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Information pursuant to Article 3 Regulation (EU) 2019/2088 (Disclosure Regulation) on the strategies for the integration of sustainability risks in investment decision processes

A sustainability risk is an event or condition relating to the aspects of the environment, social issues, or corporate governance whose occurrence could potentially have material negative effects on the value of the investment.

The sustainability risks are not depicted as a separate risk type but are included in the existing risk categories because they impact existing risk types to which the investment funds are potentially exposed.

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.

Procedures for taking the relevant sustainability risks into account have been integrated into EAM's processes. To determine the manner in which sustainability risks are integrated in investment decisions, the relevant sustainability risks were first identified. Next, the identified risks were "translated" into the existing risk categories and measured and evaluated at this time.

The following relevant sustainability risks were identified:

- Environmental risks relating to mitigating the effects of climate change, adaptation to climate change and the transition to a lower-carbon economy, protecting biodiversity, resource management, waste, and other harmful emissions.
- Social risks relating to working and safety conditions and compliance with recognised labour standards, respecting human rights, and production safety.
- Governance risks relating to the due diligence obligations of corporate managers, measures for fighting bribery and corruption, and compliance with the pertinent laws and regulations.

The identified sustainability risks have been incorporated into the definitions of the risk indicators and ratings. Data from external providers are also used when gathering sustainability-related data for internal analyses. The external data may be incomplete, imprecise, or unavailable at times. The providers of sustainability ratings also take different influences into account and apply different weightings, meaning that a company that is the target of an investment can have different sustainability scores. There is therefore the risk of a security or issuer being assessed incorrectly. A proprietary rating model called ESGenius is used to limit this risk. In this rating model, the predominant sustainability approaches in the market (ethically oriented approach versus a risk view) are combined into an overall view during the analysis. Combining the different providers reduces any data gaps and also verifies the plausibility of the different approaches.

The internal ESGenius platform provides all fund and portfolio managers with access to relevant ESG information on their portfolios and individual securities, and this information can then be taken into account when making the investment decision.

The measurement and assessment of sustainability risks consists primarily of:

- the regular review of quantitative requirements and limits in risk management using
  - o positive lists and/or
  - o 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
- Implementation and publication of relevant stress test scenarios

To manage sustainability risks when making investment decisions, EAM uses 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

Company-wide minimum standards
also valid for non-sustainable, discretionary managed mutual funds

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

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

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

● Full use of ESG Tools ○ Partial use of ESG Tools

* Except ERSTE RESPONSIBLE MICROFINANCE due to its specific investment process focused on microfinance.
** for equity funds as well as directly held shares in selected funds of funds, according to Erste AM's Voting Policy
*** Thematic funds do not try to depict the economy as a whole, but invest in selected secorts and economic activities. In certain cases, this focus can provide a targeted, positive contribution to environmental and social objectives, for example in areas such as environmental technologies, health or socially and ecologically relevant sectors of the future. Only thematic funds whose theme can make such a contribution shall be considered for classification under Article 8 or 9 on the basis of that theme.

In general, the Management Company may use ESG tools for all of its investment funds to integrate sustainability risks in 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 special fund investor in the manner agreed with him.

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.

Description of the 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 investment 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/de/private-anleger/nachhaltigkeit/publikationen-und-richtlinien and website of the branch of Management Company in Slovak republic https://cdn0.erstegroup.com/content/dam/sk/eam/esg/eng_webpage/EAM_Voting_Policy_EN.pdf.

Special real estate funds

The ESG Toolbox for managing Special Real Estate Funds (hereinafter referred to as "real estate fund") includes the following criteria:

Real estate funds are also selected on the basis of their social value, compliance with environmental principles and their economic contribution.

1. Sustainability assessment: The sustainability risks identified by the Management Company have been included as far as possible in the criteria used for all real estate investments. Various influencing factors (e.g. materials used, resource and waste management, energy efficiency, mobility, social infrastructure, etc.) are identified, evaluated and documented before and during a screening of all real estate investments.
1. Procedures for assessing the suitability of real estate investments: The assessment of the suitability of real estate investments identifies sustainability risks (in particular physical risks) on the basis of available public data sources (e.g. using external databases) and is checked or limited where necessary. The aim is to ensure that possible physical risks are already included in the review of the suitability of an investment property.
1. Integration: Integration and the associated reduction of ESG risks, already in the selection process, improve the risk profile of the real estate fund concerned by reducing the weight of unsustainable or less sustainable investments in the portfolio on the one hand, and ensure that the real estate fund actively contributes to preventing social and environmental problems on the other.
1. Exclusion criteria for investment to property: The management company has defined exclusion criteria for investment property in relation to the type of use. For example, a real estate fund may not acquire or hold any industrial facilities or warehouses or real estate related to the extraction, storage, transportation or production of fossil fuels.
1. ESG risks are already taken into account when selecting properties, which on the one hand improves the risk profile of the relevant real estate fund through a lower weight of unsustainable or less sustainable properties in the portfolio and, on the other hand, ensures that the relevant real estate fund actively contributes to the prevention of social and environmental problems. One such example is typically carbon footprint tracking. Preference is given to properties with a renowned environmental certificate.

Properties that have already been purchased by real estate funds in the past also go through this evaluation process. Renovations of existing properties are carried out to reduce ESG risks, taking into account investors' interests. The aim is to improve CO2 emissions in the buildings concerned.

Tenant selection

When selecting tenants, potential tenants are screened for their compliance with certain international norms and norms in order to control and limit sustainability risks in the portfolio.

Type of use

The long-term life of a property is a condition for the purchase in terms of sustainable value preservation and sustainable income generation.

Sustainability assessment

Sustainability assessments are applied to all buildings. Sustainability assessment is a procedure for evaluating real estate projects and real estate against environmental, social and economic sustainability criteria. Sustainability assessments aim to improve the social, environmental and economic aspects of a property, as well as the transparency of the property. In addition, this assessment offers an opportunity to strengthen real estate's sustainability commitment and better assess its sustainability risks.

In addition to the fundamental principles above, the following tools can be used for investment funds that promote environmental or social characteristics or a combination of such characteristics pursuant to Article 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.

Standard-based screening

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

Theme funds

Theme 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 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 specified above, the following tool is used for investment funds that promote a sustainable goal pursuant to Article 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.