consensus due to the very nature of the issue, maybe we will at least manage to create a clear standard for transparency and the possible level of sustainability.

A stylized, handwritten signature in black ink that reads "Gerold Permoser".

Gerold Permoser
Chief Investment Officer
Chief Sustainable Investment Officer

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Sustainability. But why?

Sustainability means to be conscious of one's actions and their consequences and to design them in a way that avoids damage and creates new opportunities. In other words, the actions of today's generation should not limit the opportunities of future generations. To use an analogy, acting sustainably is like a farmer who cultivates a tree by picking its fruit rather than cutting it down. This way he can expect a good crop on a sustainable basis without endangering tomorrow's subsistence.

In the field of investments, a sustainable strategy aims at the generation of stable, long-term returns. Many times, more goals are pursued simultaneously, among them economic factors such as the avoidance of risk or the seizing of growth opportunities resulting from global mega trends, compliance with ethical convictions, and targeted investments so as to produce an environmental and social impact. The common denominator of these approaches is to ensure the sustainable character of these investments.

Erste AM has integrated the tools for this in a modular process. In addition to traditional management tools, certain ESG factors are taken into consideration. We are going to illustrate the individual steps on the following pages.

Possible motives to
invest in responsible
funds & bonds



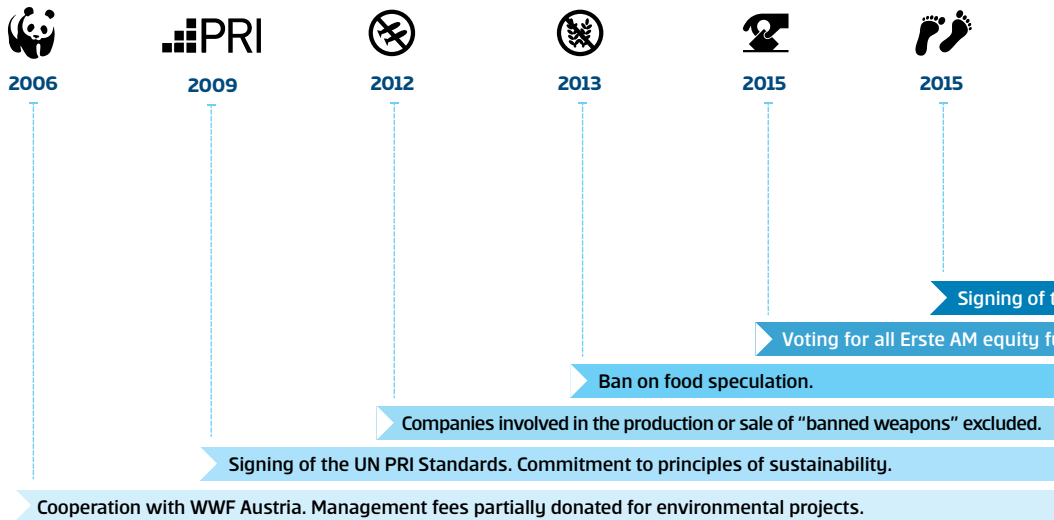
1. Sustainability at Erste AM

Sustainability is a term that comes with a long tradition at Erste AM. Early on, we discovered that investors were increasingly taking into account the responsibility for the environmental, socio-ethical, and governance aspects in their investment decision-making. Our most important milestones in this area:

1.1 Launch of the first sustainable fund (2001)

Our sustainable awareness has been the reason for us to develop a broader range of ethical and sustainable funds for institutional and retail clients since 2001. As thematic fund, ESPA STOCK

Umwelt, launched in 2001 (since 2015, ERSTE WWF STOCK ENVIRONMENT), invests in companies that come up with solutions for global challenges such as climate change or water shortage and thus benefits from these mega trends. The resulting risks and opportunities are not only affecting some environmental themes, but all investments. Therefore, we set up ERSTE RESPONSIBLE STOCK GLOBAL in 2003 to roll out our sustainable standards into all sectors.

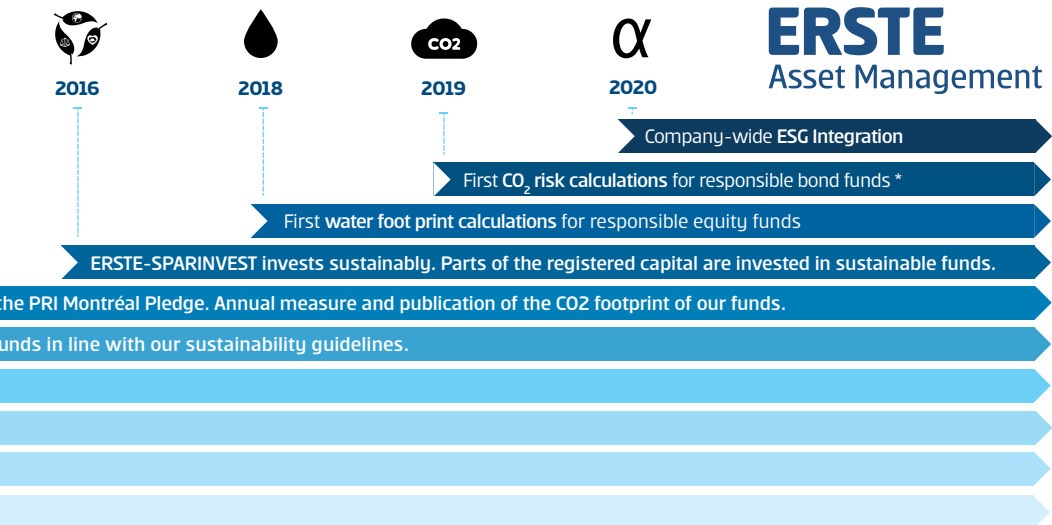


1.2 Cooperation with WWF Austria (2006)

In 2006, Erste AM signed a cooperation agreement with WWF Austria. Since then, ERSTE WWF STOCK ENVIRONMENT has included the names of both partners. Since 2007, ERSTE-SPARINVEST (a subsidiary of Erste AM) has not only supported the Austrian river protection programmes of WWF Austria, but also the conservation of the world's biggest rain forest by donating part of its revenues to WWF. Our clients benefit from the expertise of the WWF environmental advisory board in selecting investable companies.

1.3 Signing of the PRI (2009)

As the first Austrian asset manager, Erste AM signed the Principles for Responsible Investment of the United Nations (PRI) in 2009. Thus, Erste AM has committed itself to contributing actively to the development of not only its own products, but of the entire market of sustainable (responsible) investments.



* before only equity funds



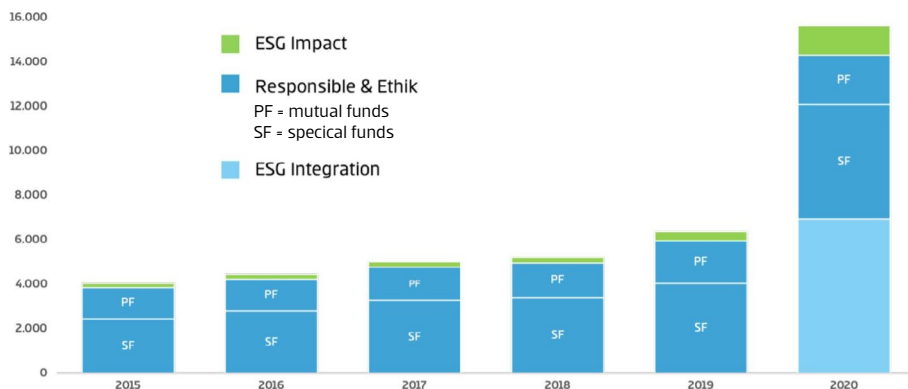
The Principles for Responsible Investment are a framework and an association of investors supported by the United Nations with the goal of establishing social and environmental questions in the investment industry. Within the framework of PRI, we regularly enter into agreements, especially in the field of engagement, in order to effectively facilitate positive change even within the biggest companies.

1.4 Sustainable investment of capital (2016)

Since 2016, our conviction in the advantages of sustainable investing also shows in the fact that the proprietary capital of Erste AM is invested according to our sustainability guidelines in accordance with the legal framework.

1.5 Company-wide ESG Integration (2020)

In 2020, Erste AM decided to further develop its traditionally managed funds by integrating ESG criteria. This is intended to improve, among other things, the CO₂ intensity of the investments made and the quality of the governance of the portfolios.



2. Sustainability as core competence

1.6 Sustainable funds

With assets under management of more than EUR 16bn invested sustainably as of the end of 2020, Erste AM is the biggest provider of sustainable funds in Austria and one of the most important investment companies in Germany and Switzerland.

In order to act in the best interest of its clients and the company, Erste AM has developed the capacity and know-how over the past 20 years to integrate environmental, social, and governance (ESG) factors in its investment processes and decisions.

This know-how does not only serve our explicitly sustainable funds, but is at the entire investment company's disposal, wherever possible. To this end, Erste AM invests and mobilises significant resources, both internally and externally.

2.1 Responsible Investment Team

The Responsible Investment Team of Erste AM is in charge of the analysis and supply of data and signals with regard to ESG risks. It is also responsible for the development of our sustainable investment approaches and the management of the ERSTE RESPONSIBLE funds.

A total of 13 people is currently dealing with the implementation of our sustainable investment strategy on a daily basis. With more than 20 years in the investment business, their experience is above average within the sector. This means that Erste AM has one of the biggest and most experienced sustainability teams in the German-speaking region.

We attach particular importance to the constant exchange between fund managers and analysts of the Responsible Investment Team. This way, Erste AM can recognise and avoid emerging ESG risks early on and make a statement with regard to the valuation of specific companies at any point in time.

Through the active integration of ESG criteria into the investment decisions and analyses of our traditional fund managers, this collaboration is now being further deepened.

