

**ERSTE**  
Asset Management

# Controversial Weapons Policy

# 1. Principles

As of 1 July 2011, Erste Asset Management (Erste AM) has committed to abstain from investing in companies that can be tied to being active in the area of „controversial weapons“.

Erste AM defines controversial weapons as defense equipment whose use and production are rejected due to the excessive suffering they cause and regulated by several international conventions such as:

- the Cluster Munitions (2008) convention<sup>1</sup>
- the Ottawa-Convention<sup>2</sup>
- the Treaty on the Non-Proliferation of Nuclear Weapons (1968)<sup>3</sup>
- as well as conventions on biological<sup>4</sup> and chemical<sup>5</sup> weapons.

These are often referred to as “banned weapons”. This directive also covers controversial conventional weapons such as uranium munitions. Biological and chemical weapons.

On the basis of these texts and in cooperation with external research partners, Erste AM evaluates companies with regard to their (potential) involvement in the following areas:

- **Weapons of mass destruction:** biological, chemical and nuclear weapons (NBC weapons)
- **Banned weapons:** in addition to biological and chemical weapons, cluster munitions and anti-personnel mines.
- **Conventional arms:** Uranium Ammunition<sup>6</sup>

The development of new controversial types of weapons and the drafting of international regulations are constantly monitored, taking into account the available data. Erste AM can include these weapons in its catalogue of criteria if necessary.

In addition to companies whose business activities are associated with controversial weapons, Erste AM also excludes government bonds of countries against which international sanctions have been imposed by the UN Security Council as a result of a violation of one of the abovementioned agreements.

# 2. Scope of Application

All retail funds and portfolios actively managed by Erste Asset Management on a discretionary basis are subject to this obligation.

Special funds are generally excluded from this obligation. In the case of special funds investing on a sustainable basis - as defined by Art 8 or 9 of the Disclosure Regulation/Art 6 or 5 of the Taxonomy Regulation - adherence to this guideline can only be dispensed with if, at the request of the client of the special fund, another sustainable obligation compatible with the approach of Erste Asset Management is applied with regard to the exclusion in question.

At the express request of the client of a mutual fund (large investor fund), this rule may be dispensed with for third-party mandates in which Erste Asset Management does not participate in the management of the fund or the investment

strategy and merely provides the fund shell. In the case of sustainable - as defined by Art 8 or 9 of the Disclosure Regulation/Art 6 or 5 of the Taxonomy Regulation - large investor funds, adherence to this guideline can only be dispensed with if, at the request of the client, another sustainable obligation compatible with the approach of Erste Asset Management is applied with regard to the exclusion in question.

Similarly in asset management: At the explicit request of the clients, adherence to this guideline can be dispensed with in the case of individual portfolio management, provided that the portfolio management has not been classified as an Art 8 or 9 product as defined in the Disclosure Regulation/Art 6 or 5 product as defined in the Taxonomy Regulation.

# 3. Approach

Analysis is based on information sourced from Erste Asset Management’s research partners.

Companies in which involvement in controversial weapons is considered confirmed or proven or where there are meaningful indications of involvement, are excluded from Erste AM’s investment universe. General accusations regarding a possible indirect involvement in controversial weapons, which cannot be directly linked to any of the company’s products, do not necessarily lead to exclusion.

In order to minimize the risks resulting from involvement in controversial weapons, no threshold value is defined for sales of controversial weapons. Involved companies that meet the above requirements will be excluded in any case.

Within a group, the parent-subsidiary principle is applied. Holding A is liable for all subsidiaries. Subsidiary B whose business activities are not related to controversial weapons is not liable either for the holding company or for a subsidiary C involved. In this case, holding A and company C would be excluded, company B would remain investable.

<sup>1</sup> Convention on Cluster Munitions (2008)

<sup>2</sup> Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997)

<sup>3</sup> Treaty on the Non-Proliferation of Nuclear Weapons (1968)

<sup>4</sup> Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Weapons and Weapons on their destruction (1972)

<sup>5</sup> Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993)

<sup>6</sup> No international treaty yet. The exclusion is based on the draft of the International Coalition to Ban Uranium Weapons for such a treaty.

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