



ÖBAG

# 2020

Sustainability Report  
Österreichische Beteiligungs AG

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# Editorial

## Ladies and Gentlemen,

Welcome to the first sustainability report published by Österreichische Beteiligungs AG (ÖBAG)! Our goal is to publish a report each year focusing on sustainability to provide a platform for showcasing the efforts of ÖBAG and its portfolio companies in fighting climate change, working towards corporate and social sustainability, and striving to improve corporate governance.

Businesses are important partners in achieving transformative sustainability. But at the same time, the pressure to act is growing and coming from several sources at once: investors, regulators and customers all demand verifiable sustainability. As flagship enterprises in their sectors, ÖBAG's portfolio companies have a central role to play in this major endeavour. Along with the portfolio companies, the state holding company therefore launched a sustainability initiative in 2020 and placed this issue on the agenda in all ESG activities. See page 12 ff. for more information.

At the end of 2020, ÖBAG also decided to develop a system of sustainability KPIs to provide a holistic view of the sustainability performance of the investees. On the one hand, this KPI system reflects major industry-specific measures, while on the other hand it aims to shine a light on and quantify the sustainability performance of the entire portfolio over time. This laid the groundwork for a process model to enable transparent monitoring in future. Further details are provided starting on page 14.

At the very beginning of this publication, on page 8, we provide information on current developments in sustainability and connect the dots between both global and European perspectives and creating added value for Austria. In their Statement and Letter on pages 4–7, Chairman of ÖBAG's Supervisory Board Helmut Kern and CEO Christine Catasta familiarise readers with ÖBAG's views on sustainability as well as its value proposition. We present the sustainability highlights at our portfolio companies starting on page 10 in order to highlight the extent to which they are already pioneers in this field and where we can continue to improve.

Our digital channels provide additional information on our activities throughout the year. We invite you to follow us on LinkedIn or to visit our website at [www.oebag.gv.at/en](http://www.oebag.gv.at/en).

Your ÖBAG Management and  
Sustainability Team

# Statement by the Chairman of the Supervisory Board

**Helmut Kern** has acted as Chairman of ÖBAG's Supervisory Board since 2019. He is also Deputy Chairman of the Vienna University Council and Chairman of the Economic Council of Statistics Austria.



**Helmut Kern**  
Chairman of the Supervisory Board

Last year was unprecedented: not only for ÖBAG as a state holding company and its portfolio companies, but also for the economy as a whole. ÖBAG positioned itself as a reliable partner and key shareholder during this year of crisis. The eleven state-owned investees, including essential infrastructure providers such as Verbund, Österreichische Post, OMV and Telekom Austria, in turn proved that they can guarantee provision of their services in our country at all times.

Although the international financial markets went on a roller coaster ride in 2020, the ÖBAG companies maintained a steady course. As a state holding company, ÖBAG can today look back at satisfactory results during the past financial year. As a holding company for state-owned investees, ÖBAG used every tool available to the owners, including the successful syndicate agreements between ÖBAG, Sazka Group and América Móvil, as well as renewal of the OMV syndicate agreement between the state holding company and key shareholder Mubadala in addition to the appointment of members to the supervisory boards of the portfolio companies. At EUR 26.6 billion, ÖBAG's value grew by EUR 3.3 billion compared with the previous year.

Succeeding as a professional shareholder on the international capital market requires anticipating future developments and trends. This includes the digital transformation along with green technologies and, of course, sustainability and climate action. All of these are trends receiving additional impetus from the EU Green Deal and the Taxonomy Regulation and represent both challenges and opportunities for ÖBAG's portfolio.

Even more important was that ÖBAG succeeded in implementing a far-reaching process to strengthen the sustainability programme in all aspects of ESG in 2020. In the interest of formalising these efforts, the Supervisory Board was presented the ÖBAG Agenda for Sustainability in the past financial year. This Agenda for

Sustainability will now be monitored using a sustainability process put in place and will be further pursued along with the portfolio companies and our stakeholders.

In the challenging year that was 2020, the state holding company increased its resilience. At the same time, the team proved optimistic and put the Company on the right track with a focus on sustainability. This has provided a solid foundation for continuing to pursue the initiatives underway with professionalism and tenacity. As Chairman of the Supervisory Board, I am confident that ÖBAG will continue to be a cornerstone of Austria's economy in the future.

With that, I would like to thank all ÖBAG employees and all of our stakeholders on behalf of the entire Supervisory Board for the support that you have shown our state holding company.

**Yours, Helmut Kern**  
Chairman of ÖBAG's Supervisory Board

# Letter from the CEO of ÖBAG



**Christine Catasta**  
CEO of ÖBAG

**Christine Catasta** was appointed CEO of ÖBAG in June 2021. She is an experienced economic expert and was most recently CEO of PwC Österreich. She also holds supervisory board positions at energy utility Verbund, Casinos Austria and Austrian Airlines.

## Dear Readers,

2020 will remain in everyone's memory as the year of COVID-19: a virus that spread around the globe like wildfire, triggered an unprecedented public health crisis and plunged the global economy into recession. In this very challenging environment, ÖBAG demonstrated that it is a stable anchor shareholder that steadfastly stands by its portfolio companies, its employees, its syndicate partners and society as a whole. The crisis made clear to us that, as a state holding company with a long-term perspective, it is necessary to give companies stability.

As ÖBAG's CEO installed in 2021, I am happy to provide a positive report on the work of the entire ÖBAG team in the 2020 financial year. Thanks to an upturn in the international stock markets in the second half of 2020, ÖBAG again succeeded with aplomb in meeting its long-term value growth goal in its second year in business. The dividends paid to the Austrian government were increased once again, with distributions from ÖBAG and Verbund in 2020 totalling over EUR 600 million. The dividends for the 2020 financial year, which will accrue to the Austrian government in 2021, are expected to amount to more than EUR 650 million. ÖBAG additionally made important progress in our goal of pursuing active investment management. At the same time, we further professionalised the selection and nomination process for members of the individual supervisory boards.

In 2020, ÖBAG also took strategic action on sustainability by launching a sustainability initiative. Based on the Group's collective strength, the pandemic resulted in ÖBAG setting a clear goal of weaving sustainability more tightly into our value chain as an active countermeasure to economic and climate crises. The focus on sustainability also aims to increase the value of our portfolio for the long term. This must be our priority if we wish to improve Austria's appeal as a business hub going forward. To this end, our portfolio requires an end-to-end sustainability approach to leverage the existing potential and generate the greatest possible added value.

We therefore considerably stepped up our sustainability efforts to deal appropriately with the urgency and complexity of the challenges. We are working more closely with our investees and partners in business, the sciences and civil society, and actively search for opportunities and synergies across the portfolio to lend the greatest possible impact to our initiatives in all aspects of ESG.

ÖBAG's Agenda for Sustainability comprises a wide variety of activities: nominations of supervisory board candidates in 2020 aimed to ensure that these boards have members with sustainability expertise and are as diverse as possible. Verbund and OMV have also set up a sustainability committee and a sustainability advisory board, respectively. The mission of both is to drive ESG activities and maintain or even expand these companies' positions in areas where they are already leaders. That enables us to even more efficiently track our sustainability efforts.

Clear and transparent climate strategies and the fast-tracking of best-in-class ESG standards are key factors for enabling ÖBAG to contribute to achieving domestic and global climate targets. Transparent and verifiable reporting is a duty and an obligation to our investees and is intended to further improve the credibility of our ESG performance. The companies in ÖBAG's portfolio are setting a good example in this regard and even count among the best in the world in an industry comparison in specific areas.

These efforts motivated ÖBAG to spell out its plans at the end of 2020 and work out the cornerstone for far-reaching ESG systems for the entire portfolio of investees. In future, this method will lay the foundation for evaluating the ESG performance of our portfolio companies across several industries and countries, and make our progress measurable. Not least, we also resolved to follow our Agenda for Sustainability and defined targets and material topics. After all, we are fully aware of our responsibility as a state holding company with a long-term horizon and mission-critical companies in our portfolio. We want to be a driver when it comes to shaping the sustainable world of the future.

Along with the portfolio companies, our stakeholders and partners, we ensure that necessary and forward-looking investments are made in order to secure Austria's future position as a hub for business.

We hope you gain many interesting insights from reading our report!

**Yours, Christine Catasta**  
CEO of ÖBAG

# Sustainability as a factor in value creation

The European Parliament voted in April 2021 to reduce greenhouse gas emissions in the European Union by 55% from 1990 levels by 2030. As a result, sustainability has become an even more important issue. The top emitters of greenhouse gases (GHG) in Austria are the energy generation, industrial production, transportation, construction and agriculture sectors. Their total GHG emissions amounted to 79.8 million tonnes in 2019.<sup>1)</sup> Reducing these totals in Europe by 2030 requires our domestic industrial sector and society as a whole to pull together in this effort. Österreichische Beteiligungs AG and its portfolio companies have identified the opportunity to switch gears towards sustainability and launch a collective sustainability programme to contribute to a sustainable future and undertake pioneering projects to make Austria a better place.

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**“In the near future – and sooner than most anticipate – there will be a significant reallocation of capital.”**

Larry Fink / CEO of BlackRock

The European Commission's Green Deal along with the EU Action Plan on Sustainable Finance will also have a material impact on the inclusion of sustainability criteria in the finance sector. The objective of the plan is to divert flows of capital into sustainable investments and to promote transparency and long-term thinking in financial and business activities. To this end, the development of a classification system (Taxonomy) for sustainable finance activities is a key step. It is expected to enter into force as early as 2021 (see also the Essay by Eva Grosse of denkstatt on page 30). Meeting all these challenges head-on requires constantly keeping an eye on environmental, social and governance (ESG) criteria and understanding these to be factors in competition and innovation (see also the “ESG analysis from a portfolio perspective” on page 14).

