

# RESPONSIBLE RETURN

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# Editorial



*Gerold Permoser is Chief Investment Officer (CIO) of Erste Asset Management. In this function he is in charge of the asset management activities and investment strategies of all investment funds of the Erste Asset Management Group in Austria, Croatia, Czech Republic, Germany, Hungary, Romania and Slovakia.*

I am one of many Austrians faced with a recurrent nightmare: I am standing in front of the A-levels panel, ready to take my French exam, and I am lost for words. All that drudgery for nothing, and the A-levels: *perdus*. No, I did not like the French language, and it did not like me back.

So it is actually quite surprising that I am keen on the idea of engagement. After all, the word engagement is derived from the French “engager”, which has three meanings: to pawn something, to ask somebody to do something, and to bind oneself through a promise. In the field of sustainable investment, it stands for a dialogue with companies that should guide them towards a more sustainable form of business operations. The original meanings of the word *engager* are an accordingly good fit.

To pawn an object means to lend something. That’s exactly what is happening in the engagement process, without many people being aware of it: Investors lend the power to control billions of euros and to animate companies to follow a more sustainable business regime to asset managers.

Ultimately, engagement consists of the request directed at companies to instigate change (we are, after all, polite people). In an engagement dialogue we ask companies to align their operations more strongly with environmental, social, and governance factors. And while we are polite, the idea is to ensure the companies we are in dialogue will follow our assessment and change their ways.

This takes us to the last point. Successful engagement does not only mean talking, but leads to specific improvements that a company commits to. These commitments are developed as part of the engagement process together with the respective company, and Erste Asset Management follows up on whether or not improvements are being made. To this extent engagement is a concrete instrument whose effectiveness can easily be monitored and measured.

Luckily I did finish my A-levels, which proves that I passed French. This edition of ERSTE RESPONSIBLE RETURN – The ESG-Letter should prove that we know how to handle the trust of our investors and how to translate it into concrete engagement. *Bonne lecture*.

Sincerely

A handwritten signature in black ink that reads "Gerold Permoser". The signature is written in a cursive, flowing style.

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

# Investment Board

The EAM Investment Board gives a structured form to the ongoing and responsive dialogue with and among sustainability research agencies. The Board provides the opportunity for the consultation process between own research and external research to take place. It also discusses rating details, the ESG’s assessment of the IPOs of new issuers and sustainability issues in general.

## Research vs. Engagement

In the context of sustainable investments, Engagement stands for an efficient, active dialogue (engagement) that investors and their engagement partners entertain with companies. For this form of communication, detailed information on the company itself, industrial standards, and possibly best practice examples are needed. Their line of work gives the more than 200 analysts of Erste Asset Management’s research partners valuable insight into the various companies.

Erste Asset Management has talked to its rating agencies in order to find out whether and how engagement is being pursued with analysed companies.

Our providers of sustainability research pointed out repeatedly that they did not act as engagement partner to ensure objectivity and independence in the periodical sustainability rating of companies.

Still, research agencies play a role in the engagement process. Their sustainability rating tells companies how high their ESG standards are and what areas could do with improvement. The agencies inform the analysed companies about all the criteria of the rating and then offer an opportunity for comment. According

**Status:** Research providers basically alert companies to sustainability and support EAM in finding information. However, the (often lengthy) talks geared at improving company sustainability are the task of Erste Asset Management.

