

# Strategy engagement



Principles for corporate dialogues,  
exercising voting rights, and  
collaboration with other shareholders

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Raiffeisen Capital Management stands for Raiffeisen Kapitalanlage GmbH, or short Raiffeisen KAG.

## 1 | Responsibility as an investor

The European Union adopted its Second Shareholder Rights Directive on May 17, 2017. This directive was transposed into national law on June 10, 2019. The objectives of the directive include improved engagement on the part of institutional investors and asset managers. For this reason, the directive requires the development of an engagement policy that describes how institutional investors and asset managers integrate shareholder engagement in their investment strategy.

The term "engagement" is a collective term for business dialogues and the exercise of voting rights. However, it is frequently merely used as a synonym for a dialogue with companies. Business dialogues and the exercise of voting rights serve to fulfil all of the opportunities and rights which the shareholder has in relation to the investee company. The phrase "active ownership" is also used in this respect. Engagement may take place by means of informal discussions – which are frequently referred to as "soft engagement" – or else through standardized dialogues or via formal channels through the exercise of voting rights at shareholders' meetings. The form of engagement which ultimately offers the better prospect of success will depend on the specific situation. If the option of soft engagement and dialogue alone fails to bear fruit, it is still possible to influence the company by means of a more high-profile approach, through the exercise of voting rights as well as speaking at its shareholders' meeting.

As one of Austria's leading asset managers, Raiffeisen Kapitalanlage-Gesellschaft (Raiffeisen KAG) is conscious of its fiduciary obligations in relation to its clients. Within the scope of these obligations, it pursues a strategy of active engagement with companies, in order to optimally safeguard its clients' interests. This engagement may serve various purposes. On the one hand, it provides for a clearer assessment of companies' financial situation and development. It allows a look at what is going on behind the scenes. On the other hand, from the point of view of sustainability engagement also serves the purpose of lobbying companies in order to promote improved corporate social responsibility (CSR) or improved sustainability within the company in question. This improvement should provide the company and thus ultimately also its owners with "sustainable" benefits. In the long term, these should also be reflected in an improved operating result.

In the area of business dialogues, Raiffeisen KAG distinguishes between pro-active and reactive engagement. A pro-active, constructive dialog with companies serves to identify potential financial and non-financial risks and opportunities, whereas responding to current events in a targeted manner – by means of a reactive dialogue – enables the clearest possible assessment of a company, including its environment and potential risks.

Shareholder voting rights are exercised either directly or indirectly via proxies. Inhouse principles are pursued here which are based upon a transparent and sustainable corporate governance policy and which cover significant issues which are regularly discussed at shareholders' meetings.



## 2 | Monitoring of investee companies

As an active manager with a clear focus on the selection of individual stocks, Raiffeisen KAG pursues a fundamental, value-oriented Bottom-up approach which includes a financial component as well as a sustainable component. This approach is also pursued from the point of view of monitoring of investee companies.

In terms of the financial component, a distinction applies between quantitative and qualitative criteria. The quantitative level includes indicators such as the following:

- Price-earnings-ratio
- Price-book value-ratio
- Net debt/shareholders' equity
- Enterprise value/EBITDA ratio
- Return on equity
- Profit forecast revisions
- Generation of free cash flow
- Dividend sustainability: FCF coverage of dividend

At the qualitative level, the following criteria play an important role:

- Clear corporate strategy
- Competitive situation and market dynamics
- Transparent reporting
- Transparent investment strategy
- Focus on core business
- Optimization of capital structure
- Management's track record
- Corporate governance history
- Potential interest on the part of strategic investors
- Potential legal and political risks

Within the scope of the sustainability component, the goal is to identify potential risks, particularly in relation to the environment as well as society and corporate governance (environmental, social, governance, "ESG"). The core priorities are to avoid any controversial behaviour on the part of the company in terms of the areas outlined above as well as strengthening ESG management within the company. Where a controversy has already been exposed, the key focus is on the measures which the company is able to pursue in order to avoid a repeat of such controversies in future. Structural improvements are the main priority here.

