

<https://blog.en.erste-am.com/how-our-esgenius-app-helps-us-to-track-engagements/>

## How our ESGenius App helps us to track engagements

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In recent years, ESG factors have become increasingly important for companies to consider in their decision-making process. Many businesses recognise the importance of sustainable practices and seek ways to improve their ESG performance. One such way is through the use of an app.

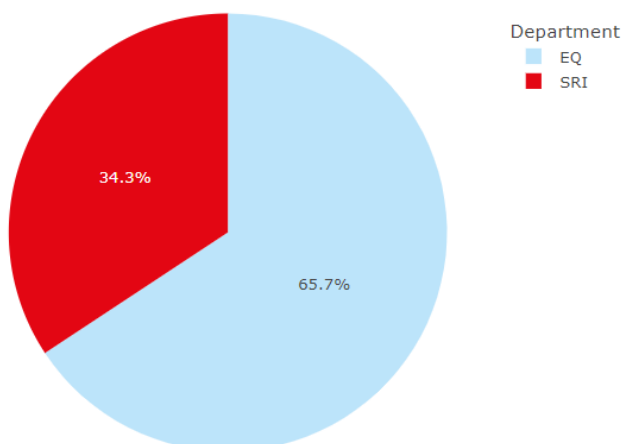
At Erste Asset Management, we have developed the “**ESGenius**” **App** that helps us to track and report our ESG activities, like, for example, our engagements. We document our engagement activities across three channels:

- Engagements with local companies
- Collaborative engagements
- Thematic dialogues with companies

This allows us to track the sustainable practices of companies over time, identify areas of improvement, and allocate resources accordingly. Moreover, this section provides us with the functionality to evaluate the effectiveness of our engagement efforts and adjust our approach, as necessary.

In the following, please find an overview of our engagement activities in 2022:

### EAM Engagement per Departments Across All Companies

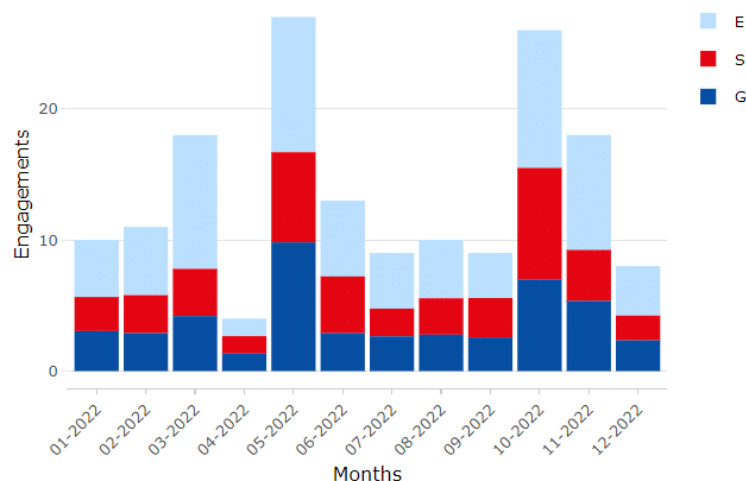


\*SRI: Socially Responsible Investment team

\*EQ: Equity team

Source: Erste Asset Management

## EAM Engagements Across All Companies



Source: Erste Asset Management

As shown in the graph, last year, two thirds of our engagement activity was conducted by our fund managers from the Equity team, while one third was carried out by the Responsible Investment team, with environmental topics as a primary focus.

To effectively use the information in the app, we have decided in favour of a form of reporting that drills down to a detailed, meeting-specific level. It includes information on the number and names of managers/analysts who joined the meeting, notes on the logistics of the meeting (virtual, face-to-face or e-mail), more detailed information on the contents and whether E, S, or G areas were tackled. On the basis of this documentation we can follow up and proceed with what has already been discussed.

An engagement that was documented very well in our App focused on cleantech companies and was organised by our partner Sustainalytics. Erste AM, together with other investors, met 20 cleantech companies (mostly virtually) in 2022. We discussed a wide range of ESG agendas, such as the traceability of (local) raw materials sourcing and supplier audits, water management, diversity matters, and ESG reporting.

### Cleantech: Sustainable products, sustainable value chain?

Clean technologies are important to combat climate change and to fulfil economic and societal needs. That being said, they also create environmental and social challenges along the various stages of the value chain. The aim of our collaborative engagement activities was to support and encourage companies operating in the cleantech industry to pay the necessary attention to all stages of the supply chain.

In this context it is crucial for companies to respect the human rights of local communities and to fully consider the environmental impact of their production processes at various sites, of the raw materials they source, and of the renewable energy they generate (if any). Likewise, basic labour rights of employees, such as healthy and safe working conditions, the freedom of association, the right to collective bargaining, and the prevention and/or containment of child or forced labour, must be ensured in plants and factories by means of comprehensive processes. Sustainable products are only sustainable if their impact across all stages of the value chain is taken into account.

The companies we have engaged with are headquartered in China, Japan, South Korea, the United States, Denmark, France, Germany, Switzerland, and the UK. Geopolitical tensions and cultural differences aside, the engaged companies share a sense of urgency for the sustainability agenda and support a low-carbon and socially just economy. The internationally escalated accusations of large-scale forced labour practices in the Chinese Province of Xinjiang also affected this engagement.

### Engagement case study: First Solar

One of the companies we have engaged with several times in recent years, is First Solar. In 2022 we met representatives of the company in two virtual meetings and discussed a wide range of ESG topics with the main focus still on climate and social challenges: to monitor social performance in the supply chain, First Solar screens its suppliers for example on the basis of the cleanliness and safety of their facilities, minimum wages, working hours, health & safety practices, non-discrimination, and conflict minerals.

For the cases where non-compliance with one of these factors was identified, corrective action plans were put in place at the specific location. This was meant to ensure that for example the requirements concerning working hours were being fulfilled or that emergency response programmes were being improved. First Solar also requires its suppliers to adhere to the RBA (Responsible Business Alliance) code of conduct, which covers health and safety in detail.

### Our engagement with Schneider Electric

Another cleantech company we engaged with was Schneider Electric: in March 2022 we held a call with the company, represented by Schneider's Group Sustainability department and Investor Relations department. For the 2021-2025 period, the new Schneider Sustainability Impact (SSI) programme has been implemented, focusing on numerous transformative initiatives established to help meet the company's 2025 climate-related targets. "The Zero Carbon Project", which is a part of the programme, aims to partner with 1,000 suppliers which are responsible for 70% of Schneider Electric's upstream carbon emissions to support the global transition to a low carbon future. As part of the project, future carbon emissions (covering scope 1&2) of partnering suppliers should be reduced by 50% by the year 2025.

As documented in our App, the parameters of this project have also been discussed in former meetings with the company. We were able to ask the company pertinent questions, such as for example how the "best" suppliers (in terms of carbon transition) could be or indeed were rewarded and what co-operative alliances could be of interest in this regard.

### Conclusion: improved ESG performance thanks to our ESGenius App

Thanks to this and similar features of our ESGenius App, we can make informed decisions and take action to improve our ESG performance. In particular, the engagement section provides valuable insights that help us identify areas where we need to divest assets in case companies are not putting enough effort into improving their sustainable practices. Overall, our ESGenius App plays a critical role in our commitment to sustainable practices and responsible corporate behaviour.

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