

SUSTAINABLE INVESTMENT

DEMO-
GRAPHIC
CHANGE

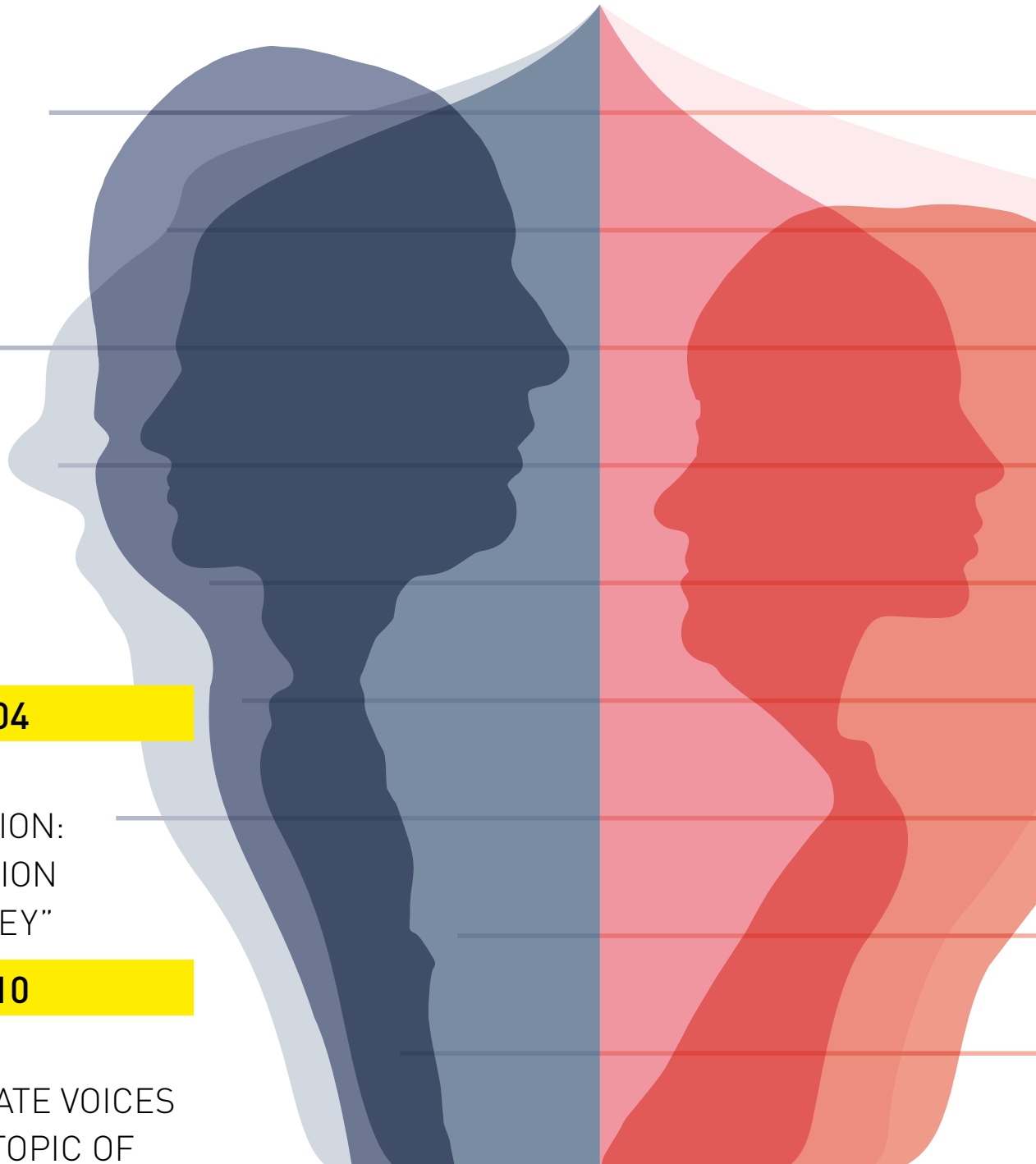
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EDITORIAL



Dieter Aigner

Managing Director of Raiffeisen KAG,
responsible for fund management
and sustainability

Dear Readers,

Modernisation, urbanisation, and improved access to education and health care have massively changed our demographic structures over the past 100 to 150 years. While advancements in medicine and increased awareness of the importance of good nutrition are leading to increasing life expectancies and declining birth rates in the northern hemisphere, the population is continuing to grow rapidly in the southern hemisphere, especially in Sub-Saharan Africa. Because Africa is now undergoing the so-called demographic transition. This is characterised by a lower death rate because of improved health care on the one hand but a continued high birth rate on the other.

While state pension systems are on the verge of collapsing and health care systems are reaching their capacity limits in the developed countries, the rapid

population growth in the emerging and developing countries is causing a host of other social problems such as supply bottlenecks and a lack of jobs and prospects, just to mention a few. This puts young people in particular under pressure to migrate – and results in substantial global migration flows. Here and there alike, sustainable development is not possible without educated societies that are able to address and overcome these major challenges. UNESCO has declared education to be a human right, but this is not a reality everywhere. Compulsory schooling is enshrined in law in most developed countries, but is not in a large number of poor countries around the world. This robs millions of children – especially girls – of their opportunities. COVID-19 will exacerbate this trend because many children will likely not return to school after the pandemic.

You may be asking yourself at this point what all of this has to do with investment funds. How can investors promote government education measures, for example? As fund managers, we must make decisions every day about how to invest the capital provided by investors sustainably while generating a return. With regard to education, we evaluate listed companies but also development banks and sovereigns as targets for investment. But to generate measurable impacts, we need more social bonds that address this issue. In other words bonds that are issued by government institutions and that finance concrete socially relevant projects such as the construction of schools, academic curricula, and the like. Billions are invested in the capital markets every day. Credible instruments help to direct this capital into the right channels. A great deal could be achieved here with social bonds.

1 NO POVERTY



DEMOGRAPHIC CHANGE



You can find out more about Sustainable Development Goal 1 on pages 16–17 and at www.investment-zukunft.at/kategorie/sustainable-development-goals/



The ageing of society is giving birth to new challenges. The average age is rising steadily in the industrialised countries and China in particular. This is not only putting government pension systems under pressure. Requirements for individual care, care facilities, and products and technologies developed or adapted specifically for the elderly are gaining importance. Another aspect of demographic change is the unabated population growth in the Emerging Markets and the shifting purchasing patterns being seen there.



