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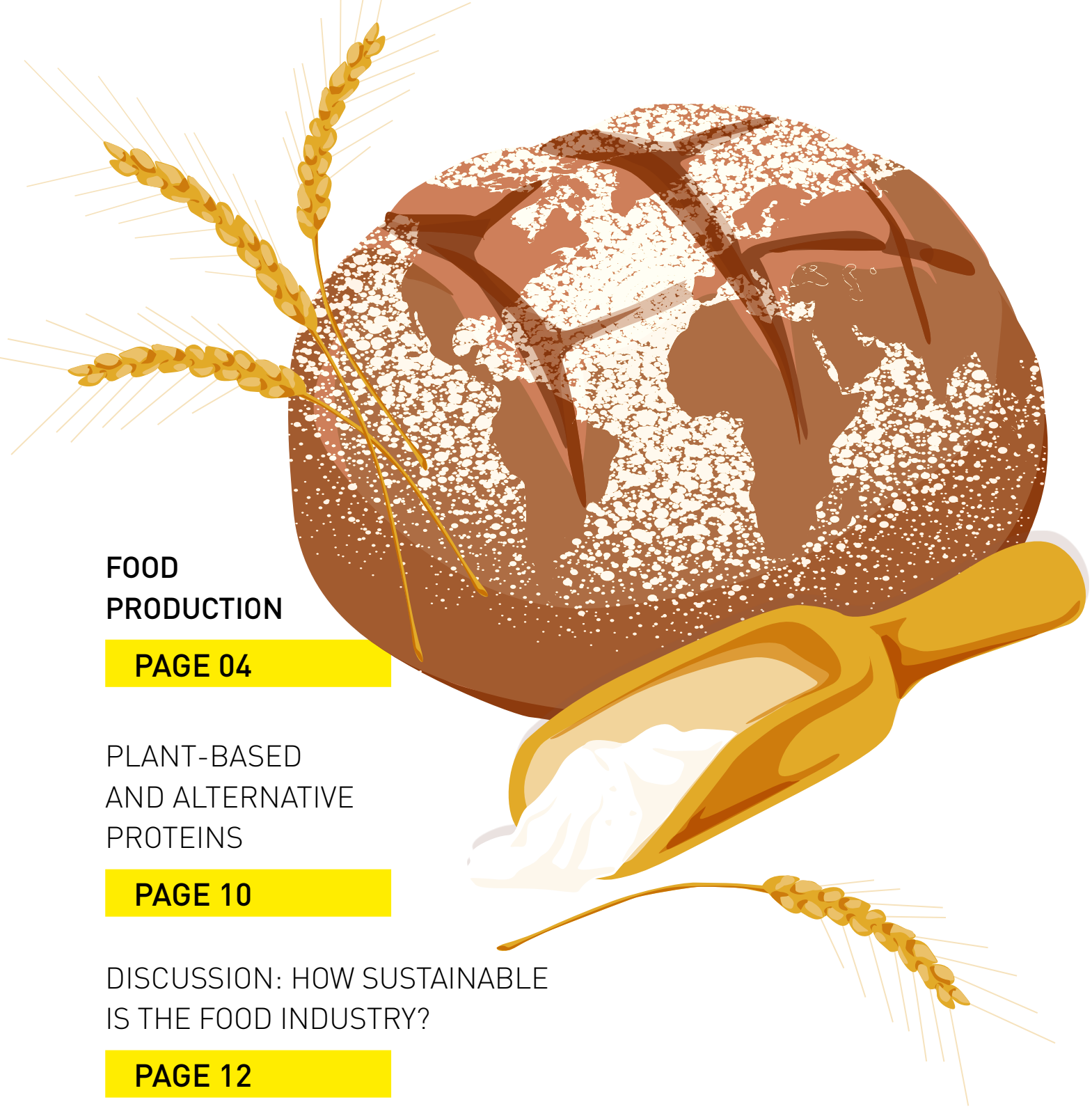
SUSTAINABLE INVESTMENT



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EDITORIAL

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

Dear Readers,

Food is one of the most central topics of our lives. And it takes billions of tonnes of food every year to feed the world. Vast tracts of agricultural land and immense logistical efforts are required to produce this food and then transport it to end consumers. So it comes as no surprise that food systems have a tremendous impact on the environment, on our health, and on society in general. Food systems – from production to consumption – are responsible for a third of global greenhouse gas emissions. Some 40% of ice-free land surfaces are used for agricultural purposes. In addition, the food industry consumes the most freshwater, with a large percentage of that being attributable to livestock farming and meat consumption. Deforestation and the loss of biodiversity are the logical consequences of this seemingly endless demand for food.*

In order to counteract these very harmful developments, innovative concepts need to be developed by politicians, scientists, and industry. And this is already happening: Cultured meat, aquaponics, and the use of insects as a source of protein are only some of the solutions on the table. The food industry intends to implement these to react to ever increasing demands from consumers for products that are (more) sustainable. Yet this is only a drop in the ocean. What is needed is far greater communication between the various stakeholders, the producers, the scientific community, industry, and the political sector – in a well-coordinated, global effort.

For investors like us, the food industry is also a highly interesting market that encompasses both conventional and alternative products as well as the area of smart farming. In the search for good investment opportunities that increase in value, innovative product ideas in an environment characterised by strong growth offer solid prospects. We do, however, pay very close attention to ensuring that the investments are in line with our integrative sustainability strategy and comply with ESG criteria. If that is not the case, then investing in that particular company is out of the question. We also state this quite clearly in our comprehensive dialogues with companies. The slogan "Only what gets measured gets done" best describes our efforts in this regard: We have been recording our discussions with companies in our engagement database for many years now and can therefore easily assess the fruits of our endeavours. The more investors ask for change, the more successful these shareholder engagement processes are. And we need to keep at it, because in the end, we shall all benefit from more sustainable food systems.

* More on this from Franziska Gaupp in our round-table discussion.

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FOOD PRODUCTION

You can find out more about Sustainable Development Goal 2 on pages 18–19

World nutrition encompasses a wide variety of aspects; securing a sustainable food supply requires balancing various needs that are in competition with each other.

On the supply side, the agriculture and fishing industries are responsible for food production. In agriculture, the main factors for a successful harvest are the availability of water, seeds, fertilisers, fodder, capital, and the corresponding know-how, in addition to the land itself. Correct storage, transport, and processing play a role after harvesting. After all, the wholesalers and retailers, importers and exporters, as well as local and international markets, have to bring the food to the consumers themselves. In the fishing industry, a primary aim is to avoid overfishing and the depletion of stock, particularly in the ocean; thus, the focus is on stock preservation in connection with sustainable fishing methods and good water quality. According to the Food and Agriculture Organization of the United Nations (FAO), global fishing yields have been stagnant since 1990 and are now on the decline. »

Chart: Aspects of world nutrition

<table>
<tr><th colspan="3">Production</th><th>Consumption</th></tr>
<tr><th>Agriculture</th><th>Fishing</th><th>Equipment + know-how</th><th></th></tr>
<tr><td>Seed variety
Soil quality
Water supply</td><td>Stock preservation
Sustainable fishing methods
Water quality</td><td rowspan="3">Precision farming
(e.g. fertilisers)
Full utilisation
Access to equipment,
irrigation systems</td><td>Storage</td></tr>
<tr><td colspan="2">Food supply versus efficiency through trade
Improved utilisation of resources/calories
Less meat, insects etc.</td><td>Transport routes</td></tr>
<tr><td colspan="2">Threat: climate change</td><td>Access to shops</td></tr>
<tr><td colspan="3">Fair prices</td><td>Secure livelihood</td></tr>
</table>

Source: Raiffeisen Kapitalanlage-Gesellschaft m.b.H. 2022

Wolfgang Pinner
Head of Responsible Investment
at Raiffeisen KAG

Appropriate measures to increase production, such as fertilisers and irrigation systems, help to optimise harvests. Besides resources, new technologies and general know-how are required.

