ERSTE
The ESG Letter
on Environmental, Social and Governance issues
Nr 5/2014

# RESPONSIBLE RETURN

INVESTMENT BOARD
**Producers of Luxury Apparel and Jewellery**

ENGAGEMENT
**Luxury Producers**

COMPANY OF THE MONTH
**Tiffany & Co.**

LASTING WORDS
**Luxurious Essentials**

PRI Principles for Responsible Investment

ERSTE Asset Management

# 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.*

**What is luxury?**
Living like the Emperor of China! If you are hit by the ice-cold wind from the Mongolian steppes while you kowtow to the Dragon Throne at minus 15 degrees in the middle of February, you will find no luxury there. The Emperor of China's windows came without double-glazing, he had no walls insulated according to ISO standards and no central heating. The epitome of luxury apparently is not what it used to be.

Those were my thoughts as I was strolling through the Forbidden City. But what, then, is luxury?

Luxury is derived from Latin and means luxated, dislocated, or, in a figurative sense, deviating from the norm. According to the Merriam Webster, today it stands for "a condition of abundance or great ease and comfort" as well as "something adding to pleasure or comfort but not absolutely necessary".

Do luxury companies indulge in the luxury of attaching importance to Environmental (E), Social (S), and Corporate Governance (G) aspects by setting high prices? The question is whether companies whose business model is based on selling products at the high end of the market act at the high end of the ESG spectrum as well. Low prices come with a price, so to speak, in terms of environment, society, and the way companies are directed and controlled. So, do high prices then trigger excellence in these areas?

Is sustainable business a luxury? Is it something pricey and wasteful that one can only afford to satisfy hedonistic tendencies? At Erste Asset Management we are convinced that this is not the case. Especially in the sector of luxury goods, which crucially hinges on image, the compliance with ESG criteria is no luxury, but a hard necessity. Just think of blood gold or blood diamonds which have gained a high profile in the media over the past years; images that do not necessarily fit the idyllic marketing world of a luxury jewellery.

During these weeks before Christmas, the luxury sector is riding especially high. A significant part of total annual sales is made at this time of the year, because consumers bend over backwards to treat their loved ones. From Erste Asset Management's point of view, it is the ideal time to ask the luxury sector the million dollar question: how about your ESG efforts?

Sincerely

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

“The best things in life are free. The second best are very, very expensive.“
**Coco Chanel**

“I have the simplest tastes. I am always satisfied with the best.“
**Oscar Wilde**

“Luxury goods are the only area in which it is possible to make luxury margins.“
**Bernard Arnault**

“With a few exceptions people don’t want money. They want luxury, love, admiration.“
**John Steinbeck**

“It is a luxury to say what you really think. “
**Giorgio Armani**

“Too much of a good thing can be wonderful.“
**Mae West**

*Foto: iStock*

# 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.

## Investment Board: Luxury Apparel and Jewellery

In a 2013 edition of ERSTE RESPONSIBLE RETURN – The ESG Letter we raised the question whether low prices in the textile industry caused low sustainability standards in production. We reached the conclusion that sustainability was hindered by the high degree of out-sourcing in the textile industry, and thus rendered low priority. In the current edition of our magazine we reversed the question and asked ourselves whether producers of luxury apparel and jewellery actually spend parts of their high margins on sustainability.

In spite of extensive talks with our research partners we cannot answer the aforementioned question due to the massive lack of information with respect to ESG standards in luxury goods companies. Still, the risk associated with ESG factors is often lower in the luxury segment: In contrast to companies that manufacture their goods in developing countries, the production sites of luxury companies are largely based in Europe. This results in better work-ing conditions and controls in OECD countries – although the lack of transparency made one of our research partners doubt the clustering of production sites in OECD countries.

> The lack of information on ESG risks is massive

The chemical use and environmental footprint of companies is mainly defined by the types of raw material incorporated into their products. According to REACH*, leather production involves 15 to 18, and textile production 25 to 30 hazardous substances. The awareness of the chemicals used has been on the rise especially in Europe, which has brought about new guidelines. One of the main ESG issues with luxury goods manufacturers seems to be the procurement of resources such as cotton, precious metals, and leather, since the regulatory framework is less stringent in these areas.