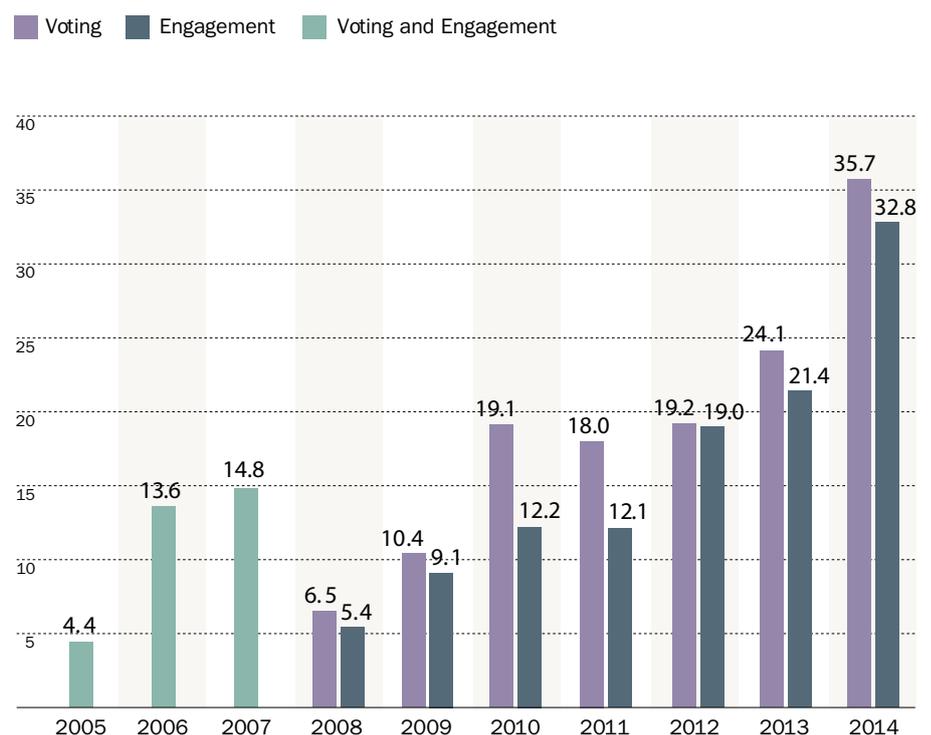
to our research providers, the response rate of companies in industrialised countries equals up to 60%, with the number of responses decreasing if no deadline has been given for the response. In emerging countries companies tend to take up the offer of engagement less frequently, but the tendency is rising.

In direct talks our research providers assess the sustainability of the analysed companies without sug-

gesting any specific improvements (for the aforementioned reasons). Thus the task of active engagement lies with investors and investment companies such as Erste Asset Management which with the help of engagement partners and the invested capital exert pressure on companies. In doing so they resort to the knowledge and industrial know-how of the research agencies and often leverage them for successful engagement activities. **[Richard Boulanger]**

## Voting and Engagement in Germany, Austria and Switzerland

in billions of euro



Source: Forum Nachhaltige Geldanlagen

# Engagement – background

Engagement is of great importance for EAM's sustainable investment approach. It combines own initiatives with collaboration on a national and international level. The structured engagement process is based on the „EAM Engagement Guideline“ which determines engagement issues, approach and procedures.

## The four kinds of EAM engagement

The best-in-class selection, ethical exclusions, and engagement play a crucial role in Erste Asset Management's sustainability approach. It is the goal of our engagement activities to induce companies to pursue a more sustainable form of business policies. EAM follows four engagement approaches in order to generate a maximum impact. [Richard Boulanger]

### Thematic engagement

Erste Asset Management regularly discusses issues relevant from an ESG perspective and analyses them on the basis of the data provided by the research partners. In doing so, up to ten companies are queried with regard to their approach and future strategy. This form of engagement is closely linked to ERSTE RESPONSIBLE RETURN – The ESG-Letter, in which the results of the thematic engagement approach are published.

### Engagement cooperation

Investors who invest in sustainable products can strengthen their influence on companies by bundling their interests. Investor networks lend themselves as platforms for these activities. To Erste Asset Management, this approach serves as opportunity to proceed with focus and with a high probability of success. We frequently act as engagement leader, which means that we suggest topics for engagement. The selection of the topics and the companies to be contacted is coordinated with the respective network.

### Austrian engagement

As Austrian market leader, Erste Asset Management feels obliged to focus on domestic companies. EAM's market position and reputation foster an efficient dialogue with companies. The engagement process is launched as soon as regularly executed analyses suggest that engagement should make sense. This automatically ensures a focus on relevant issues.

### External engagement partner

This strategy consists of the involvement of a specialised external partner, GES (Global Engagement Service). The agency bundles the capital of numerous investors and thus increases the chances of being accepted as equal partners by companies. GES contacts by companies (especially in emerging countries) as soon as a violation of sustainability criteria is identified. Topics such as human rights, environmental and sustainability management, healthcare and safety measures, working rights, and corporate ethics are addressed.

# Engagement – example: Charoen Pokphand Foods (CP Foods)

Most of our readers will probably remember idyllic images of Forrest Gump and Captain Dan on their shrimp boats: sun, ease, and a liberating jump into the refreshing sea to take in half an hour of swimming before reeling in the nets. Unfortunately reality does not measure up to fiction.