UNDERNUTRITION AND MALNUTRITION

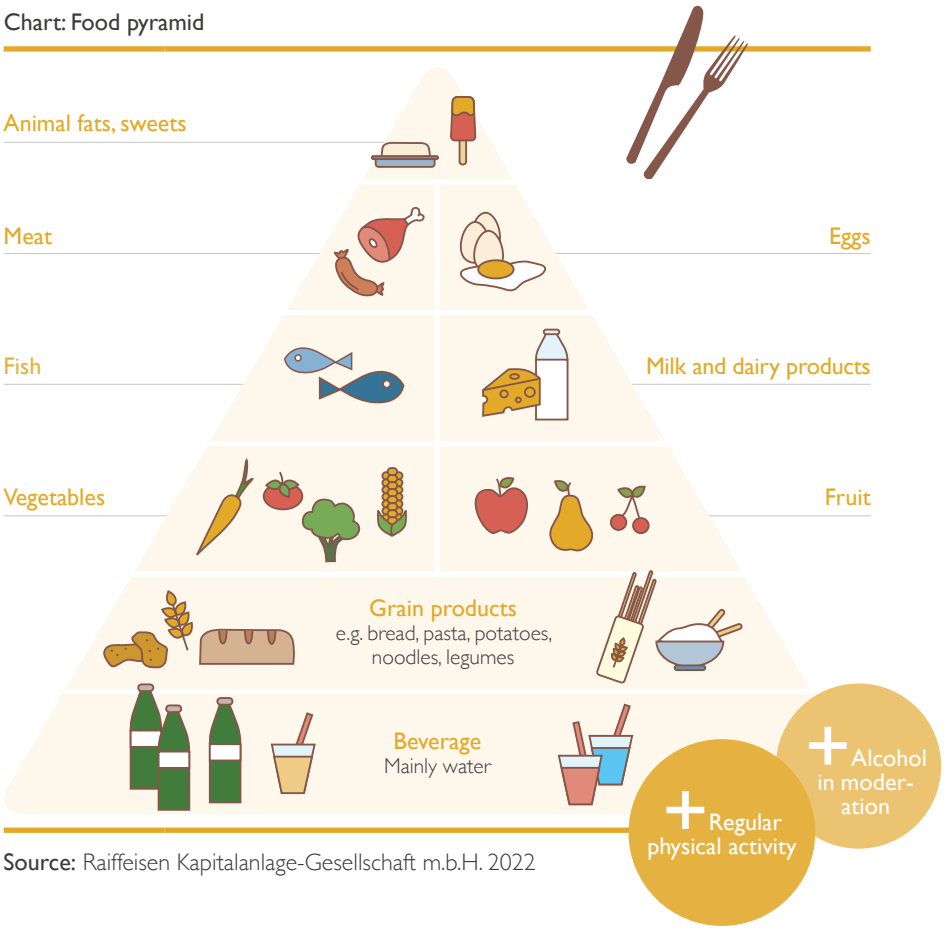
On the demand side, the world's population is expected to increase from currently around 7.9 billion to about ten billion people by 2050. The average income in developing countries is improving and, as a result, billions of people are joining the middle class and changing their eating habits. In 2019, the World Resources Institute estimated that the demand for food would increase by more than 50% between 2010 and 2050. In the case of animal products, the increase is expected to be as high as 70%.

Several hundred million people are still affected by undernutrition. This is due to local agricultural systems producing too little and to the manner in which the current structures distribute available food around the world. Critical factors in this context are storage and infrastructure.

In contrast to this, the number of overweighted people has reached almost two billion. For many years, the main focus of the World Health Organisation (WHO) was on undernutrition and malnutrition, but now the pendulum is swinging back in the other direction. In the past, the debate around nutrition problems was almost always limited to fighting hunger. In the meantime, however, overnutrition is an almost equally significant global problem as undernutrition. OECD Health Policy Studies conducted in 2016 found that 24% of adults in OECD countries were obese.

The food quality and dietary composition play a major role in this. The so-called food pyramid provides information on the type and quantity of food and beverages that one should consume from a nutritional point of view. It is based on a modular principle. Thanks to the relatively low emphasis placed on eating meat and fish, a healthy diet as outlined by the pyramid would also have a positive impact on resources. »

Chart: Food pyramid



Source: Raiffeisen Kapitalanlage-Gesellschaft m.b.H. 2022

FOOD PRODUCTION

> The WWF estimates that 40% of food produced globally is never eaten.

FOOD SECURITY

According to the definition of the FAO, there are four dimensions of food security. Food availability means that enough food is available where it is needed. Food access deals with the question as to whether people have secure access to food, i.e. can grow crops or buy food. Utilisation refers to the possibility of being able to use and make use of food in a manner that is suitable and fulfils one's needs. Stability describes a long-term, stable supply of food, also in the case of regional crop failures.

In theory, sufficient quantities of food are being produced at present, but food losses and injustices during production, distribution, and consumption are leading to shortages. The WWF estimates that 40% of food produced globally is never eaten. According to the WWF study Driven to Waste from 2021, an estimated 1.2 billion tonnes of edible food are wasted before, during, and after harvesting every year. In addition, around 930 million tonnes (FAO, 2021) are lost along supply chains and finally about 400 million tonnes are lost during the consumption phase. Altogether, 2.5 billion tonnes of food originally destined to be eaten end up as food waste instead. According to a WWF estimate, about one-fifth of Austria's carbon footprint is caused by the production and consumption of food and beverages. The cultivation, harvesting, transport, storage, and processing of food requires a great deal of resources and energy. In Austria, one-third of food ends up in the bin.

To close the present existing gap in food production, one could increase the area of land used for agriculture, but this would further damage ecosystems and accelerate the loss of biodiversity. Expanding agricultural production could also potentially have a negative impact on climate change. Today, the agricultural sector's share of global carbon emissions already amounts to 25% (International Institute for Applied Systems Analysis, IIASA, 2020). Every increase in food production will negatively affect climate change, while changes in climate have a negative impact on crop yields.

Therefore, a combination of increased production – without increasing agricultural land use, if possible – and sustainable food consumption are necessary in order to cover the predicted rising demand for food. According to the German Federal Ministry of Food and Agriculture, around 12 million hectares of agricultural land are lost globally every year as a result of overgrazing, unsuitable farming methods, erosion, and the construction of roads and urban spaces. If this trend continues unabated, the world's harvests could be up to 12% smaller within the next 25 years.

GENETIC ENGINEERING

So-called green genetic engineering, which is intended to enable bigger harvests thanks to genetically modified seeds, is a widely discussed possibility to increase crop yields. Already in 2018, genetically modified crops were cultivated on around 14% of the world's agricultural land. The main focus is on plants that tolerate pesticides or are poisonous for certain harmful insects as a result of their genetic modifications. At present, crops such as soya, maize, cotton, and canola are at the centre of attention when it comes to the subject of genetically modified seeds. In the case of soya, currently about two-thirds of total production is genetically modified, while in the case of maize, this is around one-third.