Demographics is a science that deals statistically and theoretically with the development of populations and their structures. The focus is often placed on the development of the population pyramid in individual countries, which shows the statistical age distribution of the inhabitants. Characteristic forms of the population pyramid are the linear or traditional pyramid form and the convex form. The linear population pyramid is based on a steady population decrease per upward age group. A large number of children are born with a low life expectancy. This pyramid form can still be found today in South America and India. This structure also dominated Germany and Austria around 1890. Today, the convex form is typical for industrialised countries and is based on a low birth rate and high numbers of older people due to greater life expectancy.

ty has positive sustainability aspects because it counters unchecked population growth. On the other hand, an ageing population may cause social problems stemming from the need to finance life in old age and the associated higher costs for the social system. Due to the prevalence of the transfer methodology in government pension insurance systems in the industrialised countries, rising social expenses due to demographic changes consume funding that then may not be available for other future-relevant budget items such as education and research. From an environmental perspective and considering that natural resources are finite, the ageing of society and lower fertility are definitely positive due to the slower growth of the world's population, assuming a constant or rising environmental footprint.

An ageing population as a result of changes in life expectancy and fertili-

The number of persons requiring care increases in an ageing society. The high- >>>



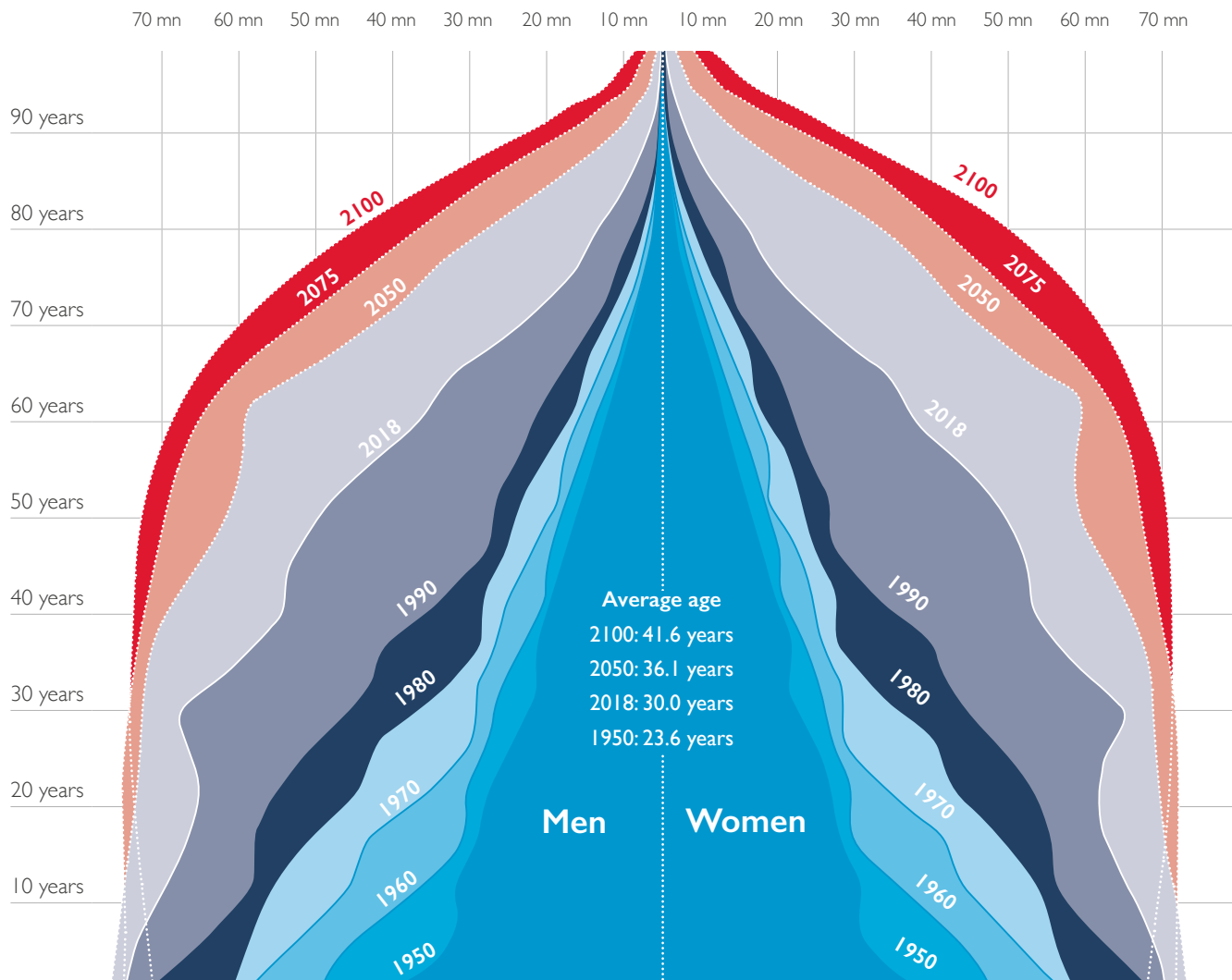


Wolfgang Pinner
Head of Sustainable and Responsible
Investment at Raiffeisen KAG



Chart: World population from 1950 to 2100

Distribution of the world population by age and gender for the period from 1950 to 2018 and the projected development through to 2100 (according to the UN Population Division).



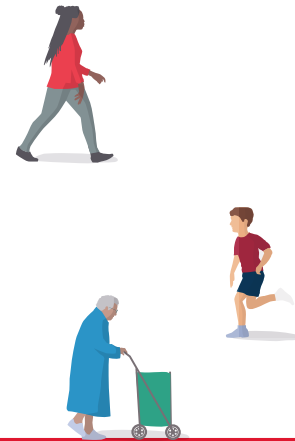
Source: United Nations — World Population Prospects 2017

DEMO- GRAPHIC CHANGE



er life expectancy is also due in part to general advances in health care. This makes the pharmaceuticals and medical technology industries key beneficiaries of the demographic changes. The number of required care facilities and nursing homes increases in step with the number of people requiring care in old age. For the financial industry, the increasing overburdening of the public pension systems has a positive side effect, namely the increasing importance of private pension insurance and saving for the future.