By and large, luxury goods producers harbour lower sustainability risk than common textile and jewellery producers. This is due to the geographic location of the production sites and the suppliers of raw materials as well as to the relatively lower number of outsourced processes. The massive lack of transparency with regard to the production conditions, however, should worry investors, given that luxury goods depend on marketing and are thus subject to a high reputation risk.

Interestingly, NGOs who criticise the working conditions and environmental standards of producers often focus their attention on low-budget manufacturers. Luxury companies on the other hand are often spared that scrutiny, with their actions hardly ever questioned neither by NGOs nor their customers. **[Richard Boulanger]**

**Status:** The lack of transparency is reflected in the EAM-Ratings. Even though no luxury producer infringes with exclusion criteria, all luxury companies (apart from Tiffany & Co.) show a rating of C- and are thus not suitable for investment

** REACH stands for "Registration, Evaluation, Authorisation and Restriction of Chemicals" and is a chemicals regulation issued by the EU.*

*Photo: Fotolia*

# Engagement

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.

## Luxury producers

It's Christmas time – the time of year when consumers like to spend a little more on luxurious gifts. In 2013 the market volume of luxury goods such as textiles and jewels amounted to USD 217bn. In the past 20 years there have been only two phases where spending was on the decline, with the shortfall being recovered as early as the following year. At revenues of USD 74bn, Europe's demand leads North and South America (USD 69bn) and Asia (USD 46bn).

Only 1 out of 6 luxury producers responded to our enquiries


Foto: iStock

Given that textiles account for a significant share of the luxury goods industry, Erste Asset Management contacted companies from that sector. We wanted to obtain information about the social and environmental standards in their supply chain, addressing the lack of transparency of luxury producers with respect to sustainability often claimed by research agencies. To this end we contacted Burberry, Christian Dior, Hermès, Hugo Boss, Moët Hennessy Louis Vuitton (LVMH), and Prada. Four of these companies did not react to our enquiry. LVMH promised to answer our questions, but has not been heard of since. Only one company, Hugo Boss, was prepared to talk about its sustainability strategy. This is the weakest response rate EAM has ever experienced – which confirms the assumed lack of transparency of luxury goods manufacturers.

No matter where you look for sustainable strategies in the luxury goods segment, your search will probably be in vain. Of the aforementioned companies, only Hugo Boss issues a separate sustainability report. All other firms only dedicated a small section of their annual report to sustainability.

In past engagements we found that producers have a hard time steering the sustainability activities of their suppliers. For that reason we asked Hugo Boss what criteria the company paid particular attention to with regard to its suppliers. The company points out that it demands a range of minimum standards; they are much more stringent and detailed for social criteria than for environmental ones. Said standards range from the ban of child labour to the demand of freedom of association and wage negotiations. While Hugo Boss tries to reduce the environmental pollution caused by its suppliers, its demands do not do not go beyond compliance with statutory requirements.

**[Richard Boulanger]**

# How big is the average carbon footprint of consumer goods in $CO_2$ equivalents?

in tons of $CO_2$-equivalent



COSMETICS
**442 tons**



LEATHER GOODS
**846 tons**



EYE WEAR
**322 tons**



JEWELRY
**746 tons**

WATCHES
**371 tons**



TEXTILE & APPAREL
**566 tons**

Calculation:
*The calculation of the footprint is based on an input-output lifecycle analysis of the entire supply chain up to the point of retail.*
*Measured per USD 1 million in revenue*

- Raw materials
- Manufacturing
- Transportation and logistics
- Sale

*Sources: IERS Comprehensive Environmental Data Archive (CEDA), MSCI ESG Research Industry Report: Textile, Apparel, and Luxury Goods*
*Photo: Fotolia*

# Company of the month: **Tiffany & Co.**

The Company of the Month is selected due to recent developments and in connection with the **topic "Luxury"**. The EAM Responsible Investments team analyses the strenghts and weaknesses of the selected company in terms of ESG.