Responsible Investment Team

ESG Leadership



Gerold PERMOSER
Chief Investment Officer (CIO),
Chief Sustainable Investment Officer (CSIO)

ESG Core Experts

17



Dominik BENEDIKT
Senior Product Manager
ESG

28



Martin CECH
Senior Fund Manager
RI FI, MAM, Microfinance

29



Clemens KLEIN
Senior Fund Manager
RI Equity, Umwelt

13



Alexander OSOJNIK
Senior ESG Analyst

RI Fund Manager



Karl ALTRICHTER



Gerhard BEULIG



Franz KISSER



Harald KOBER



Bernhard SELINGER



Gabriela TINTI

Multi Asset

Equities

10 Responsible Investment Team, Source: Erste Asset Management, 2021

Walter HATAK

Head of Responsible Investments

"Sustainable investors start their analysis where traditional investors often stop."



ESG Leadership

ESG / sustainable investments experience in Years

31



Gerhard RAMBERGER

Senior Fund Manager
RI Equity, Ethik

9



Stefanie SCHÖCK

Senior ESG Analyst

2



Dominik VARGA

Junior ESG Analyst

1



Hebing DONG

Junior ESG Analyst

ESG Core Experts



Thomas OPOSICH



Péter VARGA



Florian ZWETTLER



Thomas SCHUCKERT



Roman SWATON



Dieter ZIERING

RI Fund Manager

EM Credits

DM Credits & Sovereigns

2.2 External resources

In addition to its own expertise, the Responsible Investment Team has a multitude of external partners and resources at its disposal, which support it in its activities.

An example of this is the sourcing of data from research agencies, which each have a complementary orientation in their rating approach.

Provider	Focus	Contribution	
	Sustainable research with focus on ethical criteria; company and country analysis	Stakeholder research, negative screening	Incorporated in EAM-ESG-rating
	Sustainable research with focus on risk management and company analysis	Sector based research, risk assessment, corporate governance research	
	Collaborative corporate engagement Portfolio monitoring for compliance with norm-based criteria	Engagement, Controverse-Screening	Input for EAM-ESG-research
	Sustainable research with focus on corporate governance provider for proxy voting	Proxy voting, corporate governance information	
	Sustainable research focusing on environmental technologies, company- and country analysis	Impact measurement	

- **MSCI ESG Research** offers a focused risk analysis of the individual companies, while **ISS ESG** contributes a more holistic, ethical approach. Other agencies may provide data with a geographic or topical focus or facilitate the identification of outliers. Overall, this gives us access to the work of hundreds of analysts on all continents.
- Only by combining these different sources we can paint a complete picture for every company within the framework of our sustainability analysis and recognise risks early on by cross-referencing different signals. For **voting and engagement**, we are cooperating with specialised partners, in this case with **ISS** and **Sustainalytics**.
- We also assume responsibility as active members in leading sustainable umbrella association (**e.g. Eurosif, CRIC, FNG**), where on the one hand we get the chance to help shape the development of sustainable investments, and on the other hand achieve better results due to a concerted approach, for example in the field of engagement, due to bundled interests and pooled investments than it would be possible as individual company.

2.3 Erste Responsible Investment Board

The Erste Responsible Investment Board is a dialogue board for dialogue with our external research partners. In the context of these talks we are having in-depth discussions several times a year about the valuation of ESG risks and the opportunities in selected sectors. In doing so, both sides benefit: the analysts of Erste AM get direct access to the roughly 300 sector specialists of our research partners in order to fine-tune our own research. At the same time, we are often able to act as catalyst for further development of the rating methodologies of our research partners and thus to promote the discourse on sustainability in general, in line with the specifications of the PRI.

2.3 Erste Ethik Advisory Board

The Erste Ethik Advisory Board supports Erste AM in all matters related to the ESG approach and investment process. It currently comprises five experts from the fields of Management Accounting, Taxation, Political Science, Ethical and Sustainable Investment and Moral Theology.



CRIC Association For Ethically Oriented Investors

CRIC is the biggest association of investors for the promotion of ethical investments in the German-speaking region. Erste AM has been a member of CRIC since 2011, and since then a number of engagement activities have been implemented. One of the directors is also on the Erste Responsible Advisory Board and supports the Responsible Investment Team in solving complex ethical questions.



Eurosif European Sustainable & Responsible Investment Forum

is a pan-European association of sustainable investors that has set itself the goal of promoting sustainability via the financial markets. Our cooperation with Eurosif via the European Transparency Code assures, among other things, that our clients are at all times provided with reports on our sustainability approach, our processes, and our decisions at the utmost level of transparency.



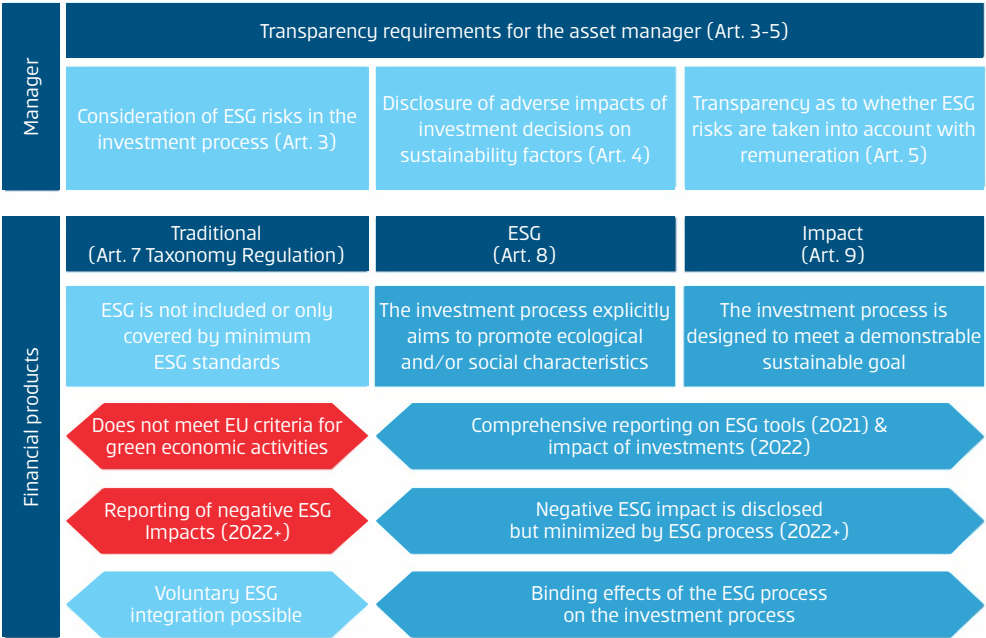
FNG Forum Nachhaltige Geldanlagen

i.e. the Association for Sustainable Investments, has been the sector association for sustainable investments in Germany, Austria, and Switzerland since 2001. Erste AM has been an active member since 2004, which allows us to maintain a pioneering role in the development of sustainable investments in our home market. Since 2015, FNG subjects the quality of sustainable investment funds to an inspection and certifies them with the FNG seal of quality. Since 2016, FNG has scrutinised and certified the quality of our sustainable funds. Also in 2019, Erste AM has the highest number of FNG-certified funds in the entire sector.

3. Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) of the European Union creates transparency for the inclusion of sustainability risks in investment decisions and for the consideration of adverse effects on sustainability factors in financial investment products. These are linked in requirements for the asset manager and requirements for the product.

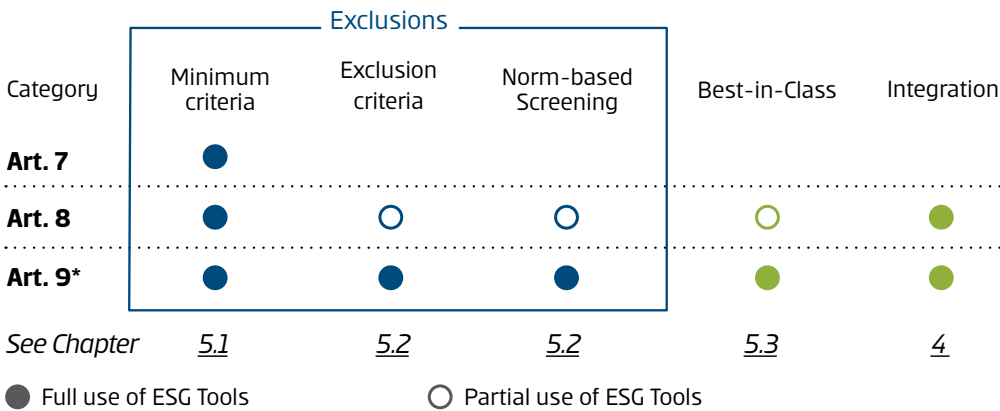
Erste AM has adapted the documents relating to your funds in detail to meet the transparency requirements of the SFDR. You will find them on the homepage of Erste AM as well as in the official documents available there. In addition, Erste AM is already publishing extensive information on its sustainable funds and their ecological and social footprint, which we will highlight for you in the following chapters.



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.

Erste AM's sustainability approach uses an ESG toolbox that combines all the important tools and quality features of sustainable funds. The aim is not only to depict sustainability via one dimension, but to be able to comprehensively address the various sustainability effects and impacts. Our conviction is that only the combination of these different tools enables the full benefit of sustainable investments.



