



Engagement & Voting Report 2020

ERSTE
Asset Management

www.erste-am.com

Erste Asset Management

Erste Asset Management coordinates, and is responsible for, all asset management activities across Erste Group. Erste AM manages assets worth EUR 68.2bn (as of 31. December 2020) in Austria, Croatia, the Czech Republic, Germany, Hungary, Romania, and Slovakia. EUR 13.5bn thereof are managed according to strict sustainability

criteria. From 2012, Erste Asset Management has assumed a more active role with companies on behalf of its investors. We exercise our voting rights, attend Annual General Meetings (AGMs), and set up and maintain a direct dialogue with company boards, the latter activity also known as engagement.



The integrated sustainability approach of Erste AM | Source: Erste Asset Management, 2021

INTEGRATED ESG-MANAGEMENT OF ERSTE AM

Erste Asset Management has developed an integrated ESG management system which is the basis of all sustainable funds that are composed of individual securities.

In addition to the ethical criteria of exclusion and the Erste AM ESG rating (best-in-class approach), engagement and voting

at AGMs constitute the third supporting pillar of our sustainability process.

The goal of our sustainability and engagement activities is to convince companies of adopting a more sustainable corporate strategy.

Preface



Speech is golden,
silence is silver:
active ownership
at Erste AM

Imagine you are
the CEO of a listed
company and
have just learnt

that your share price has fallen off a cliff. You are going to wonder what happened, you'll check whether the rest of the market has also incurred losses, or maybe just your sector – or indeed, maybe just your company. Either way, you will be looking for reasons why investors have withdrawn their capital and thus their trust. There may be a variety of reasons, and they do not necessarily have to do with bad management performance. We have just recently seen such a situation at Archegos Capital (N.B. a hedge fund's speculative transactions had gone awry, which is why it had to sell off the shares of numerous companies as emergency measure; for the full version, please click [here](#)).

Let's talk about your exclusion

In order to achieve a positive impact via our investments, it is not enough to exclude those companies that do not fulfil our sustainability standards. In fact, it could theoretically even be counterproductive

to rely on non-sustainable investors to decide on the direction the company is going from that point onwards. But that is probably not realistic, given that sustainable investors will increasingly be in the majority. In order for change to happen, the exclusion of the respective company has to be accompanied by a dialogue with company management, where we explain the reasons and define joint steps towards solution.

Targeted engagement with chance of success instead of mass mailing into nirvana

What is important to us for all engagement activities is that they come with a realistic potential of success. How can we assess this in advance? Due to our market leadership, we have good access to listed companies in Austria and engage in dialogue even without engagement partners. Internationally, we access engagement platforms in order to find likeminded investors who are also against the violation of worker and human rights or in favour of the achievement of environmental goals. In addition, we cooperate with an engagement provider who contacts companies on our behalf where the infringement with the UN Global Compact principles has been reported.

On the level of nation states we currently do not see many opportunities to exert pressure on elected or self-appointed heads of state. As soon as investor initiatives are forming in this field, we will consider participating as well. At the moment though, investor pressure is more likely to succeed if it is exerted indirectly on the companies operating in these countries.

Act sustainably and shout it from the rooftops

By complying with the aforementioned principles, we successfully completed several engagements last year. Let's take our engagement with OMV, for example, where we had very constructive talks and ended up linking compensation with sustainability goals, a lobbying report was released, and emission reduction targets were defined. We finalised our cooperation of several years (via our engagement partner), having improved the workers' rights in the food industry supply chain. At the same time, we launched a new engagement topic in collaboration with international investors due to accusations about forced labour by Uyghurs.

Voting rights are there to be exercised on the basis of sustainable criteria

We increased our voting volume again in 2020: we exercised votes on behalf of more than EUR 3.9bn worth of capital. This is 1.2 times the average market capitalisation of an ATX company. This high voting volume – and thus the high impact of Erste AM – is the result of a decision we took in 2015. Back then, we decided that for all mutual equity funds of Erste AM (regardless of their sustainable strategy), the voting rights had to be exercised in accordance with the sustainable EAM Voting Policy. We exercised our voting rights in 2020 at 453 companies at 498 AGMs across 34 countries.

A few voting gems for last

Voting (by us, among others) at the AGM of Johnson & Johnson led company management to publish a report on governance practices and the measures implemented since 2012 with regard to the distribution of opioids in the USA.

This report helps to increase the transparency of our engagement and voting activities and also illustrates how our corporate management established a delicate business field.

On the basis of a shareholder motion supported by Erste AM, Enphase Energy pledged to publish a sustainability report on the ESG performance of the company. This was an important step towards internalising the ESG performance of the company and thus towards making it an important part of management decisions. In Austria, the focus was on corporate compensation policies among the companies we voted on; generally speaking, shareholder motions connected to sustainability were increasingly achieving majorities. That would have been unthinkable just a few years ago.

I hope we have managed to tickle your interest in reading this very comprehensive Voting and Engagement Report 2020. If you would like to know more about our voting at a specific AGM, please let us invite you to visit the voting portal on our website.



Walter Hatak
Head of Responsible Investments
Erste Asset Management

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1. Engagement approach

The goal of the engagement approach of Erste Asset Management is to achieve maximum changes towards sustainable management in a direct dialogue with companies and on behalf of our clients.

This is ethically motivated, but it in addition it is our duty as sustainable investor to minimise the ESG risks of our existing investments and to generate new opportunities for our clients.

To this end, we have divided our engagement strategy into four approaches:

Austria engagement

Promotion of the integration of ESG criteria in the management decisions of Austria companies on the basis of investor meetings and personal talks with company management

Thematic engagement

ESG research on topics that are of particular relevance to society. The results are presented to the fund management team and may result in divestment. Pressure on companies via an ESG Letter feature or a press release possible.

Collaborative engagement

Bundling of ESG interest with other investors in order to increase the clout with international groups in particular. In doing so, we resort to international sustainability networks such as Climate Action 100+, PRI, CRIC, and the engagement service of Sustainalytics.

Integration of sustainability factors in traditional management calls with companies

In addition to these focused engagement approaches, we also try to integrate ESG topics as standard part of the ongoing dialogues of our fund managers and analysts with company officials. This allows us to place our sustainability requirements at top management levels and to argue for sustainable change in front of the decisionmakers of the respective companies. For a list of our regular calls by fund managers and analysts, please refer to page 47 and the following.