Different population pyramids cause distortions in the calculation of data on value creation and prosperity that are based on the population, such as per capita GDP. The same distortions occur to a lesser extent when comparing Germany and France, for example, because both countries have significant differences in their fertility rates. A large number of children and young adults generally leads to lower economic output per inhabitant. The statistics typically differentiate between "economically dependent" people, i.e. people up to the age of 15 and older than 65, and the working-age population. Economically dependent people make a low contribution to value creation, especially in young years, while the working-age population contrib- »



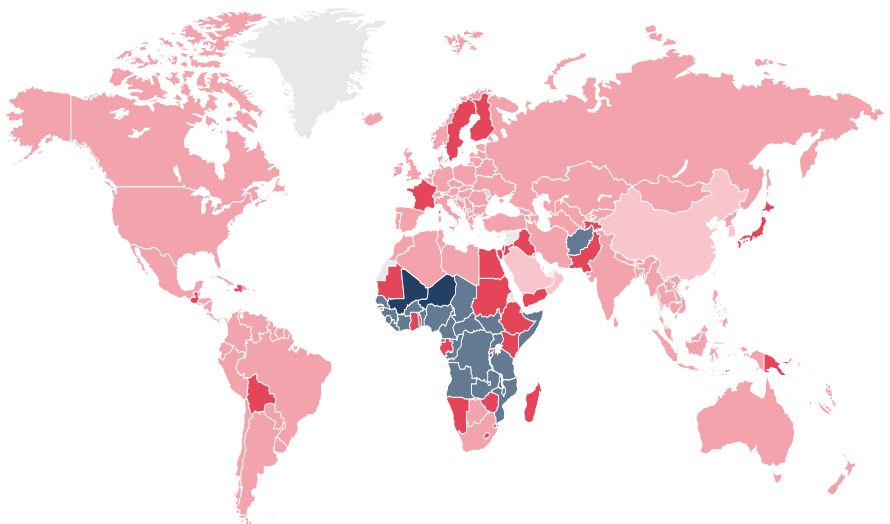
utes to increasing the economic output through its work and savings. In terms of investments, pension insurance funds in the industrialised countries can profit from financial investments in countries with comparatively “healthy” demographic structures. This could mean a second pillar alongside the increasingly burdened government pension systems, a pillar that is diversified by means of funded holdings in countries with attractive demographics – and thus high potential for economic growth.

DEMOGRAPHIC DIVIDENDS VERSUS COSTS

Countries with a growing working-age population as a share of the overall population profit in economic terms from the productive portion of the population needing to support fewer economically dependent persons. The people can consume, save, and invest more. This factor is called a “demographic dividend”. A negative demographic dividend is called “demographic costs”. High demographic costs are expected especially in Europe but even more so in Japan in the coming decades due to the decrease in the size of the potential working-age population. Demographic trends influence economic growth and savings habits in each country. In the industrialised countries, people born in

Chart: Age dependency ratio
“Economically dependent persons”, as of 2017

The ratio of “economically dependent” persons is based on the number of young inhabitants (younger than 15) and older inhabitants (65 and older) compared with the working-age population aged 15 to 64. The chart shows the proportion of economically dependent persons as a percentage of the working-age population.



the baby boom years from 1946 to 1965 were able to invest in a variety of asset classes to finance their retirement, and could potentially have a negative impact on the financial markets by selling these assets and causing excess supply. The generally longer life expectancy for the world population and the growing number of senior citizens will cause rapid growth in health care spending. The pharmaceuticals, biotechnology, >>

Source: World Bank – World Development Indicators

- No Data —
- 0% – 20% —
- 20% – 40% —
- 40% – 60% —
- 60% – 80% —
- 80% – 100% —
- 100% – >120% —

DEMO-GRAPHIC CHANGE



and health care industries should profit from this in general.

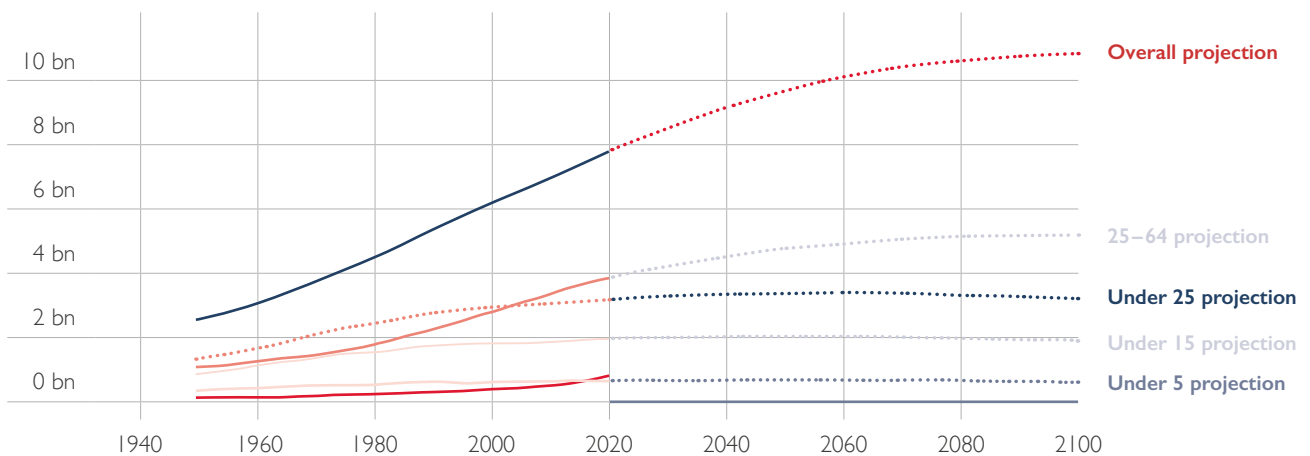
EFFECTS ON THE CARBON FOOTPRINT

Demographics are not limited to analysing the changes in the population pyramid. Factors such as gender, languages, living situation, and social characteristics such as occupation, marital status, and income are also part of demographic analyses. The ongoing demographic change is also being shaped by immigration and emigration. The environmental footprint for different life stages is also interesting. Emilio Zagheni, demographer at the Max Planck In-

stitute in Rostock, has conducted such studies for the USA. The basic finding of the study, which is thought to apply to all developed economies in the world, is that per capita carbon emissions rise continuously from the age of 10 to 60 and then decline. This is linked to the fact that average incomes generally increase with age. Older people live in larger houses and drive less energy efficient cars. Kilometers travelled by air also increase with age, which generally consumes more energy. The environmental footprint then decreases again for senior citizens. The per capita spending does not decrease, but more of this money goes into health care »

Chart: World population by age groups

Total population and populations by age class from 1950 to 2020 and projections through to 2100, based on the average fertility scenarios of the UN.



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects: The 2019 Revision, DVD Edition.



DEMOGRAPHIC CHANGE IN THE CONTEXT OF THE THREE SUSTAINABILITY ASPECTS: ESG

E (Environment):

The population growth projected for the coming decades will especially have a quantitative impact from the increasing sale of products and services, and may have problematic quantitative consequences from an environmental perspective. In addition to the purely quantitative analysis, continued growth in the average environmental

footprint of the population could further exacerbate the problem. The effects on agriculture and the food industry must also not be underestimated from a resource perspective given the increasing number of people who must be fed.

S (Social):

The demographic trend towards an increasingly older population gives rise to new challenges in financing the social security systems. Higher social expenditures may lead to reduced benefits if the financing structures remain the same.

G (Governance):

From a governance perspective, the primary question is who must ultimately bear the costs of the ageing of the population. Here, privately and publicly financed models must be discussed along with the sustainability of financing the social system from the running government budgets.

