

Engagement & Voting : “Our power, our planet” – Erste Asset Management shows the positive impact of responsible investment

This year's World Environment Day calls for active measures under the motto “Our Power, Our Planet” – through education, stakeholder advocacy, and societal support. Erste Asset Management (Erste AM) regards this appeal not only as a task, but also as a clear confirmation of its long-standing commitment. As an international asset manager, it actively assumes responsibility and is involved in corporate decision-making processes in order to promote environmental, social, and governance topics.

The results of the recently published Engagement & Voting Report for the past fiscal year of 2024 are impressive: numerous companies were actively encouraged to adopt a more sustainable approach to their corporate policies, among them TotalEnergies, Volkswagen, Deutsche Bahn, Bayer and thyssenkrupp. This year's sustainability strategy focuses primarily on protecting biodiversity and engaging with companies whose business models have a particular impact on ecosystems and biodiversity. The aim of these dialogues is to identify weaknesses in environmental, social, and corporate governance aspects and to jointly develop solutions with the companies.

Biodiversity as focus of our engagements

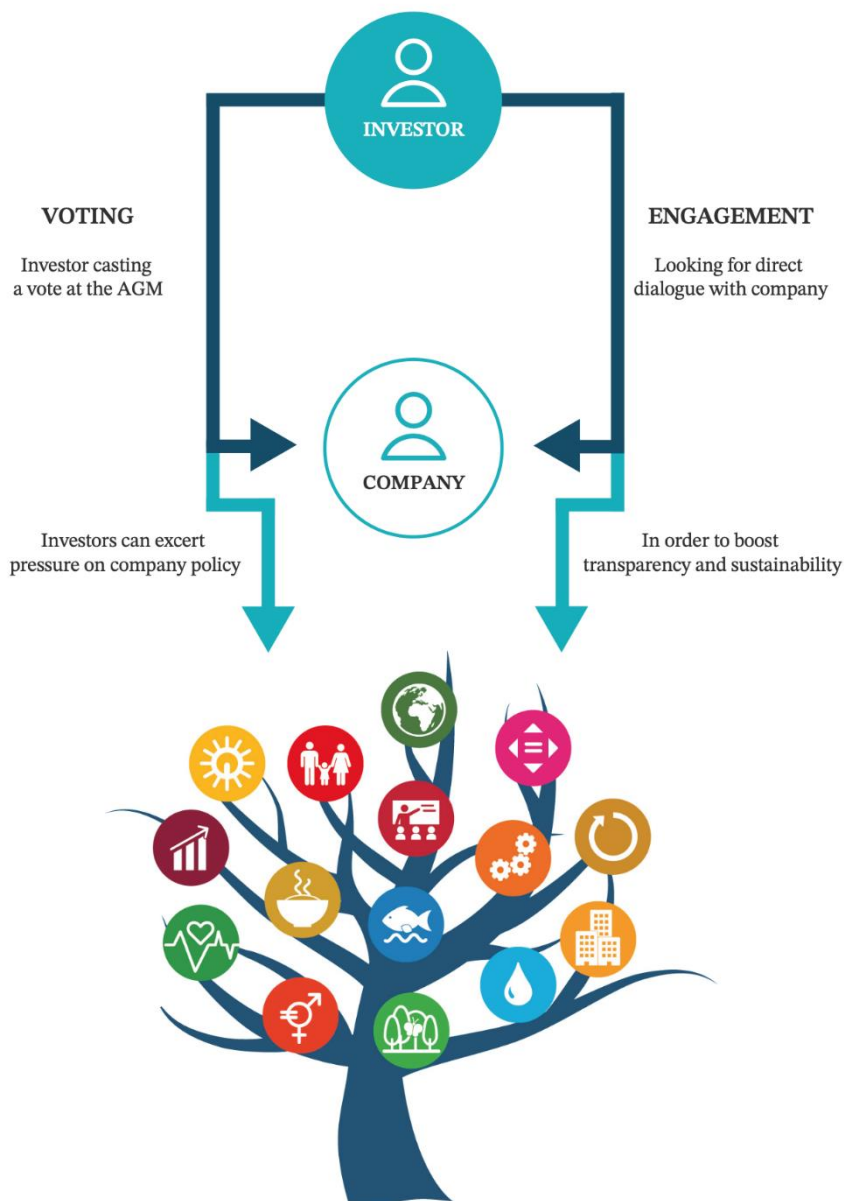
For Erste Asset Management, biodiversity is one of the priorities in its corporate dialogues, both for climate protection and for economic reasons. This is due to the fact that more than half of global GDP depends on the state of nature, and the accelerated loss of biodiversity entails systemic risks for companies, portfolios, and the economy as a whole, in addition to harming people worldwide. The transition to a nature-friendly economy, on the other hand, offers many investment opportunities. For this reason, Erste AM has adopted a biodiversity policy and works actively with companies to improve their nature-related governance, disclosure, and strategy to ensure that they can implement a credible approach to preserving or creating biodiversity.