Therefore Erste Asset Management initiated a dialogue in collaboration with its partners with Charoen Pokphand Foods (CP Foods) in 2014. CP Foods from Thailand is not only the world's largest producer of shrimps and thus consumer of fishmeal, but also supplies fish meal to other farms.

The fish that is the basis for this product is partially sourced from slave ships. Human traffickers sell the workers on these ships to the operators. Long working hours without pay are often the least of the problems for the

The ERSTE RESPONSIBLE funds currently do not invest in **CP Foods**; However, we are monitoring the progress of the company. As a result we will re-assess an investment as soon as further infringements can be ruled out with sufficient probability.

fishermen. The imprisonment at sea sometimes ends in death from violence, torture, suicide, or even murder.

CP Foods declared the fight against slavery an important goal of its sustainability programme in 2013. The company pays higher prices to suppliers who can rule out slave labour in their supply chain. However, Erste Asset Management and its partners had to find out that these promises were not verified. It was this issue in particular that our partners and EAM focused the discussion on with CP Foods, demanding actual control.

CP Foods did not only prove cooperative, but the CEO participated personally in the talks. This highlights the importance of such investor initiatives and the attention that they draw these days.

And indeed, words were followed by action. Not only did the company install a comprehensive control system for suppliers and ships, but the entire purchase strategy of the company was revised. Of the 600 to 800 large ships that supply CP, only those 200 that had successfully completed audits are able to sell their goods now. Also, the purchase strategy now focuses on small, family-owned boats that come with no risk of slave labour.

While this engagement contributes only partially to the solution of the wider problem of the slave boats in Thailand and does not mitigate all ESG risks of the company, it does show the power that we as sustainable investors have to instigate changes for the better.

[Dominik Benedikt]

## Key figures for CP Foods

Source: Bloomberg

|                                   |                        |
|-----------------------------------|------------------------|
| <b>Sector</b>                     | Packaged Foods & Meats |
| <b>ISIN</b>                       | TH0101A10Z01           |
| <b>Share price (Jun. 22 2015)</b> | 23.40 THB              |
| <b>Estimated PE</b>               | 15.10                  |
| <b>Dividend yield</b>             | 3.21%                  |
| <b>Market Cap</b>                 | 4,744 mn EUR           |

# At second glance

To Erste Asset Management, engagement is an ongoing process. Together with our partners, we continuously monitor issues that we raised at one point in time in the past. In ERSTE RESPONSIBLE RETURN – The ESG Letter we present important progress made in and by engagement projects.

FIFA-Partners, 2014 vs 2015  
(as of 22 June 2015)



## Sponsoring of global sporting events

It had been clear for a while that the award procedures for large-scale sports events were of a dubious nature. But the importance of championships used to outshine any dark suspicion. In February 2014 the Olympic Games were held in Sochi and, once again, they strongly suggested that neither the awarding nor the preparation nor the implementation of the event were being done entirely by the book. This was later highlighted again by the protests during the World Cup Final in Brazil.

In order to learn how the sponsors of such events saw the way the organisers were handling them, Erste Asset Management contacted all partners of the International Federation of Association Football (FIFA) in April 2014. Some of the sponsors were prepared to enter

into a dialogue, whereas others refused to do so. Back then, all sponsors except Continental regarded the responsibility as resting with the host countries and FIFA.

However, Erste Asset Management realised during the talks that this was an issue the companies preferred not to touch. As a result of our dialogue, together with our research partners we developed an indicator that measures sustainable sponsoring and takes it into account in our sustainability rating.

Shortly after our talks and at a time when the media focus was becoming intense, Adidas, Sony, and Visa publicly demanded clarification from FIFA with regard to the situation in Qatar, and for the federation to act more sustainably. The response from FIFA apparently

failed to satisfy Sony and Emirates, seeing as they pulled out as sponsors in November 2014.

Since the beginning of this year the chain of slip-ups by FIFA has not come to an end. At first, word got out in March that the World Cup Final of 2022 in Qatar was scheduled for the time around Christmas, and then in May eleven FIFA officials were arrested. Finally, in June FIFA President Sepp Blatter stepped down.