Summary:

Demographic change is a key future topic for Raiffeisen Capital Management. The health care sector and medical technology in particular are structurally overweighted in Raiffeisen's investments.

than into energy-intensive consumption such as the purchase of clothing and travel.

Current projections point to global population growth continuing, with a reversal not expected until 2064 according to a study by a group of scientists headed by Professor Stein Emil Vollset and published in the medical journal *The Lancet*. Researchers expect a declining birth rate after this point. Until then, the rise in demand that will

be caused by the population growth will lead to potentially expanding markets for consumer goods and increased material use, which will boost demand for commodities. Another trend that is driven in part by demographic factors and in part by the high economic growth pertains to the expansion of the middle class, especially in the Emerging Markets. Here as well, the projected increase in demand should boost sales for the manufacturers of durable goods.





Under the moderation of Dieter Aigner, Managing Director of Raiffeisen KAG

Professor Wolfgang Lutz
Head of the Department of Demography at the University of Vienna



Patrizia Jankovic
General Secretary of the Austrian UNESCO Commission



Gloria Boateng
Education activist, moderator, and book author, recipient of the Order of Merit of the Federal Republic of Germany



Thomas Motsch
Fund Manager Sustainable Investments, Raiffeisen KAG



Virtual round-table discussion about the need to ensure education globally.

Professor Lutz, what is the current global population trend, and what are and were the most important drivers of this?

Wolfgang Lutz: The human population has gone through very many changes over the past 100 to 120 years. The most important development in fundamental terms is what we call the demographic transition. In Europe, this began at the end of the 19th century as death rates began declining. Until then, society was plagued by recurring famines and wars. Life expectancy was much lower. There were no controls whatsoever on mortality or birth rates. Only marriage served as a check that limited the number of pregnancies, though a great many children were born. There was usually no self-determined birth control. We see something similar today in less-developed countries in Africa such as Mali and Niger, where 70–80% of women are illiterate and never had the opportunity to attend a school. These countries are experiencing more or less uncontrolled growth in demographic terms, they are where Europe was in the 19th century.

What triggered the transition process in Europe?

Wolfgang Lutz: It was primarily better nutrition, but also improved knowledge of health and hygiene. Early forms of vaccinations against smallpox and cholera

caused death rates to decline rapidly. But birth rates remained high, as having a large number of children was an established cultural norm. It took decades for the birth rates to also decrease. Modernisation, economic growth, urbanisation, and of course women working outside of the home played a large role in this process. But the key factor was the increasing education of women. This displaced the fatalistic view that they could make no independent decisions, and allowed them to take control of their own reproductive systems. The birth rate also began declining from that point on.

You mentioned Africa. Is the continent on the cusp of this demographic transition today?

Wolfgang Lutz: The population is growing extremely rapidly in places where the death rate is already low but the birth rate is still high. Right now, this is mainly the case in West Africa and East Africa. Every African woman there has an average of five to six children. And this leads to other challenges, as was also the case in Europe: poor economic conditions, an insufficient supply of jobs, etc. This causes migration pressure. We had all of this here in Europe in the 19th century, when the people emigrated across the ocean. Africa is seeing this today. This means that we »

„EDUCATION IS THE KEY“

must provide women with access to education so that they can lead self-determined lives. This is the key to sustainable development.

UNESCO is promoting education on behalf of the United Nations. What is happening here?

Patrizia Jankovic: UNESCO views education as a human right. But in reality, not nearly everyone has this right. It has never been as important as it is now to ensure that all people have equal access to education and the same educational opportunities. The world is facing enormous challenges: disruptive technology, climate change, migration, intolerance, and hate. These challenges are exacerbating the inequality even further. COVID-19 also revealed serious weaknesses in education. Our society bears more collective responsibility than ever to support disadvantaged people and to ensure that they are not left behind.

But how many children are in fact left behind?

Patrizia Jankovic: According to UNESCO statistics, over 90% of pupils and students are affected by school closures due to COVID-19. Some 258 million children and adolescents around the world are not going to school. Especially the socially disadvantaged are at high risk of missed schooling and dropping

out. The UN's latest Global Education Monitoring Report, which is published every year and documents efforts in the field, clearly shows that identity, origin, and ability still determine access to educational opportunities. And in all countries except those with high income levels in Europe and North America, we see that for every 100 of the richest children, only 18 of the poorest complete secondary school. These are shocking numbers.

These numbers also have concrete names in your work, Ms. Boateng. You support and motivate children from socially disadvantaged groups in Hamburg in making use of their educational opportunities. What insights have you gained from your work?

Gloria Boateng: In my experience, when we think about education and educational opportunities, we often think of the school system. But school is only the institutionalised framework for education. Education is so much more than "just" school. In Germany, the potential for educational success correlates more significantly with the origin and educational background of the parents than in nearly any other industrialised country, and we have made little headway in breaking this link. And this also means that by the time a child enters school, it may already be decided what level of educational success

the child can attain in future. Because this not only depends on the parents. What's much worse is that it is these children who are also discriminated against by our school system.

Could you explain that?

Gloria Boateng: Educational poverty masks talent. If a child grows up with a poor level of education, this child not only has a lack of knowledge in certain subjects, but also lacks a network that it can call upon later. It is missing a key part of the social code, it is missing participation opportunities, recognition, and the resulting self-confidence and self-esteem. I could add a great deal to the list. If we want to promote education, we must consider many levels of education. Because of this, I think it is important for the academic and extracurricular players to work together. Because ideally, we want to provide all children with access to institutionalised education, but also want to help them to understand themselves and the fabric of our society, and to understand the dependencies that this creates. And it is also important that we help them recognise and seize the opportunities that they have.

How does education change people's lives and decisions?

Gloria Boateng: Education is the key that unlocks all doors, that enables a »



Dieter Aigner conferencing with Professor Wolfgang Lutz, Patrizia Jankovic, Gloria Boateng and Thomas Motsch

person to make self-determined decisions. Everything depends on it: a person's nutritional choices, what occupations they are qualified for, how healthy they are, how much economic capital they can build up, and much more. Plus how many children they have. Simply everything. True freedom of choice in life is rooted in education. Without education, a person is limited in their ability to act and is controlled by external influences.

situation is much worse in Africa. The school closures in Africa are the most adverse long-term impact of COVID-19 in my eyes. All schools have been closed for a year now in some African countries. And we know for certain that school is the only way for young girls there to emancipate themselves and later lead a self-determined life. Getting back into school will be very difficult for these girls, and likely impossible for many. I fear that we will see more unwanted pregnancies, and thus a slower decrease in the birth rates.



The school closures in Africa are the most adverse long-term impact of COVID-19.