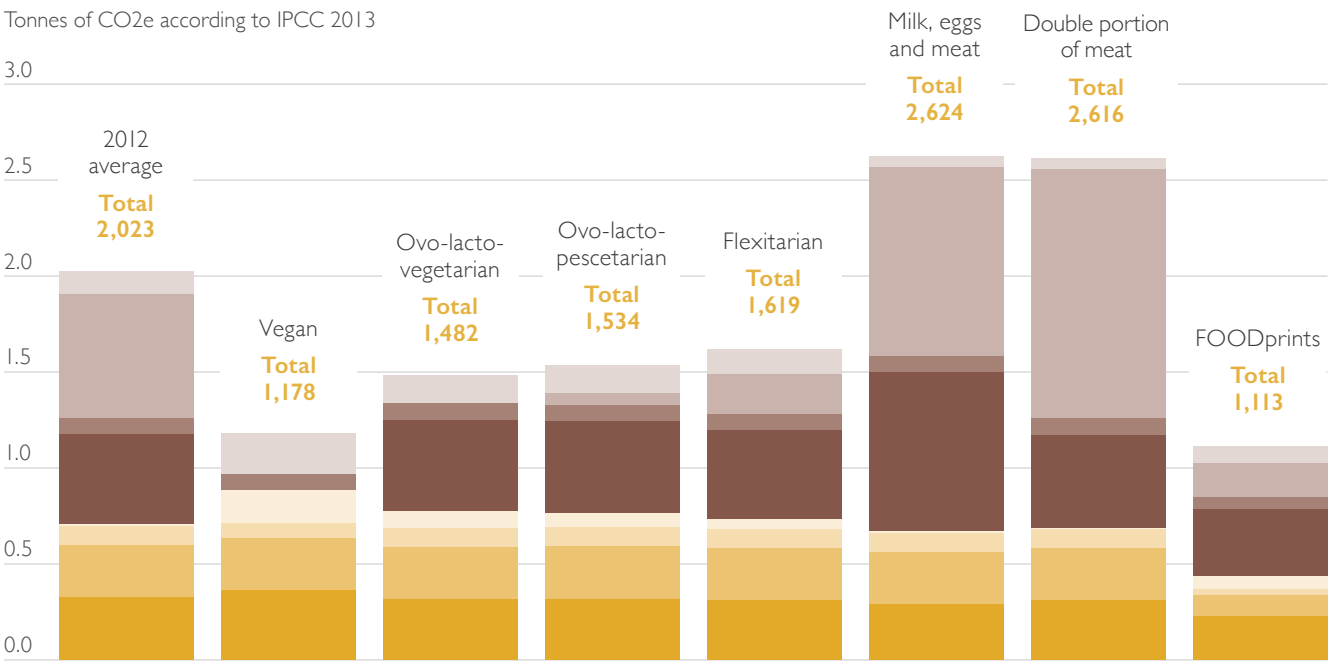
The environmental risks associated with genetically modified plants are, on the one hand, that their cultivation could influence large parts of the environment, with consequences that can hardly be predicted. It is practically impossible to avoid "contamination" of conventional farming land by neighbouring acres of »

FOOD PRODUCTION

genetically modified plants as a result of airborne pollen. On the other hand, the insect world will certainly be affected by such plants; apart from target insects, other organisms could also be harmed by genetically produced toxins. Besides these factors, potential allergic reactions arising from genetic transfer between organisms is another main cause for concern among critics of green genetic engineering.

A more sustainable consumption of food could reduce strain on the production side, which in turn would positively impact climatic developments. The worldwide increase in the consumption of meat is a burden on resources and on the climate. A vegetarian diet requires less land, energy, and water resources than a meat-based one. Furthermore, livestock farming emits far more greenhouse gases than crop production. Considering the low fodder conversion ratios in livestock farming, it can be assumed that a vegetarian diet would significantly improve the global food situation. »

Chart: Dietary impacts



Source: ESU-services 2015

Extensive livestock farming leads to deforestation; moreover, digestive products such as dung and methane, in the case of ruminants, contribute towards global warming. The amount of global greenhouse gas emissions could be massively reduced if everyone stopped eating meat. Every head of cattle emits as much greenhouse gas as a car per year – based on 18,000 kilometres driven.

In summary, food supply and avoiding shortages can be achieved through measures on the supply side and on the demand side.

The goal to further increase productivity in relation to food production now seems unachievable. Depleted soils, increasing aridity in many agricultural areas, and low crop yields on organic farms limit productivity. Animal welfare standards are also increasingly an issue in livestock farming; in this regard, the transition to more sustainable production – such as that of meat substitutes and cultured meat – could deliver positive aspects.

On the demand side, a reduction in food requirements by avoiding food waste and losses in the production chain – for example, by improving storage processes – should be pursued. At least partially switching to a meat-free diet would help preserve existing agricultural resources.

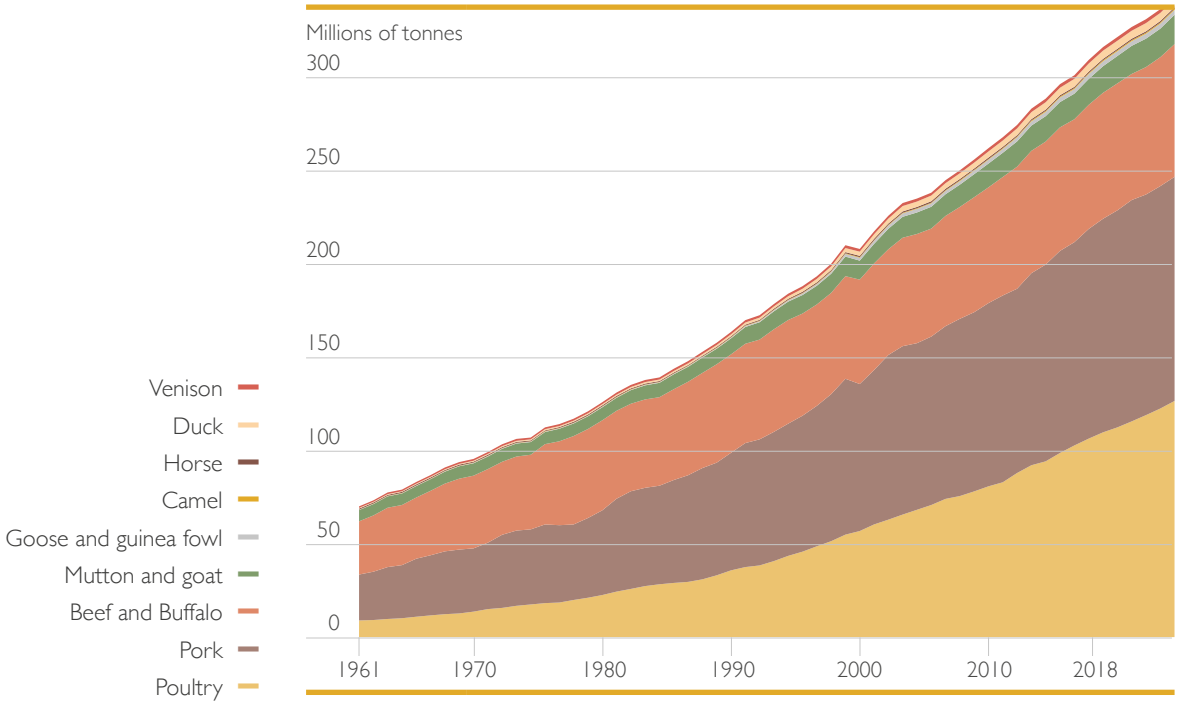
ZERO
HUNGER

PLANT-BASED AND PROTEINS

Food concerns us all and new developments in this area are often discussed very emotionally and vigorously. In addition, food brings joy and leads to shared experiences; it forms part of our culture and is an expression of our lifestyle. The increasing world population, loss of arable land, and climate change are putting tremendous pressure on the food supply.