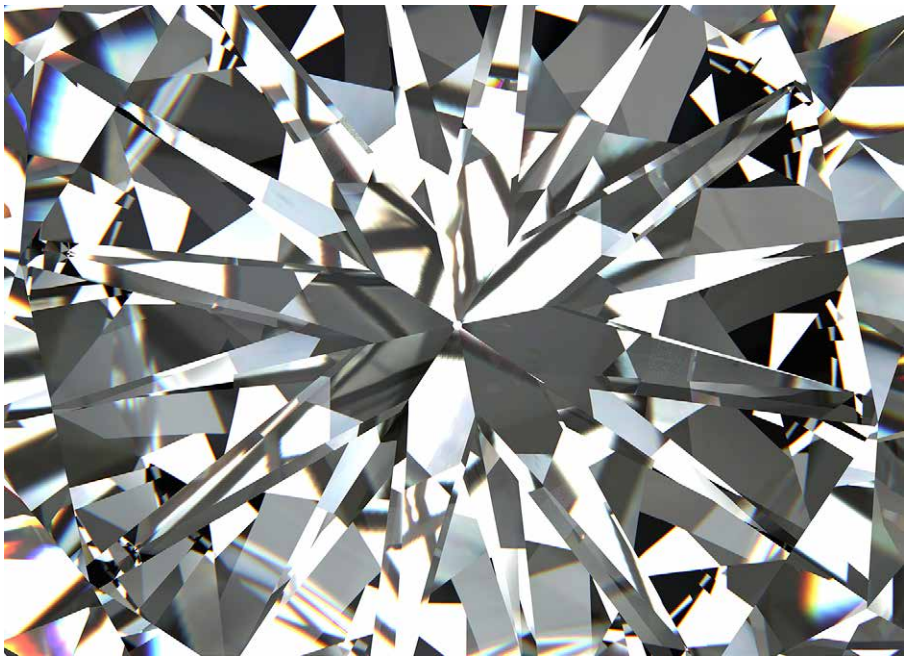

Photo: iStock

Audrey Hepburn knew that the true life of luxury started with a breakfast at Tiffany's. But it is not only the jewels in the windows that make the company shine. In an industry where the beauty of the product is put on a pedestal while its dreary production conditions are swept under the rug, Tiffany & Co. stands out. The company's ESG risk management satisfies even high expectations.

## Controversial commodities

While diamonds may have sparkled in Audrey Hepburn's eyes, today they are often stained by blood. In many African countries torn by civil war such as Angola and Ivory Coast, diamonds are mined under slave-like conditions in order to fund the conflicting parties. Within the framework of the so-called Kimberley Process numerous countries, companies, and NGOs have been trying to put a lid on this flood of blood diamonds via certification. Nevertheless, stones from conflict regions continue to enter the market.

Among the analysed companies, **Tiffany & Co.** is one of the few jewellers offering luxury products that do not violate basic ethical standards.

## Clean diamonds

Tiffany generates more than half of its sales from diamonds and early acknowledged its responsibility in that area. The company actively supports the Kimberley process, but also goes beyond it in order to ensure full control over all stages of its diamond production. For example it operates its own mines and has set up alliances with mines that provide the company with clearly traceable, conflict-free raw diamonds. Since 2002, they have been processed exclusively in-house. This way Tiffany can guarantee it will not be infiltrated by any (already cut) conflict diamonds.

The company has also set stringent standards for precious metals, obtaining 98% of its material from clearly identifiable, responsibly managed sources.

Tiffany's gems are not only politically, but also environmentally clean: in addition to its efforts aimed at the eco-friendly mining of diamonds Tiffany has been an active advocate against diamond mines in ecologically sensitive regions. Also, Tiffany uses recycled gold for its jewels and re-used paper for its elaborate packaging.

## Fair wages

Tiffany is convinced that in most diamond producing countries in Africa and Asia, market wages do not provide a satisfactory income for the workers and their families. Therefore the company has surveyed the actual cost of living in the respective countries in detail and has increased wages accordingly. This is unheard of in the industry.
**[Dominik Benedikt]**

**Key figures for Tiffany & Co.**
Source: Bloomberg

| | |
|---|---|
| **Sector** | Specialty Stores |
| **ISIN** | US8865471085 |
| **Share price (Nov. 28 2014)** | 107.92 USD |
| **Estimated PE** | 25.01 |
| **Dividend yield** | 1.41 % |

LASTING WORDS

# Luxurious essentials

***"When researching the topic of this issue of ERSTE RESPONSIBLE RETURN – The ESG Letter, I followed my usual routine",*** says Gerold Permoser, Chief Investment Officer (CIO) and Chief Sustainable Investment Officer (CSIO) of Erste Asset Management.