ESG dialogues

Promotion of the integration of ESG criteria in the management decisions of international companies within the framework of talks with the upper management.

2. Engagement and company dialogues 2020

On the following pages, please find an overview of our most important engagement cases and company dialogues in 2020.

2.1 Thematic engagement

Our ESG analysts at Erste AM identified yet another wide range of highly relevant social and environmental aspects in 2020. In collaboration with PRI, we pointed out the specific risk of possible human rights violations in the supply chain of global companies and accordingly launched engagement proceedings with companies. In 2020, we calculated the water footprint of our funds again and achieved a higher quality of data by switching to a new data provider. By automatizing the process, we can now take into account the water risk even more actively in the individual funds.

In our quarterly newsletters, we covered significant and urgent topics last year again. In Q1, we focused on gold; in Q2 we took a closer look at electricity and energy; in Q3 we scrutinised the EU Green Deal; and in Q4 we analysed sustainable investments from various angles.

Overall, the focus was on environmental topics, as also illustrated by the topics in Q2 and Q3 (electricity and energy; EU Green Deal).



2.1.1 Human rights risks in the Chinese autonomous region of Xinjiang

PRI is a collaboration platform established by UNO and OECD with the goal of bringing together investors from around the world in order to collaborate on various projects. In 2020, Erste Asset Management joined the engagement efforts of “Human Rights Risks in Xinjiang Uyghur Autonomous Region” in order to investigate the alleged human rights violations of China within the Muslim minority of the Uyghurs. The goal of this engagement is to approach companies that are suspected of using Uyghur forced labourers in their supply chain.

Uyghurs are a Muslim minority that live largely in the autonomous region of Xinjiang in the North West of China. Xinjiang was independent for a short while in the 1940s and has been under the control of China since 1949. We have repeatedly read about an alleged genocide committed by China against the Uyghurs (e.g. Kurier, 26 February 2021). For example, beards and veils have been banned. There is also the suspicion that in some parts of Xinjiang the Uyghur language has been banned, mosques have been closed, and halal products have been outlawed (The Guardian, 2020). According to a study by BBC, this led to a decline in Uyghur population growth of 84% from 2015 to 2018.

Assumptions are that Uyghurs are being detained for even the smallest offences and are subsequently sent to so-called labour camps. According to The Guardian, currently about one million Uyghurs are being held in labour camps under appalling conditions. There is suspicion of torture and political indoctrination, and Uyghurs are said to have been forced to denounce their own religion. Rumours are also that Uyghurs are subsequently used as forced labourers in factories that produce for large global companies. Cheap labour has become an important engine for the economy of Xinjiang. As a result, the practice of sending Uyghurs to other parts of China increased significantly from 2017 to 2020 (ASPI, 2020). The People’s Republic of China denies all accusations and refuses to call the government’s approach a genocide. According to officials, labour camps serve the purpose of re-educating extremists and fighting terrorism.

In the past, there has been the odd terror attack in China for which Uyghurs claimed responsibility. The mistrust vis-à-vis the Muslim minority of the Uyghurs increased again after 9/11, as a result of which the already tense situation in Xinjiang degenerated into several acts of violence in 2009. In 2014, a group of Uyghur terrorists killed 31 people. China uses these and other reasons to justify its iron-fist approach of

sending Uyghurs to labour camps after the smallest of offences where they are exploited and then sold as cheap labour (ASPI, 2020). Another reason for the drastic measures taken by China is its "One Belt, One Road" project. Based on the idea of the Silk Road, this project is supposed to expand trade with Europe, Asia, and Africa. Xinjiang, located in the North West of China, plays an important role, which is why the government tries at all costs to break any local resistance.

In order to be able to observe the situation in China and to ensure that the duty of care in the area of human rights is being upheld, Erste Asset Management participated in so-called engagement letters as part of this collaborative project which were sent to companies that are suspected of relying on Uyghur forced workers in their supply chain. In the letters, the affected companies are confronted with the aforementioned claims and suspicions, and we ask them whether they are aware of these accusations and whether they have taken any steps against them.

This form of engagement has a long time horizon, and we have continued our efforts in 2021. The goal is to hold at least one meeting per quarter. Some 20 investors from the asset management sector are currently involved in this engagement project. This allows for significant clout in the pressure we can exert on the companies, and thus contributes positively to safeguarding human rights.

Sources: <https://kurier.at/politik/ausland/niederlaendisches-parlament-wirft-china-voelkermord-an-uiguren-vor/401201227>

<https://www.theguardian.com/global-development/2020/jul/23/virtually-entire-fashion-industry-complicit-in-uyghur-forced-labour-say-rights-groups-china>

<https://www.theguardian.com/world/2020/jul/21/the-perfect-uyghur-outgoing-and-hard-working-but-still-not-safe-from-chinas-camps>

<https://www.bbc.com/news/world-asia-china-53220713>

<https://www.aspi.org.au/report/uyghurs-sale>

Four times a year, we put a focus on specific sectors and their sustainability in our sustainability magazine **ESGenius Letter**.



Across numerous articles, our ESG research team looks at topics like child labour, banned weapons, and critical social issues like meat consumption.

2.1.2 ESGenius Letter

ESG Letter Q1: Gold

Gold can quickly lose its shine as soon as topics like workplace safety, environmental footprint, use of chemicals, and the destruction of natural habitats are brought up. However, it makes sense to take a look at each company individually rather than condemn the entire industry. The biggest differences between the best and the worst in the sector manifest themselves in the area of workplace safety.



We selected Tiffany as one of the best-practice examples and introduced the company in a dedicated article. One of the biggest achievements of Tiffany in recent years in the field of sustainability has probably been the traceability of all of its diamonds. The company reached this milestone in 2018, and it has been confirmed by independent auditors. The value chain could in the future be traced by a blockchain and thus become even more transparent. Companies like VeChain focus on this application and already offer a variety of solutions. Given the efforts Tiffany has put in, other companies in the industry should also step up their game in terms of sustainability.