## 3 | Dialogue with companies

As well as obtaining information through primary and secondary research, Raiffeisen KAG also enters into business dialogues in order to obtain a clearer picture of companies' financial position as well as sustainability issues within these companies. Dialogues with companies may be pursued through direct or indirect contact, company visits, conferences and conference calls.



### **3.1 | Sustainable investments**

Business dialogues play a particularly important role in the area of sustainability funds. The starting point here is frequently relevant current topics such as electric mobility, palm oil, microplastics etc. In these cases, Raiffeisen KAG examines several different companies within a specific sector in a particular field, thus achieving comparability from the point of view of their engagement results.

In principle, Raiffeisen KAG distinguishes between three different types of business dialogue:

- Direct business dialogue by means of a one-on-one meeting or group meetings – here, the focus is on the company and its specific sustainability performance
- Direct business dialogue within the scope of research covering specific topics or industries – here, the focus is on the topic in question or else industry-specific sustainability factors
- Direct and indirect business dialogue within the scope of a joint engagement process – here, Raiffeisen KAG works together with other sustainability-oriented investors and addresses an area of focus by means of a broad-based approach. As a rule, these topics are prescribed through the “Principles for Responsible Investments” (PRI) and their initiatives in support of collaborative engagement. A company may act either as a “lead investor” or as a “supporting investor”. “Lead investors” prepare the business dialogue in detail and establish relationships with the company in question, while “supporting investors” participate in these dialogues and in some cases also support the process in terms of its contents.

The results of various topic-based engagement activities are published in Raiffeisen KAG's regular sustainability newsletter.

The procedure outlined in this subsection is only followed in the area of sustainability funds. For all other Raiffeisen KAG funds, due to the different investment philosophy for these funds a dialogue which exclusively focuses on sustainability is not envisaged.

### **3.2 | Net Zero Asset Managers Initiative (NZAM)**

The Net Zero Asset Managers Initiative (NZAM) is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner in line with global efforts to limit global warming to 1.5 degrees Celsius, and to contribute to investments that target net zero emissions by 2050 or sooner.

Raiffeisen KAG became the first Austrian asset manager to join this initiative in December 2022 and has committed itself to the following goals by joining:

Starting with a portfolio of equities and corporate bonds at the end of 2019, the emissions intensity will be reduced by at least 25% by 2025. By the end of 2030, the emission intensity will be reduced by at least 50 % and by 2050, a commitment has been made to convert the portfolio to net zero greenhouse gas emissions.

Raiffeisen KAG is also committed to engage with the 20 largest greenhouse gas emitters in its portfolio. The aim is to encourage the companies to significantly reduce their greenhouse gas emissions in the medium and long term. These short-, medium- and long-term reduction targets of



the companies are addressed and defined in the commitment process and documented and monitored by Raiffeisen KAG.



Our detailed climate strategy can be found at [raiffeisenfonds.at](https://raiffeisenfonds.at) or [rcminternational.com](https://rcminternational.com) under „Our topics/Sustainability/Policies & Reports“.

### 3.3 | Principal Adverse Impacts

The Art. 4 of the Sustainable Finance Disclosure Regulation (SFDR) provides that financial market participants shall publish on their website a statement on due diligence strategies in relation to these impacts, given their size, the nature and scope of their activities and the types of financial products they provide, when considering the Principal Adverse Impacts of investment decisions on sustainability factors (hereinafter also "Principal Adverse Impacts", "PAIs"). Raiffeisen KAG has committed itself to this within the framework of the so-called Articles 3 and 4 of the Sustainable Finance Disclosure Regulation ("ESG Policy"). Sustainability factors are understood to mean environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. Adverse impacts on sustainability factors describe the impact of the investment on the outside, while sustainability risks from the outside (potentially) have a negative impact on the value of the investment.