Do digitalisation, which has surged around the world in the wake of COVID-19, and the Internet offer the potential to improve education in rural areas in Africa?

Wolfgang Lutz: It theoretically has this potential. But in practice, there is a great deal of evidence to suggest that the increasing digitalisation is exacerbating the polarisation of society. Even in this country, we see that it is a problem for the socially disadvantaged when they cannot go to school, and that COVID-19 is widening this gap. But the

Patrizia Jankovic: I can unfortunately confirm that this is true. A person's gender still determines their opportunities, and we see that hardly any poor young women from rural areas graduate from secondary school in at least 20 countries in Sub-Saharan Africa. And this trend will only become more pronounced in the wake of COVID-19. Experiences with diseases such as Ebola have shown that the health care system leaves many people behind, especially large numbers of poor women from less-developed areas. The children who went to school before the pandemic will likely not return to school after the »

pandemic. The numbers are alarming. It is estimated that this will impact 11 million girls.

You were born in Ghana and probably have a good network in Africa. What is your take on this?

Gloria Boateng: I have to agree with Mr. Lutz that advancing digitalisation brings greater polarisation in society and that it will cause many people to fall even farther behind than they already are. And it is also still true that especially girls are at a serious disadvantage above all in terms of education promotion in many African countries. Ghana is a model for many African people and countries in terms of efforts to offer institutional education throughout the country. It was a great step forward when the primary and junior secondary schools became essentially free. I say essentially because school materials and uniforms still had to be financed, and many families could not even afford that. Thus, more children went to school until 6th or 7th grade, but some were still not able to go. Especially children who were needed as workers by their families, mainly girls. Senior secondary school has also been free since 2016. Another

important step. But only around 18% of children receive tertiary education at a university or comparable post-secondary school. The same statistic in Germany was over 54% in 2020. So it is 18% in Ghana, considerably more than when I grew up there. Many university graduates cannot find suitable jobs or are unable to afford post-graduate studies in their country, and thus leave to study (again) abroad, often in Europe, as do many other young adults from Cameroon and other countries. And most do not return. In this way, the African countries lose part of their best graduates.

Why does this happen?

Gloria Boateng: One reason in my opinion is that many African countries are living in a post-colonial age where they are still very constrained. The countries have substantial debt, at high interest rates. They collect high taxes so they can at least pay the interest and show their creditors “hey, we can do it, we will make it”. But high interest cripples economies and innovation potential, and only small-scale investments can be made. Because of this, there are not enough jobs, and this causes people to emigrate and seek education elsewhere. »

ROUND- TABLE DISCUSSION

The topic is so complex that we cannot discuss it here. But it is time for debt relief for these countries. Time for fair global trade on equal footing. It is time for the industrialised countries to get off their high horse.

What contribution can the financial industry make here? How can investors promote educational measures?

Thomas Motsch: The direct options to invest, for example through social bonds, are very limited for us or non-existent at present. Because there are not nearly enough of these instruments in the education segment. This makes it hard for us to find an effective lever. Thus, we concentrate our sustainable investments on companies and governments that promote education and training measures and that take active steps to create education opportunities. When selecting companies, we also determine whether talented persons in the company are supported and trained. Because this usually also means offering the employees prospects and opportunities. When selecting sovereign issuers, we analyse the government's position on education, the importance assigned to education,

and what specific measures are taken in this area. These are key factors in our overall assessment. The corporate and government bonds in which we invest must of course also be financially attractive.

Can you have an impact with an investment, and how can you measure this?

Thomas Motsch: We have placed a concrete focus on impact measurement in recent years, and this is becoming increasingly relevant in sustainable investment. The goal here is to measure the effects that my investment has. And the UN's Sustainable Development Goals are a good framework that investors can orient towards to see where companies can generate a positive effect with their products.

Goal 4 is defined as "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all". We can measure companies and governments based on this goal.

There is a great deal of money on the market, but there is a lack of suitable financing instruments to direct this capital into the desired channels. The topic of social bonds already came up... »


Thomas Motsch: As a fund manager, I must make decisions every day about which topics, companies, and governments to invest in. How can I invest the capital provided by investors sustainably while generating a return. With regard to education, we evaluate listed companies but also development banks and sovereigns. But what I would really like to see as an investor is more social bond issues. In other words bonds that finance concrete social projects, such as education initiatives. There is certainly a good deal of demand for such bonds. We and others would invest in these bonds and generate a targeted positive impact.

in Austria, we are worried about over-aging, that there are not enough young people in the population. At the same time, we waste these human resources by investing in the wrong measures in education. More than one fifth of our students do not have adequate text comprehension. How are these people supposed to find a job in a knowledge-based society? This will bring greater problems for us down the road. The most important investments in the future, including in Austria, are not only in advanced research and cutting-edge technology, but also in the broad education of the entire population. Because otherwise, we will have what some call the education proletariat. And this will come back to bite our society in every sense.

different universities are working to move in this direction on a very fragmented basis, but much more needs to be done.

Gloria Boateng: After an election, have you ever heard or read about fights over who will get the education ministry or agency when the cabinet posts are being assigned? I haven't. Education is given the short shrift as an inconvenient necessity in social policy in Germany and many other countries around the world. That is a disaster. And that is why we are hardly making progress here. We manage, but we do not actively shape, and we do not even come close to being innovative and future oriented. Because of this, we find ourselves woefully unprepared when crisis strikes, like now during the coronavirus pandemic. So my wish is that we wake up! Recognise that education must come first because all other areas depend upon it. Recognise that an entire society must have the best possible education and not just a few, because a society is dependent upon the potential of all of its members. I would love to see heated debates among politicians all vying for the ministry of education.

Patrizia Jankovic: I can only agree: Education is the key to everything. If the United Nations reaches its goal, everyone will have equal access to education by 2030. This education goal for sustainable development has been integrated into the curricula in Austria, but this is far from being enough. Austria needs an effective overall implementation strategy. New primary schools and



Education policy is the social policy of the 21st century.

While we are making wishes, what is at the top of your list?

Wolfgang Lutz: Education policy is the social policy of the 21st century. Here



SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOAL 1 (SDG 1):

Ending poverty in all forms and everywhere

Poverty is more than just a lack of the income and resources needed to ensure a sustainable existence. It includes hunger and malnutrition, limited access to education and other basic necessities, social discrimination and exclusion, and a lack of participation in decision-making processes.

Around 9 per cent of the employed persons and their families around the world lived on less than USD 1.90 per person and day in 2017. Most people who live below the poverty line are located in two regions: South Asia and Sub-Saharan Africa. After declining by 15.7 per cent in 2010, the elimination of extreme poverty has slowed further. According to recent estimates, the global level will be between 8.4 and 8.8 per cent in 2020, about the same level as in 2017. It is now expected that the goal of eliminating poverty around the world by 2030 will not be met.