A United Nations report predicts that the current world population of 7.9 billion people will reach 11.2 billion by the year 2100. Up to 37% of greenhouse gases can be attributed to our present system of nutrition. A closer look at the consumption of meat reveals that only 9% of our entire diet consists of meat, yet 43% of food-related greenhouse gas emissions are caused by the consumption of meat. Meat production has been increasing rapidly since 1961. This shows that the fight for a better future might be decided in part on our plates. »

Chart: Global meat production from 1961 to 2018



Source: UN Food and Agriculture Organization (FAO)/OurWorldInData.org/meat-production

ALTERNATIVE

Lydia Reich
Senior fund manager
at Raiffeisen KAG

THE NEW MEAT?

The food industry is exploring new paths to develop sustainable, alternative protein solutions to meat, ranging from plant-based, cultured meat to proteins obtained from fermentation, and new ingredients such as microalgae and insects. Some of the plant-based sources of protein – such as seitan (wheat protein), tempeh (fermented soya beans), tofu, and jackfruit – have already been consumed for centuries.

In the case of the purely plant-based sources of protein from grain, vegetables, and legumes, the protein is isolated and modified to resemble muscle tissue. Haemoprotein obtained from plants, much like the blood pigment haemoglobin, not only creates a blood-like appearance, but also provides a meat-like taste. Soya dominates the market with respect to plant-based protein sources, despite growing scepticism relating to allergies, oestrogenic effects, and genetically modified plants. Other challenges include the heavy processing of these products in combination with the utilisation of numerous additives. From a sustainability perspective, there are advantages over conventional meat production, such as lower greenhouse gas emissions and a reduction of water and land use.

Cultured meat is another development that has financial, ecological, and health-related future potential. The term cultured meat, which is synonymous with in-vitro meat and clean meat, refers to meat that has been grown in a lab. For this, muscle tissue or embryonic stem cells are extracted, expanded, and then formed into muscle cells. These cells are cultivated further in a bioreactor and later transferred to a matrix so as to let them grow into muscle fibres and larger tissue. Critical components of this process include the nutrient solution and the supporting structure, which rely on ingredients derived from animals. This is contrary to the belief of many consumers in a production method that causes no harm to animals. The industry is currently looking for alternatives for these critical parts of the process.

THE WAY FORWARD?

A study conducted on the future of the meat market by international consulting firm Kearney predicted that by the year 2040, some 60% of global meat consumption will be in the form of alternative sources of protein. Within the scope of the Green Deal and the Farm to Fork Strategy, the European Commission presents the development of alternative sources of protein as a main research topic that addresses the demand in society for a healthier diet while lessening the impact on the environment at the same time.

One thing is certain: There is a definite trend towards a healthier and more sustainable protein diet. This development is transforming food production, and the path towards a change in consumer behaviour that leads to alternative protein solutions is filled with hurdles concerning taste, prices, and acceptance.

Moderated by
Dieter Aigner,
Managing Director
of Raiffeisen KAG

Round-table discussion about food trends as an opportunity for sustainable development.

Franziska Gaupp
Food systems expert, Potsdam Institute for Climate Impact Research (PIK), Berlin

Hanni Rützler
Food trend researcher, founder and head of Futurefoodstudio, Vienna

Matthew Robin
CEO, ELSA-Mifroma Group at Migros-Genossenschafts-Bund, Zurich

Günther Schmitt
Head of Developed Markets Equities at Raiffeisen KAG, Vienna

Ms Rützler, you recently released the tenth Foodreport, and have been involved with the topic of nutrition and food production for decades. In your view, what have been the most decisive developments in this sector since the first report? What has changed?

Hanni Rützler: What immediately catches the eye is that a highly industrialised food system based on the division of labour has developed. This is a system that is, on the one hand, highly efficient and, at the same time, extremely fragile – highly productive, yet very breakable, extremely unimaginative and focused, while at the same time highly innovative. A lot depends on how one looks at this system.

And how do you look at this system?

Hanni Rützler: As a trend researcher who is searching for answers to the current problems, hopes, and desires, I first look at solutions. This does not mean that I overlook the problems, but I am searching for the right approach to solve them. And in this regard, we have made some progress – the focus is on sustainability, health, and the resilience or future-fitness of the global nutrition system. A lot is happening in these areas, but the topic of meat is currently a key focus – as a liability for health and the environment. In the past, there were many more areas in the Alpine region where crops were grown. Today, the focus is almost exclusively on livestock farming. The variety of plant-based foods is therefore traditionally lacking. We need a stronger focus on plant-based alternatives, also because we see that many farmers can barely survive in the current agricultural landscape. We have overproduction on the one hand, and food waste and shortages on the other.

Eating habits have also changed a great deal. Having meat every day used to be unthinkable.

Hanni Rützler: Yes, this was made possible by the industrialisation of agriculture, new breeding methods, the import of fodder, and the primary focus on efficiency. We are slowly becoming aware of the drawbacks of this one-sided orientation: Climate change and the loss of worldwide biodiversity are the consequences. At present, we are only making use of five animal species and 12 plant species to feed the world. This narrow-minded approach makes our entire system extremely vulnerable. It is neither sustainable nor resilient; the system is now revealing many breaking points. We must learn to concentrate less on short-term yields, and need to approach the topic more systematically. We will need all key players: the agricultural industry, processing, trade, and the consumers; then we can succeed in dealing with issues such as soil quality, seeds, food waste, transparency, and alternative meat products. »

HOW SUSTAINABLE IS THE FOOD INDUSTRY?

What important trends can you identify with regard to food culture?

Hanni Rützler: In my work as a food trend researcher, I see seven thematic clusters which can help to describe the changes. A great deal is happening in the clusters of sustainability and "glocal" (a portmanteau blending global and local). There are currently many small trends, which is always a sign that people are searching for something, but the big catch is still out there somewhere. Questions concerning regionality and globalisation are being asked from entirely new perspectives. Where does globalisation make sense? And where not? I defined a trend in this connection last year called "local exotics". This trend originates with innovative farmers who embark on a search for new starting products that are not at all traditional, but show great future potential due to climate change, droughts, and torrential rain. This is an exciting trend that is only beginning, but is now developing very rapidly. It ranges from ginger, wasabi, artichokes, and peanuts to indoor shrimps and aquaponics, which is now very widely practised in Switzerland.

Mr Robin, you represent a food company. Are we not moving in the wrong direction by thinking about alternatives to consumer goods that we actually eat too much of? Do we really need this amount of meat every day? Or of meat substitutes, perhaps, in future?

Matthew Robin: I believe that a step backwards towards simpler food, maybe even less variety, would be a better option. We have far less brand variety in Switzerland than in Germany or Austria. I personally feel that is a good thing. It is easier when one doesn't have to choose between a myriad of brands that hardly differ from each other. With regard to the globalisation mentioned by Ms Rützler, we in Switzerland almost live in a kind of ideal world, because we are affected much less by it. Our borders are closed, and this creates a large barrier for the import of meat and dairy products. Although we do have mass animal production, it is not to the same extent as we see in other countries. Farmers earn enough from direct payments to survive. I personally believe that this system works. It makes food more expensive, but we are protected in a way, and I think that allows us to operate a circular economy.

What does that look like in practice?