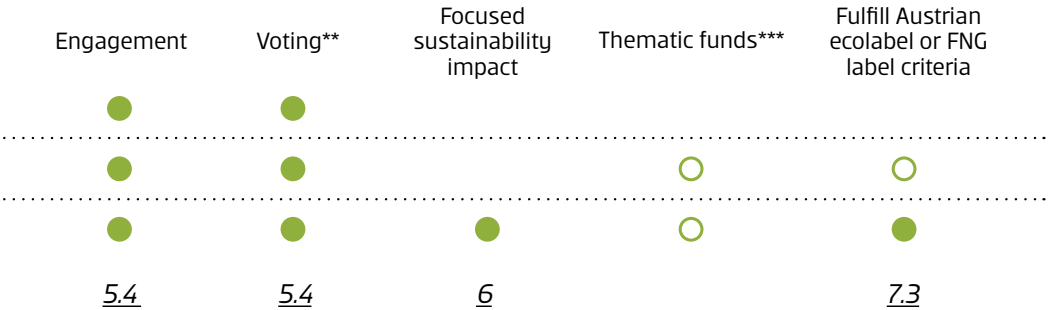
* Except ERSTE RESPONSIBLE MICROFINANCE due to its specific investment process focused on microfinance.

Nevertheless, not all elements of the toolbox (tools) are stubbornly used in all investment strategies. Instead, the use of the individual tools is determined on the basis of the investment strategy and the expected risk potential for each investment fund.

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 schematic on this page gives you an overview of which tools are typically used for which funds, and where you can find more information about each in this manual.



** 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.

4. Company-wide ESG integration

Responsibility and return are not contradictory. We are convinced that sustainable investments have an improved long-term return and risk profile by taking into account financially significant environmental, social and governance risks than products designed exclusively according to conventional investment analysis and management processes. For this reason, Erste AM 2020 has decided to incorporate ESG criteria into the management of its traditionally managed mutual funds throughout the company in order to align them sustainably.

Our ESG fund range is divided into three pillars, each of which corresponds to a clear sustainability claim and access:

α ESG-Integration

Quality

In addition to the economic and financial criteria, **ESG factors** are integrated into the investment process, which can further improve the **risk-adjusted return**.

Implementation

Integration means incorporating ESG criteria into the investment process because they can have a **positive financial impact**.

Investments in companies with **high ESG risk** should be **reduced**.

Analysts identify investments whose **ESG characteristics** should be expressed in **economic benefits** and recommend them.

Art. 8
SFDR



ESG-Responsible



ESG-Impact

Quality

This is where the **holistic ESG approach** of the Erste AM is fully effective. The investment strategies meet very **high ethical standards**.

In addition to the economic return, the focus of these funds is on the **impact on the environment and society**.

Implementation

Ecological, social and governance data lead to the **proprietary ESGenius Rating**.

Our **best-in-class approach** ensures that ethical and financial ESG risks are captured to identify the most sustainable companies.

Strict exclusion criteria from all aspects of sustainability to ensure clear, high ethical standards.

These are very **specific investment strategies** with an ecological or social focus.

Social and/or environmental progress should be targeted and are the key decision-maker for the Funds.

Impact is made visible and continuously reported on.

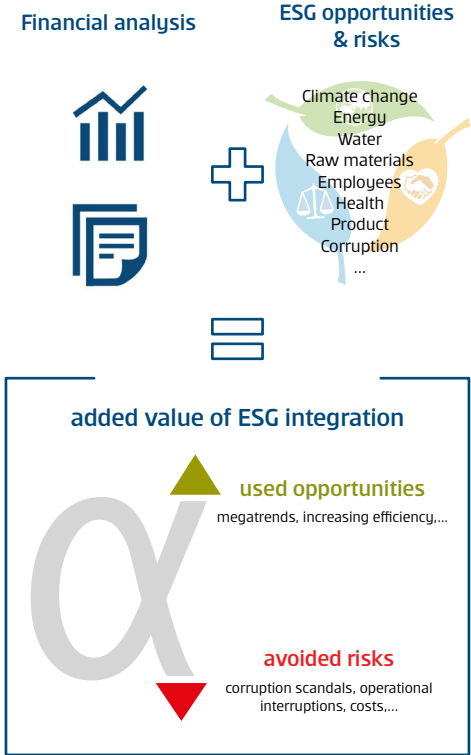
Art. 8
SFDR

Art. 9
SFDR

ESG integration is the inclusion of ESG opportunities and risks into financial analysis

The traditional analysis and evaluation of investments based on market and financial data will be expanded to include relevant environmental, social and governance (ESG) factors. Only ESG factors that are relevant to the company's results due to the respective business activity are taken into account. It does not incorporate purely ethical criteria.

The full expertise of our Responsible Investment team continues to be available to fund managers for their management decisions. In addition, the sector specialists in fund management specifically include ESG aspects in their analyses. Other tools are intended to make a concrete contribution to reducing CO2 intensity or improving the governance quality of portfolios.



5. Erste Responsible - the integrated sustainability approach by Erste AM

Sustainable investments are characterised by numerous, sometimes competing approaches and definitions. While some providers are happy to just exclude certain sectors, others for example enter into a dialogue with companies but do not follow up in any further analysis.

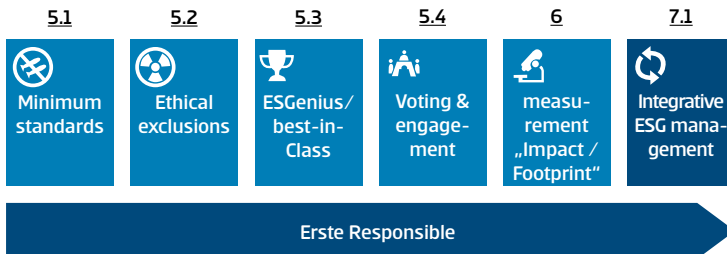
It is the view of Erste AM that a sustainable investment process creates the biggest value added when it combines all available tools and methods.

In view of this stance and in order to meet the strict requirements of our clients, we have developed the integrated sustainable approach of Erste AM for our sustainable funds. It combines **exclusion criteria**, a **best-in-class approach** based on our ESGenius analysis, **engagement and voting** as well as the design of our investment

decisions in line with the desired **impact**, and the measurement of the sustainable yield thus achieved.

At the same time we attach great importance to offer all of our clients **tailor-made solutions** according to their needs. Therefore, the sustainability approach comes in a **modular** structure and can be adjusted to specific client needs all the way down to the details.

We also make use of this option within Erste AM. We are convinced that sustainability is not simply a product but emanates from the conviction that the consideration of environmental, social, and governance factors allows our clients to improve their risk management and thus performance in the long run.



Therefore, we are putting the expertise of our Responsible Investment Team at the disposal of the entire company and have increasingly integrated it, in an adjusted form, with our traditionally managed products. This also applies to the Montréal Pledge, i.e. the commitment to measuring and publishing the CO₂ footprint, which Erste AM signed as first asset manager in Austria in 2016.

Our most important ethical principles are not restricted to some sustainable products either, but apply to all mutual funds of Erste AM. For this reason, we have developed ethical minimum standards for all of our products since 2012.

Erste AM has structured the management of its sustainable funds according to three clearly defined investment approaches. These supplement the minimum standards of Erste AM – no investment in controversial weapons, coal, and financial instruments for food speculation – which are binding for all our retail funds (see 5. 1).

5.1. Ethical minimum standards for all funds of Erste Asset Management

The ethical minimum standards for all mutual funds of Erste AM comprise

- **Exclusion of controversial weapons**
- **Refraining from food speculation**
- **Refraining from investments in coal**

These standards are also publicly available at www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines.

Exclusion of controversial weapons



Since 2012 Erste AM has committed to refraining from investments in companies that are involved in the production or trade of controversial weapons.

Among them are:

- Biological and chemical weapons
- Submunition, including possible launch, firing, and projection systems
- Anti-personnel mines, mine deployment systems, and other mine systems
- Nuclear weapons and uranium ammunition

We are monitoring the development of new, controversial types of weapons together with our external cooperation partners in order to include said types in our catalogue of criteria if need be.

We are also excluding countries from our investment universe if they are subject to sanctions by the UN Security Council due to the infringement with international agreements on controversial weapons.

Refraining from food speculation



In line with the social responsibility of the entire Erste Group, in 2013 Erste AM decided to refrain from investments aiming at an increase in food prices across all of its investment funds and client portfolios,

in line with the social responsibility of Erste Group. This includes especially all multi-asset management products – both umbrella funds and asset management solutions – that will not invest in external funds or derivatives which speculate in food.

Refraining from investments in coal



In 2016, Erste AM was the first asset manager in Austria and one of the first ones in Europe to commit to refraining from investments in coal mines for all of its mutual funds in terms of individual securi-

ties (i.e. shares or bonds). All companies deriving more than 30% of their sales from coal production are excluded. All existing investments in the portfolios were sold as of 1 November 2016.

We had already excluded investments in coal production for our sustainable ERSTE RESPONSIBLE equity and bond funds at the end of 2015. For these funds, a stricter threshold of 5% of coal production in terms of sales applies due to their implicit mission. In addition, these funds also do not invest in coal-fired power stations. All power plant operators with a share of coal above 20% in terms of total power production of the respective company have been excluded from the investment universe of ERSTE RESPONSIBLE funds.

These rules capture the biggest producers of greenhouse gases in the energy sector, as a result of which risks in these areas are efficiently avoided on behalf of our clients. This also constitutes a significant contribution to curbing climate change.

	Erste Responsible funds	Erste AM mutual funds
Coal mines ¹	5 %	30 %
Utilities ²	5 %	-

¹ Share of sales from the production/ trade of thermal coal

² Share of power production

Source: Erste Asset Management, 2020

5.2 Exclusion criteria for our range of sustainable funds

The application of exclusion criteria guarantees the compliance with an ethical basis for all investments affected. In addition, this allows us to actively avoid certain social, environmental, and financial risks.

Companies are screened for any violations on the basis of a defined catalogue of criteria. The focus of most exclusion criteria of an ethical nature, is the observation of human rights and the avoidance of child labour.