ESG Letter Q2: Electricity & Energy

In the run-up to Earth Hour 2020 on 28 March 2020, we thought it appropriate to look closely at the topics of energy production and the integration of renewable energy in the grid. In doing so, we have again talked to numerous companies about where they see the risks and opportunities.

Specifically, we were interested in the following questions:

- What are the technical hurdles to the integration of renewable energy carriers?
- What regulatory requirements support/impede the integration?
- How do renewable energy carriers change maintenance costs and investments?

The responses to our questions would often focus on technologies aimed at the improvement of peaks loads: smart grid technologies that automatically communicate loads and thus make capacities available that are better used in development. Most of the surveyed companies also do not expect the integration of renewable energy carriers to lead to higher maintenance costs or higher rates of disruption.



ESG Letter Q3: EU Green Deal

The topic of our third ESGenius Letter was the European Green Deal. The core topic of the package of measures is the so-called EU Taxonomy for sustainable investments. Its goal is to provide the markets with a standardised definition of sustainability in the investment world. In doing so, the EU hopes to achieve two specific results, i.e. to inhibit further growth of green-washing and to promote the awareness of a standardised understanding of sustainability within the financial industry. We sat down with our research partners to figure out how the proposals of the Technical Expert Group (TEG) within the framework of the Taxonomy have to be implemented for companies and their ESG profil.



Another issue was whether any dialogues with companies on the topic of the European Green Deal were planned. We approached our research partners about it, and at the time of going to press, no such initiatives were in the pipeline. That being said, issues like reporting, transparency, and measures aimed at climate protection are crucial and are being actively promoted by Erste AM, not the least as part of international investor conferences such as Climate Action 100+.

ESG Letter Q4: Sustainable investments

The term “sustainable investments” is often used generically as umbrella term for responsible or ethical investments, impact investments, or general investment decisions that are based on ESG factors (environmental, social, governance). Different terms are used in parallel to mean the same, and there is little semantic differentiation.

For this ESGenius Letter, we wanted to discuss how ESG data providers evaluated sustainability and what sort of varying focus they used in the process.





2.2 Austria engagement

As in previous years, we focused our engagement initiatives on dialogues with Austrian companies, since this is where we have the biggest leverage as market leaders. Our engagement with OMV AG was again top of our agenda in 2020. Erste AM is an engagement leader as part of the investor initiative Climate Action 100+.



Environmental goals derived from the Paris climate goals are at the centre of our talks with the company. In addition to OMV, we also had intensive talks with DO & CO <inkonsistente Schreibweise im Original>, UBM, and Wienerberger. Please find a complete list of our Austria engagements 2020 on page 47.

2.2.1 OMV

In our engagement with OMV, we were able to build on a successful dialogue that has been ongoing since 2014. The years of dialogue have allowed us to discuss a multitude of topics with OMV in the past; for example, safety in the downstream business, or the strategic decision not to pursue fracking. Since 2018, the clear focus has been on the corporate strategy in view of climate change and the Paris climate goals.

These talks took place with the support of other investors within the framework of the Climate Action 100+ initiative. In 2020, we wanted to build on earlier progress and work out binding climate and emission reduction goals with the company. Specifically, we discussed the following issues with the company, where we saw great progress in some parts:

- **Tightening of the climate goals:** in addition to the existing goals of reducing emissions by 2025, new, long-term goals (2050) were also discussed as part of the engagement. They would mean an important step towards CO₂ neutrality. The company has also outlined its long-term climate strategy that includes a net zero commitment by 2050 in a press release. These goals include scope 1 (i.e. all direct greenhouse emissions that result from the operating business of a company, e.g. boiler, vehicle fleet, etc.) and scope 2 (i.e. indirect greenhouse emissions that result



from the procurement of energy from outside suppliers). The next step would be the inclusion of scope 3 emissions, i.e. all other greenhouse emissions that result from upstream and downstream businesses. Royal Dutch Shell, for example, has already made commitments along these lines.

- **Compensation and climate goals:** in our engagement with OMV, we discussed various options to link compensation to short- and/or long-term climate goals. Here, too, we achieved success in 2020: at its 2020 AGM, OMV decided to imple

ment a new compensation policy that had been explicitly expanded by the aspect of sustainability. As a result, compensation at OMV is now also based on the achievement of emission reduction targets.

- **Lobbying for the achievement of the Paris climate goals:** another important goal was the membership in various lobbying groups and how this membership was reconcilable with the Paris climate goals. By joining or supporting different industrial organisations or lobbying groups, one can directly or indirectly lobby for

the achievement of the goals or impede the achievement. OMV has already transparently reported its membership in various organisations. Some of its peers went further and published a report that would critically assess to what degree said memberships were reconcilable. Such transparency is important, because it highlights the willingness of companies to put their money where their mouth is in terms of their climate goals and to terminate some memberships if they are irreconcilable with said goals. We have achieved another success in this department, as OMV has for the first time published such a report and now evaluates it annually. Since dialogues and engagement with specific organisations are also important, we now focus our talks on the aspect of transparency. The report can be expanded to include the initiatives that OMV takes across the various organisations in order to improve the degree to which the respective position is reconcilable with the Paris climate goals.

- **Net zero carbon benchmark:** the first Erste assessment of the benchmark indicators was held in March 2021 with other focus companies where investors were leading engagement processes within the framework of Climate Action 100+. This assessment of companies is meant to make it possible for investors to

identify pioneering companies in the various sectors and to step up their dialogue and initiate measures like shareholder motions with companies that are not up to standard. In future talks, Erste AM will concentrate on those indicators where OMV still has a need to catch up with its peers. Much like for the majority of the companies in the oil & gas sector, this includes the strategy of further decarbonisation (including scope 3 emissions) and the adjustment of capital expenditure to the strategy geared towards achieving the Paris climate goals.

2.2.2 DO & CO AG



Due to the strong impact of the Covid-19 crisis on the aviation industry, DO & CO was confronted by a challenging situation. More than 3,000 employees were laid off, i.e. 29% of the pre-crisis headcount.

During our dialogue, DO & CO explained the measures taken to reduce the impact on staff, including reduced working hours in order to keep as many employees as possible, and moving key personnel to alternative positions in an effort to retain them. We acknowledged the financial difficulties that DO & CO was confronted with due to the pandemic and that was not within the company's control. We agreed with the company that the survival of the business was the most immediate priority. A company can expect long-term success and wellness for internal and external stakeholders only on the basis of profitability.