Matthew Robin: Our milk and cheese producers work together closely with the meat producers. This means that the whey that we produce is used to feed and fatten calves. Where possible, we utilise the biomass from farms to supply energy. It is important to us to pay attention to the entire value chain and to move towards a closed-loop economy. Given the high costs in Switzerland, this is also worthwhile, and I am convinced that it will be the future of the food industry. For us, sustainability is closely connected to product efficiency. Our whole system is being distorted by energy prices that are too low, and we now see the extent of this with the war in Ukraine. We have been living in a dream world with excessively low energy prices, which do not reflect the reality of our society.

Well, the strong demand for meat cannot just be wished away. And retailers are required to react to it. So how do you do it?

Matthew Robin: We are presently not yet at the stage where we absolutely have to offer cultured meat. Yet we see that this is a global trend, and we are convinced that this technology will prevail and thus cover the worldwide demand for meat and protein. We will also increasingly be under pressure to provide even more sustainable products in Switzerland, and Migros's philosophy is to let our customers choose. We are a very big producer of meat, and it is highly relevant from a strategic point of view that we position ourselves such that we can influence the entire meat production in Europe and around the world with regard to trends.

Ms Gaupp, you work together with experts from the field of economics, the agricultural »

Dieter Aigner in conversation with Franziska Gaupp, Matthew Robin, Hanni Rützler and Günther Schmitt

sector, health care, and the food industry to discover ways to achieve a healthy and sustainable food system. What does such a system look like in your view?

Franziska Gaupp: We are concentrating on three aspects in our work: on a healthy diet, on the reduction of environmental damage and the achievement of the climate targets, and on social justice. At the moment, there is simply no way around the fact that our food system has a very wide range of negative consequences for the environment and our health. The system as a whole – from production to consumption – is responsible for a third of global greenhouse gases. The agricultural system uses 40 per cent of the ice-free land surface, and is the sector with the most freshwater usage in the world – a large part of this can be attributed to livestock farming and meat consumption. Some 80 per cent of agricultural land is utilised to cultivate fodder and farm with livestock; this leads to deforestation in many parts of the world – and consequently to a loss of biodiversity and to increased emissions. Besides this, our food system is often very unhealthy. More than three billion people suffer from obesity – and the number is rising. And we know that this is also connected to the consumption of meat, and that we eat too much red meat, which can subsequently lead to cardiovascular diseases and diabetes.

So you focus on plant-based alternatives?

Franziska Gaupp: Yes. Regarding your previous question whether it is even necessary to develop new products: From our strictly scientific perspective, I can only answer that with a "no". Because in most regions, the much-discussed protein gap is not present at the moment. At least here in Europe, we can meet our protein requirements. This means that we can and should switch to a more plant-based diet. Yet I understand, of course, that the industry is interested in developing new products when there is an increasing global demand for it.

Are these products significantly more sustainable?

Franziska Gaupp: On the whole, these new products definitely have a smaller ecological footprint than meat: They consume less water, require less land surface area, and cause lower greenhouse gas emissions. However, lab meat generally requires more energy than regular livestock farming, because biological functions such as digestion are replaced by industrial processes. And if one looks at the social component, then there is a fear that this new market with these new technologies will, of course, be dominated by large corporations and investors who have the necessary capital to invest in research and development. Small »

businesses and farmers could be pushed out of the market or would at least be at a disadvantage. And just one more point about health: Even if the macronutrients and micronutrients in these products can be adapted and maximised to benefit our health, there are studies on existing products that show that there is often too much salt or fat in, for instance, veggie burgers, and that these products are therefore not really healthier than normal meat.

The food industry is also on investors' radar. What innovations are investors currently putting their money into in this industry?

Günther Schmitt: As an investor, one is always looking for investment opportunities that increase in value. And this usually happens when the underlying business model works and the environment it is based in is growing. At the moment, it is definitely the case that two segments are booming, one of them being replacement products for milk and meat: This segment is experiencing growth in both revenue and profits. The growth in revenue that is currently taking place can only be dreamt of by traditional food groups such as Nestlé. Companies such as Oatly, which produces oat milk, increase their revenue quite significantly from one year to the next. And this is something that investors see, of course, and then gladly jump on the bandwagon. Because companies that succeed in increasing their revenue so quickly will also achieve high profits at some point in the future. That does not need to be this year or even next year, but sooner or later it will definitely happen and then one wants to be present as an investor. But it has to be noted that there are still few listed companies in this segment. And once they are listed, these small companies are often acquired by large corporations that, of course, also want to be successful in this sector.

Which other sectors are of interest to investors?

Günther Schmitt: A second major segment from an investor's perspective is the food supplement industry. This is all about additional vitamins, colour and flavour additives, and other additives. These companies also have very high growth rates with regard to revenue but also in terms of profits. Last, but not least, I would like to mention the topic of smart farming. This is about more than the fact that companies like John Deere are bringing self-driving tractors onto the market. It also includes the intelligent implementation of irrigation systems and fertilising systems only in cases where irrigation and fertiliser are really necessary. This saves water and chemicals and delivers great savings, while also contributing towards sustainability.

Food is also a highly politicised topic. What role do – or should – politicians play?

Matthew Robin: Politicians need to create the framework conditions and promote sustainability in food systems in this way. Industry and business will always utilise mechanisms that are to their advantage. That is how the economy works. You have competitors and also have to offer products that are not sustainable, otherwise you'll no longer exist on the market pretty soon. Politicians have a big responsibility and need to communicate with the industry. But the solutions that are required here must be coordinated throughout Europe. Although I am a proponent of the free market economy, there are limits if we really want to change entire systems. That requires legal regulation, and everyone needs to act in concert.

Franziska Gaupp: It is very interesting for me to hear from industry that they need more government involvement. We hear that quite often when we speak to representatives from industry. "Yes, we want to change, but we can't, because the framework conditions don't allow us to..." With regard to our own work, we try to find ways to internalise the damages to the environment and health that the food system causes, and incorporate it into the prices. We also put forward specific »

ROUND-TABLE-DISCUSSION

political measures. For instance, one could decrease or entirely do away with VAT on vegetables, fruit, legumes, and all healthy food so that low-income households can also afford healthy food, which is often not the case, unfortunately. On the other hand, prices could also be calculated based on products' environmental impact in future, instead of basing this on production costs. This means that we suggest imposing a nitrogen surplus tax. Agricultural enterprises that overfertilise their crops, and thus pollute the water and the air, would therefore have to pay a tax in future. An animal welfare tax, so in other words an additional cost for meat, would also make a lot of sense in our view. There are also efforts on the part of the EU to promote biodiversity. In this context, certain unused areas and strips of fallow land were reserved for biodiversity. However, these biodiversity strips were released again in one rushed political move to help compensate for, for instance, the lack of grain deliveries from Ukraine, even though a far greater land surface area could be freed up by reducing livestock farming and the fodder requirements associated with it. In this way, long-term goals are being sacrificed for short-term necessities. We naturally view this with a great deal of criticism.

Is there enough political initiative, Ms Rützler?