Labour rights



Nuclear power



GMOs, embryos



Corruption, fraud



Child labour



Oil sand, fracking



Animal testing



Human rights



Pornography



Tobacco



Abortion



Weapons



Coal

This also helps to avoid sometimes incalculable, long-term financial risks such as those created by nuclear energy as a result of the recycling of nuclear waste or in case of a nuclear catastrophe. But other factors such as corruption or fraud can also cause high follow-up costs. Just like the entire sustainable approach by Erste AM, the exclusion criteria, too, can be used as modules. This includes the application of minimum standards such as the exclusion of banned weapons, coal, and food speculation for all funds of Erste AM and goes all the way to the comprehensive social and environmental standards of the ERSTE RESPONSIBLE funds.

Despite the strict catalogue of criteria for our sustainable mutual funds and the stern interpretation by our team of analysts, only 12% of the companies in the general investable universe of the international capital markets are excluded because of violations.

5.3 ESGenius analysis / Best-in-Class

The ESG or best-in-class analysis constitutes the core of the sustainable investment approach of Erste AM. The goal of the process is to identify the sustainable companies within every sector; i.e. those that master the company-specific, environmental, social and governance risks best and whose actions reflect the highest ethical standards.

For this purpose, the analysis is focusing on the relevant ESG criteria that can be assessed using statistical methods. This is put in contrast with suitable manage-

ment processes as well as the social and ecological performance data of the respective company. For that matter, the emphasis is put on two focus areas: on the one hand the risks that have an immediate and tangible effect on the financial success of the company and on the other hand the risks that correspond to ethical entrepreneurial behaviour. The efficient use of natural resources, the management of the supply chain, job safety and further education or measures for the fight against corruption are only a few of the highlighted topics. In total, there are more than 100 factors considered in the assessment that are partly also industry specific.



On the basis of this data the Responsible Investment Team of Erste AM establishes the proprietary EAM-ESGenius rating. Every company is awarded a sustainability rating in the range from 0 to 100 (look at illustration ESGenius)

This specific approach offers a number of advantages for our clients. In contrast to the exclusive use of exclusion criteria, the best-in-class system provides an analysis that includes a future angle by means of which risks can be identified and taken into account for our investment decisions prior to any damage. Also, it is putting emphasis on those companies that are particularly well prepared for global trends or regulatory developments.

Our proprietary EAM-ESGenius rating also offers clear value-added vis-à-vis the implementation of an externally procured rating. While strongly risk-oriented rating products sometimes do not fulfill the ethical requirements of clients, many ethically-focused providers fail to put sufficient stress on the most important rating signals and risk factors. By combining both approaches and complementing them with in-house research, Erste AM reaps the benefits of all lines of investigation and largely avoids the respective pitfalls. The result is not only a risk-conscious evaluation that also fulfills the highest ethical requirements, but also the basis for further innovation.

The process can be flexibly adjusted to the requirements and foci of our clients or specific asset classes.

ESGenius



The ESGenius Analysis combines risk and ethically oriented ESG approaches to provide a holistic ESG assessment for each issuer, tailored to its activity.

For companies from the emerging markets we have developed a specific ESG rating model in order to allow for specific requirements in those regions. Here, we put particular emphasis on the strict monitoring of ESG risk and questions of sustainability. Purely ethically motivated questions get a lower weighting in this rating model.

Overall, the best-in-class approach excludes about half of all analysed securities of our ERSTE RESPONSIBLE funds. This information is subject to the exclusion criteria applicable to our funds which results in the investment universe that is actually investable for the fund managers.

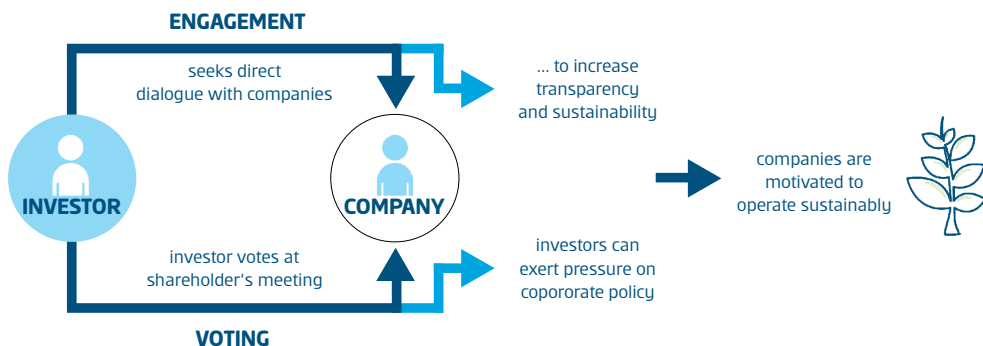
Company	Country	ESGenius rating	Exclusion criteria	Investability
A	US	82	Controversial business practices	Not investable
B	TW	79	–	Investable
C	US	64	Employee rights	Not investable
D	US	63	–	Investable
E	JP	59	Employee rights	Not investable
F	JP	51	Weapons, nuclear power	Not investable
G	TW	49	–	Not investable
H	US	37	–	Not investable
I	US	23	–	Not investable
J	JP	10	Child labour	Not investable

5.4 Active ownership: voting & engagement

By active ownership we mean our responsibility to not only allow for sustainability criteria in the title selection but to also actively promote measures of social responsibility, environmental protection, or better transparency as investor vis-à-vis companies.

Here, we distinguish between engagement, i.e. the formal or informal dialogue with companies, and voting, i.e. the exercising of the voting right at annual general meetings (AGMs).

The goal of both activities is to strengthen the vote that our clients have transferred to us by investing in our sustainable funds and to make the companies aware of it. As a result of the positive change that is instigated by this dialogue, new investment opportunities for sustainable investors may emerge. The board of involved companies get to know what kind of progress our investors demand. This is generating a long-term impact.



Engagement

The engagement approach of Erste AM aims at achieving maximum changes towards a sustainable management performance by way of direct dialogue and on behalf of our clients. On the one hand, this is ethically motivated.

On the other hand, we as sustainable investors also have the mission to constantly minimise the ESG risks of our existing investments and to generate new opportunities for our clients.

To this end, our engagement strategy consists of four approaches:

Austria engagement	Promotion of the integration of ESG criteria in management decisions of Austrian companies via investor meetings or face-to-face conversations
Thematic engagement	Bundeling of our ESG interests with those of other investors for better recognition from international companies. In this context, Erste AM is working with international sustainable networks such as PRI, CRIC and the engagement services of sustainability.
Collaborative engagement	ESG research on topics of particular public interest. Results are made available for fund management and can result in a divestment. On top of this, increased pressure from investors via the publication in an ESG letter or via a press release is possible.
ESG dialogues	Promotion of the integration of ESG risks in management decisions of international companies within the framework of dialogues with the top management

The integration of sustainable investment processes in traditional fund management

Alongside these focused engagement approaches we are also focusing on the integration of ESG topics in the standard building blocks when it comes to the ongoing dialogues of fund managers with the relevant contacts at various companies.

Thus, we can place our sustainability claim on a top level and can advocate sustainable changes directly at the highest level of decision making.

You can find a summary of our current engagement cases on our website at www.erste-am.at/en/private-investors/sustainability/publications-and-guide-lines.

Voting

Voting is the second central pillar of the active ownership approach of Erste AM. We have exercised the voting rights of the shares held by our ERSTE RESPONSIBLE funds since 2012. This means that we are actively participating in the voting process for those companies we are invested in.

In 2015, the Responsible Investment Team of Erste AM expanded voting to all mutual equity funds. Within the framework of our voting guidelines, said votes are also subject to our sustainability approach.

This approach offers three advantages:

- The inclusion of the voting rights of traditional funds allows to enforce changes in companies that are not investable for sustainable funds. Thus, it is typically possible to reach a greater change compared to sustainability leaders. For example, in 2017, we successfully supported a shareholder proposal for the development of a climate strategy for ExxonMobil.
- Via the bigger investment volume the number of companies, where a meaningful exercise of voting rights is possible, increases significantly.
- The traditional fund management is profiting from the in-depth analysis of the companies they are holding. This is in particular true regarding the topic of governance.

Since 2017, Erste AM has also exercised voting rights on behalf of institutional clients. This way, clients can exercise their role as responsible investors and thanks to the expertise of Erste AM validate and support proposals in the areas of E, S, or G.

Implementation

In Austria, we exercise the voting rights directly, while we our partner ISS (Institutional Shareholder Services) handles this task abroad. Erste AM will exercise its voting rights, if our funds hold at least EUR 2mn of equity in the company or more than 5% worth of its outstanding shares.

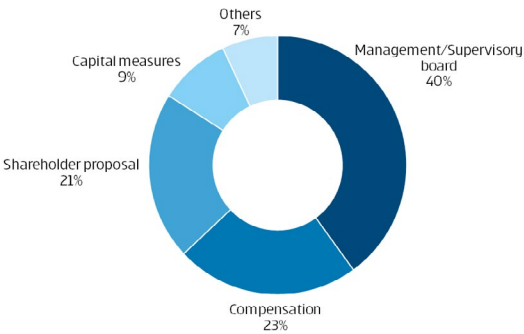
The Erste AM Voting Policy represents the guidelines for voting and takes into account regional differences in the framework and the way proposals in the fields of E, S, and G are handled.

The voting activities of Erste AM are published transparently, and can be found under the following link:

www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines

The exercising of voting rights in 2020

In 2020, Erste AM exercised voting rights for EUR 3.9 bn worth of shareholdings. Votings against the recommendation of management were exercised for example when supporting specific shareholders proposals.