Another issue besides new regulations is the fact that investors have been demanding sustainability in all business activities for decades now. An international study on investor behaviour and the relevance of ESG confirms that ESG is the top priority for nearly all of the senior executives surveyed.<sup>2)</sup> In the meantime, the demand for ESG investment solutions is so high that many fund companies are having difficulty launching new products rapidly enough. The fact that this is not a short- or medium-term trend, but instead involves long-term development is underscored by Larry Fink, CEO of BlackRock, the world's largest investment management corporation, who states in his annual letter to CEOs: “Climate change has become a defining factor in companies' long-term prospects.” What this means in practice was discussed by Vice President of BlackRock, Philipp Hildebrand, in his keynote speech at ÖBAG's “Quo vadis, Wirtschaft?” (Quo vadis, economy?) forum in November 2020. According to Hildebrand, the COVID-19 pandemic will trigger long-term transformation in addition to the short-term impact and result in new frameworks for de-globalisation, digital transformation and sustainability, among other trends.

Whether we will live in a greener, more innovative and more prosperous world after the COVID-19 crisis ultimately depends on what lessons we learn as a society and businesses and what steps we take as a consequence of the crisis. It also depends on whether we are successful in providing financing to support economic growth while also relieving pressure on the environment, taking into account social and governance factors.

**“Strengthening Austria as a business hub and safeguarding vital infrastructure are ÖBAG's critical missions. It is therefore our collective aim to more heavily weight sustainability in our portfolio companies so that they may continue to count among the best in their industries in the future.”**

Christine Catasta  
CEO of ÖBAG

# Sustainability highlights of ÖBAG's portfolio companies

ÖBAG's portfolio companies are accomplishing a great deal in the field of sustainability and are trailblazers in individual sustainability initiatives in their respective industries. Even in a year dominated by the COVID-19 crisis, the portfolio companies launched new sustainability projects, continued working on existing ones and refined their carbon strategies. The highlights of 2020 shown here illustrate the variety of activities, but also their efficacy. The wide range of actions is in the foreground in the numerous activities presented.

## CLIMATE ACTION INITIATIVES



### 20 hectares

BIG launches Austrian solar power initiative: photovoltaic systems covering around 20 hectares on roofs at BIG and ARE by 2023.

## CLIMATE-NEUTRAL TRANSPORTATION



### 2,100

Österreichische Post has more than 2,000 electric vehicles in its fleet, the largest in Austria.

## RENEWABLE ENERGY



### 34,000 PVs

Verbund and OMV are working together to install the largest solar park in Austria.

## INFRASTRUCTURE INVESTMENTS



### 90%

of the area in the buildings in BIG's portfolio are accessible.

## INDUSTRY AND INNOVATION



### €1 billion

OMV and Borealis are investing in future innovations to take their place as leaders in the circular economy for plastics.

## CARBON NEUTRALITY



### 2014

In 2014, Telekom Austria became the first Austrian telecommunications company to operate a completely carbon-neutral network.

## CLEAN & AFFORDABLE ENERGY



### 50%

Verbund supplies half of all households in Austria with clean (renewable) energy.

## GENDER EQUALITY



### 44%+

More than 40% of supervisory board members nominated by ÖBAG are female – and this number is growing.

# The ÖBAG Agenda for Sustainability

## The ÖBAG sustainability programme

As a state holding company, it is our aim to set the stage for steady and sustainable growth and reinforce Austria's position as a hub for business and research. Since its founding, ÖBAG has pursued a series of activities aimed at making sustainability one of the top priorities at its portfolio companies, thereby making them an integral, future-proof part of Austria's business landscape for the long term. These include

- a sustainability analysis of the listed portfolio companies by international experts;
- the promotion of networking and cooperation between companies on innovative and sustainable projects;
- a stronger focus on sustainability in Supervisory Board work at the portfolio companies;
- active dialogue with entities in the business, industrial, scientific and NGO worlds; and
- the transition to clean electricity, measures to improve energy efficiency, continuing education at ÖBAG, and much more.

## Kick-off in 2020: the new ÖBAG Agenda for Sustainability

ÖBAG is tasked with managing the assets belonging to Austria's residents and is a key player in Austria's function as a location for business and industry. As such, the Company sees promoting sustainable and climate-friendly technologies and business segments in Austria as its mission. Along with the portfolio companies, the state holding company therefore kicked off a sustainability initiative covering all aspects of ESG in 2020 to help fight against climate change. During 2020, the Company initiated the ÖBAG Agenda for Sustainability as part of the corporate strategy and presented it to the Supervisory Board. The Agenda for Sustainability

includes focal points and targets for long-term value growth in all aspects of ESG. In the interest of active investment management, ÖBAG supports sustainable ESG activities in its portfolio companies and pursues the goal of establishing best-in-class ESG standards. Clear and measurable steps for implementing these are the guarantee for their success.

As flagship companies in their sectors, ÖBAG's portfolio companies are key capital market players and function as important role models. ÖBAG sees itself as a sparring partner for its portfolio companies and enables lively exchange and cooperation between and among them, regardless of whether this involves electric vehicles and mobility, hydrogen research and development, or gender and diversity programmes.

## Our strategic approach: Place. People. Principles.

In developing the sustainability initiative, ÖBAG followed internationally accepted ESG (environmental, social, governance) principles. The ÖBAG Agenda for Sustainability therefore covers environmental (E) and social issues (S) as well as governance criteria (G).

When the main areas of focus were being worked out, ÖBAG put an emphasis on the Place, People and Principles approach in particular, which reflects the ESG philosophy at ÖBAG and its portfolio companies.

## Place. Environmental strategies and innovation

"Place" stands for the location where we do business and its protection. ÖBAG and its portfolio companies pursue specific strategies to meet climate targets and reduce carbon emissions, and aim to succeed internationally with these actions. It is the

## From idea to implementation



## The three principles of sustainability



## ÖBAG as a sustainable investor

intention of the ÖBAG Sustainability Programme to more tightly network the state-owned investees on a common platform going forward to enable them to undertake far-reaching projects to fight climate change. These include resource scarcity and biodiversity, digital transformation and data science, innovation and the circular economy (see also the Essay by Jürgen Prumetz on the circular economy entitled "Waste is a misplaced resource" on page 24).

## People. Gender and diversity

"People" are another focal point: equal opportunity and diversity are core principles in this focus area. For ÖBAG, diversity means not only complying with gender quotas, but also diversity throughout our management team, the second and third employee levels and especially the Supervisory Board. ÖBAG strives to gradually increase the proportion of women on supervisory boards and the diversity of these boards in sense of their international makeup. Studies underscore the Company's approach: companies with boards that are more diverse than average report revenue from innovations 19% higher than companies with below-average diversity in their leadership teams (45% versus 26% of revenue generated from innovation).<sup>3)</sup>

## Principles. Transparency and good governance

The principles of responsible corporate governance represent the third pillar of our strategy. Structured processes for nominating

shareholder representatives to the supervisory boards of the portfolio companies, effective risk and control systems used in our supervisory board work and transparent reporting are key parameters for good governance at ÖBAG. Activities such as ÖBAG-initiated deep-dive events for supervisory board members, implementation of a comprehensive system of monitoring and reporting, and cooperation with prominent scientific institutions were clear steps towards implementation by ÖBAG in 2020.

## WIFO study – The State as a Long-term Investor<sup>4)</sup>

The Austrian Institute of Economic Research (WIFO) led by Christoph Badelt and economist Michael Peneder conducted a study to analyse the role of the state as a long-term investor. The two experts also examined the question of why state-owned investees are becoming increasingly important from the global perspective. One of the most important conclusions to be drawn from the international examples was that state-owned investment companies are systematically stepping back from the operational management of the investees and instead concentrating on the nomination of highly qualified supervisory board and executive board members. See ÖBAG's 2020 Annual Report on page 29 for more information on the study and its conclusions.

# New ESG monitoring at ÖBAG portfolio companies

As part of ÖBAG's sustainability strategy, the Company kicked off a comprehensive analysis of ÖBAG's portfolio companies according to ESG criteria. Working closely with an internationally known consulting firm, the Company set up a process for transparently documenting the current status quo.

This was based on the hypothesis that successful sustainability performance (referring to environmental, social, and governance, or ESG, issues) has a positive impact on the financial success of companies. A meta analysis by NYU Stern School of Business<sup>5)</sup> was devoted to this question, analysing more than 1,000 studies conducted from 2015 to 2020 to determine a possible correlation. The meta analysis concluded that focusing on ESG results in positive financial performance especially in a long-term time frame and that sustainable initiatives reinforce the financial performance of companies thanks to factors such as improved innovative capability and risk management. As a state holding company, it is our aim to set the stage for steady and sustainable growth and generate stable value growth for generations to come.

## **The objective: making sustainability measurable**

As in the finance sector (with credit ratings by firms such as S&P, Moody's and others), rating agencies are increasingly assessing the ESG performance of companies. A 2020 study by MIT Sloan School of Management<sup>6)</sup> found significant differences in rankings of ESG performance between the ratings by prominent ESG rating agencies.

In order to obtain a holistic picture of the sustainability performance of the ÖBAG's portfolio companies and to reduce dependence on individual rating firms, we began to develop our own system of sustainability KPIs at the end of 2020. On the one hand, this monitoring system takes into account industry-specific metrics and, on the other hand, it is intended to enable a view of the sustainability performance of the portfolio as a whole regardless of the industries in which each individual company operates. For the first time, a process model for analysing the ESG performance of the portfolio companies was developed in order to meet the targets in the ÖBAG Agenda for Sustainability.

## **Four steps to sustainably positive performance**

ÖBAG has developed a four-step process model to establish an ESG monitoring system with the aim of identifying levers for boosting sustainable growth to concretely step up the sustainability efforts of ÖBAG portfolio companies in the coming years.

### **1) Developing the concept**

In cooperation with an international team of experts, ÖBAG developed an ESG portfolio monitoring system, which makes environmental performance (e.g. carbon emissions, energy consumption), social factors (e.g. diversity, health and safety) and governance (e.g. ESG remuneration systems) quantifiable. Subsequently, the performance of ÖBAG's portfolio companies was compared to an international peer group in various industries to identify possible opportunities and potential for improvement in individual companies.



# ESG monitoring: status quo

## Sustainability monitoring in four steps



### 2) Discussions with stakeholders

The strengths and opportunities for improvement identified during international benchmarking and based on the analysis of many different sustainability reports and studies from an outside-in perspective have been discussed in sparring sessions with various stakeholders, including Supervisory Board members, NGOs and scientific institutions, and ÖBAG's portfolio companies.