Hanni Rützler: I was in California this year – in Fresno County. That is the largest agricultural area in the USA, with massive water problems. I met beef and milk producers there. I found out – by way of a side remark – that their dairy cattle only live to three and a half years on average. Because after that they are no longer efficient, so they are processed into sausages and burger patties. And, I must say, I was shocked. Especially because I know how fantastic beef from older cattle can taste. So it occurred to me that the price of beef on the market currently has little to do with quality, but instead depends a lot on the structural orientation of the businesses. There are dynamics in motion that are leading us to really reach the limits of functioning ecosystems, also with regard to the soil, as already mentioned. Heavy downpours, climate change, and so forth are all putting us under extreme pressure to quickly make the whole system more sustainable. We need regional concepts which offer farmers a vision for the future and take away their fears that they will soon not be able to sell their produce unless it is at rock-bottom prices. I personally would wish for regions to develop their own culinary profiles and visions for the future. Maybe there will be a possibility to invest in regions in future, and for the topic of a circular economy to play a more important role on the stock exchange, as well. »

How sustainable is the food industry from an investor's perspective? What are the deciding criteria for investing?

Günther Schmitt: As sustainable investors, we also try to communicate with the companies in which we want to invest. That is our duty. If our sustainability criteria are not met, then we cannot invest in the particular company. We also tell them this directly. This creates a lot of pressure on the one hand, of course, because it has a negative impact on their share price and refinancing options. This is especially true when we are not the only ones who do so, but many other investors do as well. Then the company has to act and make changes. We are in permanent dialogue with most of the companies we invest in.

Would the companies rather be less sustainable?

Günther Schmitt: No, I don't get that impression. There is a lot of pressure from investors, and it is bearing fruit. We have an engagement database where we record our discussions with companies, so we can also evaluate what results this has led to over the years. By that I don't mean to say that we alone made the deciding contribution for change to occur, but that if we complained about the same issues as ten other investors, then the company would ultimately respond. So the dialogue between investors and companies can also lead to great results.

Let's have one final round... What points would you still like to add?

Hanni Rützler: The current crises have shown us that food is something very fundamental. It gives us sustenance and structure, and I have the impression that the coronavirus pandemic heightened our sense of what is important and what isn't. Food also has a big social component. That is why I believe this topic is very central, not only for the future, but also for the identity and stability of societies. And that brings us back to the appreciation of food. We don't always need to have everything all year round. But we want to be able to enjoy what we do have with a clear conscience. We also want the producers to be able to make a living from it. I believe that if we provide more information on food and groceries, that if we talk about it more and also try to give cooking a higher place in society again as an important cultural technique, then we will also learn how to manage our resources better. It will also help us with other problems such as obesity, high blood pressure, cardiovascular disease, and so on. I believe that we have passed the zenith. We can be satisfied with a little bit less, but it should be of a better quality – and sustainable.

Matthew Robin: I agree. The zenith is now behind us. We are receiving more and more enquiries from our customers who would like to know, for instance, why we sell strawberries from South Africa in winter. There is lots of active debate. I personally feel that is fantastic. And it is good to know that the younger generation, in particular, is very critical. They would rather share things than own them. I think this trend is very promising and positive. It makes me optimistic.

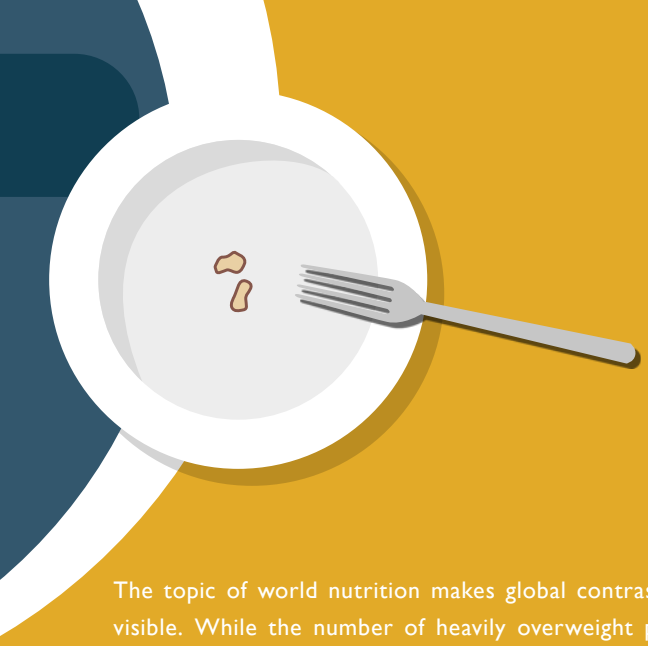
Franziska Gaupp: From a research perspective, the topic of food waste is also extremely interesting. We work a lot with global future-oriented scenarios. Reducing food waste always plays a highly important role in this and is a core research topic. Unfortunately, though, there currently isn't enough available information or political strategies aimed at reducing this waste. But various projects are under way – in research as well as at the political level – to try to gather more data so that we can see where exactly the food is being wasted. About a third of food waste occurs between production and consumption. If all food waste were a country, then that country would be the fourth largest emitter of greenhouse gases. If you look at it like that, it becomes clear just how big the problem really is.

Editorial revision by Pia Oberhauser

SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOAL 2 (SDG 2):

Zero Hunger



The topic of world nutrition makes global contrasts clearly visible. While the number of heavily overweight people increases steadily, causing a variety of health-related problems for those concerned, people in many parts of the world are experiencing hunger, which currently affects more than 800 million people. At the same time, more than USD 400 billion worth of food goes to waste every year. In addition, important agricultural products such as wheat are subject to strong price fluctuations as increasing extreme weather – be it heat waves, drought, or floods – leads to an increase in the frequency of crop failures. Escalating geopolitical conflicts further amplify the imbalance between supply and demand, as was recently quite clearly demonstrated by the Russian invasion in Ukraine and the associated restrictions on the export of grain. If no changes are made to the current global situation in relation to food supply, the growing world population will further intensify the problem, because it is expected to reach ten billion by 2050. For this reason, the United Nations included Sustainable Development Goal (SDG) 2: Zero Hunger in its objectives. This serves to promote the fight against malnutrition of any kind as well as ensuring an adequate and sustainable diet for all people.

As can be seen in the information box below, this SDG is not limited to combatting hunger and malnutrition. The development of sustainable and resilient food production is equally as important, because the current dominant methods of food production and processing are accelerating the depletion of worldwide resources. The so-called great food transformation therefore requires a comprehensive change in national and global systems of nutrition. The core points of SDG 2 are described in the following.

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

- ✓ End hunger and ensure that all people have access to safe, nutritious, and sufficient food all year round.*
- ✓ End all forms of malnutrition.*
- ✓ Double the agricultural productivity and the income of small-scale food producers.*
- ✓ Ensure sustainable food production systems.*
- ✓ Maintain the genetic diversity of seeds, cultivated plants, and farmed and domesticated animals and their related wild species.

Source: https://www.bundeskanzleramt.gv.at/themen/nachhaltige-entwicklung-agenda-2030/entwicklungsziele-agenda-2030.html
* by 2030

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CORPORATE ON THE TOPIC OF

The shareholder engagement activities of Raiffeisen Capital Management's (Raiffeisen KAG) fund management on the topic of world nutrition include dialogue with some of the largest, and for us most interesting, listed companies in this field. A total of 30 global supermarket chains were contacted and presented with an extensive catalogue containing questions on their dealings with food. We asked them the following questions, among others:

1 What is your contribution towards Sustainable Development Goal (SDG) 2, which is aimed at ending hunger worldwide?

2 With regard to the supply chain: Do you have a policy on sustainable agriculture? And what checks are done before ordering from a new supplier?

3 Are there initiatives to increase the nutritional value of your products?

4 What programme do you have to reduce food waste?

5 What percentage of your products is directed at consumers with low incomes? And what are the growth characteristics of this segment?

6 Food prices, in particular the price of wheat, have risen sharply as a result of the tense geopolitical situation in Ukraine. How are you dealing with this issue? And do you believe the current price levels will remain constant or are they only temporary?