The COVID-19 pandemic is pushing many people back into extreme poverty, wiping out years of progress. While the pandemic has made the need to bolster social protection systems and emergency preparedness and treatment very clear, these measures will not be enough to protect the poor and vulnerable who need them the most.

Economic growth must be integrative to create sustainable jobs and promote equality. Social protection systems must be set up to ease suffering in the vulnerable countries and to provide support to counter major economic risks. These systems will contribute to improving the response of affected populations to unexpected economic losses in the event of disasters and will ultimately help to eliminate extreme poverty in the least-developed areas.

THE UN HAS SET THE FOLLOWING GOALS FOR ENDING POVERTY BY 2030, WHICH HAVE ALSO BEEN INCORPORATED INTO THE AUSTRIAN FEDERAL GOVERNMENT'S 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT (SLIGHTLY ABRIDGED):

- ✓ Eradicate extreme poverty for all people everywhere, currently measured as people living on less than USD 1.25 a day.
- ✓ Reduce at least by half the proportion of men, women, and children of all ages living in poverty in all its dimensions according to national definitions.
- ✓ Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.
- ✓ Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services, including microfinance.

- ✓ Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters.
- ✓ Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.*
- ✓ Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.*

* No time frame has been defined for these objectives.

References: [usdgs.un.org/goals/goal1](https://sdgs.un.org/goals/goal1)

bundeskanzleramt.gv.at/themen/nachhaltige-entwicklung-agenda-2030



Andreas Perauer
Member of the Sustainability
Team at Raiffeisen KAG

CORPORATE ON THE TOPIC OF

Population ageing is creating major challenges for the public and private sectors. Solutions must especially be found for providing medical treatment and care to older persons. This means that the health care sector is seeing some of the greatest impacts from demographic change, but that it is also profiting significantly.

1 Philips, a Dutch provider of health care technology and household appliances, sees the growing and ageing population, the increasing prevalence of chronic illnesses, and growing spending in developing markets as key influences on the company. The goal is to have a positive impact on the health and well-being of 2 billion people by 2025, 300 million of them in underserved communities in places like Africa. The American Stryker group, one of the world's largest manufacturers of orthopaedic implants such as ankle joints, also sees demographic change as a material input factor for its products and services. The company's customer-oriented research and development approach, decentralised operating processes, and various specialist teams are all focused on the creation of targeted clinical solutions that meet the individual needs of the patients and health care personnel. This also includes a focus on the demographic changes among patients. The British company Smith & Nephew, another leader in orthopaedics, sees a strong opportunity in the positive expectations that people place in the health care industry. People want to lead active, high quality lives regardless of their age. Smith & Nephew strives to facilitate this and redefine what is possible »


The shareholder engagement activities of Raiffeisen Capital Management's SRI team with regard to the topic of demographic change include discussions with some of the biggest listed companies in the medical technology industry. The following questions were asked in this process:

- 1** How does demographic change impact your company? To what degree are you profiting from this, and what positive impacts can you generate?
- 2** Do you see significant geographical differences that you must account for?
- 3** Demographic change has an influence on the required employee qualifications. How are you addressing this risk for current and future staff?

The responses to these questions can be summarised into the following statements and results:

VOICES

DEMOGRAPHIC CHANGE



with newly engineered technologies. Coloplast, a specialist in ostomy and continence products and services, already helps millions of people but is seeing a steady increase in demand. From a sustainability perspective, the Danish company sees this as a significant challenge because serving more people also means producing more products and thus potentially increasing its adverse environmental impact. Coloplast is addressing this challenge head-on and is pursuing strict sustainability goals, in part to contribute to limiting the global temperature increase to 1.5 degrees and in this way to support the UN Sustainable Development Goals and the goals of the Paris Agreement on climate change.

2 The health care system and the needs of patients can vary considerably from region to region, both in terms of the provision of care and the applicable regulations. This requires companies to continuously adapt their approach to remain competitive. Zimmer Biomet, another major provider of orthopaedic implants that is based in the USA, offers the same products at the same quality level in all regions, but also ensures that the necessary training is offered to surgeons in less-developed countries so

that the products can be used safely and effectively. Smith & Nephew especially contributes to improving the efficiency and effectiveness of health care systems in developed markets so that operations can be conducted in a streamlined and integrated environment. In developing markets, the group offers its solutions at adapted, competitive prices and also conducts an active product donation programme. This is intended to provide people with access to health care technology that would otherwise be unavailable. It is also a challenge for Coloplast to adapt to the local differences in the nearly 100 countries where it operates. This makes it all the more important to apply global principles and guidelines that provide a solid framework for business regardless of the particulars of a given country.

3 Demographic change is a source of opportunities and challenges for companies and must be managed appropriately. People are living and working longer while employee fluctuation is higher than in the past, especially among younger generations. Coloplast's strategy for overcoming these challenges targets three key aspects: a healthy balance between new and existing employees, ensuring the development of the existing human

capital, and inclusion and diversity in its staff. Solid talent is to be recruited and retained in the company and the capabilities of the existing employees are to be improved, thus ensuring that the company can adapt to constantly changing circumstances. In terms of diversity, Coloplast focuses on three material characteristics: gender, origin, and generation. Especially the latter criterion contributes to a diverse team comprising all age groups. Zimmer Biomet follows a similar approach. While existing employees are given learning and development opportunities at and outside of the workplace, the company recently introduced a guideline for virtual workplaces that is intended to allow it to tap new, previously unused talent pools. This will ensure that the company can move forward into a secure future. As a multinational company, Philips recruits talent from around the world and currently has over 81,000 employees from 120 countries. To increase awareness of the various opportunities at Philips, the company integrates what it calls experience maps that describe the experience that employees develop in strategic roles or that they can build in order to prepare for such roles. This opens up cross-functional, traditional, and unconventional career opportunities.



SONOVA HOLDING AG

Sonova is a leading provider of innovative hearing solutions. The company offers a wide range of products including hearing aids, cochlear implants, wireless communication solutions, digital tools, and professional audiological care. Sonova serves the market in over 100 countries with its core brands Phonak, Unitron, Hansaton, Advanced Bionics, and AudioNova and has more than 14,000 employees. The company is based in Stäfa, Switzerland.