### 3) Taking responsibility

The integration of ESG targets into management remuneration systems as a management tool is facilitated via the supervisory boards of ÖBAG's portfolio companies. All of ÖBAG's listed investees have now incorporated ESG targets into their remuneration systems. This means that variable executive board compensation at these companies is now dependent on ESG criteria in addition to financial success. A look across the Atlantic reveals that one-fifth of the 250 largest S&P companies have already included ESG criteria in their incentive systems for management remuneration.<sup>7)</sup> The comparison with the largest corporations in the United States indicates that companies such as Post, Verbund, OMV and Telekom Austria are already very well positioned in this regard.

### 4) Adding value

ÖBAG generates ideas for the development of sustainability initiatives across its entire portfolio. The leveraging of synergies between the portfolio companies – evident in examples such as OMV and Post's declaration of intent to use green hydrogen in heavy haulage – and the provision of a platform for sharing best-practice models (see "Best practice. Doing business sustainably, lowering carbon emissions." on page 38) are tools for supporting progress on sustainability in the individual companies.

By focusing on sustainability issues and initiating discussions, specific ESG targets will be discussed with the management teams of the key ÖBAG investees in 2021 and in subsequent years with the aim of launching a number of different sustainability projects.

## Overview of performance indicators

Environment	Social	Governance
<ul style="list-style-type: none"> <li>• Scope 1 + 2 intensity tCO<sub>2</sub>e/mEUR</li> <li>• Scope 3 intensity tCO<sub>2</sub>e/mEUR</li> <li>• Water consumption intensity cubic metres/mEUR</li> <li>• Hazardous waste intensity t/mEUR</li> <li>• Recycling ratio %</li> <li>• Biodiversity Impact Reduction qualitative analysis</li> <li>• Energy intensity GJ/mEUR</li> </ul>	<ul style="list-style-type: none"> <li>• Lost-time injury rate per mn hours worked</li> <li>• Turnover rate %</li> <li>• Women employees %</li> <li>• Women in executive board ("Vorstand") %</li> <li>• Women executives and senior managers %</li> <li>• Cultural board diversity %</li> <li>• Training hours h/employee</li> </ul>	<ul style="list-style-type: none"> <li>• Science-based climate targets (SBTi) Implemented, committed, no targets</li> <li>• Incentivisation for ESG targets qualitative analysis</li> </ul>

In the course of the multi-stage process for establishing an ESG monitoring system, the Company began documenting the current status quo at the listed portfolio companies in 2020.

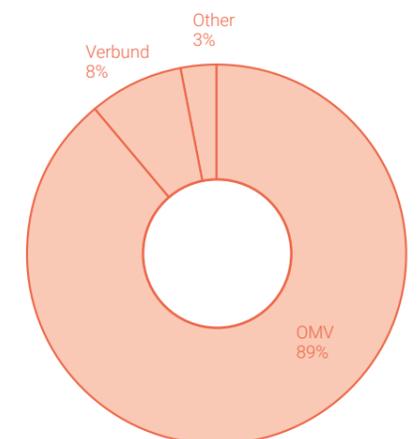
In comparison with international industry peers, ÖBAG's portfolio companies face many challenges as well as numerous opportunities that overlap as well as differ significantly. As a result, both non-industry-specific and industry-specific performance indicators, such as gas flaring intensity at OMV, are used in ESG portfolio monitoring. The performance indicators comprise various aspects of Place, People and Principles. Based on the metrics obtained in this way, the most relevant companies were identified in the individual material topics.

### Environmental analysis. Emissions and other criteria

ÖBAG's portfolio companies strive to support and work towards accelerating the shift to a decarbonised economy. For instance, the listed ÖBAG companies pursue strategies to limit their carbon emissions – and some of them have already had a positive assessment of their targets confirmed by the Science Based Targets initiative as a result.

In ÖBAG's portfolio, OMV in particular plays a central role in emissions in this context. OMV generated nearly 90% of the (Scope 1 and 2) carbon emissions in ÖBAG's portfolio in 2020, followed by Verbund, which was the second largest emitter among the ÖBAG companies.

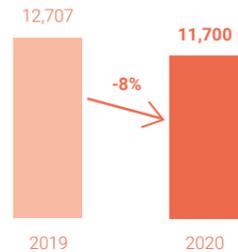
Scope 1 + 2 emissions in 2020\* in %



\* BIG currently not yet included in calculations but CO<sub>2</sub> measurement is to be started in 2021; OMV figures do not reflect Borealis yet

This large percentage means that reductions in the emissions of these two companies are particularly significant. Progress is being made every year. Emissions by the portfolio as a whole were cut by 8% in 2020 from 2019 levels.

**Cross-portfolio Scope 1+2 emissions in 2020**  
in ktOE/a



ÖBAG plans to collect additional data on emissions in 2021. The main consideration here is the integration of the BIG and Borealis data.

In addition to the priority of reducing emissions, ÖBAG also concentrates on other issues such as the circular economy and biodiversity in view of the EU Green Deal. For example, waste volumes generated and recycling percentages are considered in greater detail and compared with the figures achieved by an international peer group in the same industries. ÖBAG also analyses current ideas and trends in the field of biodiversity and works to improve measures and performance indicators in conjunction with ÖBAG's portfolio companies as well as experts and stakeholders.

**Social analysis. Comprehensive and diverse**

As at 31 December 2020, ÖBAG's portfolio companies had around 73,000 employees, most of whom work in Austria. The Company is aware and takes responsibility for its critical importance as an employer, which is the subject of many different initiatives and

other activities. This is evidenced, among other things, by the positive workplace safety performance of OMV and Telekom Austria in 2020 and the ascension of women to leadership positions at Österreichische Post and BIG.

**Governance analysis. Successful implementation**

ÖBAG's portfolio companies set a good example in terms of governance as well. For instance, all of the listed portfolio companies include various ESG performance indicators in their management remuneration as material criteria for determining the variable compensation of their respective executive board members. Transparent and measurable targets are particularly important here to facilitate measurement of the companies' sustainability performance. The performance and other challenges are also increasingly discussed in committees set up for this purpose in the course of Supervisory Board activities.

**Goal of developing strategic guidelines**

Some of ÖBAG's portfolio companies are already trailblazers among their international industry peers in the fields of renewable energy, the use of electric vehicles and diversity, and this position will be fortified once again in the 2021 financial year.

Making this goal operational will require ÖBAG to conduct in-depth discussions with the relevant stakeholders at the portfolio companies in the coming months. The objective is to develop tailored ESG guidelines for ÖBAG's portfolio, which the supervisory boards can turn into strategic requirements for individual investees. It is our vision to pursue this collaborative process to ensure that ÖBAG's portfolio companies add environmental and social as well as financial value to Austria now and in the future.

**QUOTE**

“Whereas it was primarily US investors who helped shape the definition of ESG criteria, European flagship companies can play an important role in implementing and refining them. Our objective is to set the tone in Austria to serve as a role model internationally.”

**Maximilian Schnödl**  
ÖBAG Director

# ESG monitoring: overview of performance indicators

\* The analyses shown are based on 2020 figures or, in the case of ratings, on data from June 2021.

The ESG environment is currently developing and changing at a fast pace due to increased regulatory efforts towards climate neutrality and progressive consolidation of norms and standards. ESG performance is analysed by applying the ambidexterity principle so that these requirements continue to be met going forward.

Future developments, for example in connection with topics such as biodiversity or the circular economy, will be monitored in parallel and integrated into the monitoring system.

To this end, measurable parameters such as the reduction of CO<sub>2</sub> emissions will continue to be monitored and supported.

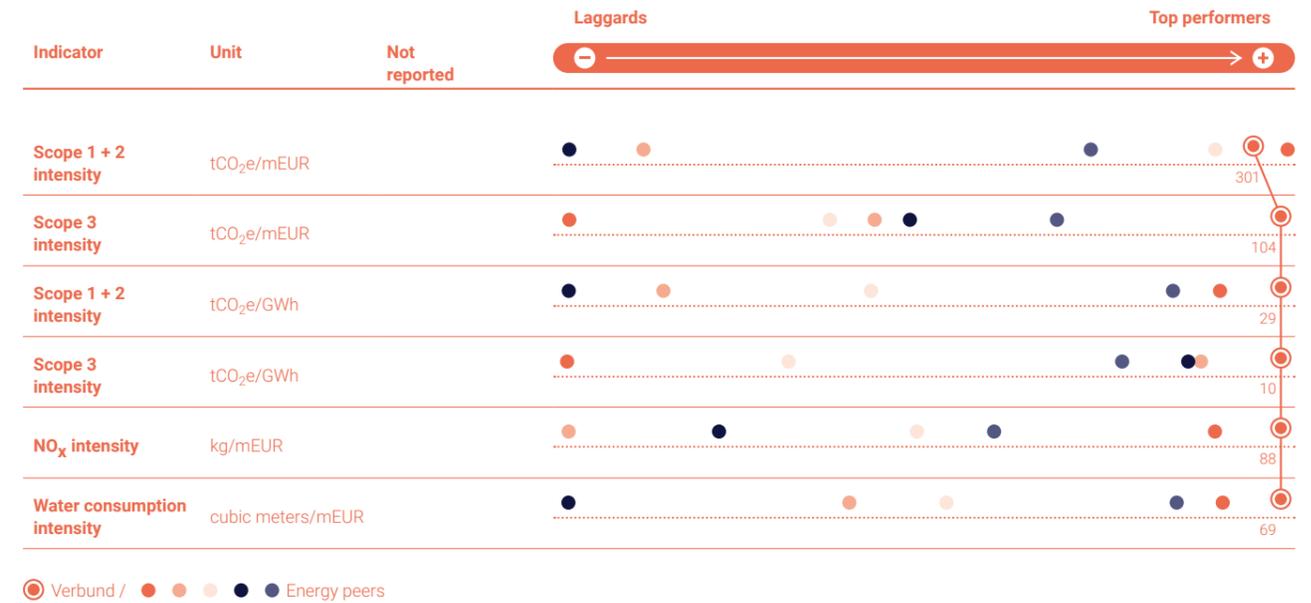
ESG performance is analysed annually in an industry-specific peer group for each investee. Here we present an excerpt from the ESG analysis.\*

## ESG ratings of OMV and peer group



OMV posts strong performance in assessments by several rating providers in all core dimensions such as ESG risk management, transparency and performance.