2.2.3 UBM Development AG

During our dialogue UBM showed a strong awareness of, and engagement with, sustainability. This is also in line with the economic interest of the company, as is flexibility and quick action in reaction to Covid-19. With a headcount of below 500, UBM is not required to publish a sustainability report according to the EU Non-Financial Reporting Directive (NFRD). However, the company did so nonetheless voluntarily, in line with its strategy of positioning sustainability as growth driver. Green building is a central component of its corporate strategy. In this case, UBM deliberately increases the percentage of buildings certified by LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method), both of which are internationally acknowledged standards for environmentally friendly building.

In addition, environmentally friendly materials such as wood are used that are beneficial to ecological building and energy efficiency. Also, due to their low weight they provide natural cooling and create less transportation cost. Since the hotel industry was hit hard by Covid-19, the developer managed to change a hotel project to an office development, which illustrated the flexibility and competence of execution of the company management. The focus of our future engagement will be on monitoring the progress and achievement of the non-financial goals set by the company

2.2.4 Wienerberger AG



Carbon emissions are a crucial topic for the company. In our dialogue, Wienerberger reiterated its intention to reduce the CO₂ emissions every year by 15% by improving the production process and taking innovative measures. Natural gas is the company's main source of energy; it is relatively clean and efficient. Since Wienerberger has already met the CO₂ leakage standard valid until 2030, the company has also time to reduce the CO₂ emissions in order to become climate-neutral after the standard expires.

Another focus of the dialogue is workplace safety. Wienerberger operates across numerous countries and cultures and is striving for an injury rate of zero by offering extensive training in order to strengthen the workforce's awareness and implement the safety protocol in different cultures. We have seen an improvement in this field and are monitoring the result closely.

2.3 Collaborative engagement

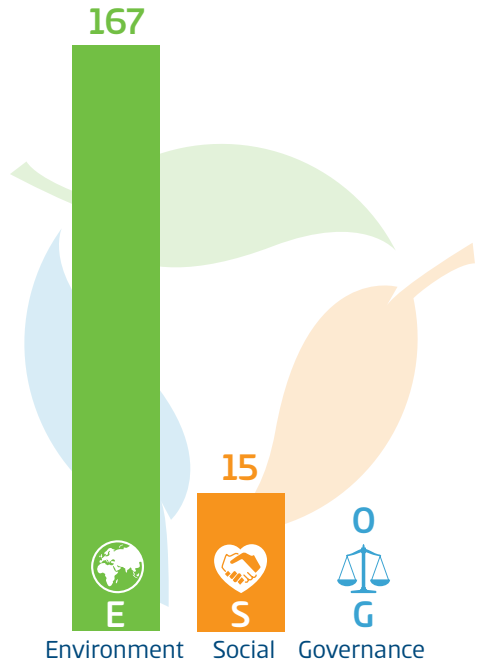
Global risks demand global answers. They sometimes go beyond the possibilities of a single asset manager to effect change. Therefore, Erste Asset Management regularly collaborates with other investors in order to jointly promote sustainable change in a dialogue with companies.

Erste Asset Management acted again as lead investor within the framework of the international Engagement Initiative Climate Action 100+ initiative in 2020.

We also continued our participation in an engagement initiative with the cocoa industry in collaboration with our engagement partner Sustainalytics, and we launched an engagement initiative with other investors as part of PRI focusing on human right risks in the Chinese autonomous province of Xinjiang.

Given the clout of these sustainability networks, this is a promising opportunity to act in a focused manner with a high likelihood of success. Due to the long-term access that bundles considerable resources over several years each time, it is only possible to launch a limited number of selected engagements. The assessment of

the various topics results in a focus on environmental and social issues, given that via the Climate Action 100+ initiative the largest number of companies can be approached in this field, as well as on social topics via PRI and Sustainalytics.



2.3.1 Climate Action 100+

Climate Action 100+ is an investor coalition that was launched in 2017 and was scheduled for five years. It currently has more than 300 international investors with total assets under management of about USD 32,000bn. The goal is to motivate the 100 biggest global greenhouse gas emitters to reduce their emissions and to evaluate their climate risks in their balance sheets. Erste Asset Management is lead investor in the engagement with OMV AG. We are planning to take the lead on projects with other companies as well.

Small, singular steps will not suffice anymore to reduce greenhouse emissions, for example. We need concerted, global efforts in order to cut CO₂ emissions to a level where a potential climate chaos can be averted.

The 100 companies that were contacted together emit about two thirds of global greenhouse gases. If we fail to motivate these 100 companies to change their strategic thinking, the Paris goal of reducing global warming below 2 degrees will become unattainable.



At the same time, we have to assume that those companies that refuse to face these challenges are heading for imponderable operating and financial risks that put into question any form of investment thrown their way.

In the coming four years, Climate Action 100+ will be holding an ongoing dialogue with the respective companies, led by local investors in each case. The dialogues will be based on informal engagement and targeted action at AGMs. Dedicated shareholder motions are being prepared by some partners as we speak. As Austria's biggest capital investment company, Erste Asset Management has taken the lead in the joint engagement of the Climate Action 100+ partners with OMV.

As part of this dialogue and in frequent meetings with company management, we discuss the risks that OMV faces as oil and gas producer.