Within the framework of the integrative sustainability concept, the engagement policy, which integrates sustainability risks and negative impacts on sustainability factors and aims to mitigate or avoid them, is taken into account. The engagement policy comprises the engagement process, which on the one hand represents the active dialog with the company or issuer. On the other hand, it includes the exercise of voting rights, which can be carried out individually or collectively via collaborations.

The engagement process for companies in portfolios where negative sustainability impacts have been identified is carried out in several stages. The aim is to actively participate in the Annual General Meeting (AGM), with specific addressing of the respective sustainability factor (PAI). With the help of collaborative engagement via platforms or direct contacts with the respective companies, the PAIs are specifically addressed.

The identification of the target company for the engagement is based on data from research agencies with which Raiffeisen KAG has been working for many years. This is followed by a definition of quantitative and qualitative targets that can map the progress of the engagement. Then the company is contacted individually or together with other investors in form of a collaborative engagement. If the targeted company does not respond, a reminder letter is sent, usually to a higher level of management than before.

In all forms of engagement, targets or, where appropriate, intermediate targets are formulated, and their achievement is monitored and documented. If these targets are not met, the final escalation stage can be disinvestment.



You can find our policy considering the main adverse impacts on sustainability factors at [raiffeisenfonds.at](https://raiffeisenfonds.at) or [rcminternational.com](https://rcminternational.com) under „Our topics/Sustainability/Policies & Reports“.



## 4 | Exercising voting rights

### 4.1 | Voting process

As a management company, Raiffeisen KAG is responsible for developing strategies relating to the exercise of voting rights. Key corporate law measures are pursued in relation to investee companies, while voting rights are exercised in the best interests of the fund in question and in accordance with its investment goals and investment policy.

Voting rights are exercised either in person at these companies' shareholders' meetings or else via proxy voting. For proxy voting, Raiffeisen KAG has appointed the independent firm IVOX Glass Lewis (IGL) which provides support in Raiffeisen KAG's exercise of its voting rights. IGL offers a series of proxy voting services such as research, analyses and voting recommendations. Raiffeisen KAG makes use of these services but does not make decisions on this basis alone. IGL's input is thus merely of an advisory nature.

Raiffeisen KAG's voting policy stipulates that, for non-Austrian shares, it will only exercise its voting right in case of a significant holding of voting stock in a company. This threshold is 0.5%. In the case of Austrian shares, it has been agreed that Raiffeisen KAG will exercise its voting rights for as many positions as possible contained in Raiffeisen Sustainable AustriaPlus Equities regardless of the volume of shares held. This is in order to demonstrate that Raiffeisen KAG wishes to actively participate in all of the companies in its home market and to actively enter into a discussion with these companies' management.

Within the scope of the proxy voting process, certain restrictions may apply in terms of the exercise of voting rights. Such restrictions include lock-up periods for the shares in question, long-term loaned shares, shareholders' meetings scheduled at short notice or else timing problems and the mandatory requirement of attending shareholders' meetings in person. Raiffeisen KAG will lend securities in exceptional cases only over the period of the Annual General Meeting. In some regions, the voting process may also entail high costs. Here, Raiffeisen KAG implements a cost/benefit analysis on behalf of its investors. It exercises its voting right in line with the "best effort principle".

Where the management of a fund is transferred to a third party, the right to exercise voting rights will normally likewise be transferred to this third party (see Section 4.1.4 below).

#### 4.1.1 | Sustainable investments

For the Raiffeisen sustainability funds, the exercise of voting rights is a key aspect of the investment approach, not least because corporate governance is a cornerstone of the sustainability analysis for these funds. Accordingly, in the case of these funds voting rights are exercised for almost all of their holdings – irrespective of the 0.5% limit.