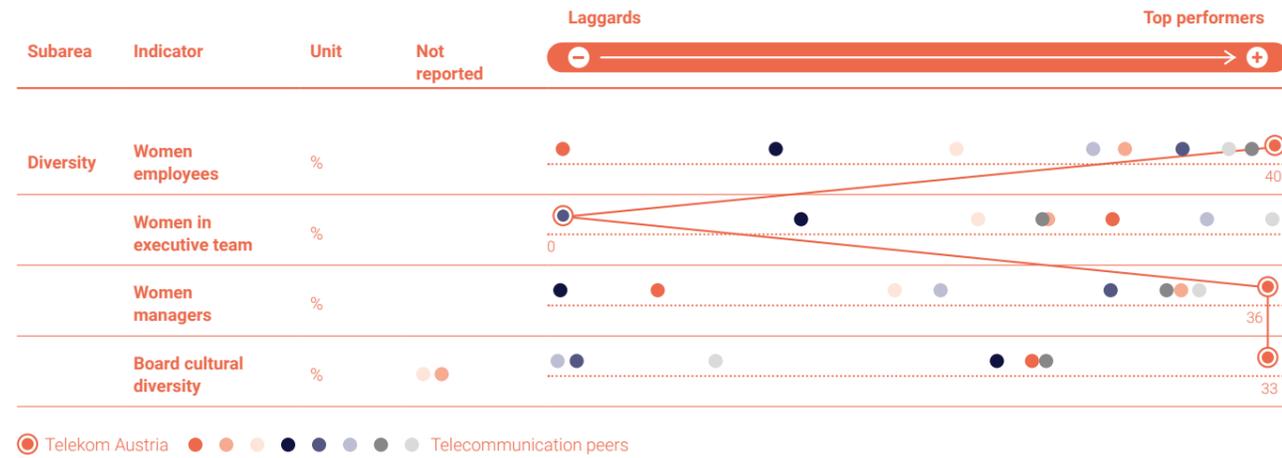
## Emissions by Verbund and peer group



Verbund is Austria's leading utility in the renewables market with a specific focus on hydropower. This leads to the outperformance of peers in emission-based KPIs. Scope 1 and 2 emissions are

partially caused by the Mellach combined cycle gas turbine power plant. Verbund also leads the peer group in NO<sub>x</sub> emissions and water consumption intensity.

### Diversity at Telekom Austria and peer group



Telekom Austria outperforms its peer groups in multiple diversity metrics. Its objective of 40% female managers by 2023 is only rivalled by one peer company, which aims to achieve the same

target a full seven years later. Due to its international shareholder structure, Telekom's management team is culturally diverse.

### ESG targets in management remuneration

Investee	Environment	Social	Governance
Verbund	• CO <sub>2</sub> emissions	• Diversity and gender balance • Employee satisfaction	
Österreichische Post	• CO <sub>2</sub> emissions	• Occupational safety • Diversity and gender balance • Employee satisfaction	• Code of Conduct
Telekom Austria	• CO <sub>2</sub> emissions	-	• ESG governance and ESG targets
OMV	• CO <sub>2</sub> emissions	• Occupational safety • Diversity and gender balance	-

All listed ÖBAG portfolio companies stand out due to their focus on climate and environmental targets. The reduction of carbon emissions was an integral factor in management remuneration in

all companies in 2020. Social and governance targets are also integrated into compensation systems, with gender balance a factor in remuneration in 2020 in several companies.



## STUDY

### Player protection and prevention

Regulating games of chance is vitally important to enable responsible gaming and, at the same time, minimise the associated risks as much as possible. As a co-owner of Casinos Österreich, governance and player protection are particularly important to ÖBAG as issues falling squarely in the realm of corporate responsibility for society as a whole. In 2020, ÖBAG therefore commissioned the Institute for Advanced Studies (IHS, Vienna) to conduct research on the financial and economic impact of gambling addiction and used this to determine steps to take.<sup>9)</sup>

In this study the authors determined that gambling addiction is mainly found among players gambling illegally because the losses are higher in this segment. What is more, no legal regulations are enforced. The affected individuals sometimes suffer drastic consequences (debt, relationship problems, psychological or psychosomatic illnesses). Gambling addiction also results in substantial costs for the government and society as a whole. IHS puts the direct costs at up to EUR 13 million per year. If the unrecorded cases of problem gamblers are included, this figure rises to between EUR 210 million and EUR 280 million per year.

Implementing effective, seamless player protection is therefore the top priority, say IHS experts, who proposed the following steps:

- Placing (online) sports betting and (online) gambling on the same legal footing: sports betting is not regulated by the Austrian Act on Games of Chance (Glücksspielgesetz, GspG) as a game of chance but rather as a game of skill.

- Consistent implementation of the legal provisions concerning concessions in the Austrian Act on Games of Chance (GspG):
  - only allowing providers with valid licenses to offer games of chance;
  - blacklisting companies that fail to comply with the Austrian on Games of Chance (GspG);
  - blocking payments between customers and companies on the black list; and
  - IP blocking to prevent access to illegal online gambling.

Many of the steps proposed by IHS are expected to be included in the package of gambling measures announced in 2021 by the government and will serve to bolster player protection and therefore reduce the societal and financial consequences of gambling addiction.

The full article on the study is available in the Perspectives article by ÖBAG Investment Manager Katharina Hochreiter (German only) at [oebag.gov.at/en/perspectives/](https://oebag.gov.at/en/perspectives/)

**Study:** Hermann Kuschej (project lead), Hanspeter Hanreich, Alexander Schnabl: Finanzielle und wirtschaftliche Auswirkungen von Spielsucht und illegalem Glücksspiel in Österreich. (Financial and Economic Impact of Gambling Addiction and Illegal Gambling in Austria.) Institute for Advanced Studies (IHS), on behalf of Österreichische Beteiligungs AG.



## Interview. Wolfgang Anzengruber on synergies and new alliances.

**ÖBAG:** In early 2021, you were appointed a member of the Investment Committee of the state holding company. At that time you said that ÖBAG has a historical opportunity to make some significant course changes and contribute substantially to further evolve the Austrian economy to align with sustainable principles. Do you have any specific ideas or projects in mind?

**Anzengruber:** The ÖBAG Group comprises major industrial companies with key flagships in the portfolio. The mega trend of sustainability embodies major challenges as well as many opportunities. In terms of the cooperation between ÖBAG companies, there is potential that must be unlocked for the benefit of Austria's economy – as well as the companies themselves. A positive example is the partnership between Verbund and OMV in the fields of electric vehicles and photovoltaic systems. Cooperation between these companies on hydrogen technology can make big things happen.

**ÖBAG:** ÖBAG's portfolio also includes a number of infrastructure companies...

**Anzengruber:** Yes, the ÖBAG companies provide vital services such as electricity or telecommunications as well as the service infrastructure of Österreichische Post. The challenges associated with ESG issues and sustainability are constantly evolving and can be linked with disruptive developments. The key for companies is to integrate these developments into their decisions.

**ÖBAG:** The COVID-19 pandemic had an enormous influence on 2020 and left deep scars, both socially and economically. What are your takeaways from the crisis?

**Anzengruber:** The pandemic was a significant event that no one expected. It also has a marked effect on the topic of sustainability, which is currently receiving even more attention. The development opportunities for economies were recognised. In addition, the COVID-19 crisis was a litmus test for our value chains. This is another area in which we must strengthen the resilience of the portfolio companies. A positive point is that Austrian industrial companies, with ÖBAG's investees at the forefront, succeeded at this comparatively well last year, not least due to a strong base of equity. The companies reacted flexibly and were able to maintain key infrastructure.

**ÖBAG:** And what is your personal takeaway from the crisis?

**Anzengruber:** If anyone wonders whether we can accomplish big things, we definitely can! This motivation also makes it possible for us to achieve progress on sustainability in the European Union with the help of each individual member state. We just have to buckle down and do it.

**ÖBAG:** Research shows that investors highly prioritise ESG issues currently. What is your assessment of the Austrian capital market and our domestic economy?

**Anzengruber:** A look across the globe shows that financial flows are turning sharply in the direction of sustainability. Money is available, even in times of crisis, and sustainability is having a major impact in this context. In future, older technologies will no longer be supported by the capital market, but banks and funds are offering many different sustainable products. Sustainable investments are no longer something for hobbyists – instead they have become a factor in the economy. It is in this segment that I see future economic growth. On the Austrian capital



**Wolfgang Anzengruber** From 2009 to the end of 2020 Wolfgang Anzengruber was CEO of Verbund, Austria's top electricity producer. During this period he positioned Verbund as a leader in climate-friendly energy generation and, at the same time, developed the company into the largest company listed on the Vienna Stock Exchange.

market, listed companies will be able to even more readily unlock the potential of current developments in sustainability.

**ÖBAG:** The European Commission has proposed raising the target for cutting greenhouse gas emissions (note: emissions and reduction) to a reduction of at least 55% from 1990 levels by 2030 as part of the Green Deal. Is this target realistic from your perspective?

**Anzengruber:** This target is both clear and achievable. No one is saying that this is the wrong way to go anymore. There is broad consensus on committing to the targets. And the positive thing about this development is that the technologies and money required for financing the necessary investments are available. What is required are efforts similar to those we saw in the management of the economic impact of the COVID-19 pandemic. However, businesses and industry cannot be the only ones putting forth this

effort. We also need government to put in place the right basic conditions, and the public must also participate.

**“We are long on targets, but short on actions. That is something we need to change.”**

**ÖBAG:** That sounds like a difficult mission. Will we be able to accomplish it by 2030?

**Anzengruber:** We will definitely not accomplish this goal if we do not start very soon. The time is over for debating targets. We are on the cusp of another industrial revolution. Ultimately, we are long on targets, but short on actions. That is something we need to change.