The sponsoring of large sports events is not just the business of FIFA, sponsors, and sustainable investors anymore, but traditional investors, too, have recognised the reputation risk. For example, at the annual general meeting the Adidas shareholders demanded the termination of the contracts with FIFA. [Richard Boulanger]

## LASTING WORDS

# Marketing ploy cemetery

*"I am an engaged employee", says the mug in front of me, says Gerold Permoser, Chief Investment Officer (CIO) and Chief Sustainable Investment Officer (CSIO) of Erste Asset Management.*

It is both the linguistically dubious fruit of an internal motivation programme and a legend in our company. This mug\* represents a memento mori at the cemetery of marketing ideas.

To be clear about it: I like my mug, and I like double-entendres. They force us to get to grips with the meaning of words. And our mug asks the crucial question in a charming way: is engagement only a marketing ploy that will soon be obsolete? Let me approach this issue from three angles.

Does talking make sense? A question that presumably only a man can ask. Every time people have faced off antagonistically the question whether dialogue is still an avenue worth pursuing comes up. 70 years ago WWII ended, morphing into the Cold War, which in the 1970s generated a form of dialogue that was expected to bring about a rapprochement. Comparing these two forms of war with each other, how could one ever think that dialogue does not make sense?

"And we keep gettin' richer but we can't get our picture on the cover of the Rollin' Sto-

ne", as Dr. Hook lamented in a well-known song from the 1970s. What the band did not know back then: when an investment company excludes a company from the investment universe for reasons of an unsatisfactory engagement process, it actually helps the former tremendously in creating cover lines.

Engagement produces publicity. Companies know that, and therefore engagement is often not a visit to the Wailing Wall, but an eye-to-eye dialogue.

Lastly, the question of sense is, much like in real life, an empirical rather than a theoretical one. Here the result is very straightforward: our engagements cause change. Of course companies do not comply with all our ideas and wishes in every single engagement project. It would be naïve to set that sort of goal. But it can be empirically verified that companies do react and that engagement processes do lead to concrete improvements as far as ESG factors are concerned. Engagement is more than a marketing ploy and will not end up on the cemetery of bad marketing ideas any time soon.

Photo: iStock

\* In the case of the mug, the German „engagiert“ (hard-working, committed) was brutally translated to the English „engaged“, which made some 300 employees of Erste Asset Management think they were about to get married.

# Responsible Investment Universe

## Changes (excerpt)

The definition of our investment universe is the corner stone in building our funds.

APRIL – JUNE 2015

### + ADMITTED

**Deutsche Lufthansa AG** (sector: Airlines), C+ in the ESG rating 06/2015 by EAM; a globally operating aviation group with activities in passenger transportation, logistics, technology, and catering.

- ☺ Ratification of UN Global Compact in 2002
- ☺ Ongoing improvement of the ecological efficiency of the aviation business. In 2014 fuel consumption of the Lufthansa group fleet amounted to 3.84 litre per passenger per 100km (source: Lufthansa)
- ☺ Active participation in the engagement process on the topic of tourism, see the [edition 03/2014 of ERSTE RESPONSIBLE RETURN](#)
- ☹ Lapse of the exclusion criterion of corruption (controversial business practices)
- ☹ Investigations with regard to bribes at Lufthansa Cargo

**Jinko Solar Holding Co** (sector: Semiconductors), C+ in the ESG rating 06/2015 by EAM; among the world's leaders in the photovoltaics industry. The company develops and manufactures products for the solar industry such as silicon ingots and wafers, solar cells and modules, and assembly systems in China. In addition, the company manages solar power projects.

- ☺ Sales entirely generated from solar products and projects
- ☺ Information with regard to the certification of work protection management, quality management, and environmental management systems OHSAS 18001, ISO 9001, and ISO 14001 available at least for one production site in China
- ☹ No significant efforts made with regard to corporate social responsibility reporting

Photo: iStock

2020



*Until the year 2020 Lufthansa aims to implement an extensive environmental strategy including both general guidelines (Expand environmental management) and concrete measures (Cut nitrous oxide emissions).*

*Thanks to the "low NOx technologies" the nitrous oxide emissions have been halved since 1991.*

### - EXCLUDED

**Banca Monte dei Paschi di Siena SpA** (sector: Diversified banks), C in the ESG rating 06/2015 by EAM; one of Italy's biggest credit institutions, and regarded as the oldest bank still existing in the world. The bank operates both domestically and internationally and offers traditional banking products as well as insurance services.