Voting against the management recommendation

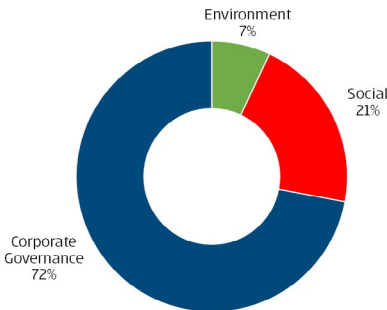
Voting 2020	
Holdings that qualify for voting 2020 (as of October 2020)	4,6 bn EUR
Voting volume Companies in which our funds hold at least EUR 2mn of equity or 5% of the outstanding shares	3,9 bn EUR
In terms of qualified holdings	85%
Time frame	January 2020 to October 2020
Votes cast in [number of companies / number of AGMs]	453 / 498

Shareholder proposal topics

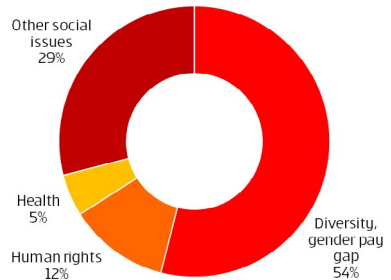
Applications from the ESG areas were used to improve the transparency for lobbying payments and political contributions of companies. In the fields of climate proposals the main aim was to

align climate targets to the Paris agreement and consider possible risks of climate change to the business fields of companies. From a total of 268 voted shareholder proposals, 18 environmental proposals, 56 social proposals and 194 governance proposals were supported.

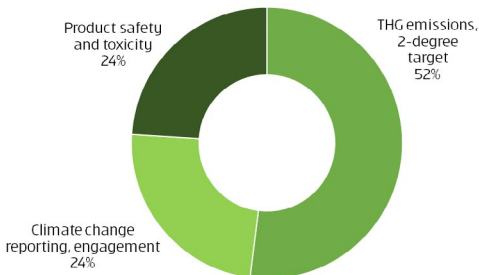
ESG motions



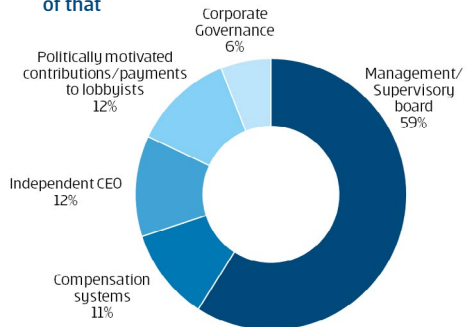
Social (20,9%) of that



Environment (6,7 %) of that



Governance (72,4 %) of that



6. Impact Investments

Sustainable investments are increasingly not only measured in terms of financial return. Also the postulation to specifically enforce social and ecological progress via investment decisions is becoming stronger. More and more institutional investors are facing this challenge.

The goals for sustainable development by the United Nations contain 17 goals for the development of our planet until 2030. Since 2016, they have been legally binding for member states of the United Nations. What all goals have in common is the search for a solution for global challenges and mega trends.

An answer to this quest is impact investing, i.e. an alternative approach to sustainable investing. It gives investors the chance to effect predefined social or environmental change and to participate financially. Of course, sustainability risks are taken into account here as well.

Erste AM currently offers three different solutions in this field, each of which pursues numerous goals with regard to sustainable development.



ERSTE RESPONSIBLE MICROFINANCE

The goal of this fund is the financing of founders of new businesses and micro-sized companies in emerging economies. 50,000 people have so far been provided with micro loans that have transformed into a livelihood.

High social yield results from the focus on working capital loans:

- Creation of new sources of income
- Realisation of business ideas
- Job creation
- Long-term increase in wealth
- Minimum levels of consumer credit



Martin Cech, fund manager of ERSTE RESPONSIBLE MICROFINANCE, visiting a costume producer in Georgia

A particular focus is placed on women taking out micro loans, since experience shows that this way higher degrees of social benefits can be achieved.

The number of people reached, and the composition of the projects are continuously monitored by the fund management team in order to ensure compliance with the goals originally set.



ERSTE WWF STOCK ENVIRONMENT

This fund invests exclusively in companies whose business activities have a proven track record of positive impact on the environment. This impact is confirmed by the advisory board of the WWF.

The impact achieved is recorded by the Responsible Investment Team and reported transparently to our clients. In addition, Erste AM donates parts of the management fees to environmental projects of WWF Austria. This way, rain forests covering a surface equal to the area of Austria have been put under protection over the past ten years. In Austria, EUR 1.67mn have been invested in projects of renaturalisation and river protec-

tion. In total, EUR 2.5mn have been invested in order to support WWF protection projects. The quality of this approach has received numerous international awards. In 2016, the fund was named best sustainable fund in the German-speaking region as part of the FNG Seal.

It is crucial to make the impact measurable. Since 2016, Erste AM has calculated the detailed impact of the companies in the fund over the year on an annual basis.

For example, said companies have installed renewable energy carriers in 2018 that will save about 942mn tonnes worth of CO₂ throughout their life. This is equal to the annual emissions of countries like France or Australia.



Impact measurement ERSTE WWF STOCK ENVIRONMENT



28,840,000 people

have got access to clean drinking water.



22mn households

have been provided with renewable energy. The total capacity of renewable energy sources amounted to 305 Gigawatts, which is 58 times the capacity of the biggest coal-fired power plant.



742mn tonnes of CO₂

have been saved by newly installed energy carriers.¹

¹ based on the entire life of the facilities



17.7mn tonnes of CO₂

have been saved by rail transport.



100% share of renewable energy

in ERSTE WWF STOCK ENVIRONMENT. This share of renewable energy is four times higher than that in the worldwide energy mix, 76% of which is made up by fossil and nuclear energy.



16mn tonnes of waste

have been saved by recycling. This equals 13.5 times the total waste produced by the city of Vienna

Performance data for the companies held by the fund, not just the fund's equity in each issuer. The complete impact sheet of ERSTE WWF STOCK ENVIRONMENT is available at www.erste-am.at/en/private-investors/sustainability/co-operations-and-certifications/wwf-cooperation.

ERSTE GREEN INVEST

ERSTE GREEN INVEST builds on the proven formula of the ERSTE WWF Stock Environment to help solve global environmental challenges and to benefit from these megatrends. In addition to the well-known thematic areas of energy, climate, mobility, water and recycling, the fund also invests specifically in transition and adaptation to climate change. The focus on transition is intended to support companies that stand out in particular by their transformation from old problem

technologies to sustainable solutions of the future. Under the title of adaptation, companies that contribute to adaptation to the unavoidable impacts of climate change are selected.



Impact measurement ERSTE GREEN INVEST



58,600,000 people

have got access to clean drinking water.



155.8mn tonnes of CO₂

have been saved by rail transport.



32mn households

of the companies in ERSTE GREEN INVEST have been provided with renewable energy in 2019. This equals a saving of around 54,1mn tons of CO₂.



72.5mn tonnes of waste

have been saved by recycling. This equals 60.4 times the total waste produced by the city of Vienna.



640mn tons of CO₂

have been saved by newly installed energy carriers in 2019. This equals 8 times the total amount of CO₂ equivalent greenhouse gases emitted in Austria.



99% share of renewable energy

in ERSTE GREEN INVEST. This share of renewable energy is three times higher than that in the worldwide energy mix, of which for the most part is made up by fossil and nuclear energy.



199 gigawatt renewable energy

The total installed capacity of renewable energy sources will be 199 gigawatts by the end of 2019. This equals 38 times the largest lignite-fired power station in the world.



779.869 Green Jobs

in the companies that are held in the ERSTE GREEN INVEST. According to the EU definition, green jobs are workplaces that prevent environmental damage and conserve natural resources.

Performance data for the companies held by the fund, not just the fund's equity in each issuer. The complete impact sheet of ERSTE GREEN INVEST is available at www.erste-am.at/de/erste-green-invest.

Warning notices according to the Austrian Investment Fund Act of 2011 on p.57

ERSTE RESPONSIBLE BOND GLOBAL IMPACT

Erste AM is amongst the first asset managers to offer a Global impact bond fund. This fund guarantees that all bonds that are held by the fund do have a positive impact on the environment and/or society. For this purpose, the issuers have to give account of their use of the capital in a transparent way. This is also checked by external parties.

On this basis, Erste AM has calculated the impact of projects financed by the fund since 2017 on an annual basis. This measure constitutes a particular degree of innovation since impact models have largely been limited to equity funds before.



Impact measurement ERSTE RESPONSIBLE BOND GLOBAL IMPACT



35,010,846 MWh

are produced annually by renewable energy sources. This is roughly two times of the annual energy production of private households in Austria.¹



9,841 MW

worth of renewable energy capacity has been added due to newly installed solar, wind, and water power. This is 4.5 times the capacity of the Temelín power plant.²



27,706 jobs

have been created or kept in businesses.



33.000.000 m³ water

has been saved or recycled. This is 660 times the size of the world's biggest aquarium.⁴



21,503 hectares of forest

have been made subject to sustainable cultivation. This is half the surface area of Vienna.³



74,703,446 tonnes

of greenhouse gas emissions had been avoided. These are almost the emissions of whole Austria 2015 (78,9 million tonnes).⁵

Performance data for the companies held by the fund, not just the fund's equity in each issuer. The complete impact sheet of ERSTE WWF STOCK ENVIRONMENT is available at www.erste-am.at/en/private-investors/sustainability/impact/erste-responsible-bond-global-impact.

Sustainable footprint

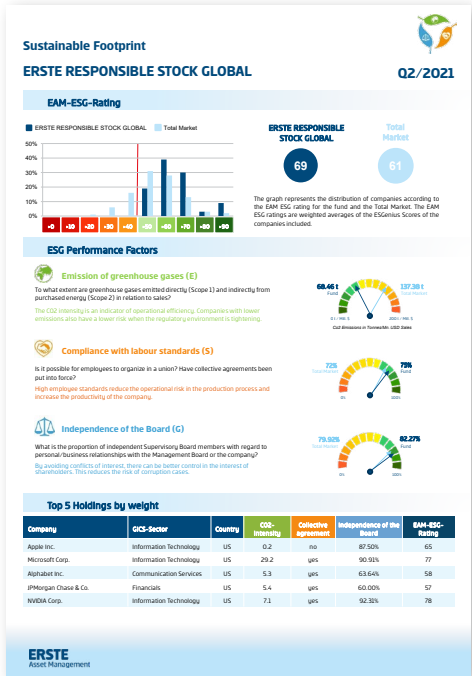
In order to achieve the goals for sustainable development as set by the United Nations, it is not enough to limit impact investments to just some niches. It is necessary to make impact the core parameter of all sustainable investment decisions. The sustainable footprint represents the first step towards rendering this impact measurable. Turning impact into a parameter for decision-making results in the sustainable footprint of the fund.