**ÖBAG:** Is Europe blazing the trail with the Green Deal? What is your opinion of these plans against the backdrop of current developments, for instance in the United States?

**Anzengruber:** The United States being back on board is a good thing and is helpful for meeting our targets. In terms of the hydrogen economy, Europe is the pioneer, however, and ahead of China and

the US. Currently, there are around 130 hydrogen projects underway across the globe and 80 of these are located in Europe. This is where we can build a commanding technological lead. Europe has taken pole position, and Austria is also well placed to succeed in this field. Now we just have to grab these opportunities. This is no time to wait, especially since we are not in first place in digitalisation in Europe.

**ÖBAG:** One key to implementing the Green Deal is the EU Taxonomy. In simple terms, the objective of the Taxonomy is to divert flows of private capital into sustainable investments: a small tool that can be used to great effect. Do you see the Taxonomy as an opportunity for businesses in Austria?

**Anzengruber:** The Taxonomy is a key hygiene factor. It provides a way to standardise ratings as well as the business activities of companies. We should not confuse people with different sets of parameters: uniform criteria are vital and necessary. They provide a way to measure performance, which can only be improved if it is measured. So, the Taxonomy provides a measuring stick for the financial market and indicates our status quo. In terms of its impact, it is very significant, since it lays the foundation for future developments.

**ÖBAG:** The companies in ÖBAG's portfolio pursue wide-ranging climate strategies. What are the topics and trends that we will increasingly have to deal with in future?

**Anzengruber:** There are 17 Sustainable Development Goals (SDGs) and not all of them relate to the environment. Current public discussion frequently centres on carbon emissions. In this regard, we have to be careful that we are not falling short by focusing solely on Scope 1 emissions. We must consider the entire value chain: what are we importing and consuming? This is where I see a major opportunity for ÖBAG. The companies in the portfolio are at different stages of the process. It will be necessary to create

roadmaps for each industry to indicate where we stand, what we need and how we will arrive at the goal. Sustainability is an economic factor and one that is directly linked to success. Companies that fail to pay attention to ESG issues will no longer be successful in the future.

**ÖBAG:** You have been involved in various organisations for many years now. What do you expect to gain from partnerships between businesses and civil society?

**Anzengruber:** I am firmly convinced that we can only master sustainability challenges if we work together. Although various sectors were separate in the past, they are now growing together, thus unlocking possible

synergies. ÖBAG could focus on and develop these interfaces between them, much like the Economy for Future movement, which works across industries. We need the various facets. At the moment, however, the key is moving from talk to action. We can write position papers, but that is not enough. We should be ready to learn from each other.

**ÖBAG:** Do you have any other thoughts you would like to share?

**Anzengruber:** Sustainability is strategy. We need to raise awareness of this realisation among people more forcefully than ever before. And our great hope in this regard is young people. We should therefore not only enter into partnerships across industries, but also across generations. If we do not involve people, we will fail.



The interview with Wolfgang Anzengruber was conducted by Johanna Feurstein and Kerstin Hosa of the ÖBAG sustainability team.



# EU Taxonomy. This road will not be easy.

EU politicians place responsibility for financing this transformation squarely on the shoulders of the finance industry. According to data published by the European Commission, annual investments of EUR 180 billion are necessary to meet the Paris climate targets alone. It should therefore hardly come as a surprise that the requirements on the disclosure of climate-related information are increasing sharply. For instance, the management reports of insurance companies and banks will have to provide insight into how and to which extent their businesses pursue environmentally sustainable economic activities. They will be expected to query customers regarding their sustainability preferences during advising on investments and insurance policies. In addition, financial market participants that label their products as environmentally sustainable will be required to report about the Taxonomy-aligned share in future.

The key word is Taxonomy, a classification system for environmentally sustainable economic activities. It can by all means be described as the centrepiece of the transformation and in future will be a key tool for investors who wish to invest in projects or economic activities with a positive climate and environmental impact.

## EU Taxonomy Regulation

The Taxonomy is part of the action plan on financing sustainable growth published by the European Union in 2018. The objective of the plan is to redirect capital flows into sustainable investments to meet the climate targets of the Paris Agreement. The Taxonomy Regulation entered into force on 12 July 2020 and was an important step towards transparency and the use of uniform concepts for sustainability. An economic activity can only be considered environmentally sustainable if it makes a significant contribution to at least one of the environmental objectives laid down in the Taxonomy Regulation.

In addition to a substantial contribution to at least one of the six environmental objectives, companies may not do significant harm to any of the other environmental objectives. In addition, the activities must be in line with the minimum requirements on labour standards and human rights, as well as fulfil the quantitative and qualitative criteria stipulated by the EU Commission.

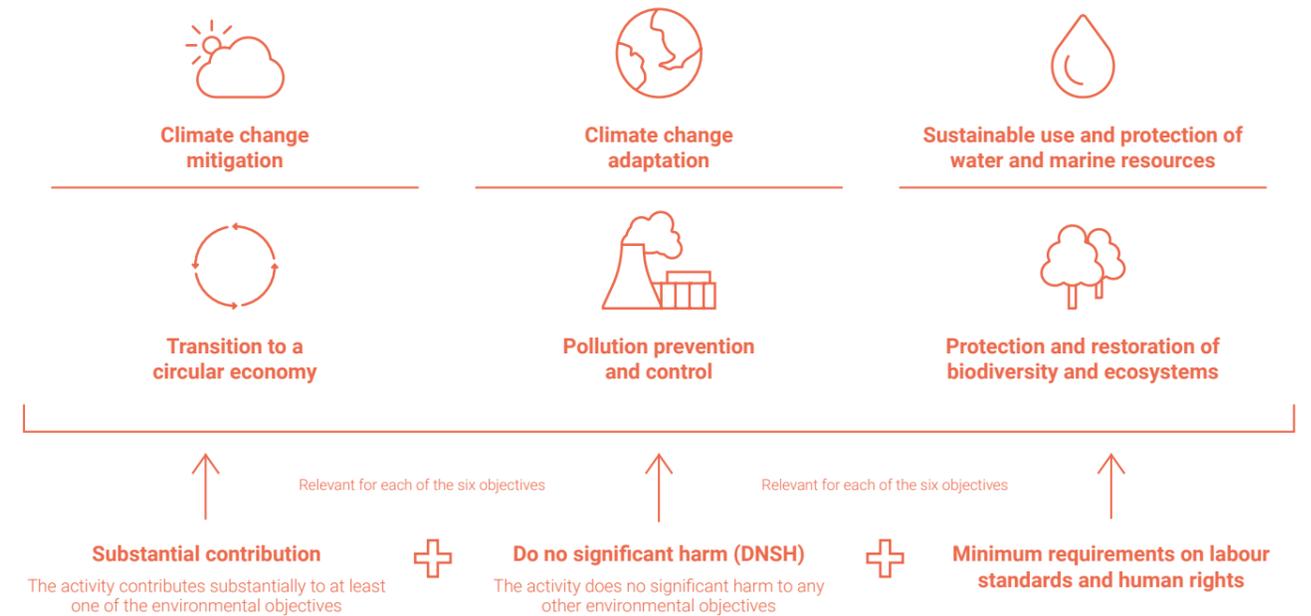
With a slight delay the final criteria on the environmental objectives of "climate change mitigation" and "climate change adaptation" were published on 21 April 2021. The hotly debated topics of nuclear energy and natural gas have not yet been resolved fully. The criteria for bioenergy and forest management were also discussed heatedly prior to finalisation of the delegated act and ultimately were not included in the form that had been preferred by some members of the Sustainable Finance Platform of the European Commission. The criteria in the delegated act pertaining to the aforementioned two environmental objectives will enter into force on 1 January 2022. For the other four environmental objectives, the criteria will be developed in the course of 2022 and published in a delegated act by the end of the year. They will be applicable as at 1 January 2023.

## Requirements, challenges and opportunities for companies

The corporate world will not remain unaffected by the Taxonomy Regulation. Companies required to produce non-financial reporting (NFRD, transposed into Austrian law by the Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG)) must in future disclose the percentage of revenue they generate from Taxonomy-aligned activities in their reporting. This also applies to their investments (CAPEX and OPEX). In accordance with a current draft of the delegated act on the reporting requirements, an expedient may be provided for the first reporting year (2021). ÖBAG's portfolio companies are also affected by this, considering the fact that activities such as postal, courier and express services; building construction; hydroelectric power generation and solar and wind energy are covered by the Taxonomy. Going forward their sustainability performance will be measured largely according to the Taxonomy. Another aim of the Taxonomy is to bring sustainability communications and the reported metrics into alignment. Companies that extensively discuss environmental investments in their reporting but disclose a low Taxonomy-aligned CAPEX percentage will likely be expected to explain this in greater detail to stakeholders.

The internal adjustments and preparations necessitated by these reporting requirements should not be underestimated. Ultimately, companies will be required to devote resources to this process and assign responsibilities as well as to possibly adapt IT systems accordingly. Organisations that have not yet considered the question

## Six environmental objectives



of how their own business activities support the environmental objectives of "climate change mitigation" and "climate change adaptation" should do so as soon as possible. Likewise companies should be ready for future investor discussions, since conformity with the Taxonomy could be a key factor in some industries in future.

Companies too small to fall under this reporting obligation should still not lean back and relax. They could be affected in the sense that they may be asked by their business partners for similar information. If their partners in turn do have the duty to report, they can only do so if their suppliers or customers "voluntarily" provide information about the sustainability of their activities. Ultimately, companies making up the supply and value chains will be required to comply to some degree, not just companies serving the public interest. However, this depends to a certain extent on the specific reporting obligations defined in the delegated acts. The consequences of these regulatory developments will be felt sooner rather than later by credit-financed companies as well. Banks will be responsible for meeting not only increased reporting obligations regarding

sustainability, but European and domestic regulators will also expect sustainability risks to be integrated into risk management activities in future. Mastering all of these challenges requires banks to therefore place significantly more importance on verifying the sustainability aspects of financing activities when issuing credit than they have to date.

Companies should therefore consider the Taxonomy an opportunity. It illustrates opportunities for making business operations more environmentally sustainable and focused on the risks associated with climate change. The quality of communications concerning sustainability activities aimed at investors and other stakeholders will improve, and it will even become easier to obtain financing.