- ☹ Exclusion due to the falsification of balance sheets (controversial business practice) in connection with derivative transactions aimed at covering up losses resulting from the takeover of Banca Antonveneta
- ☹ Little effort made in employee retention/recruitment
- ☺ Comprehensive information on UN Global Compact (ratification in 2002), Carbon Disclosure Project (CDP; participating since 2006), and CO<sub>2</sub> balance sheet (published since 2010)

[Alexander Osojnik]

# Responsible funds at a glance

Erste Asset Management recognized the importance of responsible fund management early on. Over the course of the past decade we have developed and successfully introduced a broad range of sustainable funds. The following funds are available in line with Erste Asset Management's „Responsible Investment Approach“.

## Equity funds

All funds are denominated in Euro.

| Fund name                                      | year-to-date, in % | 2014, in % | 2013, in % | 2012, in % | 2011, in % | 2010, in % | Mgmt. fee, in % | Volume in mn. | Risk notes <sup>1)</sup> |
|--|--------------------|------------|------------|------------|------------|------------|-----------------|---------------|--------------------------|
| <b>ERSTE RESPONSIBLE STOCK GLOBAL</b>          | 17.52              | 15.21      | 17.52      | 9.51       | -4.90      | 16.61      | 1.50            | 224.6         |                          |
| <b>ERSTE RESPONSIBLE STOCK EUROPE</b>          | 20.94              | 6.89       | 18.55      | 20.88      | -23.03     | 9.40       | 1.50            | 24.5          | A                        |
| <b>ERSTE RESPONSIBLE STOCK AUSTRIA</b>         | 16.18              | -10.80     | 4.16       | 29.19      | -38.75     | 16.63      | 1.50            | 10.7          | A, B                     |
| <b>ERSTE RESPONSIBLE STOCK EUROPE EMERGING</b> | 7.43               | 3.70       | -4.95      | 24.99      | -31.51     | 16.65      | 1.80            | 6.6           | A                        |
| <b>ERSTE RESPONSIBLE STOCK AMERICA*</b>        | 13.87              | 7.37       | 22.21      |            |            |            | 1.80            | 53.7**        | A                        |
| <b>ERSTE WWF STOCK CLIMATE CHANGE</b>          | 23.58              | 12.51      | 55.88      | -7.35      | -25.66     | 3.19       | 1.50            | 15.3          | A                        |
| <b>ERSTE WWF STOCK UMWELT</b>                  | 20.77              | 14.65      | 35.34      | 5.63       | -23.39     | 14.25      | 1.50            | 72.1          | A                        |

Performance calculated according to the OeKB (Österreichische Kontrollbank AG) method, as of 29 May 2015. The management fee is included in the performance. Subscription fees applicable at the time of purchase of up to 5.00% and other fees that may reduce returns, such as individual account and deposit fees, are not included in this presentation. Past performance is not a reliable indicator of the future performance of a fund. Please note that it is not possible to draw any conclusions on the volatility or risk of an investment from annualized averages for multi-year periods.

\* Renaming and shift of focus as of 8 April 2013 (former name: ESPA STOCK AMERICA)

\*\* in USD

### 1) Risk notes

A The ERSTE RESPONSIBLE STOCK EUROPE, ERSTE RESPONSIBLE STOCK AUSTRIA, ERSTE RESPONSIBLE STOCK EUROPE EMERGING, ERSTE RESPONSIBLE STOCK AMERICA, ERSTE WWF STOCK CLIMATE CHANGE, and ERSTE WWF STOCK UMWELT funds may display increased volatility due to the composition of the portfolio. As a result, share values may be subject to significant fluctuations even over short periods of time.

B The ERSTE RESPONSIBLE STOCK AUSTRIA fund is an index fund pursuant to Paragraph 128, section 5 line 1 in conjunction with Paragraph 75 of the InvFG 2011 (Investment Fund Act, Austria). The aim of the investment strategy is to emulate the VÖNIX (VBV Austrian Sustainability Index).