Erste AM started reporting sustainability metrics for all sustainable equity funds a few years ago. They contain, for example, data on the CO2 intensity of the shares in the fund and on the independence of the supervisory boards of the respective companies.

Signatory of:



Back in 2016, Erste AM was the first Austrian asset manager to sign the Montréal Pledge of the PRI and thus to undertake measure and publish the CO₂ footprint of all its share holdings. The result that takes into account both traditional and sustainable funds was convincing in 2018.



Calculation of CO₂ risks of sustainable bond funds

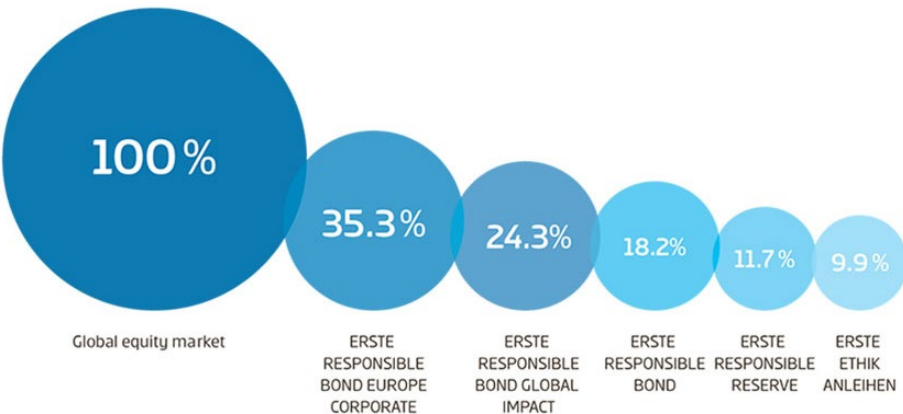
For the first time, Erste AM is extending the calculation of CO₂ risks to the entire range of mutual funds as of year-end 2018. This means that, following the parameters of the Montréal Pledge, bond funds have also been included in the calculation for the first time.

The result is impressive, both considering all bond funds of Erste AM (more than 30% below the reference value) and considering only the RESPONSIBLE bond funds (less than 1/3 of the global bond market).

CO₂ emissions in comparison
global bond market vs. Erste AM vs.
sustainable Erste AM funds



CO₂-intensity of sustainable Erste AM bond funds by comparison



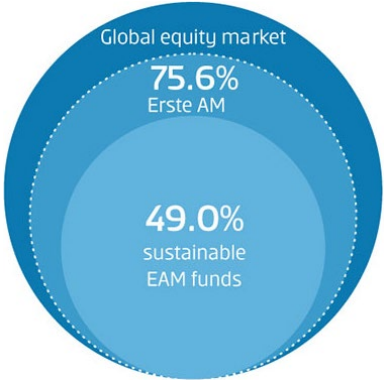
Sources: MSCI-ESG, Erste Asset Management GmbH; CO₂ and revenue data fiscal years 2016-2019

Equity funds again better than global equity markets

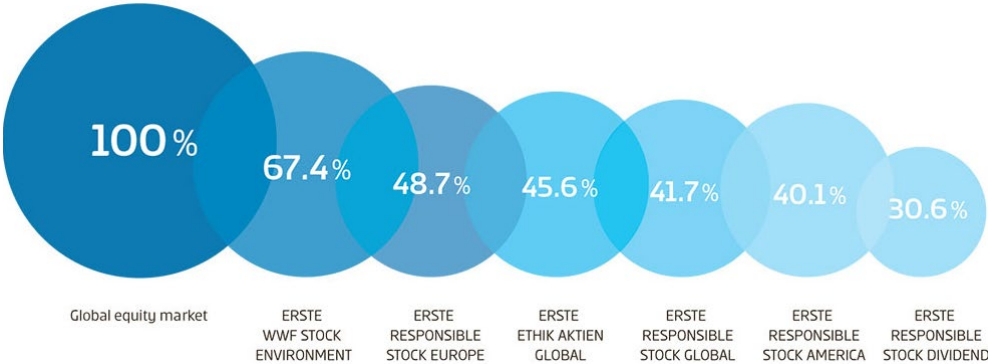
The CO₂ intensity of the Erste AM equity funds taken into account is more than 25% below that of the global equity market and, if only sustainable equity funds are considered, even below half of global issues.

ERSTE RESPONSIBLE funds achieved even a reduction of up to 50%.

CO₂ emissions in comparison
global equity market vs. Erste AM vs.
sustainable Erste AM funds



CO₂-intensity of sustainable Erste AM bond funds by comparison



Sources: MSCI-ESG, Erste Asset Managment GmbH; CO₂ and revenue data fiscal years 2016-2019
Warning notices according to the Austrian Investment Fund Act of 2011 on p.57

Water footprint for sustainable equity funds

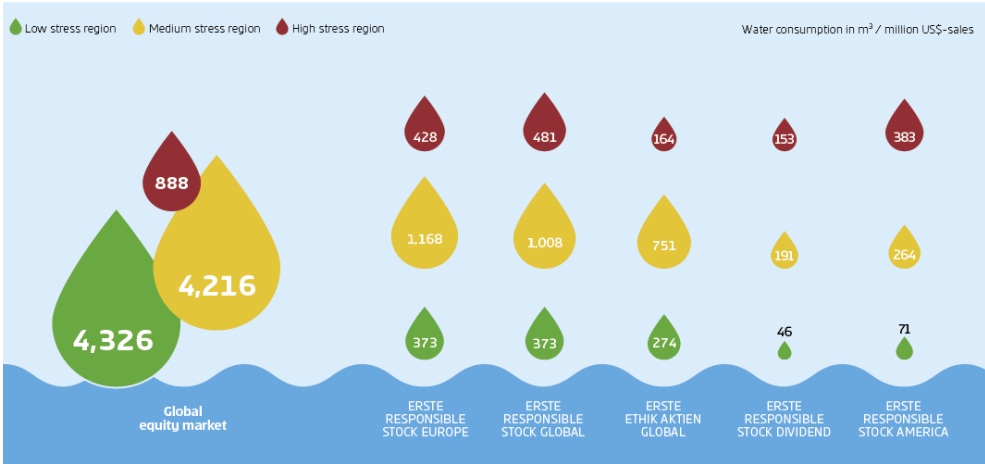
On the occasion of the World Water Day on the 22nd of March, Erste AM published for the second time the water footprint of its sustainable equity funds.

Unlike the CO₂ footprint, the regional component of the water footprint provides very important additional information. Companies whose production facilities are

located in regions with high water stress level have a particularly high water risk, even if water consumption is in line with the industry average.

The selection of companies in the sustainable funds of Erste AM towards a more responsible use of water turned out to be successful: compared to the global stock market, the sustainable funds performed significantly better both overall and in terms of regional risks.

Water footprint analysis
global stock market vs. sustainable equity funds



7. This is why we are a good partner

7.1 Our solution: integrated ESG management

Erste AM has held a pioneering role in the development of sustainable investment solutions for 20 years. It is this experience that is the basis of the integrated sustainability approach of Erste AM. We are convinced that only by applying all the tools of sustainable investment the full benefit of a sustainable strategy can be reaped on behalf of our clients, which is why we put it to comprehensive use across all our ERSTE RESPONSIBLE funds. At the same time, due to the modular character of our process we can fulfill the specific requirements of our clients in every asset class. Instead of offering

a standardised solution per strategy, we can adjust said process in line with the needs of our clients and implement it accordingly.

Due to the long experience of sustainable investments by our team, we can also develop solutions for asset classes that are not yet fully captured by the traditional ESG analysis, where we then also rely on internal research and the support from regional and sector specialists.

Our approach does not only combine ethical and ESG considerations, but also attempts to achieve a targeted positive impact across all asset classes to ensure it is transparent, measurable, and can be illustrated.

“Our active engagement and voting approaches support us in generating actual impact.”



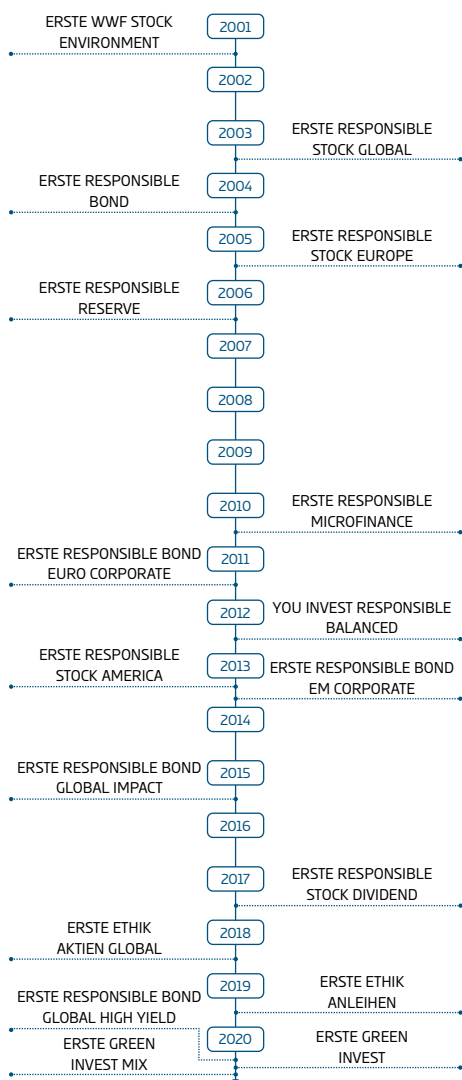
7.2 Products and innovations

Erste AM covers a multitude of sustainable investment segments and makes continuous efforts to expand this range of products for investors. The focus is not on the simple coverage of additional standard asset classes but emanates from the desire to provide our clients with a constant flow of new, innovative, and above all, sustainable investments and to use the tools of the integrated Erste AM sustainability approach in an optimal way.