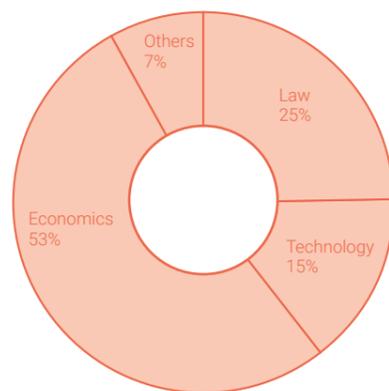
**Author:** Eva-Maria Grosse

# Spotlight. Strengthening corporate governance.

ÖBAG strengthens corporate governance by pursuing a number of different projects and initiatives. By exercising effective control in the supervisory bodies of the portfolio companies and establishing good governance, ÖBAG seeks to help make Austria's capital market more attractive to foreign investors as well. Nomination of experts for the supervisory bodies of the portfolio companies is a particularly important aspect of ÖBAG's work, which is why more professional processes have recently been put in place for this.

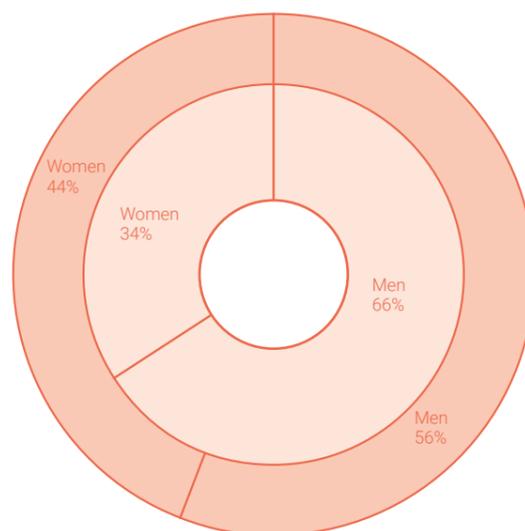
ÖBAG therefore contributes substantially to securing the economic success of important Austrian companies. A key point of emphasis here is the broadest possible range of experience and skills. Another high priority is increasing diversity beyond purely focusing on gender. Selecting the proposed candidates to serve on these supervisory boards involves criteria aimed in particular at reinforcing each supervisory board's skills profile. Here, emphasis is placed on diversity in the composition of the supervisory board to ensure that all relevant knowledge is present.

**Qualifications of supervisory board members (shareholder representatives)**  
in %



ÖBAG strives to increase the proportion of women as well as diversity in terms of international makeup on the proposed supervisory boards and identifies potential candidates based on comprehensive skills profiles. In 2020, ÖBAG was particularly successful in the area of gender balance: the proportion of women among the shareholder representatives on the supervisory boards of ÖBAG companies was 34% at the end of 2020 and even as high as 44% among the supervisory board members nominated by ÖBAG.

**Proportion of women on the supervisory boards of portfolio companies (shareholder representatives versus experts nominated by ÖBAG): 44%**  
in %

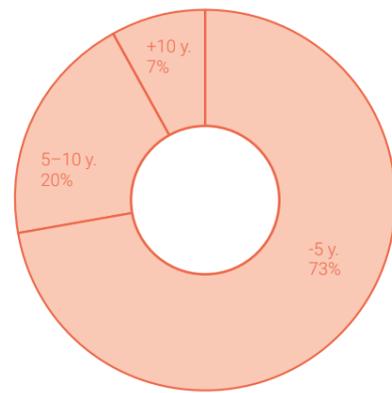


To maintain continuity in the supervisory board while retaining the flexibility to adapt to new trends and developments plus the skills required for this, ÖBAG advocates the "staggered Board principle", aimed at different terms of office for the supervisory board members elected by the annual general meeting. This is also reflected in the high proportion of supervisory board members in office for fewer than five years on the supervisory board in question.

**“The objective of good corporate governance is to create incentives for company management that align best with the goals of the owners and to find resources and ways to credibly oblige management to deliver the greatest possible returns to investors.”**

**Michael Peneder, Susanne Bärenthaler-Sieber, Michael Böheim, Thomas Url**  
Authors of the WIFO Study "The State as a Long-term Investor"<sup>9)</sup>

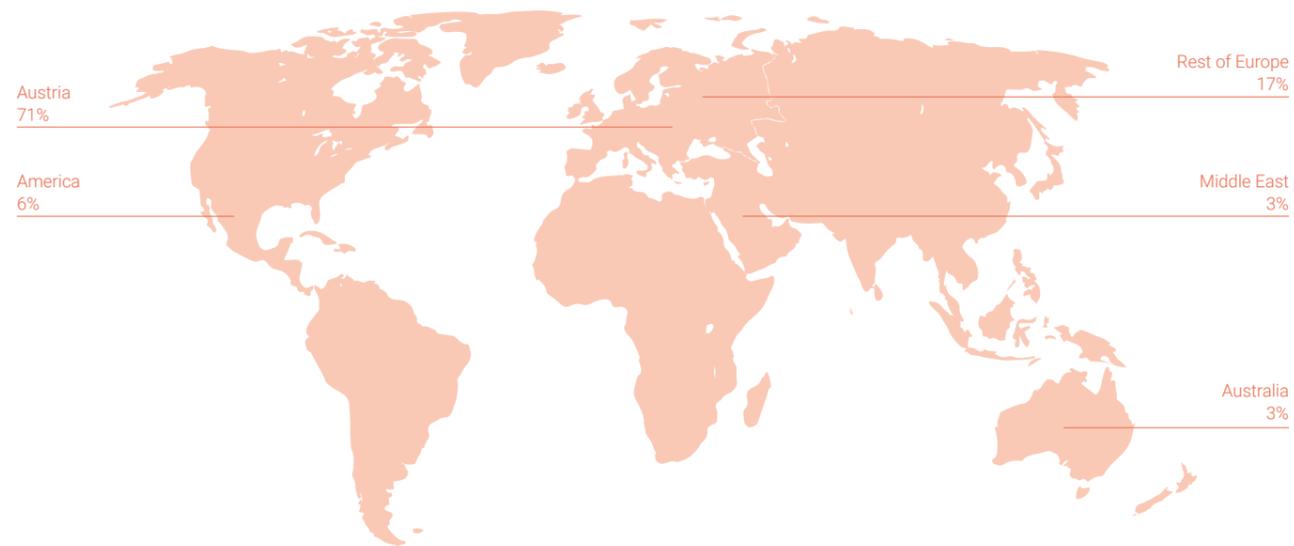
**Years on supervisory board**  
in %



In terms of their international makeup, the supervisory bodies of ÖBAG's portfolio companies also boast a wide range of expertise: in addition to members from Austria, representatives on the supervisory boards of ÖBAG's key portfolio companies also hail from other European countries, the Americas, Australia and the Middle East.

When filling expiring supervisory board appointments, ÖBAG consults experienced personnel consultants and prepares an overview of suitable candidates. Proposals for supervisory board appointments are then drawn up in the supervisory bodies or nomination committees of the listed portfolio companies. The numbers underscore the fact that this careful preparatory work truly paid off: in the 2020 annual general meetings at Verbund and Österreichische Post, the female candidates proposed by the nominating committees were, for instance, elected with more than 95% of the votes cast.

**International makeup of supervisory boards**  
in %



**STUDY**

**WIFO study – “The State as a Long-term Investor”**

The authors of the WIFO research paper entitled “The State as a Long-term Investor”<sup>10)</sup> generally attribute

the status of strategic anchor investors to the public investees. An important cornerstone of strategies to strengthen the equity base of private-sector companies with public anchor shareholders is effective corporate

governance, which consistently and credibly prevents political influence on operational decisions and facilitates the sustainable value growth of the public investees.<sup>11)</sup>



# SDGs point the way for sustainable companies.

The principle of sustainability is the thread running through global development. The most well-known definition of this much-discussed concept is contained in the 1987 Brundtland Report: sustainable development is any "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". In addition to the environmental aspect, economic and social issues are increasingly being considered in this light. The Sustainable Development Goals (SDGs) are the largest international compact aimed at sustainable development. In 2015 representatives from 193 countries, including Austria, met at a UN Summit and agreed to implement 17 globally applicable goals in the next 15 years. Besides the SDGs, there are a series of other bilateral and multilateral agreements and guidelines intended to guarantee more sustainable development. In the literature experts generally agree that it is essential for businesses to contribute to achieving these goals.

**“Companies play a key role in implementing sustainability targets and bringing about a social and environmental transformation.”**

Kerstin Plank and Lorenz Wimmer / Institute for Advanced Studies

Some aspects of sustainability are important to different degrees to various industries or companies. Currently, there is almost no industry-specific scientific literature available on sustainability that includes sustainability KPIs. That is where the IHS study commissioned by ÖBAG comes in. The objective was to research sustainability reporting industries in which six companies partly owned by ÖBAG operate:

- OMV AG (petroleum);
- Telekom Austria AG (telecommunications);
- Österreichische Post AG (postal and courier services);
- Verbund AG (energy utility);
- BIG Group (land and residential real estate); and
- Casinos Austria AG (gaming, betting and lotteries).

The analysis covered the most recent sustainability reports at the time the research was conducted and those of the top international competitors in the respective industry.

The study used the term "resilience" to describe the ability of ÖBAG's portfolio companies to withstand external challenges to better apply and define the concept of sustainability. In addition to sustainability reports, studies on societal trends and megatrends at EU level and literature covering specific developments in the respective industries were also considered. For instance, climate change and resource scarcity and issues such as decarbonisation and the transition to renewable energies are becoming the centre of attention, which is particularly relevant for the petroleum industry and energy utilities, among others. In the context of this research, implementing a sustainable corporate strategy means developing adaptive resilience to the challenges of the future, especially in a long-term horizon of at least 15 years.

The sustainability reports of ÖBAG's portfolio companies rank well in their respective industries. The SDGs are essentially used as a compass in most reports, although many companies merely list the UN goals relevant to them without naming specific associated activities and targets. The most common SDGs in these industries are SDG 13 Climate Action and SDG 8 Decent Work and Economic Growth.