#### 4.1.2 | Individual asset management (portfolio management)

Unlike in case of management of our investment funds (collective asset management), in case of individual asset management the relevant contracts with clients generally do not expressly authorize Raiffeisen KAG to exercise the voting rights associated with the portfolio's equity holdings. This applies in particular to Raiffeisen portfolio management, where the Raiffeisen banks outsource



portfolio management to Raiffeisen KAG. Accordingly, if Raiffeisen KAG purchases shares for the client's portfolio, Raiffeisen KAG will not exercise the related voting rights. If Raiffeisen KAG purchases fund unit certificates for the client's portfolio, the management company for the fund in question will normally be authorized to exercise the voting rights associated with the equities held within the scope of the fund's assets. In deciding which fund unit certificates to purchase for the client's portfolio, Raiffeisen KAG will also take into consideration an engagement policy published by the fund's management company in relation to the exercise of voting rights. The present engagement policy will apply in case of Raiffeisen KAG funds.

### **4.1.3 | Purchasing of fund unit certificates**

If Raiffeisen KAG purchases fund unit certificates for the fund's portfolio, the management company for the purchased fund will normally be authorized to exercise the voting rights associated with the equities held within the scope of the purchased fund. In deciding which fund unit certificates to purchase for the fund's portfolio, Raiffeisen KAG will also take into consideration an engagement policy published by the fund's management company in relation to the exercise of voting rights. The present engagement policy will apply in case of Raiffeisen KAG funds.

### **4.1.4 | Transfer of fund management**

Where the management of a fund or a segment of a fund is transferred to a third party, the right to exercise voting rights will normally also be transferred to this third party. This third party is likewise required to exercise voting rights in the best interests of the fund and the unit certificate holders in question and in accordance with the investment goals and investment policy of the relevant fund. The third party's engagement policy may differ from this Raiffeisen KAG engagement policy. If the exercise voting rights is not transferred to the third party, Raiffeisen KAG does not exercise the voting rights.

### **4.1.5 | Special features of special funds / large investor funds**

When managing a fund, Raiffeisen KAG acts in the best interests of the fund and, in the case of special funds and large investor funds, is bound by agreements with investors where appropriate. If these agreements stipulate that voting rights should not be exercised for the shares held in the fund, Raiffeisen KAG waives the exercise of voting rights.

## **4.2 | Voting behaviour at shareholders' meeting**

The following guidelines on the exercise of voting rights are intended to ensure that investors' interests are independently safeguarded at shareholders' meetings to the fullest extent possible.

These voting guidelines are based on a transparent and sustainable corporate governance policy and are intended to cover significant issues which are regularly discussed at shareholders' meetings. They are intended to provide for the greatest possible level of flexibility in voting decisions, while also taking into consideration all relevant factors and situations so as to enable individual decision-making on behalf of investors.

These guidelines will be checked to ensure that they are up-to-date immediately as necessary, but at least once a year, and adjusted accordingly.



In the following guidelines, Raiffeisen KAG sets out its voting behaviour in relation to the following issues:

- Shareholder rights
- Annual report and annual financial statements
- Auditor
- Board of directors, supervisory board
- Corporate actions
- Mergers and acquisitions

### **4.2.1 | Shareholder rights**

Raiffeisen KAG is committed to uniform voting rights according to the "one share, one vote" principle. It rejects multiple voting rights for certain groups of investors as well as unit classes with limited voting rights and promotes the equal treatment of all shareholders. Any measures that limit the rights of shareholders will be strictly rejected.

### **4.2.2 | Annual report and annual financial statements**

A company's reporting should provide the greatest possible transparency about this company's business situation. If Raiffeisen KAG believes that the applicable accounting regulations have not been complied with or have been insufficiently considered, Raiffeisen KAG will abstain from voting or, if necessary, vote against the motion in question.

### **4.2.3 | Auditors**

Auditors must objectively audit the annual financial statements and must therefore be independent of the company they are auditing. If it has reasonable doubts about the auditor's independence, Raiffeisen KAG will vote against its appointment.

### **4.2.4 | Board of directors/supervisory board**

Raiffeisen KAG will endorse the appointment of supervisory board members who distinguish themselves through particular professional qualifications and impartiality.