I checked the etymology of the term (thank God for Wikipedia). Have I ever read a book on the topic? (not really) What experience do I associate with the topic? (too many) Do I know experts? (oh, yes)

I am married to a person who appreciates the luxuries of life – my wife; and she clearly owns up to it. Therefore an exciting and long discussion was easily found. What is luxury anyway? Should or may we all like luxury? I learnt that in Portuguese there is a difference between luxus and luxuria. Although both are derived from the same Latin word, only one refers to the luxury we are talking about; the other one means lust, i.e. one of the seven deadly sins.

And all of a sudden we were sitting on the sofa, holding a glass of wine, and thumbing through Dante's Divine Comedy. We read the fifth canto and found out how the souls of "carnal malefactors" were condemned to drift forever in the wind of the Second Circle of Hell, as punishment for their sins.

Dante's scenario nonwithstanding, everything I described above used to be pure luxury until recently (and in many regions of the world continues to be so). Books, wine, education, a comfortable flat where one can lounge on the sofa, all this has been outside the confines of the everyday life and would be considered pure pleasure by many. In other words, luxury. For my wife and me, on the other hand, the time spent together is the essence of luxury.

The essentials of luxury change over time. Things that used to be unachievable are normal today, but may not be so tomorrow. The same is true for the issue of sustainable investment. Some people continue to regard the focus on E, S, and G risks as luxury that not everyone can afford. But more and more investors have started regarding this as normal (or "new normal", as it is called on the financial markets). In this sense we look forward to continuing the path towards normality with you next year.

Merry Christmas and a Happy New Year.

Photo: iStock

# The Erste Asset Management Responsible Investment Team

f.l.t.r.:
Gerhard Ramberger – Fund Manager Equities
Peter Varga – Fund Manager Fixed Income
Dominik Benedikt – Senior ESG Analyst
Stefan Rößler – Quantitative Analyst Responsible Investment
Martin Cech – Fund Manager Fixed Income
Clemens Klein – Fund Manager Equities
Alexander Osojnik – Senior ESG Analyst
Sonja Mazanec – Fund Manager Fixed Income
Richard Boulanger – ESG Analyst
Gerold Permoser – Head of Responsible Investment

# Responsible Investment Universe

## Changes (excerpt)

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

### ADMITTED

OKTOBER/NOVEMBER 2014

**Deutsche Telekom AG** (sector: Integrated Telecommunication Services) is one of Europe's biggest telecommunication companies.

☺ Extensive measures aimed at supporting suppliers in their efforts to implement health and safety standards
☺ Comprehensive initiatives to reduce the digital divide
😐 Lapse of the exclusion criterion "infringement with labour law"
😐 In spite of the successful reduction of $CO_2$ emissions, energy consumption has increased in the past years
☹ Low transparency of the programmes aimed at the reduction of dangerous materials in end-user equipment and telecommunication infrastructure

**Aéroports de Paris** (sector: Airport Services) is an operator of numerous airports, especially the three big passenger airports of Paris. Other areas are business services such as airport development, air transport related services, and the leasing of retail and office space.

☺ One of the most progressive frameworks to uncover and prevent corruption, developed in cooperation with the NGO Transparency International
☺ Comprehensive health and safety programmes that include not only the company's own employees and suppliers, but also third party firms like airlines and baggage handlers
☺ Measures to reduce the distance covered on the ground by aircrafts
☺ High share of renewable, largely self-generated, energy
☺ Proactive dialogue with residents and customers with regard to the effects of the operation of airports
☹ Little information on the way customer complaints and feedback are handled

Photo: iStock


*2013 Aéroports de Paris invested EUR 5.1m in environmental monitoring. The firm's activities range from ISO certifications and the employment of 22 environmental officers in in Paris-Charles de Gaulle and Paris-Orly to internal energy saving competitions. Aéroports de Paris runs a solar farm and is currently conducting tests on runway lighting systems using solar energy. Last year, 30% of the electricity used by the company came from renewable sources.*

### EXCLUDED

**Kering** (sector: Apparel, Accessories & Luxury Goods) operates globally in the areas of luxury, sports, and lifestyle labels. Renowned labels such as Gucci and Puma are part of the company.