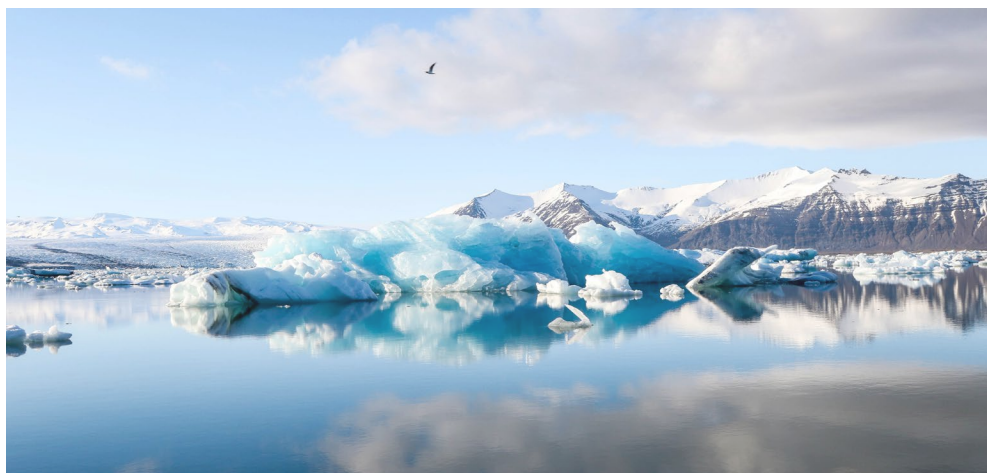
In order to highlight the importance of the topic, we also formally requested at the 2019 AGM more transparency about the impact of the Paris Agreement on the value of OMV's oil and gas reserves and a better integration of the change that is required on the basis of the Agreement into corporate strategy.

This engagement led among other things to the aforementioned progress in lobbying activities, a net zero strategy, and the inclusion of sustainability factors in the compensation policy.

In 2019, Climate Action 100+ launched the preparations for the net zero company benchmark, which measures the perfor-

mance of all companies in focus in terms of various KPIs. These indicators include areas such as emission reduction targets, governance, and the disclosure of relevant documents. The goal of the benchmark is for investors to get a better idea about how the various companies perform in their efforts of handling these climate risks.

In Q1 2021 the first assessment of all focus companies was published, which will serve as guideline for new points to concentrate on in the future talks with the various companies.

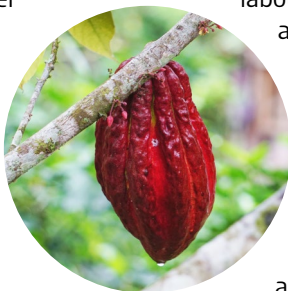


2.3.2 Cocoa & food supply chain

In 2014, Erste Asset Management and its partner, Global Engagement Services (GES, taken over from Sustainalytics in 2019) began to tackle the risks of child labour and forced labour in the supply chains of the biggest cocoa producers and retailers and to take into account possible disadvantageous effects on workers' rights in the supply chain.

In 2017 we decided to get involved in the targeted thematic engagement for the working and living conditions of cocoa farmers and the still popular child labour on the cocoa plantations in collaboration with Sustainalytics and other international investors, and we entered into our first company dialogues.

Since 2018, almost all companies that were prepared to enter into a dialogue with investors have made progress in connection with internal policies and the duty of care for workers' rights in agricultural supply chains. Leading companies have also stepped up their work in an effort to reduce their elevated risks in connection with workers' rights and to improve the livelihood of the farmers.



However, the Covid-19 pandemic that has been affecting the globe since the beginning of 2020, has overshadowed and cancelled out some of the progress. Covid-19 has not only changed the demands of consumers and created logistical challenges for the food industry, but it has also badly hit those who make a living from agricultural production. The International Labour Organization (ILO) and UNICEF estimate that the number of people in severe poverty might have increased in 2020 alone by about 40 to 60 million people relative to pre-pandemic and pre-crisis numbers. The organisations also point out that child labour is very likely in households in abject poverty in order to sustain the family.

Since the beginning of this thematic engagement in 2017 we have attended almost 75 engagement meetings with companies such as Axfood, Carrefour, Mondelez, Nestlé, PepsiCo, Tesco, Unilever, Femsä, Kroger, Barry Callebaut, Ahold Delhaize, and many others. In numerous meetings, we also discussed the "living income, living wages" concept, which is meant to ensure compensation throughout the supply chain that allow for a living.



Although there is still a lot to do, cocoa and chocolate producers are far ahead of most food producers and retailers in terms of livelihood. Five companies, Barry Callebaut, Cargill, Mondelez, Nestlé, and Olam, are part of the Belgian initiative “Beyond Chocolate”. Some companies have taken explicit steps and revealed strategies that are meant to facilitate a living wage for cocoa farmers. Progress has also been made in the measuring of the income of

farmers/households. In this context we also discussed how alternative ideas and technologies such as blockchain could support the gathering of data.

In order not to squander the progress of the engagement initiatives, Erste AM will keep in touch with the companies. This way, we will be able to continue the positive process.



2.3.3 Responsible clean technology

While the growing supply of clean technologies is an essential part of the reaction to climate change and other economic and societal needs, it also entails environmental and social challenges across the various processes of the value chain. This engagement is meant to encourage the clean tech industry and to allow the involved companies to grow more responsibly.

Companies have to respect the human rights of local communities and to take into account the environmental impact around their locations where they procure raw materials, manufacture their products, and/or generate renewable energies. The clean tech supply chain also relies on human resources. Workers' rights have to be respected across all locations. Sustainable products are only sustainable if all parts of the value chain are taken into account.

Initial talks were held with representatives of Tesla, Volkswagen, PlugPower, First Solar, Schneider Electric, and Vestas Wind Systems.

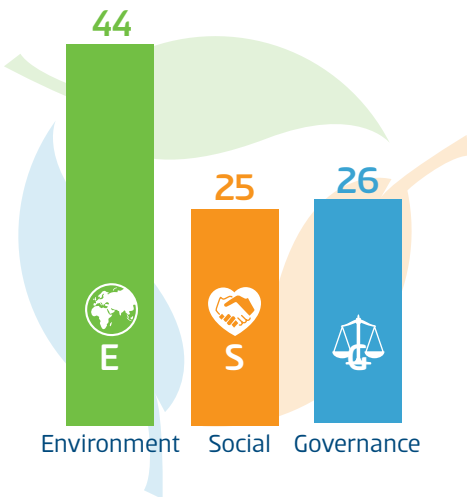
2.3.4 Engagement activities with our partner Sustainalytics

As part of the collaborative engagement, Erste AM also pursues the strategy of transferring parts of our engagement efforts to our specialised partner Sustainalytics (formerly GES), even in the absence of any direct, personal involvement. Sustainalytics bundles the capital of all involved investors, which increases the chance of being met at eye level by the various companies. Our partner Sustainalytics operates globally and helps Erste Asset Management to get in touch with companies especially in developing countries. Companies are contacted as soon as we can see that they violate sustainability guidelines. The engagement activities target those company areas in particular that have substantial room for improvement. We address topics such as human rights, environmental and sustainability management, workers' rights, and corporate ethics.