This development is also based on the creation of new, targeted instruments for the special funds of institutional mandates.

Our modular approach provides them with the necessary tools to develop tailor-made, sustainable solutions. This is particularly important in areas that cannot be covered by standardised solutions for example due to an increased need for research.

In doing so, we resort to more than 18 years of experience with our **ERSTE RESPONSIBLE funds**.



Source: Erste Asset Management, 2021

ERSTE RESPONSIBLE BOND EMERGING CORPORATE was launched in 2013 and was one of the first sustainable funds investing in emerging market corporate bonds. Since 2015, the fund has also been the first, and currently only, mutual fund in its asset class that applies a best-in-class approach in order to spot ESG risks early on – an advantage that institutional mandates have also enjoyed since then.

ERSTE RESPONSIBLE BOND GLOBAL IMPACT, one of the first impact bond funds on the investment fund market, was launched in 2015. Here, too, Erste AM has very high standards. It is not enough for a bond to be of high social and environmental value, but it also has to meet all of the other criteria of the integrated Erste AM approach. Said approach avoids risks resulting from investments in possibly non-sustainably companies under the cover of a green bond.

Generally speaking, Erste AM wants to contribute significantly to the solution of global challenges.

Equities

Global	✓
Europe	✓
North America	✓
Environment	✓
Dividend	✓

Impact Investment

Microfinance	✓
Global Impact (Green & Social Bonds)	✓

Bonds

Global	✓
Corporate bonds in EUR	✓
Emerging markets corporate bonds	✓
Corporate bonds global high yield	

Short-term bonds

Short-term bonds Europe	✓
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Mixed

Multi-Asset (0–30 equities)	✓
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7.3 Quality assurance

In order to assure quality, all these processes are subject to permanent internal and external audits.

Here, renowned external auditors confirm the quality of our sustainable management processes and the transparency of our operations.



Österreichisches
Umweltzeichen



EUROSIF
Transparenzlogo



FNG-Siegel

			
ERSTE GREEN INVEST	✓	★★★	✓
ERSTE RESPONSIBLE BOND GLOBAL IMPACT	✓	★★★	✓
ERSTE RESPONSIBLE MICROFINANCE			
ERSTE WWF STOCK ENVIRONMENT	✓	★★★	✓
ERSTE RESPONSIBLE BOND	✓	★★	✓
ERSTE RESPONSIBLE BOND EM CORPORATE	✓	★★	✓
ERSTE RESPONSIBLE BOND EURO CORPORATE	✓	★★	✓
ERSTE RESPONSIBLE BOND GLOBAL HIGH YIELD	✓	★★	✓
ERSTE RESPONSIBLE RESERVE	✓	★★	✓
ERSTE RESPONSIBLE STOCK AMERICA	✓	★★	✓
ERSTE RESPONSIBLE STOCK DIVIDEND	✓	★★	✓
ERSTE RESPONSIBLE STOCK EUROPE	✓	★★	✓
ERSTE RESPONSIBLE STOCK GLOBAL	✓	★★	✓
ERSTE ETHIK AKTIEN GLOBAL			✓
ERSTE ETHIK ANLEIHEN			✓
ERSTE GREEN INVEST MIX			
YOU INVEST RESPONSIBLE BALANCED			

Source: Erste Asset Management, 2021

Almost all ERSTE RESPONSIBLE equity and bond funds have the Eurosif Transparency Logo. Most of them have also been awarded the Austrian Ecolabel and the German FNG Seal. These awards confirm the quality of our processes. Five **ERSTE RESPONSIBLE funds** received the highest possible score of four stars by FNG in 2020.

This quality standard is also confirmed by the fund analyses of Morningstar and MSCI, which have also given the **ERSTE RESPONSIBLE funds** the highest sustainability marks across the board in their respective peer group.

This is why we are a good partner:

Experience	We have a long track record (since 2001) and focused know-how in the field of sustainable investments with an in-house research- and investment team.
Quality	Numerous international awards confirm the quality of management, with the external quality audit done by renowned international organisations.
Process	The combination of minimum standards, positive & negative criteria, exclusion criteria, best-in-class approach (selection of the best companies from the respective sector), the active engagement & voting process (dialogue with companies, exercising of voting rights), and the integration with traditional financial analysis ensure an objective perspective of the management approach.
Performance	The combination of all factors forms the basis of sustainable performance.

7.4 Active contribution to the development of sustainable investments

It is the ongoing goal of Erste AM beyond our investment products and individual investment solutions to continuously promote the issue of sustainability among investors and to help create new trends. Therefore, we have started to cooperate with numerous universities over the past years. Erste AM also strives to

contribute decisively to the development in the field of sustainable investments through alliances with industrial organisations introduced in this handbook.

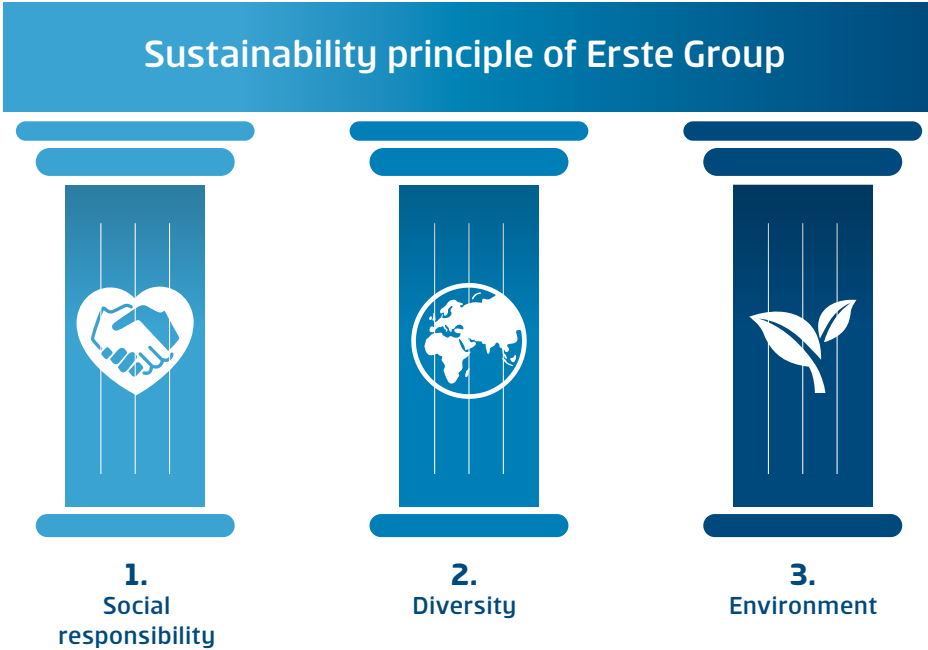
This basic groundwork allows us to ensure the pioneering role of Erste AM through ongoing innovation, to improve the sustainability approach of the ERSTE RESPONSIBLE funds continuously, and to integrate sustainability criteria also in traditional fund management.

"It is our goal to always offer our clients the best products and solutions tailored according to their needs."

7.5 Sustainability within Erste Group

Sustainable economic activity to Erste Group means to create value-added for people, the environment, and their com-

munities, with criteria and principles of sustainability integrated into the corporate strategy and bank products. Three pillars form the basis of Erste Group's principle of sustainability:





1.

Social responsibility at Erste Group

Even when Erste österreichische Spar-Casse, the predecessor of Erste Group, was founded 200 years ago, responsibility vis-à-vis society was an important part of the business model. This includes a broad range of aspects, such as the enabling of

financially disadvantaged people to participate in society, the promotion of social initiatives, financial literacy programmes, and initiatives in arts and culture.



The ERSTE Foundation

The ERSTE Foundation originated from Erste österreichische Spar-Casse in 2003, carrying the torch of the idea that was part of the founding idea of the savings banks, i.e. to act in the best interest of the community, into the present. As Austrian private savings bank foundation it is on the one hand bound to charitable action, on the other hand it holds a particular degree of responsibility towards its main shareholder, Erste Group.

The ERSTE Foundation is the effective partner of a strong, self-confident civil society in Central and South-East Europe. It invests parts of its dividend in strengthening civil society and including socially disadvantaged groups as well as in contemporary, socially engaged art.



The bee is the logo of the ERSTE Foundation. Combined with the slogan "work, collect, augment", the bee was the symbol of Erste Österreichische Spar-Casse for more than 100 years.

Zweite Sparkasse

Helping people to help themselves is behind the concept of Zweite Bank, whose goal is to support people with banking services that they cannot get anywhere else. Zweite Sparkasse is a not-for-profit organisation and is run by 330 voluntary employees.

In the past ten years, Zweite Sparkasse has repeatedly been pointed to as exemplary in the discussion about the right to an account in the EU.

Extra Value Programme / value-added sponsoring

A visible commitment to our responsibility vis-à-vis society. Erste Group supports institutions and projects in the social, cultural, and educational area, for example:

- ZOOM Children's Museum
- Austrian Museum of Folk Life & Folk Art
- Vienna Secession
- Jeunesse and many more

Time Bank

Time Bank is based on the idea that money is not the only currency that can be donated. Personal engagement and practical help are often more

badly needed. Time Bank puts Erste Group's employees in touch with NGOs across Austria.