ACCESS TO TECHNOLOGICALLY ADVANCED HEARING SOLUTIONS

The importance of good hearing and the consequences of hearing loss are largely underestimated despite the fact that the World Health Organisation (WHO) estimates that around 20 per cent of the world population suffers from hearing problems or hearing loss. Sonova's goal is to provide people around the world with access to technologically advanced hearing solutions and services. It strives to offer as wide a range of services and prices as possible to meet the individual needs of its customers and the situations in different markets around the world. It attaches special importance to covering »

COMPANY SUSTAINABILITY SPOTLIGHT

underserved markets. Presence here is to be increased through a wide range of service and price levels and the use of digital technologies, and also by improving remote access and expanding the global distribution network. The efforts to improve access to hearing care also extend to investments in partnerships and non-profit organisations such as the Hear the World Foundation established by Sonova in 2006. The foundation is dedicated to ensuring equal opportunities and increased quality of life around the world for people suffering from hearing loss. It especially promotes projects to help children suffering from hearing loss to allow them to develop in step with their peers. Some 34 million children around the world are affected by moderate to severe hearing loss. Around 80 per cent of these children live in countries with low to medium income levels, and often have no access to hearing health care. The foundation is tackling these challenges and provides funding and hearing aids along with the time and expertise of its employees.

EMPLOYEES AS THE KEY TO SUCCESS

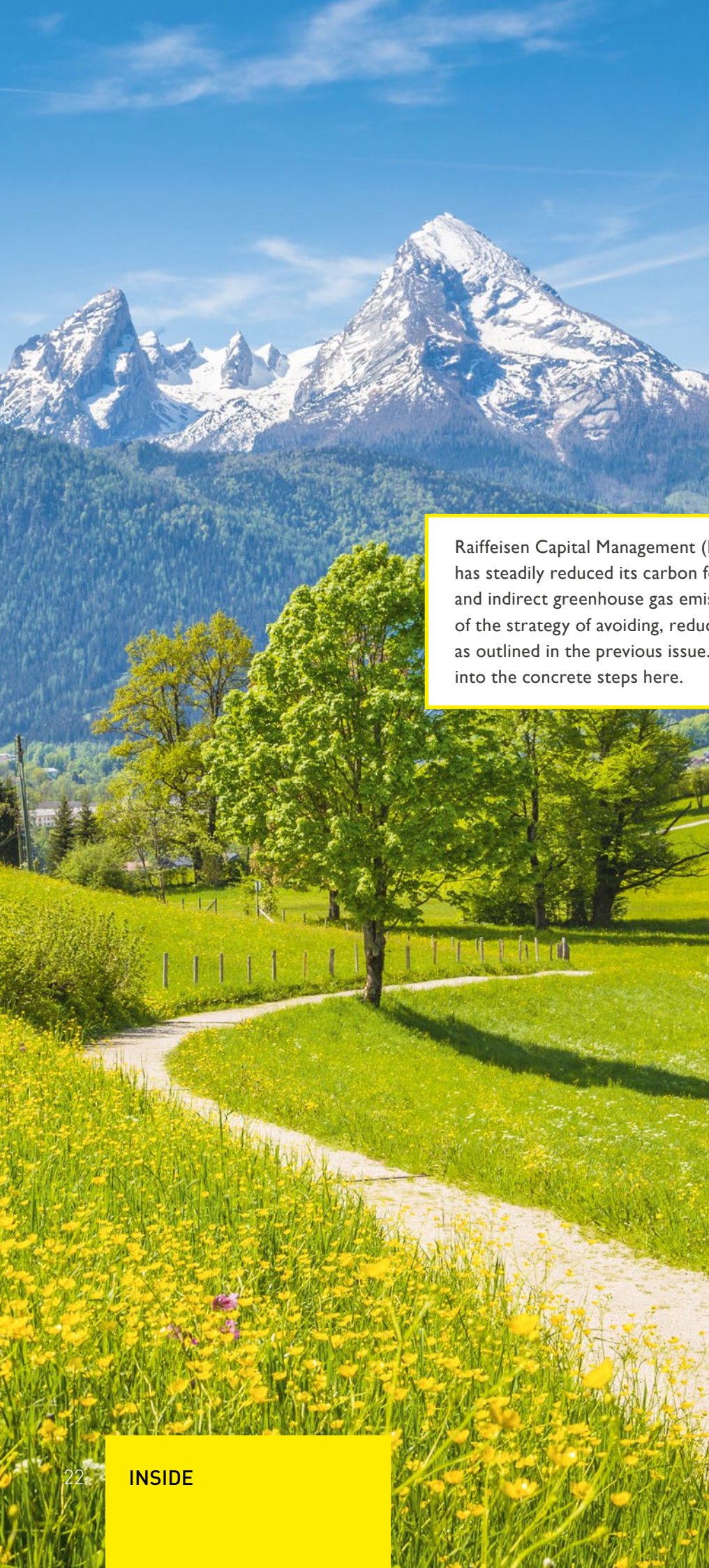
Global trends such as demographic change, a limited supply of skilled workers, and the need to adapt rapidly to

changed markets underscore the importance of a proactive personnel strategy for Sonova. The company believes that developing talent to ensure internal management succession is a key to sustainable success. Filling key positions with existing employees while also promoting the loyalty and providing for the advancement of qualified employees is intended to help retain the expertise and intellectual property of Sonova within the company and to help the company maintain and expand its competitive advantages.

Sonova has subsidiaries in over 30 countries and has more than 14,000 employees with widely varied experience and backgrounds. The company strives to create an environment in which everyone can make a contribution and realise their full potential regardless of their gender, language, age, origin, religion, sexual orientation, or state of health. Diversity is seen as a key success factor because it promotes innovation and helps the company to understand its various customer groups around the world. Its key importance is also reflected in an internal code of conduct that is binding for all employees of the Sonova group, its subsidiaries, and all contractors and suppliers.

RESPONSIBLE BUSINESS PRACTICES

Ethical behaviour is a key factor in assessing the sustainability of companies. A broad focus is placed on this especially in the health care sector. Sonova sees maintaining its good reputation for ethical behavior and integrity as a top priority given that this is a core aspect of the company's goal of ensuring sustainable growth and value creation. Three fundamental values reflect the corporate culture and unite the company across all brands and regions: innovation, engagement, and responsibility. The basis for this is compliance with the laws of every country in which Sonova is active and with the internal regulations and the aforementioned code of conduct. Thus, an approach is employed where the internal rules and principles are oriented towards internationally recognised standards of the United Nations (UN), International Labour Organization (ILO), and Organisation for Economic Co-operation and Development (OECD). The group compliance programme is to be improved, human rights respected, responsibility promoted in the supply chain, and adherence to tax regulations ensured.



UPDATE:

Raiffeisen Capital Management (Raiffeisen Kapitalanlage GmbH) has steadily reduced its carbon footprint, in other words its direct and indirect greenhouse gas emissions, in recent years. This is part of the strategy of avoiding, reducing, and ultimately compensating as outlined in the previous issue. We would like to provide insights into the concrete steps here.