Erste AM mainly tackled the topics for 2024 by participating in the Climate Action 100+ and Nature Action 100 initiatives. Social, governance, and reporting issues were also raised in joint collaborations with PRI and Morningstar Sustainalytics. During the reporting period, Erste AM strictly continued its engagement and voting efforts in the area of biodiversity in line with its biodiversity policy.

Active ownership – the commitment to act

Erste AM sees active ownership as a central pillar of its investment approach. Not only are sustainability criteria incorporated into the selection of investable assets, but the asset management company also actively engages with companies on measures relating to social responsibility, environmental protection, and greater transparency. This is not limited to formal and informal dialogue with companies, but it works primarily through voting, i.e. the exercise of voting rights at annual general meetings. This also provides the Management Boards of the various companies involved with information about the progress that investors are demanding, which in turn has a medium and long-term impact.

In 2024, Erste AM carried out a total of 159 engagements. The Global Standards Engagement Team initiated 17 new engagements and successfully concluded dialogue with 15 companies. The discussions focused on the topics of deforestation, biodiversity, and human rights.



Active ownership: formal and informal dialog and the exercise of voting rights at Annual General Meetings (AGMs), Source: Erste Asset Management, 2024

Progress in 2024

All measures have contributed to bringing us closer to the goals set last year. Compared to previous years, Erste AM has noticed significant progress by companies in measuring climate risks, setting environmental targets, attempting to quantify climate risks and impacts in the supply chain, and disclosing direct and indirect political activities related to climate. In the year in question, Morningstar Sustainalytics, with the active participation of Erste AM, held at least one meeting with the following 25 companies: Air Liquide SA, Alcoa Corp., Anglo American Plc, BASF SE, BHP Group Ltd., Chubu Electric Power Co. Inc., CRH Plc, Deutsche Lufthansa AG, Dow Inc., Eastman Chemical Company, Emera Inc., ENI S.p.A., Fortum Oyj, Galp Energia SGPS SA, Gerdau SA, Hindalco Industries Limited, Iberdrola SA, Nippon Steel Corp., Nippon Yusen KK, Solvay SA, South32 Ltd., The Southern Company, The Williams Companies, Inc., TotalEnergies SE, and Waste Management Inc. Two dialogues were held with Alcoa Corp. and The Williams Companies Inc. last

year. In order to address the challenges of the climate crisis, Erste AM has formulated expectations for the remuneration policies of portfolio companies operating in carbon-intensive industries.

In June 2024, Erste Asset Management got in touch with TotalEnergies via Morningstar Sustainalytics' collaborative channel. Earlier that year, Erste AM, together with 19 other investors, had submitted a shareholder motion calling for the separation of the roles of CEO and Chairman of the Management Board, which were – and are currently still – held by the same person. Separation of the roles is considered good governance.

However, TotalEnergies' management decided not to put the motion on the AGM agenda and thus follow the advice of its shareholders. During the subsequent conference call in June, when asked by investors, the company representatives mentioned that they were convinced that keeping the roles of CEO and Chairman of the Management Board in one person was the best form of governance for their company. Still, Erste AM believes it is very important to talk to oil and gas companies not only about environmental issues but also about governance issues, as good governance plays a crucial role in facilitating the energy transition in these sectors. Erste AM is going to continue on this path.

Outlook 2025

At a time when political tensions and election results are causing issues such as ESG and diversity to take a step backwards, it is all the more important to remain steadfast on the path we have chosen. This year, Erste AM will continue to focus its dialogue on remuneration policy and the political activities of senior executives. Precisely because companies are prematurely withdrawing their climate targets, it is essential to align incentives for key decision-makers with the goals of climate-positive transformation in order to ensure credible and sustainable corporate management. Only a binding stance on remuneration policy can ensure that it serves as a lasting anchor for climate ambitions. The political commitment of companies is of equal importance, as regulatory intervention has been one of the most effective drivers of environmental progress in corporate practice in the past.

Another focus is on strengthening relationships with companies engaged in dialogue and approaching companies that have not yet decided to participate in the discussions. Erste AM is also working to shift the focus from the general perspective of the net-zero transition to the assessment of individual companies' plans to reduce their greenhouse gas emissions. The upcoming discussions will focus in particular on the technical feasibility, financial viability, timeframe of the targets, and the progress made by companies towards their net-zero commitments.

Where can investors and interested parties get the report?

For the Erste AM Engagement & Voting Report 2024 as well as further information and guidelines, please visit <https://www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines>.

Please note: The companies listed here have been selected as examples and do not constitute investment recommendations. Where fund portfolio positions are disclosed in this document, these are based on market developments at the time of going to press. As part of active management, the portfolio positions mentioned may change at any time without notice.

About us

Erste Asset Management GmbH (Erste AM) is an international asset management company with a strong position in Central and Eastern Europe. Erste Asset Management is backed by the financial strength of Erste Group Bank AG (Erste Group). At its locations in Austria, Germany, Croatia, Romania, Slovakia, the Czech Republic, and Hungary, Erste AM manages assets of **EUR 91.8bn** (as of 30 April 2025). Erste Asset Management has been operating successfully in the market since 1965. For more information, please visit <https://www.erste-am.at/en/private-investors>.

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