All engagements with Sustainalytics can be found on the website of Erste AM: www.erste-am.at

2.4 ESG dialogue



In addition to the focused engagement initiatives described earlier, the fund managers of Erste AM entered into a dialogue with more than 50 companies in 2020. By confronting top decisionmakers with questions about social, environmental, and governance issues we increased the broad awareness of the field of ESG in the market. This engagement channel also allowed us to drive positive change in the emerging markets (and thus in those countries with the biggest room for improvement).

The dominant theme of the ESG dialogues were environmental ones for the first time, but of course social and governance issues were addressed as well. There was a focus on companies from the financial, industrial, and materials sectors.



3. Voting at Erste AM

Voting is the second central pillar of the active ownership approach of Erste AM. We have exercised the votes for the shares held by our ERSTE RESPONSIBLE funds since 2012. This way, we actively exercise our clients' votes as indirect shareholders

of the invested companies. In 2015, we expanded the voting by the sustainable/responsible investment team of Erste AM to all mutual equity funds. They are also subject to our sustainability approach as prescribed by our voting guideline.

This approach has three advantages :

- By including the votes of traditional funds, we can drive change in companies that are not investable for sustainability funds. Typically, this way we can effect more changes than at companies that are leaders of sustainability in their field.
- The bigger investment volume leads to an increased number of companies where voting is effective.
- Traditional fund management benefits from deeper research in the companies these funds hold, especially in the area of governance.



Since 2017 Erste AM has also exercised votes on behalf of institutional clients. Thus, the respective client can fulfil their role as responsible investor, and thanks to the expertise of Erste Asset Management they can validate, and if need be, support motions in the areas of E, S, or G.

3.1 Implementation

In Austria, the votes are exercised directly, whereas internationally we delegate this task to our partner ISS (Institutional Shareholder Services). Our prerequisite for exercising the votes in companies is a volume of more than EUR 2mn worth of shares or 5% of outstanding shares held by Erste AM.

The Erste AM Engagement & Voting Policy is the guideline for voting and takes into account different regional frameworks as well as how to handle shareholder motions in the environmental and social area.



The voting practices of Erste Asset Management are transparent and have been made public: www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines

4. Voting in 2020

In 2020, we voted on behalf of EUR 3.9bn worth of share capital (as of 31 October 2020), i.e. 1.2 times the average market capitalisation of an ATX company.

We cast our votes at 498 AGMs for 453 companies (N.B. more than one meeting is possible per year).

Voting 2020

Voting volume	EUR 3.9bn
(Companies where Erste AM holds a volume of more than EUR 2mn worth of shares or 5% of outstanding shares)	
Period	01.2020 to 12.2020
Number of companies/AGMs where we voted	453 / 498
Breakdown of votes	34 countries

4.1 Voting: regional and seasonal breakdown

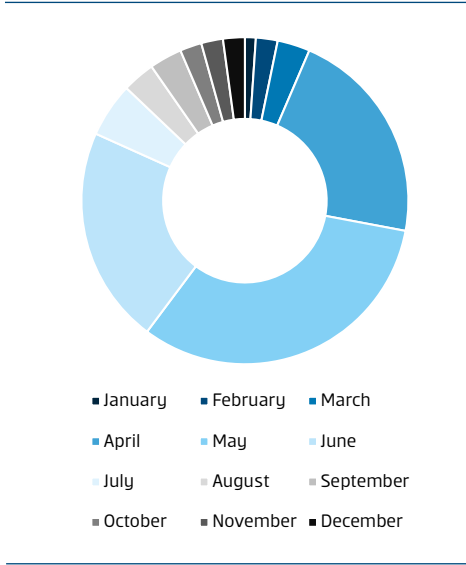
Companies for which we voted are mainly based in the USA, our domestic market Austria, but also in Japan. The main season

of AGMs in April, May, and June are the months where we cast the majority of our votes.

Regional breakdown

USA	158	Taiwan	6
Austria	34	Brazil	5
France	31	Sweden	5
Germany	27	South Korea	4
UK	26	Belgium	3
Netherlands	23	Czech Republic	3
Canada	17	Hong Kong	3
Cayman Islands	16	Indonesia	3
China	13	South Africa	3
Russia	13	Australia	2
Ireland	11	Luxembourg	2
Spain	10	Singapore	2
India	8	Mexico	1
Turkey	7	Bermuda	1
Finland	6	Philippines	1
Italy	6	Portugal	1

Seasonal breakdown

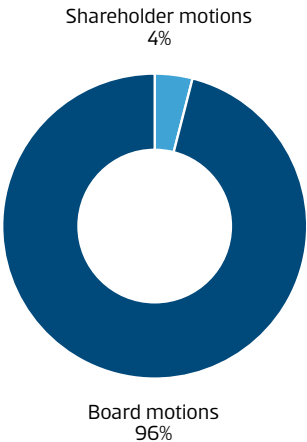
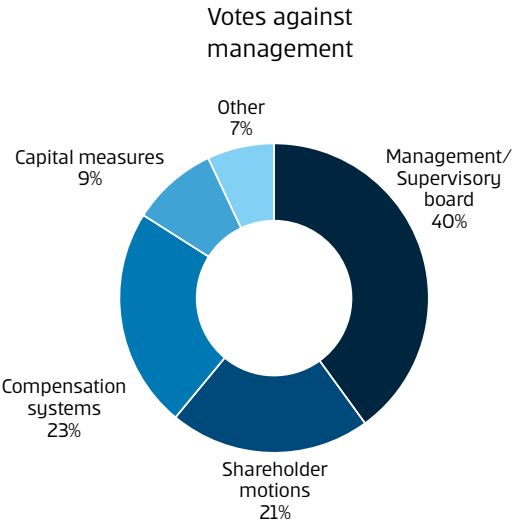


4.2 Voting results

In 2020 Erste AM exercised its voting rights at 453 AGMs (for an average of 15 points on the voting agenda). For 695 points on the agenda, we voted against the proposal put forth by management in order to comply with the principles of our sustainable voting guideline. This included, for example, motions on planned capital measures or votes on the election or re-election of members of the management or supervisory board. Environmental and social

topics were addressed by way of shareholder motions that Erste AM supported. In the following, please find a more detailed description of some of the ESG motions we supported.