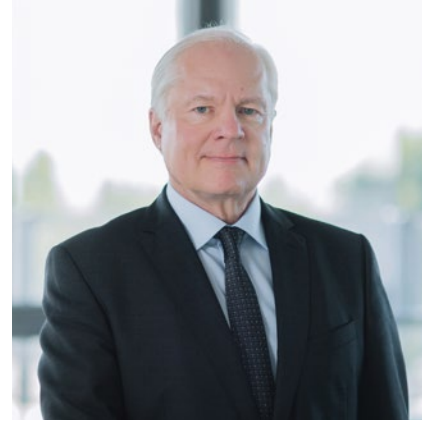
STRIVING FOR CARBON NEUTRALITY

The operational ecology policy at Raiffeisen Kapitalanlage-Gesellschaft is aligned with the group strategy of Raiffeisenbank International (RBI), which publishes a comprehensive sustainability report every year.

You can find the Sustainability Report of Raiffeisen Bank International at www.rcm.at/sri-publications.

This policy primarily covers the office infrastructure and energy and resource management. Raiffeisen Capital Management also takes additional independent initiatives. In terms of business travel, the (relatively small) company fleet has been improved over the years, and air trav- >>

BECOMING A CO₂-NEUTRAL INVESTMENT FIRM



Klaus Glaser
Global Portfolio Advisor and expert
for corporate social responsibility
at Raiffeisen KAG

el was evaluated more critically and replaced with rail travel where possible. Additional Scope 3 components were also analysed and calculated, such as employee travel to the offices – which accounts for a considerable quantity of carbon. New issues regularly arise in environmental management, which sometimes requires that we correct the figures. An honest environmental policy consists of constant critical assessment and learning.

To reach our goal of carbon neutrality, 1,186 tonnes of carbon equivalents were compensated for in 2019 through the BOKU climate project titled Forest Protection in the Colombian Rain Forest. A total of 1,237 tonnes were compensated for in 2018, including a small corrective addition following new calculations. This represents a reduction of 11 per cent in 2019. Thus, Raiffeisen Capital Management can claim carbon-neutral office operations including business travel since 2018.

2020 – MILESTONE OR JUST A ONE-OFF EFFECT?

The year 2020 was shaped to a large degree by the COVID-19 pandemic around the world. Starting in March, nearly all

work had to be completed remotely from home. This resulted in considerable greenhouse gas savings – not only at the offices including employee commuting, but also due to the elimination of business trips and the intensive use of telecommunication. Complete data for the year are not yet available, but initial estimates point to savings of around 500 tonnes (more than 40%). A milestone of sustainable operational ecology or just a one-off effect?

Even if the exceptional conditions that Raiffeisen Capital Management handled very well in 2020 will not continue at the same intensity, a key initial step has been taken to a new level of telecommunication and digitalisation that is likely to result in lasting reductions of greenhouse gas emissions. Modern office optimisation steps will be taken to this end. The criticism that energy consumption (and thus carbon emissions) are simply being shifted to workplaces in the home can be refuted with the fact that this effect is minor in operational ecology terms, amounting to no more than 5 to 10 tonnes that are unavoidable and that will be compensated for.

LET'S TALK ABOUT MON€Y

Do you know how your best friends invest their reserves? Or how much the colleague who sits next to you every day earns? The answer to these questions is usually “no”. Talking about money seems to be one of the last taboos in our otherwise very open society. But women especially should talk with each other about money, because this topic is relevant for us all and determines our quality of living to a large degree.

We all need money for our daily lives and to fulfil our wishes and participate in social life. Money also means independence: the ability to get through a time without income due to a job change or illness, to enjoy a worthy retirement, and to not be dependent on the financial support of a partner.

According to 2019 figures from Statistics Austria, over 13% of the population is at risk of falling below the poverty line.¹ A particularly vulnerable group is pensioners living alone, 26% of whom are at risk. In addition to periods spent not earning an income and the high share of women who work part-time (47%!), this is also caused by structural disadvantages such as lower pay levels in “typical women’s occupations”.

There is no denying that the traditional division of work in relationships as is still common in German-speaking countries is a direct route to a financial dead end for many women, even if this division is chosen voluntarily. The gender pay gap² is a fact – despite the substantial improvements in the education of women³. And the glass ceiling is still alive and well. So let’s talk about money and start ensuring a suitable basis for our lives through a fair income.

Because focus cannot shift to continuously setting aside reserves until the basic needs are met. Many investment products are available with small regular amounts. And here again, let’s talk about money! Let’s talk about how we can grow our modest or larger reserves. Let’s talk about opportunities and risks. »

¹ The basis for calculating poverty risk is the equivalised net household income, in other words the available household income divided by the total consumer equivalents in the household. Persons whose equivalised net household income is below the risk-of-poverty threshold of 60% of the median are considered to be at risk of poverty. In 2019, the median of the equivalised net household income was EUR 25,729 per year. Thus, the risk-of-poverty threshold was EUR 15,437 for a single-person household in 2019, or EUR 1,286 per month (12 times).

² The gender pay gap refers to the difference between the average gross hourly earnings of women and men in private-sector companies with ten or more employees. According to Eurostat, this difference was 20% in Austria in 2018, 4 percentage points higher than the EU average.

³ According to Statistics Austria, the percentage of women graduating from university was 19% in 2017, 3 percentage points higher than this statistic for men.



Sabine Macha
Head of Product Management
at Raiffeisen KAG and member
of Fondsfrauen

STRENGTHEN AND SUPPORT

The members of Fondsfrauen in Austria want to make a contribution to improving women's knowledge of financial products and capital and have created a series of presentations for allied wom-

en's networks. The goal is to demystify the topic of investment and impart the most important fundamentals. Because choosing the right investment is by no means rocket science. But it does require solid fundamental knowledge and trust in your own competence.

Fondsfrauen is the professional network for women in the fund and financial industry. Raiffeisen Capital Management is a main sponsor of Fondsfrauen in Austria.

FONDSFRAUEN- AWARD 2020: "COMPANY OF THE YEAR"

Because of concrete and very compelling measures for the promotion of women's careers in the company as well as for practiced diversity, Raiffeisen Capital Management was distinguished with the Fondsfrauen Company of the Year Award in 2020. The firm came out on top as "company of the year" among the roughly 100 entrants. Fondsfrauen presented its awards for the second time now.

GENDER DIVERSITY AWARD 2020

Citywire selected Raiffeisen Capital Management for its Gender Diversity Award in the category of best gender representation (50 to 100 fund managers). Through this distinction, which was awarded for the first time, Citywire wishes to put the spotlight on asset managers that assume a pioneering role in promoting diversity. Raiffeisen Capital Management was the only asset manager in Austria to make it onto Citywire's short list – in two categories, in fact.

**Raiffeisen
Capital Management**



Member of RBI Group



**LET'S INVEST
TOGETHER IN A
SUSTAINABLE FUTURE.**

PRESERVING VALUE. CREATING VALUE.