#### **Supervisory board remuneration**

Raiffeisen KAG will support remuneration for supervisory board members which is in line with their tasks and the company's position.

For companies with board systems that do not clearly distinguish between the companies' management and control, Raiffeisen KAG supports remuneration models that are linked to the long-term positive development of the company.

#### **Board of directors remuneration**

Within the scope of its voting on remuneration policies and remuneration reports, Raiffeisen KAG will support the business strategy, objectives, values and long-term interests of the investee company.



### **Granting discharge**

Raiffeisen KAG will vote against granting discharge to the board of directors and/or supervisory board in some cases, such as the following:

- In case of significant doubts about the performance of the board of directors and/or supervisory board, for example a recurrent poor business performance when compared to the industry as a whole.
- Misconduct on the part of the board of directors and/or supervisory board which has legal consequences.

### **4.2.5 | Capital increase**

Raiffeisen KAG will approve increases in capital if this improves the company's long-term prospects of success.

### **Equity redemption programs**

Raiffeisen KAG will approve the request to implement such programs in any cases where redemption is in the best interests of the shareholders and fund investors. Raiffeisen KAG will vote against such programs if redemption serves as a defensive measure or if the program is an attempt to consolidate the management's position.

### **4.2.6 | Mergers and acquisitions**

Raiffeisen KAG will decide on mergers and acquisitions on a case-by-case basis. The fair and equal treatment of the shareholders is a precondition for a merger/acquisition. In general, Raiffeisen KAG will vote in favour of mergers and acquisitions, if

- the purchase price offered represents the fair market value or if it is likely that a higher price cannot be reached,
- added value is apparent, e.g. through increased efficiency,
- a strategy promising long-term success is apparent.

### **Exercising voting rights in accordance with the investment objectives and the investment policy of the portfolio of assets**

Raiffeisen KAG exercises its voting right while also taking into account the investment goals and criteria of the portfolio of assets. For example, when exercising its voting right, the ethical, social, and/or environmental criteria will also be taken into consideration with regard to a sustainability fund.

## **5 | Cooperation with other stakeholders**

In 2013, Raiffeisen KAG was one of the first Austrian asset management companies to sign up to the United Nations' "Principles for Responsible Investment" (PRI) and has thus undertaken, inter alia, to cooperate with other shareholders in order to ensure more effective fulfilment of these principles. The "PRI Collaboration Platform", a platform for collective engagement, represents one potential form of cooperation. The goal of these collective engagement activities is to initiate a rethinking process on the part of the companies targeted, to achieve greater transparency and, ideally, also to achieve actual changes in companies' behaviour.

## 6 | Communication with stakeholders of the investee companies

As outlined in Section 3, Raiffeisen KAG enters into dialogues with various representatives of investee companies in order to obtain a more accurate picture of companies' financial position as well as sustainability issues within these companies. Dialogues with companies may be pursued through direct or indirect contact, company visits, conferences and conference calls.

In the area of sustainability, Raiffeisen KAG also attends so-called "stakeholder forums" which provide an excellent platform for a dialogue with stakeholders such as suppliers, clients, employees, representatives of authorities and other investors.

Beyond the scope of these activities, no further communication will take place with stakeholders of the investee companies.

## 7 | Conflicts of interest

Raiffeisen KAG aims to prevent conflicts of interest arising in connection with its engagement or else to resolve or settle these in the interests of its investors (e.g. a conflict between it and a directly or indirectly controlled affiliate which arises due to its voting behaviour). Raiffeisen KAG will publish all of the relevant information in its conflict of interest policy, which is available for download at [www.rcm.at](http://www.rcm.at) or [www.rcm-international.com](http://www.rcm-international.com).

## 8 | Documentation

A detailed engagement report will be published once a year and will include all of the relevant activities in the past year. This report is available for download [www.rcm.at](http://www.rcm.at) or [www.rcminternational.com](http://www.rcminternational.com).

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