While the majority of motions were put forth by management, 268 motions came from shareholders and were subsequently voted on.

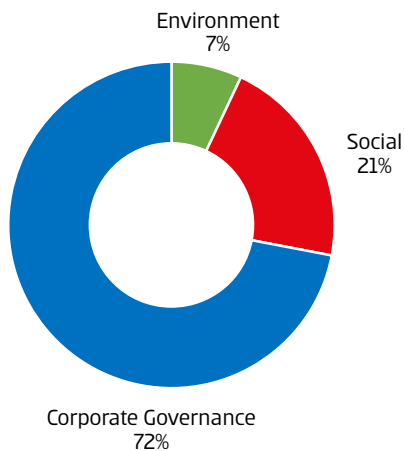


4.3 Shareholder motions in the ESG areas (environmental, social, governance)

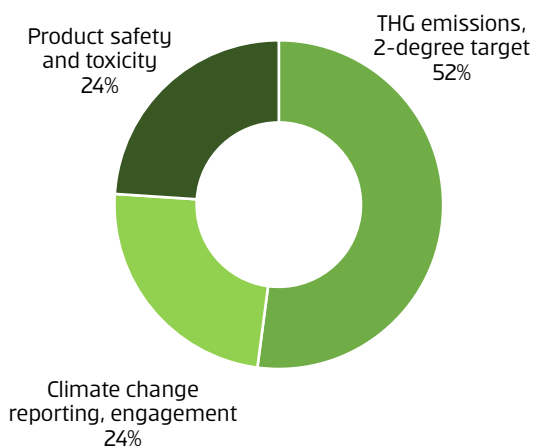
Shareholder motions from the ESG areas were proposed to improve the transparency and the reporting of several companies, much like in previous years. As is typical for a US election year, we saw an elevated number of motions in connection with political contributions and lobbying activities of companies. Also, and in line with the recent trend, there was a rising number of motions concerned with the impact of the company's business on the environmental and social areas. The number of ESG topics in shareholder motions was generally on the rise, and they were mostly approved. If it was possible to reach an agreement with the respective company management in advance, a growing number of motions would also be retracted again.¹ The focus was yet again on climate issues; Erste AM supported various motions that demanded the companies tied their climate goals to the 2-degree target, or that committed companies to report on the irreconcilability

of lobbying activities with the Paris climate goals. We also supported motions calling on the companies to deal with the toxicity of production or the use of pesticides. In the social areas, equality and diversity issues dominated the topics, just like in the previous year: shareholders proposed 30 motions on these topics at AGMs. Another focus were human rights, where numerous motions were proposed as well. Voting in 2020 also concerned corporate governance, among others the reconcilability of compensation systems, political lobbying, contributions, and the possible installation of committees on environmental and social agendas. From a total of shareholder motions put to vote, 18 motions were environmental, 56 social, and 194 from the area of governance.

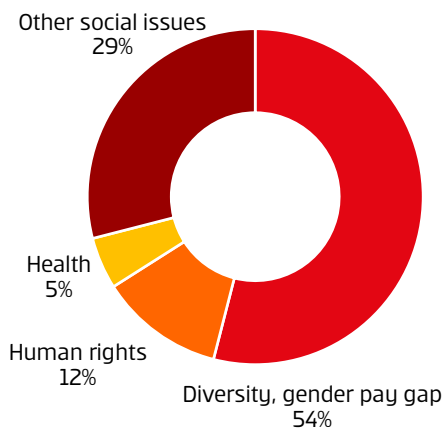
ESG motions



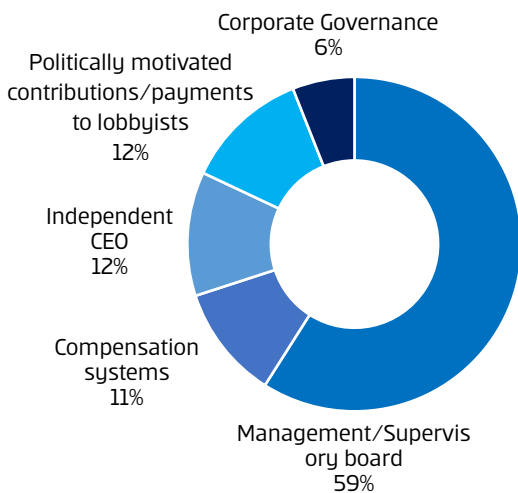
Environmental motions



Social motions



Governance motions



4.3.1 Shareholder motion in the field of **ENVIRONMENT/ PESTICIDES**

“Report on Management of Food Waste”

Amazon.com Inc. AGM on 27 May 2020



Overproduction and the resulting food waste are an increasingly important problem that also has direct ramification for the climate debate. At the 2020 Amazon AGM, a motion was put to the vote that committed companies to report about the effects

of food waste. Having taken over Whole Foods and holding a market share of 30% in the online food retail sector, Amazon is obligated to take measures in order to curb food waste.

4.3.2 Shareholder motion in the field of CLIMATE RISKS

“Report on Climate Lobbying Aligned with Paris Agreement Goals”

Chevron Corporation AGM on 27 May 2020



At the Chevron AGM, a shareholder association supported by members of the Ceres Investor Network and by signatories of the Climate Action 100+ initiative called on management to publish a report that would investigate into the irreconcilability of lobbying activities and the Paris climate

goals. The motion carried on the basis of a small minority at the AGM, and Chevron complied with the demand and published a report in December 2020 that looked into the lobbying activities of the company and its membership at several lobbying groups.

4.3.3 Shareholder motion in the field of **ENVIRONMENT / COMMUNITY IMPACT**

“Report on Efforts to Eliminate Deforestation”

Procter & Gamble AGM on 13 October 2020



P & G uses palm oil and cellulose, both of which are considered among the leading causes of deforestation and account for up to 12.5% of global greenhouse emissions, according to experts. Our particular focus here is on the palm oil suppliers of P & G. This has resulted in negative press because P & G failed to reach its own emission targets.