[Alexander Osojnik]

## Bond funds, mixed funds

All funds are denominated in Euro.

| Fund name  | year-to-date, in % | 2014, in % | 2013, in % | 2012, in % | 2011, in % | 2010, in % | Mgmt. fee, in % | Volume in mn. | Risk note <sup>2)</sup> |
|--|--------------------|------------|------------|------------|------------|------------|-----------------|---------------|-------------------------|
| <b>ERSTE RESPONSIBLE RESERVE*</b>                | 0.72               | 1.78       | 0.31       | 5.33       | 0.60       | 2.21       | 0.24            | 82.3          |                         |
| <b>ERSTE RESPONSIBLE BOND</b>                    | 0.67               | 9.75       | 0.42       | 10.57      | 0.94       | 1.72       | 0.60            | 142.7         |                         |
| <b>ERSTE RESPONSIBLE BOND EURO-CORPORATE</b>     | 0.41               | 7.55       | 1.45       | 12.89      |            |            | 0.60            | 162.2         |                         |
| <b>ERSTE RESPONSIBLE BOND EMERGING CORPORATE</b> | 3.65               | 6.00       | **         |            |            |            | 0.96            | 82.1          |                         |
| <b>ERSTE RESPONSIBLE BALANCED</b>                | 3.35               | 7.63       | 1.65       | **         |            |            | 1.00            | 15.0          | a)                      |

Performance calculated according to the OeKB (Österreichische Kontrollbank AG) method, as of 29 May 2015. The management fee is included in the performance. Subscription fees applicable at the time of purchase of up to 5.00% and other fees that may reduce returns, such as individual account and deposit fees, are not included in this presentation. Past performance is not a reliable indicator of the future performance of a fund. Please note that it is not possible to draw any conclusions on the volatility or risk of an investment from annualized averages for multi-year periods.

\* formerly: ERSTE RESPONSIBLE LIQUID, renamed on 5 July 2013

\*\* Fund inception during fiscal year, annual performance can therefore not be shown.

### 2) Risk note

a) The ERSTE RESPONSIBLE BALANCED fund may invest significant amounts in investment funds (UCITS, UCIs) pursuant to Paragraph 71 of the InvFG 2011 (Investment Fund Act, Austria).

## Microfinance funds

All funds are denominated in Euro.

| Fund name                             | year-to-date, in % | 2014, in % | 2013, in % | 2012, in % | 2011, in % | 2010, in % | Mgmt. fee, in % | Volume in mn. | Risk note <sup>3)</sup> |
|---------------------------------------|--------------------|------------|------------|------------|------------|------------|-----------------|---------------|-------------------------|
| <b>ERSTE RESPONSIBLE MICROFINANCE</b> | 3.13               | 4.11       | 2.54       | 3.20       | 2.48       | 0.78       | 1.00            | 23.1          | x)                      |

Performance calculated according to the OeKB (Österreichische Kontrollbank AG) method, as of 29 May 2015. The management fee is included in performance. Subscription fees applicable at the time of purchase of up to 5.00% and other fees that may reduce returns, such as individual account and deposit fees, are not included in this presentation. Past performance is not a reliable indicator of the future performance of a fund. Please note that it is not possible to draw any conclusions on the volatility or risk of an investment from annualized averages for multi-year periods.

### 3) Risk notes

x) The ERSTE RESPONSIBLE MICROFINANCE fund may invest significant amounts in investment funds (UCITS, UCIs) pursuant to Paragraph 7 line 1 of the InvFG 2011 (Investment Fund Act, Austria).

**The Austrian Financial Market Authority (FMA) hereby warns: The ERSTE RESPONSIBLE MICROFINANCE invests entirely in assets pursuant to Paragraph 166, Section 1 line 3 of the InvFG 2011 (Alternative Investments), which represent a higher investment risk compared to traditional investments. In particular, these investments may result in a loss or even a total loss of capital invested.**

[Alexander Osojnik]

# EAM Funds carrying the Novethic SRI Label 2014

The Novethic SRI Label is awarded to Socially Responsible Investment (SRI) funds that demonstrate a systematic integration of Environment, Social and Governance (ESG) considerations in fund management. The label provides investors with a guarantee of transparency and of the traceability of their investments.



