

# CONTROVERSIAL WEAPONS POLICY

Principles of Erste Asset Management for Responsible & Sustainable Investment



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## 1. Principles

**Effective from 1<sup>st</sup> July 2011, Erste Asset Management has committed to abstain from investing in companies that can be tied to being active in the controversial weapons area.**

The term *controversial weapons* describes defence-related products, which usage or production is rejected and barred as a result of multiple international conventions, such as the *Convention on Cluster Munitions (2008)*, the *Ottawa-Convention<sup>1</sup>*, the *Treaty on the Non-Proliferation of Nuclear Weapons (1968)* as well as conventions on biological<sup>2</sup> and chemical weapons<sup>3</sup>, as a result of their disproportionate infliction of harm and suffering.

On the basis of these treaties and in cooperation with external research partners, Erste Asset Management evaluates companies with regards to their (potential) involvement in the following areas:

- Biological and chemical weapons
- Cluster munitions, including potential starting systems and launch platforms
- Anti-personnel mines, mine-laying as well as any related mine systems
- Nuclear weapons
- Uranium weapons<sup>4</sup>

The analysis, however, continues far beyond the strict wording of the corresponding contracts of the above mentioned international conventions, to avoid the financing of these weapon systems to the greatest possible extent. The development of new controversial weapon types, such as blinding laser weapons, as well as the drafting of international regulations are constantly monitored with respect to the available data. By this means, Erste Asset Management can include these weapon systems in its set of criteria as the circumstances require.

Aside from companies which business activities can be related to controversial weapons, Erste Asset Management also excludes government bonds issued by countries which have been sanctioned according to international law by the United Nation's Security Council as a result of a violation of the above mentioned international conventions.

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<sup>1</sup> *Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997)*

<sup>2</sup> *Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972)*

<sup>3</sup> *Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993)*

<sup>4</sup> Not yet an international convention. The exclusion is based on the draft of the *International Coalition to Ban Uranium Weapons* contract.



This guideline allows Erste Asset Management not only to realise its responsibility as an investor and to minimise risks, but also to act in accordance with the Principles for Responsible Investment (PRI).



## 2. Scope

All actively managed equity and bonds funds of Erste Asset Management, or of one of its Austrian or international subsidiaries, are subject to this regulation.

Fund of funds as well as external mandates, for which Erste Asset Management Group only acts in an administrative function and is not part of the active management of the fund or involved in shaping the investment strategy are not affected by this policy.



### 3. Approach

The analysis of listed companies is based on data from Erste Asset Management's research partners<sup>5</sup>. The focus lies on considering a wide range of information.

Should an involvement with controversial weapons be identified for one of these titles, it is classified in one of the following categories on the basis of the available data:

- **Confirmed:** The involvement of a company in the production or the trade of controversial weapons is regarded as evident or proven. It was either confirmed by the company itself or an especially trustworthy external source.
- **Probable:** The involvement of a company in the production or the trade of controversial weapons is regarded as being probable. This is underpinned by trustworthy sources.
- **Possible:** The available information includes tangible leads from external sources to implicate a company in the production or trade of controversial weapons (or to prove a historic implication). The accuracy and timeliness of this information, however, cannot be verified free of doubt using the available data.

Company titles that fall in one of these categories are excluded from the investment universe of Erste Asset Management. In the case of a general allegation in relation to an indirect involvement with controversial weapons, which are not directly associated to one of the company's products, we will refrain from excluding the company for the moment. Erste Asset Management and its research partners will continue to analyse those companies.

To minimise the risk resulting from an above-mentioned involvement, no critical threshold for the revenue generated with business relating to controversial weapons is defined. Involved companies will be excluded in any case. This regulation also applies to merchants, brokers and agents.

The mother-daughter principle is applied within the group. Holding A is, therefore, legally liable for all its subsidiaries. The subsidiary B, which business activities are not associated with controversial weapons, is neither legally liable for the involvement of the holding

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<sup>5</sup> The analysis is, at the moment, provided by oekom research AG. Additional data is sourced from MSCI ESG Research. bezogen.



nor of another subsidiary C. In that case, holding A and subsidiary C would be excluded from the investable universe, but subsidiary B would remain an investable title.

Potential holdings in newly identified companies, which violate these guidelines, are disinvested within one quarter. Should the allegations against a company be disproven, they are immediately reverted to investable status.



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## Disclaimer

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