The motion commits company management to a policy that prevents the deforestation and degradation of forests and includes all common raw materials, and to comprehensive reporting on all measures taken as well as on the progress of the implementation. The motion was accepted by a large majority.

4.3.4 Shareholder motion in the field of **SOCIAL ISSUES / HEALTH(CARE)**

“Report on Governance Measures Implemented Related to Opioids”

Johnson & Johnson AGM on 23 April 2020



The opioid crisis in the USA has pushed myriads of people in the USA into addiction and dependence on painkillers. The pharmaceutical industry has to answer for this situation. The shareholder motion would

commit companies to a report on all measures implemented since 2012 that protect the company from reputation and financial risks caused by the sale and distribution of opioids.

4.3.5 Shareholder motion in the field of **SOCIAL ISSUES / DIVERSITY**

“Report on Gender Pay Gap”

Oracle Corporation AGM on 4 December 2020



The growing sensitivity of the society with respect to equality and diversity has increased the pressure on Oracle to get an overview of its compensation structure. This shareholder motion commits the management of Oracle to issue an annual

report on the income structure and on a breakdown of women and minorities. In the event of a pay gap, it also demands measures to reduce said gap and to create better opportunities for the advancement of women and minorities in the company.

4.3.6 Shareholder motion in the field of **GOVERNANCE / POLITICAL LOBBYING**

“Political Contributions Disclosure ”

Activision Blizzard Inc. AGM on 11 June 2020



The shareholder motion commits management to increased transparency about political lobbying. The motion contemplates the publication of a semi-annual report that discloses all monetary contributions and contributions in kind by the company that fund election campaigns and other political ventures or that are used to sway

local opinion. The report should also clarify who was the recipient of the contributions, what the exact amount or value was, who was the person who authorised the contribution, and what position he or she was holding. The motion was approved by a great majority at the AGM.



5. Appendix

List of engagements and company dialogues in 2020

In the following, please find a table that contains the engagements and company dialogues of the Responsible Investment team and the fund managers of the sustainable mutual and special funds of Erste Asset Management in 2020.

Thematic engagement	One-on-one	Telephone	Letter / email	Investor meeting	Number of contacts	Topics discussed		
Company						E	S	G
Fluvius System Operator CVBA			2		2	x		x
Stedin Holding NV			2		2	x		X
Siemens AG		1			1	x	x	
Siemens Gamesa		1			1	x	x	
Vestas Wind Systems A/S			2		2	x		
Nordex SE			1		1	x		

Austria engagement	One-on-one	Telephone	Letter / email	Investor meeting	Number of contacts	Topics discussed		
Company						E	S	G
Agrana				1	1			
OMV		5	1	1	7	x		X
Österreichische Post			1	1	2	x	x	x

Collaborative engagement (PRI)	One-on-one	Telephone	Letter / email	Investor meeting	Number of contacts	Topics discussed		
						E	S	G
Company								
AB Foods					Collaborative engagement		x	
Ahold Delhaize					Collaborative engagement		x	
Axfoods					Collaborative engagement		x	
Carrefour					Collaborative engagement		x	
The Hershey Co.					Collaborative engagement		x	
ICA Gruppen					Collaborative engagement		x	
Barry Callebaut					Collaborative engagement		x	
Kroger					Collaborative engagement		x	
Metro, Inc.					Collaborative engagement		x	
Nestlé					Collaborative engagement		x	
Pepsico					Collaborative engagement		x	
Seven and I Holdings					Collaborative engagement		x	
Tesco					Collaborative engagement		x	
Unilever					Collaborative engagement		x	
Lindt & Sprüngli AG					Collaborative engagement		x	
Climate Action 100+ Unternehmen					Collaborative engagement	x		

ESG dialogues	One-on-one	Telephone	Letter / email	Investor meeting	Number of contacts	Topics discussed		
						E	S	G
Company								
AGRANA Beteiligungs AG		1			1	x	x	
AMAG Austria Metall AG				1	1	x		
Andritz AG		1			1	x		
AT&S Austria Technologie & Systemtechnik AG				2	2	x		
FACC AG				1	1	x		x
BAWAG Group AG		1		1	2	x		x
Bank of Ireland Group PLC	1	1			2	x		x
CaixaBank S.A.	1	1			2	x	x	x
Danske Bank A/S	1	1			2	x	x	x
Deutsche Bank AG	1	1			2	x	x	x
DO & CO AG				1	1		x	
Erste Group Bank AG				1	1	x	x	x
EVN AG		1			1	x	x	x
Flughafen Wien AG				1	1	x	x	x
IMMOFINANZ AG		1		1	2	x		x
KBC Group NV	1	1			2	x	x	x

ESG dialogues (continued)

Company	One-on-one	Telephone	Letter / email	Investor meeting	Number of contacts	Topics discussed		
						E	S	G
Länsförsäkringar Bank AB	1	1			2	x	x	x
Lenzing AG		1		1	2	x		x
Luminor Bank AS	1	1			2	x	x	x
Mayr-Melnhof Karton AG				1	1		x	x
NatWest Group plc	1	1			2	x	x	x
ÖBB-Infrastruktur AG				1	1	x		
Palfinger AG		1		1	2	x		
PORR AG		1		1	2		x	x
Polytec Holding AG	1			1	2	x		
Coöperatieve Rabobank U.A.	1	1			2	x	x	x
Raiffeisen Bank International AG		1		1	2	x	x	x
Banco Santander	1	1			2	x	x	x
Svenska Handelsbanken AB	1	1			2	x	x	x
Strabag SE		1			1	x	x	x
Sparebanken Vest	1	1			2	x	x	x
Telekom Austria AG				1	1	x		

ESG dialogues
(continued)

Company	One-on-one	Telephone	Letter / email	Investor meeting	Number of contacts	Topics discussed		
						E	S	G
UBM Development AG				1	1	x		
UniCredit S.p.A.	1				1	x	x	x
Unigel Participacoes		2			2	x	x	x
Uniqa Insurance Group AG	1			1	2	x		x
VERBUND AG		2			2	x		
Voestalpine AG		4			4	x	x	x
Wienerberger AG		1		2	3	x	x	x

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