☹ Infringement with the exclusion criterion "child labour" at a Chinese supplier
☹ High risk of further infringements by suppliers in the areas of labour law as well as health and safety at work
☹ Positions of CEO and chairman of the supervisory board are held by the same person
☺ Target to record the carbon footprint of all products by 2016

**[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 | Since 1. 1., in % | 2013, in % | 2012, in % | 2011, in % | 2010, in % | 2009, in % | Mgmt. fee, in % | Volume in mn. | Risk notes 1) |
|---|---|---|---|---|---|---|---|---|---|
| **ERSTE RESPONSIBLE STOCK GLOBAL** | 14.09 | 17.52 | 9.51 | –4.90 | 16.61 | 29.66 | 1.50 | 184.1 | |
| **ERSTE RESPONSIBLE STOCK EUROPE** | 8.53 | 18.55 | 20.88 | –23.03 | 9.40 | 27.01 | 1.50 | 19.5 | A |
| **ERSTE RESPONSIBLE STOCK AUSTRIA** | –7.74 | 4.16 | 29.19 | –38.75 | 16.63 | 12.29 | 1.50 | 9.5 | A, B |
| **ERSTE RESPONSIBLE STOCK EUROPE EMERGING** | 9.69 | –4.95 | 24.99 | –31.51 | 16.65 | 55.19 | 1.80 | 7.5 | A |
| **ERSTE RESPONSIBLE STOCK AMERICA*** | 8.12 | 22.21 | | | | | 1.80 | 50.4** | A |
| **ERSTE WWF STOCK CLIMATE CHANGE** | 15.26 | 55.88 | –7.35 | –25.66 | 3.19 | 21.37 | 1.50 | 13.2 | A |
| **ERSTE WWF STOCK UMWELT** | 14.38 | 35.34 | 5.63 | –23.39 | 14.25 | 17.84 | 1.50 | 57.2 | A |

Performance calculated according to the OeKB (Österreichische Kontrollbank AG) method, as of 28 November 2014. 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.

| Fondsname | Since 1.1., in % | 2013, in % | 2012, in % | 2011, in % | 2010, in % | 2009, in % | Mgmt. fee, in % | Volume in mn. | Risk note 2) |
|---|---|---|---|---|---|---|---|---|---|
| **ERSTE RESPONSIBLE RESERVE*** | 2.00 | 0.31 | 5.33 | 0.60 | 2.21 | 10.99 | 0.24 | 69.4 | |
| **ERSTE RESPONSIBLE BOND** | 9.11 | 0.42 | 10.57 | 0.94 | 1.72 | 9.07 | 0.60 | 160.3 | |
| **ERSTE RESPONSIBLE BOND EURO-CORPORATE** | 7.25 | 1.45 | 12.89 | ** | | | 0.60 | 171.1 | |
| **ERSTE RESPONSIBLE BOND EMERGING CORPORATE** | 7.05 | ** | | | | | 0.96 | 54.6 | |
| **ERSTE RESPONSIBLE BALANCED** | 7.60 | 1.65 | ** | | | | 1.00 | 10.3 | a) |

Performance calculated according to the OeKB (Österreichische Kontrollbank AG) method, as of 28 November 2014. 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.

| Fondsname | Since 1.1., in % | 2013, in % | 2012, in % | 2011, in % | 2010, in % | 2009, in % | Mgmt. fee, in % | Volume in mn. | Risk note 3) |
|---|---|---|---|---|---|---|---|---|---|
| **ERSTE RESPONSIBLE MICROFINANCE** | 2.63 | 2.54 | 3.20 | 2.48 | 0.79 | | 1.00 | 25.4 | x) |

Performance calculated according to the OeKB (Österreichische Kontrollbank AG) method, as of 31 October 2014. 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) herby 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

## 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 | |
| **ERSTE RESPONSIBLE STOCK GLOBAL** | C+ | D+ | 76.7% |
| **ERSTE RESPONSIBLE STOCK EUROPE** | C+ | C– | 66.1% |
| **ERSTE RESPONSIBLE BOND** | C+ | D+ | 73.4% |
| **ERSTE RESPONSIBLE BOND EURO-CORPORATE** | C+ | D+ | 74.1% |

### 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 41% 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 40% 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–.

**A** excellent
**B** good
**C** satisfactory
**D** inadequate, not investable
**E** insufficent, not investable

**All Data (Average ESG-Rating for Funds, the Funds Universe and the Exclusion Rate) per 28.11.2014.**

**[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










**Media owner**
Erste Asset Management GmbH
1010 Wien, Habsburgergasse 2

**Contact/Editor**
Erste Asset Management GmbH
Communications & PR
Tel.: +43 (0)5 0100 – 19982
E-mail: communications@erste-am.com
www.erste-am.com