It is based on four criteria:

- Environment, Social and Governance (ESG) assessment of at least 90% of the portfolio
- a transparent SRI selection process
- regular information on the SRI qualities of investments
- full publication of the portfolio's composition

Further information on [www.novethic.com](http://www.novethic.com)

## EAM Rating for Fonds with the Novethic SRI Label 2014

All funds are denominated in Euro.

| Fund name                                    | Average ESG-Rating |                | Exclusion Rate |
|--|--------------------|----------------|----------------|
|  | Funds              | Funds-Universe |                |
| <b>ERSTE RESPONSIBLE STOCK GLOBAL</b>        | C+                 | C-             | 65.1%          |
| <b>ERSTE RESPONSIBLE STOCK EUROPE</b>        | B-                 | C-             | 52.6%          |
| <b>ERSTE RESPONSIBLE BOND</b>                | B-                 | C-             | 63.6%          |
| <b>ERSTE RESPONSIBLE BOND EURO-CORPORATE</b> | B-                 | C-             | 64.0%          |

### Average ESG-Rating and Exclusion Rate

The **Average ESG Rating of the Fund** refers to all securities actually held by the fund, whereas the **Average ESG Rating of the Fund Universe** denotes the average of all securities that are rated for the fund, based on the stringent sustainability criteria of Erste Asset Management.

The **Exclusion Rate** indicates how many securities from the respective fund universe are rate "not investable" for the respective fund. For example, a 60% exclusion ratio means that only 40% of all potential securities are investable for the fund.

### EAM-specific ESG Rating

The **EAM-specific ESG Rating** ranges from A+ to E. It scrutinises exclusively those companies that have already been rated by the three rating agencies cooperating with Erste Asset Management. In evaluating ESG criteria, EAM takes a very stringent approach. Thus, only 42.6% of the approx. 3,500 companies currently rated (i.e. the EAM Total Universe) are investable (with a rating from A+ to C). At the moment, the average rating of the EAM Total Universe is D+. The investable universe is further restricted by exclusion criteria. Only one company achieves our current top rating of A-.

|          |                              |
|----------|------------------------------|
| <b>A</b> | excellent                    |
| <b>B</b> | good                         |
| <b>C</b> | satisfactory                 |
| <b>D</b> | inadequate, not investable   |
| <b>E</b> | insufficient, not investable |

All Data (Average ESG-Rating for Funds, the Funds Universe and the Exclusion Rate) per 30.04.2015.

[Alexander Osojnik]



# Glossary

## Engagement

In the context of sustainable investments, Engagement means that the investor tries to convince the management of a company to take action in the fields of social responsibility, environment or transparency. On a national basis, the Erste Asset Management Responsible Investments Team carries out its engagement activities itself, on a global basis the team co-operates with a specialised provider.

## ESG

ESG is an abbreviation of Environmental, Social and Corporate Governance and refers to sustainability in business.

## Exclusion criteria

The Erste Asset Management responsible funds do not invest in sectors or companies that violate certain (exclusion) criteria, e. g. violation of labour regulation, nuclear energy, etc. These criteria include ethical, social and governance risk factors.

## Investment Board

In this board, the Erste Asset Management Responsible Investments Team discusses topical issues and current developments, IPOs, etc. with sustainability specialists and financial experts.

## Investment universe

An investment universe designates the amount of investable companies and countries. In order to become part of the Erste Asset Management Responsible Investment Universe, companies need to perform above average with regards to sustainability. From this selection the fund manager picks those companies with the best prospects according to their fundamental financial data. The Erste Asset Management Responsible Investment Universe is updated on a monthly basis, which enables quick reaction to changes within the respective companies.

## SRI

Socially Responsible Investments

## SRI Rating agency / SRI Rating

An SRI rating agency or SRI research agency analyses and rates the activities of companies according to social, ecological and ethical criteria (e.g. A = best grade to D = worst grade). SRI ratings help investors to assess a company's exposure to environment and stakeholders. The Erste Asset Management Responsible Investments Team co-operates with several SRI-rating agencies covering different key aspects. In contrast to SRI rating agencies, finance rating agencies (e. g. Moody's, Fitch, S&P etc.) focus on companies' financial data only.

## Voting

In the context of sustainable investments, voting refers to the exercise of voting rights at shareholder meetings. Possible targets are an increased transparency in management compensation or in case of nominations for the board of directors. Like in its Engagement activities, the Erste Asset Management Responsible Investments Team cooperates with specialised partners in the area of voting.



## Sustainability labels for our products



ERSTE RESPONSIBLE STOCK GLOBAL  
ERSTE RESPONSIBLE STOCK EUROPE  
ERSTE RESPONSIBLE BOND  
ERSTE RESPONSIBLE BOND EURO-CORPORATE

## Our long-term partners in sustainability



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