VOICES WORLD NUTRITION

1 Hellofresh (Germany)
The amount of food currently produced would easily be enough to feed the entire world population, but this has failed so far due to the unjust distribution of resources. The UN SDGs make it their goal, among other things, to eliminate this injustice. The corporate sector also seeks to help find a solution to this global problem.

HelloFresh, which owes its success as a large food retailer to the sale of meal kits, has credibly endorsed the topic of food donation through its Meals with Meaning programme. The Berlin-based company donated more than 1.5 million meals to various charitable institutions in the year 2021. Any surpluses in the product manufacturing process were quickly identified and promptly given to those in need.

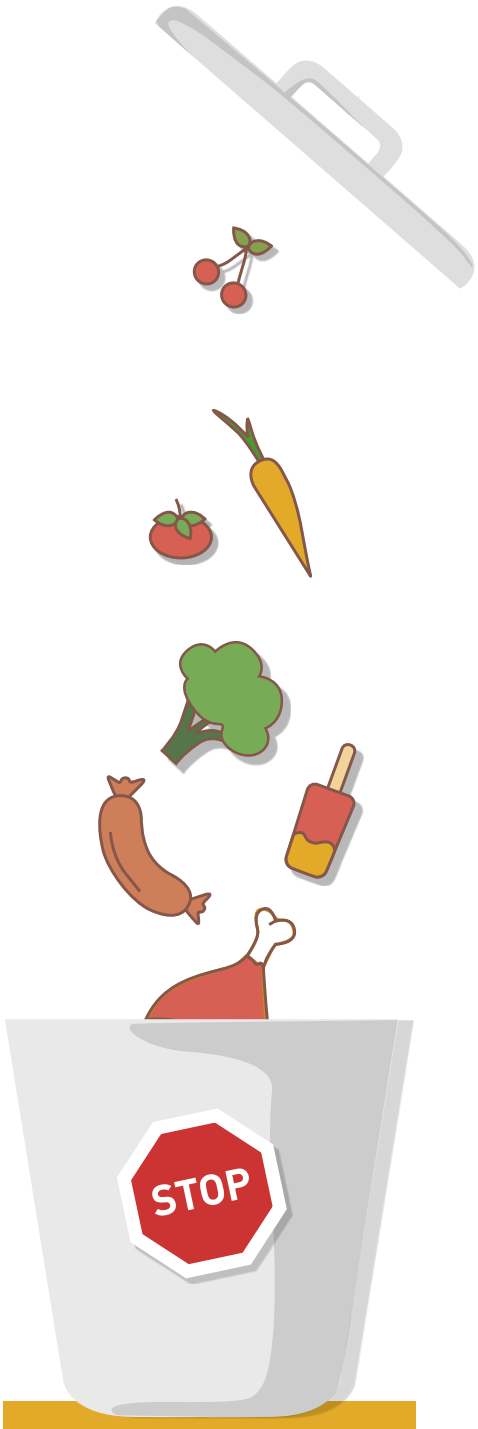
2 Ocado (UK)
Food supply chains contain countless sustainability risks. These range from human rights violations to threats to animal welfare and massive strains on the environment. As a sustainable investor, it is therefore even more important for Raiffeisen Capital Management to pay particular attention to supply chains in the course of its dialogue with companies.

The British company Ocado has set strict standards for its suppliers in order to ensure quality along the supply chain. For instance, palm oil is only purchased from certified sustainable palm oil producers.

The target for Ocado's own brands is to ensure that the fodder suppliers give to animals consists 100% of sustainably cultivated soya beans. Furthermore, the fodder cannot contain any genetically modified ingredients. In the case of meat production, the British company puts its faith in the Red Tractor seal, which guarantees food quality. In order to avoid long supply chains, no beef products from South America are sold in its stores.

3 Jerónimo Martins (Portugal)
In industrialised countries, there is no problem with undernutrition, but the opposite is often true. A bad diet due to unhealthy food is the cause of most lifestyle diseases in first world countries. Do supermarket chains feel partly responsible for this problem? If so, what are they doing to make their products healthier?

For Jerónimo Martins, a Portuguese food retailer, the response to the question regarding responsibility is a clear "yes". The group considers itself as an important and dependable member of society, and wishes to actively participate in the global struggle against these »



CORPORATE VOICES ON THE TOPIC OF WORLD NUTRITION

serious issues affecting public health. In order to change people's eating habits, the company is increasingly investing in the development of own-brand products that are less processed and also balanced from a nutritional-physiological perspective, while at the same time promoting broad access to these products. Its brochures advertise particularly healthy and nutritious products that contain less sugar, salt, and fat in addition to being free of lactose, gluten, and genetically modified ingredients. This particularly applies to food that is primarily intended to appeal to children. In all markets in which Jerónimo Martins is active, the company has made it its objective to offer a better nutritional profile in these products than comparable enterprises by 2025.

4 Walmart (USA) and Axfood (Sweden)
About a third of food produced worldwide is wasted. That would be enough to feed around two billion people. A lot of food already goes to waste even before it has reached the end customer. What goals do globally active companies have with regard to food wastage? The world's most well-known food retailer, Walmart, not only aims to reduce its own waste, but also wants to include the entire value chain in its plans. This is to be achieved by promoting a circular economy in all production and supply processes.

Reducing food waste is also a top priority for Swedish company Axfood. It has set its sights on a 50% waste reduction by the year 2025 in comparison to the base year, 2015. Optimising order processes and selling perishable goods near to their sell-by date at reduced prices is the most effective route to follow. In addition, staff at the grocery stores enter the amount of food wasted into an internal database on a daily basis. By precisely recording this data, the strategies to avoid food wastage can promptly be adapted. Axfood is a co-founder of Matmissionen, an initiative to sell food that would otherwise go to waste.

5 Carrefour (France)
The effects of inflation are not only impacting the capital markets, but are also very tangible for customers at grocery stores. An increasing number of consumers are paying attention to prices when they shop. Companies therefore often have their own line of products so as to still be able to offer lower-income households a range of reasonably priced goods. Companies' own brands often play a big role in these strategies.

Europe's second-largest retailer, Carrefour, has been placing stronger emphasis on precisely this strategy for the past five years. Its alternative own-branded products are 20–30% cheaper than other domestic brands on average, thus ensuring good value for money. The share of revenue for own brands at Carrefour is now 32%; five years ago, it was still at 25%. This has strengthened Carrefour's belief in its strategy, and it intends to keep emphasising its own brands.

6 Sainsbury (UK)
The world watched anxiously as the long-awaited shipments of wheat were allowed to leave the harbour of Odessa. UN Secretary-General António Guterres admitted to having tears in his eyes at the sight of the cargo ships, as these shipments brought relief to starving communities, especially in West Africa. The corporate sector also has to deal with the consequences of higher wheat prices, in particular by assessing the future outlook.

The London-listed company Sainsbury considers it its duty to help its customers with the higher cost of living and not merely pass the costs on to consumers. Sainsbury is investing GBP 500 million over a two-year period until March 2023 in order to keep the food prices of its most popular products as low as possible. The company will rely on its strong relationship with suppliers should there be a risk of shortages, and is monitoring the situation in Ukraine and the impact on its supply chain very closely.