Some of the key findings are as follows:

- The sustainability reports of all ÖBAG investees studied rank well on the whole within their respective peer groups. However, there are marked differences in quality between industries. The petroleum, telecommunications and energy sectors, and postal and courier services exhibit a much higher level of quality than companies operating in land and residential real estate and gaming, betting and lotteries. This is evident in factors such as whether meaningful information is provided about SDG targets and whether specific implementation measures are described. Particularly in the gaming, betting and lottery industry, the issue of sustainability is still in its infancy compared to other industries.
- The most important megatrend is climate change and resource scarcity, which is covered in varying depth by nearly all industries and underscores the relevance of SDG 13 Climate Action. In second place is industrial and technological transformation, which is expressed in different development trends depending on the industry.
- However, various trends and megatrends rarely take centre stage in sustainability reporting. In the majority of the reports they can be identified only indirectly and with the help of industry-specific



**Kerstin Plank** studied socioeconomics at Vienna University of Economics and Business and currently works as a researcher at the Institute for Advanced Studies (IHS, Vienna) in the Regional Science and Environmental Research group.



**Lorenz Wimmer** studied economics at Vienna University of Economics and Business and also works as a researcher in the Regional Science and Environmental Research group at IHS.

literature. Even when megatrends are mentioned, the time horizons are usually very short and often reference is made to shorter-term industry trends, such as projected market developments in the near future.

- With regard to sustainability in supply chains, it can be said across all of the industries studied that this general topic is touched on, but with insufficient detail, except for in a few cases. This is also not verified by the companies as a rule.
- The SDGs are mentioned in most reports, although many companies merely list the UN goals relevant to them without naming specific associated activities and targets. In the gaming, betting and lottery sector, the use of SDGs is uncommon, which makes a direct comparison impossible.

Additional information on the study can be found on ÖBAG's website at [www.oebag.gv.at](http://www.oebag.gv.at), where it is available in the Perspectives section.

**Authors:** Alexander Schnabl, Sarah Gust, Liliانا Mateeva, Kerstin Plank, Lorenz Wimmer. Nachhaltigkeitsberichterstattung der ÖBAG-Beteiligungen Modul B (German only), Institute for Advanced Studies (IHS), on behalf of Österreichische Beteiligungs AG.



The sustainability reports of ÖBAG's portfolio companies rank well in their respective industries. The SDGs are essentially used as a compass in most reports, although many companies merely list the UN goals relevant to them without naming specific associated activities and targets. The most common SDGs in these industries are SDG 13 Climate Action and SDG 8 Decent Work and Economic Growth.

# Doing business sustainably, lowering carbon emissions.

ÖBAG regards itself as a long-term shareholder. Through our experts who sit on the supervisory boards of the portfolio companies, we pro-actively set strategic priorities for the sustainable development of companies and for the benefit of Austria. In addition, we function as an integrative platform enabling a more active exchange of information and cooperation between and among our portfolio companies. Environmental best practices pursued by companies in ÖBAG's portfolio are presented below.

## Verbund and OMV

### Austria's largest photovoltaic plant

In 2020 ÖBAG's portfolio companies Verbund and OMV commissioned the largest photovoltaic plant in Austria. On a 13.3-hectare (133,200 m<sup>2</sup>) compound owned by OMV, an open-field solar installation with a capacity of 11.4 MWp was built in Schönkirchen in the first phase of construction. The east-west facing solar park uses 34,600 PV modules to produce around 10.96 GWh of solar power, corresponding to the annual electricity consumption of some 3,400 households and preventing emissions totalling around 8,000 tonnes of CO<sub>2</sub>. This execution of this project further strengthens the strategic partnership between OMV and Verbund.

Other collaborative projects relate to e-mobility provider SMATRICS, in which Verbund and OMV each holds 40%. OMV and Verbund are also currently working on a green hydrogen project, UpHy, which aims to produce hydrogen for use in transportation and refinery processes.



### FACTS AND FIGURES PHOTOVOLTAIC SYSTEM

- Verbund and OMV install Austria's largest photovoltaic plant with 34,600 PV modules and a capacity equal to the annual electricity consumption of 3,400 households.
- BIG launches a pan-Austrian solar power initiative with the goal of installing photovoltaic systems on around 20 hectares of roofs at BIG and ARE by 2023.
- Österreichische Post installs solar panels on distribution centres to generate clean energy for the electric vehicle fleet.

## Österreichische Post

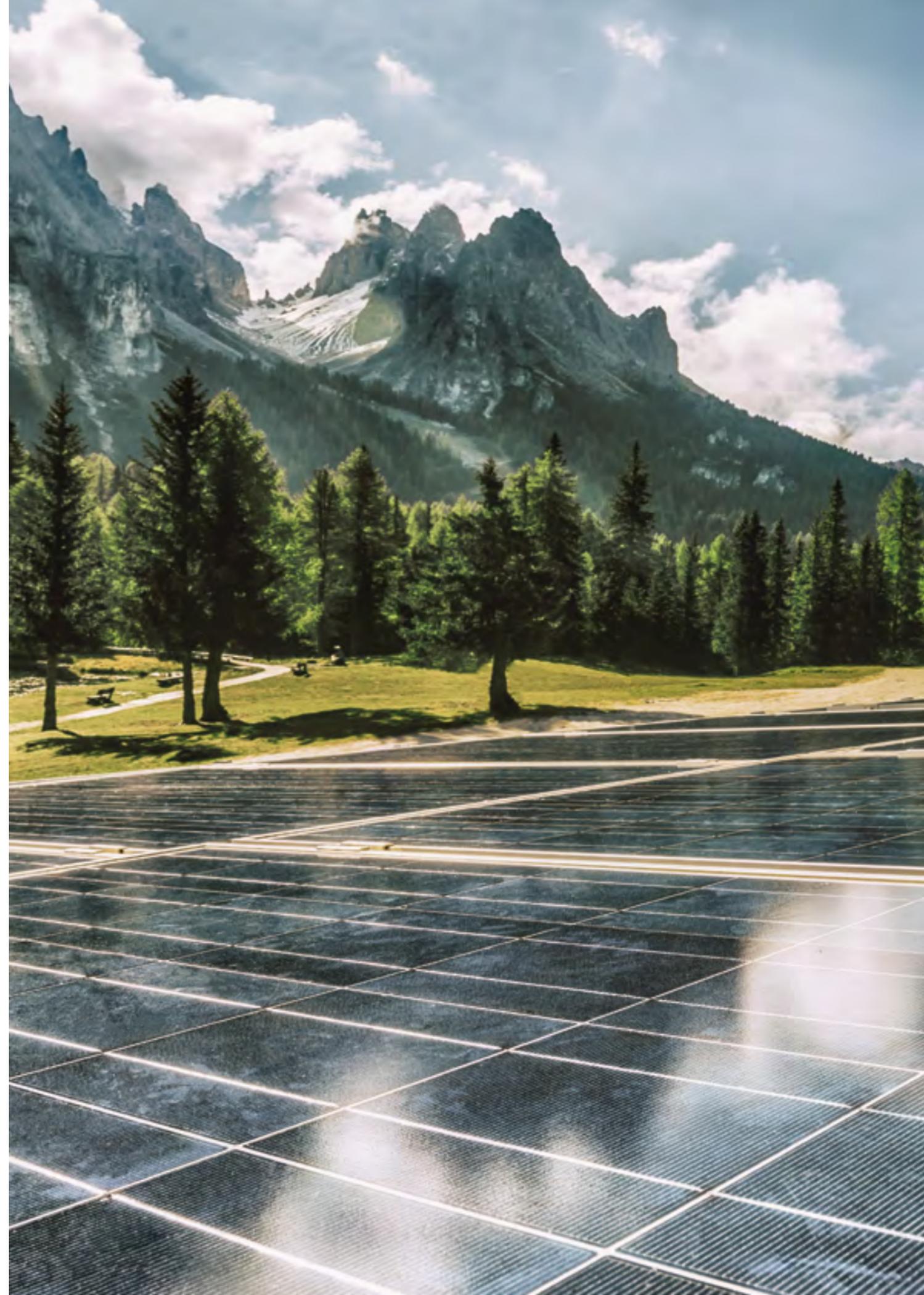
### Largest electric vehicle fleet in Austria

At the end of 2020, Österreichische Post was using nearly 1,000 electric vehicles along with around 1,100 electric bicycles and mopeds to deliver mail. In general, electric drives have become commonplace for single-track vehicles, although the same is not true for heavy transporters. But that is expected to change in future as well. Post has positioned itself as a driver of environmentally friendly logistics and is a best-practice company among its peers in the industry internationally. By 2030, carbon emissions are scheduled to be cut by 40% and reduced by 70% from 2009 levels (baseline performance without improvements). The power for Post's electric fleet is generated by the company's own photovoltaic system.



### FACTS AND FIGURES ELECTRIC VEHICLES

- Österreichische Post already operates the largest fleet of electric vehicles (some 2,100) in Austria. The goal is to make postal deliveries zero emissions throughout Austria by 2030.
- SMATRICS (an OMV, Verbund and Siemens joint venture) is continually expanding the infrastructure required for electric vehicles in Austria.





Left: BIG developed and owns the property MED CAMPUS Graz

## BIG Group

### Living space for future generations

In the European Union, 40% of energy consumption and 36% of greenhouse gas emissions are attributable to the construction, use, maintenance and demolition of buildings. As at 1 January 2020, the BIG Group undertook to adhere to a minimum sustainability standard in view of this fact. This includes phasing out fossil fuels in BIG buildings by 2025 and switching to district heating or renewable energy sources. BIG's minimum standard therefore exceeds the statutory requirements. This substantially reduces carbon emissions, eliminates the use of climate-unfriendly construction materials and accelerates the phase-out of fossil fuels.

The minimum standard for sustainability is part of the 10 BIG Points for sustainable construction and management used by the company to set specific targets such as increasing the use of renewable energy sources, working towards a circular economy, pursuing strategies to prevent seepage and surface sealing, etc.