Financial literacy at FLiP

The Erste Financial Life Park (FLiP) is a worldwide unique institution whose goal is to improve the financial literacy of children and adolescents and to fuel their interest in economic questions. FLiP teaches financial literacy on a multi-media, digital, and personal level.

The range of services supplied by FLiP is integrative and provides no-barriers, multi-lingual access to financial know-how for all types of school and for all strata of education. The objectivity of the content is ensured by a scientific advisory board of experts.



2. Diversity

Erste Group sees diversity and inclusion (everybody is accepted by society in their individuality) as essential components of its corporate strategy. Diversity and inclusion are also two important factors for winning top talent: employees who understand the different requirements of our clients and who can offer them products and services that meet those requirements. Innovation and growth are only possible with the help of employees with different educational backgrounds, various professional and other interests, a multitude of work and life experiences, and a wide range of cultural perspectives.

Erste Group has signed UN Global Compact and contributes to the implementation of the UN Sustainable Development Goals and the Agenda 2030. Its diversity strategies and activities support gender equality (goal no.5), human working conditions and economic growth (goal no.8), and less inequality (goal no. 10).



Main focus 2019-2020

Women in leading positions

Until the end of 2019, Erste Group has the goal to increase the share of women in top management and board positions to 35 %. Therefore many initiatives have been undertaken.

Initiatives: nomination for talent pools and programmes, Erste Womens Hub, mentoring, educational and networking events, supporting women after parental leave, educational offerings

Women in IT

is an agile network with the goal to connect and strengthen women with MINT backgrounds.

Initiatives: Wiener Töchtertag, buddy system, workshops and networking events

Erste Colours – LGBTIQ & Friends

Living diversity is the basis for a respectful and valued company culture. Erste Colours is an innovative and forward thinking initiative helping Erste Group developing an example of a future oriented employer in a modern society.

Initiatives: partner of Euro Pride, networking and educational events (regular meetings, diversity talks etc.), LGBTIQ* person of trust

* lesbian, gay, bi-, trans-, intersexual, queer

3. Environment

The environmental strategy of Erste Group

Erste Group is aware of the fact that every product sold to a client, every financial decision made, and the use of resources at the office has an impact on the environment. This awareness has been moulded into the environmental strategy of Erste Group, which consists of the following sections:

1. Implementation of an environmental management system (EMS) across the entire Erste Group

This term describes the comprehensive, systematic, planned, and documented management of the environmental protection programme of an organisation. Every form of EMS requires access to clearly defined environmental data. On the basis of the guidelines of the Global Reporting Initiative in connection with sustainability reporting, we have collected the environmental data for all offices of Erste Bank (Austria, Czech Republic, Slovakia, Hungary, Serbia, Romania) since 2011. Within the coming years, all local offices of Erste Group will implement certified environmental management systems (based on ISO 14001, ISO 50001, or according to the EU Ecodesign Directive EMAS (Eco Management and Audit Scheme).

2. Implementation of a supply chain management system for products and services required in the conduct of our business

Erste Group is convinced that responsibility begins at the production stage of bank products and services, and is continuously working on improving the supply chain management system that takes into account environmental factors as well as the social impact of the production of all products and services. In doing so, Erste Group has defined criteria for the following areas:

- Purchase of paper (e.g. 100% recycled photocopying paper)
- Purchase of power and heat energy (either green energy or low CO2 emissions)
- Selection of suppliers (also on the basis of sustainability criteria)

3. Implementation of environmental criteria across all bank services and bank products

In this context, we are mainly addressing finance products according to the criteria for responsible investing (responsible finance), such as the exclusion of nuclear power or coal mines. In the investment process, the criteria of Erste AM apply.

4. Cooperation with environmental NGOs for the exchange of know-how and feedback

Another element of the environmental strategy of Erste Group is the cooperation with independent non-governmental organisations (NGOs) that specialise in the area of environmental protection. They offer access to their local and international know-how and provide Erste Group with valuable support in its efforts to improve its environmental sustainability.



Environmental protection targets of Erste Group

The executive board of the holding set itself the following target values on the basis of the environmental data of 2012 as part of its corporate strategy that were to be reached by the end of 2016 and were measured in terms of environmental footprint:

	goal dec 2016	achievement dec 2016
power	-10 %	-13 %
heat energy	-10 %	-18 %
photocopy paper	-20 %	-20 %

Facts and figures to the CO₂ footprint of Erste Group

	2017	2018	2019
Power consumption	182 GWh	178 GWh	175 GWh
Heat energy consumption	171 GWh	140 GWh	138 GWh
Photocopying paper used	1.733 t	1.705 t	1.615 t
CO ₂ e-emissions (scope 1 u. 2/mobility)	76.936 t	61.543 t	64.856 t

Erste Campus – awarded for environmental quality

At the beginning of 2016, Erste Group and its subsidiaries moved from 20 locations to their new, environmentally friendly headquarters, Erste Campus. The idea was, and is, to live the visions and values of the group, according to the motto: "Creation of identity through space". Erste Campus is a symbol of the innovative power of Erste Group, its ability to cooperate beyond organisational boundaries and to optimise innovation, growth, and service quality. The new location is characterised by flexibility and mobility: short distances, open structures and facilities make collaboration and communication easier.

In its environmental strategy, Erste Group is committed to the principle:

"Sustainable development means to use the existing natural resources in a way that future generations can use them in the same manner."

This principle was also relevant in the design and construction of Erste Campus. Particular importance was attached to the dynamic and harmonious integration of architecture, user-friendliness, economic viability, and environmental sustainability. For example, the timber was sourced from sustainable forestry, the rooms are equipped with energy-saving LED light, and rainwater is used for the toilets.



Erste Campus was realised according to economic, environmental, and social aspects of sustainability. Within the framework of building certification according to the DGNB system, it was inspected by ÖGNI, the Austrian Sustainable Building Council and was awarded the highest mark, as manifested by the Platinum Certificate that it received.

Measures aimed at the increase of energy efficiency are being implemented across the group on an ongoing basis.

For example, the Vienna-based Erste Campus is heated by non-fossil energy carriers (long-distance heating/cooling and green electricity). As a result of the use of cold water from onshore wells for cooling and the optimisation of the heat pumps in connection with geothermal energy, less external energy will have to be used in the future. Erste Group has also continued to expand its energy monitoring across 19 additional branches in order to reduce in particular the consumption of electrical energy.

City blossom honey on Erste Campus

As a result of the “City blossom honey on Erste Campus” by Erste Group and Foundation, some 80,000 bees have been buzzing above our employees’ heads on Erste Campus since 2016. The Campus bees live on the roof of HQ, in two hives that are cared for by a collective of beekeepers. In contrast to popular opinion, the city is a very suitable habitat for bees. Especially

in Vienna, parks and blooming green spaces offer a versatile and almost year-round supply of nectar and food. Also, the use of pesticides is very limited in the city.

Erste AM owns a beehive with 30,000 inhabitants that have produced 70–90kg worth of honey within a year. This in-house honey is a very popular give-away at conferences and round tables of Erste AM.



8. Warning notices according to the Austrian Investment Fund Act of 2011

a. Equit funds, bond funds, mixed funds

ERSTE RESPONSIBLE STOCK GLOBAL may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

ERSTE RESPONSIBLE STOCK EUROPE may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

ERSTE RESPONSIBLE STOCK AMERICA may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

ERSTE ETHIK AKTIEN GLOBAL may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

In accordance with the fund provisions approved by the Austrian Financial Market Authority (FMA), **ERSTE ETHIK ANLEIHEN** intends to invest more than 35% of its assets in securities and/or money market instruments of public issuers. A detailed list of these issuers can be found in the prospectus, para. II, point 12.

ERSTE GREEN INVEST MIX may make significant investments in investment funds (UCITS, UCI) pursuant to section 71 of the 2011 Austrian Investment Fund Act.

YOU INVEST RESPONSIBLE balanced may make significant investments in investment funds (UCITS, UCI) pursuant to section 71 of the 2011 Austrian Investment Fund Act.

b. Impact funds

ERSTE RESPONSIBLE MICROFINANCE

may make significant investments in investment funds (UCITS, UCI) pursuant to section 71 of the 2011 Austrian Investment Fund Act.

The Austrian Financial Market Authority (FMA) hereby warns: In accordance with section 166, para. 1, point 3 of the Austrian Investment Fund Act (InvFG 2011), **ERSTE RESPONSIBLE MICROFINANCE** can invest up to 100% in alternative investments that might bear higher investment risks compared to traditional investments. These investments in particular may incur losses up to the total amount of the invested capital.

ERSTE WWF STOCK ENVIRONMENT

may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

ERSTE GREEN INVEST

may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

Disclaimer

This document is an advertisement. All data is sourced from Erste Asset Management GmbH, unless indicated otherwise. Our languages of communication are German and English.

The prospectus for UCITS (including any amendments) is published in *Amtsblatt zur Wiener Zeitung* in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH, pursuant to the provisions of the AIFMG in connection with the InvFG 2011.

The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com within the section mandatory publications or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com. A summary of investor rights is available in German and English on the website www.erste-am.com/investor-rights as well as at the domicile of the management company.

The management company can decide to revoke the arrangements it has made for the distribution of unit certificates abroad, taking into account the regulatory requirements.

This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the

individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund. Please note that investments in securities entail risks in addition to the opportunities presented here. The value of shares and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your shares. Persons who are interested in purchasing shares in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision.

Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of fund shares to American citizens. Misprints and errors excepted.

Presentations:

It is expressly noted that presentations shall not be construed as providing investment advice or investment recommendations; presentations simply represent the current market opinion. The presentations are not intended as sales instruments, and shall therefore not be construed as an offer to buy or sell financial or investment instruments. The investor shall be solely responsible for any and all decisions that he makes on the basis of this presentation.

The information on the countries in which the respective investment funds are authorized for distribution is available at <https://www.erste-am.at/en/private-investors/our-funds/mandatory-publications>

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