UNILEVER

COMPANY SUSTAINABILITY SPOTLIGHT

> "Never before has it been so clear to the world what social and environmental challenges we all face. It has never been more important to act than it is today. We know that a great task lies ahead of us. We are a company with staff and brands with a clear mission: We want to make sustainability the norm."
> *Unilever website*

Axe, Ben & Jerry's, Cif, Coral, Cornetto, Cremissimo, Domestos, Dove, Duschdas, Hellmann's, Langnese, Lipton, Maizena, Pfanni, Rexona, Signal …

This is only a small extract from the list of more than 400 brands that form part of the Unilever Group, which has been entirely British since 2020. Other facts about the enterprise are just as impressive. The group is represented in more than 190 countries worldwide, with more than 25 million retailers stocking its products. More than 2.5 billion people used a Unilever product at least once a day during 2020, while the total revenue exceeded the EUR 51 billion mark. Consequently, Unilever is one of the world's biggest companies in the consumer goods sector, together with Nestlé from Switzerland, Danone from France, and Mars from the USA. Therefore, it is well worth taking a closer look at the company's history.

FROM MARGARINE TO MUCH MORE

In 1888, the margarine manufacturer Simon van den Bergh, originally from the Netherlands, founded the company Margarinewerke Van den Bergh in Kleve in the Lower Rhine region for the industrial production of margarine. His compatriot Anton Jurgens also founded a factory to produce margarine not far from Kleve in the neighbouring town of Goch. In 1927, the two family businesses – Jurgens and Van den Bergh – merged to form Margarine Unie in Rotterdam and Margarine Union in London.

In 1885, William Lever and his brother James founded the Lever Brothers soap factory, which was first situated in North West England and later located west of Liverpool. Their product was innovative because they used palm oil instead of tallow for the soap production, and it proved very popular. The Lever brothers »

UNILEVER

named their product Sunlight Soap; Sunlicht is also derived from this.

In 1929/1930, Margarine Unie and Lever Brothers Ltd. merged to form Unilever. This laid the foundations for a global player. Over the years, countless companies were acquired, for instance 1960 saw the acquisition of the Viennese dairy business Milcheisindustrie AG (MIAG) under the brand name of Eskimo. In the decades of expansion that followed, new acquisitions such as Calvin Klein, Bestfoods (Maizena and Knorr), Ben & Jerry's, and Slim-Fast (sold again in 2014) were added to the list. The 2010s were characterised by a broad-based consolidation and the sale of various parts of the business. These included, among others, prominent segments such as spreads (Rama, Becel, Sanella), which were sold off to the financial investor KKR in 2017. The well-known frozen food brand Iglo went to the investment firm Permira in 2006.

After Unilever shares went public, they were dual-listed in London and Amsterdam. In October of 2020, Unilever's shareholders approved the management board's decision to give up the dual structure with bases in the United Kingdom and the Netherlands in favour of being headquartered solely in London. The merger of the Dutch Unilever N.V. with »

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the British Unilever PLC was completed on 30 November 2020. Unilever has been a purely British enterprise ever since.

THE PATH TO SUSTAINABILTY

In 2010, Unilever launched its Unilever Sustainable Living Plan (USLP) – a comprehensive programme meant to cover all facets of sustainability at the company. By their own admission, Unilever learnt a lot along the way and did not always get things right the first time round. Unilever is certain, however, that the road it has embarked on is the correct one. The intention is to create a world, together with suppliers and consumers, that everyone dreams of. In doing so, the company supports the non-negotiable observance of human rights and uses the entire influence of its brands to effect positive change.

With regard to climate protection, a transition towards renewable energy is taking place in all areas of business, while simultaneously searching for low-carbon ingredients and materials to be able to offer plant-based alternatives such as vegan food as well as cleaning products free of fossil carbon. The aim is to achieve net zero emissions by 2039.

Supply chains are to be changed drastically. For instance, Unilever wants to put a stop to further deforestation by making the necessary adjustments in all its production processes in the coming year.

A core aspect of the USLP is the transition to a circular economy in a world free of waste; this means radically cutting down on plastics and packaging, food waste, and other waste from factories and company locations. In response to our question regarding programmes to reduce food waste, Unilever referred us to the Global Food Loss and Waste Standard, which the company implements fully. In addition, the company undertakes to reduce food waste by 50% by the year 2025, compared to the base year 2019. For example, the product "Cremissimo Schokoheld" uses 40% of an ice cream that would have been destroyed in the past.

The company is aware that the global nutrition system is out of step. Unilever wants to do its part to transform this system. The Future Foods initiative aims to support the transition towards healthy eating while reducing the ecological footprint at the same time.

UNILEVER IN ITS OWN WORDS

We will act to improve the health of our planet, to combat climate change, to protect nature and allow it to regenerate. And we will create a world free of waste. We will contribute towards a just, inclusive world. And we will concentrate on justice, diversity, and inclusion in everything we do. We will actively improve living conditions and prepare people for the future of work. At the same time, we will improve the health and well-being of all people. Our brands will be at the core of these efforts – as they always have been. We know that we can have a great impact. But we also know that the biggest challenges require measures that surpass our capabilities and that no company can achieve on its own. Some of the greatest opportunities for positive change can be found in our value chain and in the communities to which we are connected. We must utilise the full size and reach of Unilever to influence the business practices and policies of the people we work with and the countries in which we are active. Because for all of us who want a more just and socially conscious world as well as a healthier planet, the message is clear: We have no time to lose. Let us act!

Well said; clear, ambitious goals. Raiffeisen Capital Management will continue to keep an eye on the company and accompany it on its way towards achieving its self-proclaimed goal of becoming the "most sustainable company in the world".

RAIFFEISEN-FONDS-WALD

RAIFFEISEN FUND FOREST

OUR TREES GROW INTO FORESTS

Less than a year ago, Raiffeisen Capital Management initiated the Raiffeisen Fund Forest project together with Wald4Leben. Since then, Raiffeisen Capital Management has contributed around 7,000 trees to the reforestation programme of the start-up in Lower Austria's Waldviertel region.

Climate change has now also reached our forests in recent years. Besides storm damage, the ongoing lower precipitation levels and bark beetle infestation in particular have severely affected shallow-rooted tree species such as spruce. In certain districts of the Waldviertel, Weinviertel, and Mühlviertel, bark beetles have destroyed more than 50% of the forest area; entire forests needed to be felled. Many hundreds of hectares of forest have disappeared in these areas as a result and in some cases cannot be replanted by the forest owners themselves due to the lack of acceptable returns.

LENDING A HAND OURSELVES

However, these forests are needed – by all of us. For forests have a key impact on the environment due to their ability to absorb and store carbon. Every tree counts! Furthermore, natural mixed forests are not only home to a great variety of tree species, shrubs, herbs, ferns, mosses, mushrooms, and lichens, but also provide a habitat for many kinds of animals, insects, and micro-organisms. They ensure biodiversity. For this reason, around 25 employees of Raiffeisen Capital Management – including CEO Rainer Schnabl – pitched in to lend a hand in early summer to assist the Waldviertel-based start-up Wald4Leben in reforesting the previously cleared areas as mixed-species forests. It is important that the new forest is suited to the climate: The newly planted tree species – such as oak, Norway maple, wild cherry, larch, silver fir, Douglas fir, common beech, and lime trees – can also grow well and flourish in warmer, drier conditions.

A HABITAT FOR BEES

Due to the near-natural management and different flowering times of these forests, they also provide an ideal habitat for honeybees. Beehives are therefore being put up right in the forests or in their immediate vicinity. This shall also serve to promote a healthy bee population.

Additional information
www.rcm.at/raiffeisen-fonds-wald
www.wald4leben.at

Editorial revision by Pia Oberhauser


Wald4Leben
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