## Telekom Austria

### First green network in Austria

According to research in this field, information and communications technologies have the potential to reduce carbon emissions by 20% by 2030. At the same time, the rapid march towards digital transformation also requires more energy along with the associated carbon emissions. Telekom Austria is the first Austrian telecommunications company to operate a completely carbon-neutral network. This is made possible by targeted measures such as using electricity entirely generated from renewable sources and cutting energy consumption. In the medium term, Telekom Austria is also setting ambitious goals, such as intending to achieve net-zero carbon emissions by 2030, among other things.



### FACTS AND FIGURES RENEWABLE ENERGY

- With 131 hydropower plants, 153 wind farms and 5,500 photovoltaic installations, Verbund is a driver of the energy transition in Austria.
- Telekom Austria is the first Austrian telecommunications company to operate a completely carbon-neutral network.
- Österreichische Post supplies its fleet of electric vehicles with clean energy.



**Jürgen Prumetz** is responsible for Verbund and OMV. He possesses many years of cross-sectoral transaction and finance experience. Prior to joining ÖBAG, Jürgen Prumetz worked at Erste Group Bank AG for 14 years, more than two of which were spent as head of the Corporate Finance Team in Poland.

# Circular economy. Waste is a misplaced resource.

Waste is a resource in the wrong place – and at more than 2.3 billion tonnes, EU member states produced a lot of this “resource” in 2018, according to Eurostat. Although this concept is not new, structured recycling first made inroads into waste management in the 1960s and 1970s. In the meanwhile, approximately 39% of waste is recycled. The vast majority ends up in landfills or is turned into energy through incineration. The share of plastic products recycled is significantly lower.

Our economic system is linear by and large. “We only have one Planet Earth, and yet by 2050 we will be consuming as if we had three”, says Virginijus Sinkevičius, EU Commissioner for the Environment, Oceans and Fisheries, who rightfully points to the fact that our consumption will reach a level by 2050 that would require three earths to satisfy. The logical step is therefore to transform our system into a circular economy.

Avoiding waste, recycling and, where technically possible, breaking down certain types of waste into its original constituent parts are the essential building blocks of a successful circular economy. Taken separately, neither avoiding waste nor recycling is enough, and breaking down waste into its components is certainly not sufficient in and of itself to make our economic system sustainable and resource efficient. Simply replacing products with other, supposedly more sustainable materials is not the missing puzzle piece for transforming our linear economic system into a circular economy, either. Glass or aluminium bottles are an attractive alternative to conventional PET bottles, but only if these are made of recycled materials and are not required to be transported over long distances.

A number of regulations have been put into place to convert our linear economic system into a circular economy, particularly internally in the European Union. Ensuring that the transformation is successful, however, requires the circular economy to unlock new opportunities for businesses. Where can we find these?

## 1. Reduce

Avoiding waste is the building block over which we have the most control and which is at the centre of regulatory debates. It also seems to be the strategy heavily shaped by prohibitions; in other words, restrictions are in place, whether those involve bans on certain products or measures taken to extend the useful life of goods. A resulting reduction in the replacement rate of products is not always balanced out by pricing, and careful use can also extend the life of goods. According to Greenpeace more than 50% of our clothing today is tossed out within a year.

This brings up the question of how it will be possible for businesses to profit. Opportunities arise on the one hand from advances in materials management and product design and on the other hand in connection with digitalisation and artificial intelligence. The room for progress in materials management and product design stems from the necessity of adapting products to the requirements of sustainably generated raw materials as well as avoiding the use of certain materials and replacing these with others. Digitalisation and artificial intelligence make it easier to modify production processes, implement design specifications and reduce the amount of resources used in production. Planning plant maintenance activities as needed by applying predictive maintenance techniques was not even possible before digitalisation and artificial intelligence. The resulting savings can have a positive impact on product margins and offset any “losses” from products that have a longer useful life. Of course, software-controlled plants and the widespread use of the IoT (Internet of Things) increase pressure on costs. After all, IT systems require regular software upgrades. Today’s digital plant components are no longer in service for decades; instead they often have a shorter life.

## 2. Recycle

Recycling is the most commonly known building block of the circular economy. And plant material, glass, paper, metals and PET bottles are not the only things that can be recycled. The point is also not to exclusively downcycle, because the products collected in this process can only be reused to a limited extent, following which they leave the closed loop after just a few steps and end up as waste. Another example from what is broadly defined as the food and beverage industry is the profitable use of by-products for a company’s own manufacturing process or for other end products. “Shared services” are ultimately a combination of avoiding waste and recycling. These include services such as shared transportation services. This approach focuses on using a product multiple times. Businesses can unlock potential here from

- design and materials management (product design and concepts promoting recycling and multiple reuse),
- digital concepts (optimisation for multiple use) and
- sustainable logistics solutions (collection and distribution, prevention of misuse of shared services, etc.)

## 3. Reuse

The third building block of the circular economy is breaking down products into their original components. This enables materials to be reused indefinitely after they have been broken down by mechanical or chemical means into their constituent parts, which can then be reprocessed. An example of this is OMV’s ReOil technology for plastics or the production of fuels from used oil. Because this building block in particular is still in the early stages, there are unimaginable possibilities for businesses in this field. Innovative solutions are first required, however, to develop and establish profitable chemical and mechanical technologies. Moreover, logistics must be optimised to collect and transport the required quantities of raw materials in a climate-friendly manner. In terms of product design, consideration must be given at the earliest design stages to how a product can be broken down and reused after its useful life.

Although each of these aspects opens up possibilities for companies, a successful transformation requires the establishment of a circular economy ecosystem. Economic players at various stages of the

### Three building blocks of a functional circular economy: plastics at OMV as an example



value chain must work together accordingly to align product design, materials management, process steps and collection/transportation optimally with the requirements of a circular economy. Collaboration, not stand-alone solutions, is what is needed for a successful circular economy. Here in particular, ÖBAG can play a role, considering that OMV/Borealis is a player in the portfolio that can drive this effort in future. Post can help develop a circular economy as Austria’s largest logistics company, as can Telekom Austria, which not only markets short-lived consumer goods in the retail customer segment but also acts as a digital partner supporting business models in their shift towards a circular economy.

**Author:** Jürgen Prumetz

# Platform. Multi-stakeholder initiatives.

Doing business sustainably is here to stay. However, it is always a challenge to determine what specific steps to take. In addition to carrying out its core functions, ÖBAG established itself as a dialogue platform and promoted the exchange of information on developments in all aspects of ESG. Numerous stakeholder calls, workshops and discussions with experts from our portfolio companies, business, industry, the scientific community and the capital markets took place over digital platforms in 2020, allowing ÖBAG to establish enduring partnerships for the long term.



## Learning and benefiting from one another

A workshop series was held with representatives of the portfolio companies on the topic of sustainability criteria and reporting options. In a wide-ranging dialogue, ÖBAG's stakeholders discussed specific ways to implement CO<sub>2</sub> strategies and meet SBTi targets. The individual industries and their various challenges were always the main topic of discussion. Social welfare projects and criteria were also discussed in an event featuring Irum Hashmat. Hashmat, whose responsibilities include operational CSR management for OMV in Libya, lent her expertise to this working group and held a keynote speech on human rights.

## Gender and diversity network

For ÖBAG, a holistic approach to gender balance, diversity, inclusion and business performance is essential. Establishing a "Gender & Diversity" network provided a starting point for this discussion in 2020.

The reasons for this type of initiative are obvious: gender balance and diverse teams not only have a positive effect on the work environment but also on business metrics.

This network subjected projects and specific goals aimed at increasing the number of women in leadership positions, removing barriers and furthering careers to a reality check.



## Exchanging knowledge with universities

The "Sustainability Challenge" involved six students from four universities researching the sustainability approach of the business activities of state-owned investees in light of specific SDGs.

Using an analysis of industry-specific indicators and conducting interviews with experts, the students take a deep dive into the "Big Six": Verbund, OMV, Post, Telekom Austria, BIG and Casinos Austria.

Involvement in projects like these enables ÖBAG to support an exchange of knowledge between high-potential young employees, companies, researchers and NGOs.

## Innovation through cooperation

ÖBAG is a partner supporting the Verbund X Accelerator, a platform for developing innovative solutions for companies from a wide variety of industries as well as start-ups. Tapping into ÖBAG's network involved in the material topic of energy and infrastructure in 2020 resulted in four other portfolio companies deciding to participate in this cross-industry initiative. Incorporating several ecosystem partners (including Google, voestalpine, Erste Group) expanded the industry focus beyond the ÖBAG universe, making the initiative even more appealing to new start-ups. All told, more than 300 start-ups from 43 countries participated. The best ten candidates worked as a team with the companies to develop promising prototypes. Projects spanning various disciplines and industries such as this are a vital building block for achieving climate targets and form the foundation of an agile and innovative business location.



**"All of our activities aim to build confidence in our Company and solve important issues. With an open corporate culture and as much diversity as possible, we can achieve this goal. After all, technical expertise is important, but what is equally vital are people who accept change enthusiastically and contribute new ideas as well as motivating others to do so. Regardless of the project, starting requires the courage to question the status quo and the willingness to contribute to change."**

Christine Catasta / CEO of ÖBAG

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## Glossary

### bn

Billion

### CO<sub>2</sub> / CO<sub>2</sub>e

In this report, the terms "greenhouse gas emissions" or "carbon emissions" as well as the abbreviations CO<sub>2</sub> and CO<sub>2</sub>e are used synonymously and relate to the greenhouse gases covered by the 2005 Kyoto Protocol.

### ESG

Environmental (E), Social (S) and Governance (G); term commonly used in finance and business to describe sustainable investments and activities.

### GJ

Gigajoule

### IoT

Internet of Things; umbrella term for the interconnection of any electronic devices and also commonplace items with the intention of creating communication between them.

### mEUR

Million euros

### PV

Photovoltaic

### SBTi

Science Based Targets initiative; an initiative founded in 2015 by the WWF, the CDP, the UN Global Compact and the World Resources Institute to support companies in calculating climate targets that contribute to limiting global warming to less than 2.0°C or 1.5°C.

### SDG

Sustainable Development Goals; 17 globally applicable goals for sustainable development to which representatives from 193 countries, including Austria, committed in 2015.

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