

## Heimo Scheuch Podcast – Episode 23

Transcript

ESG with Klaus Umek

October 2022

### **HEIMO SCHEUCH:**

Welcome to my podcast! I'm Heimo Scheuch, the CEO of Wienerberger and today I have a special guest: Klaus Umek. A senior investor not only in Austria but also especially in London, by the way. And Klaus, I'm glad to have you here at Wienerberger's Head office.

### **KLAUS UMEK:**

Thanks for having us, hello!

### **HEIMO SCHEUCH:**

Klaus you know Wienerberger for a long time, don't you?

### **KLAUS UMEK:**

Ah yes, I started my career as an investment banker at Goldman Sachs and one of my first transactions was Wienerberger Koramic which was how you guys in the previous management got into Benelux. And also in the roofing tiles, by the way, not only facing bricks but then later rooftiles. So a very critical transaction for us to diversify our business and to make us a stronger European player. That makes me feel old cause this is 25 years ago.

### **HEIMO SCHEUCH:**

You're still young.

### **KLAUS UMEK:**

I'm trying... But still invested in Wienerberger! Still invested in Wienerberger and I'm actually quite proud of what you guys have been able to achieve.

### **HEIMO SCHEUCH:**

I think for you as an investor, ESG plays an important role. Do you think that we in Europe overdo certain things when it comes to ESG or are you happy with the regulation foresees for all of us?

### **KLAUS UMEK:**

I'm a weird man and I generally believe regulation is very good, because I think those who think they can do without regulation will always face, you know, the public gold and whoever. So you're never going to be without anyone that tells you what to do. I think as long as it's intelligent it will mean that you think, you reflect, you will be more intelligent about your choices and I think ESG is at the core of what Europe is very good at and how we differentiate from other economies like especially the United States or Middle East where people just do ignore certain topics that we find important. And to me there is no inherent conflict between someone who's very frugal, and saves, and, you know, makes sure that stuff is efficient - which is a very Germanic thing historically - and someone who's very ecologically driven, wants things to be clean and safe, and not too much wasting space. It's to me the same. If someone as a socialist as it has to be fair you, cannot treat people badly. In the end a capitalist would say if it is smart, it is profitable and then it's fair, and then it is green, and then it is thought through, and most cases it is frugal. So I think ESG is an important driver for our economies going forward.

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### HEIMO SCHEUCH:

Well, I can only confirm, you know that, and you are very well aware, at Wienerberger we have focused a lot on this and, especially when you talk about our values: Respect and Trust are very important ones and we live it in our company for more than 19.000 people and also with our stakeholders and good communication is also from a perspective of shareholder and company very important, and I appreciate that you accompany us in this sort of transition to a very sort of top-notch ESG-based company. You have seen that we have been awarded a couple of days ago by EcoVadis, so a top-notch sort of result from from the perspective of ESG.

### KLAUS UMEK:

Congratulations!

### HEIMO SCHEUCH:

And I hope you appreciate that.

### KLAUS UMEK:

And yes ... I can now confirm it pays off. And even in the US, by the way, which takes a different perspective from ESG, but I would say also an interesting one. I think it just always gives you a reason to focus on something because if times are bad, people are looking for an anchor, right? They don't really know what to do so you can check your numbers, you can check whether everyone is happy, whether you are doing the right things and ESG is such a such a revisiting factor where you say okay, well, "Are we doing well? Could we do better?" And I mean, we all sat here during Covid, I came to visit you and it was very, you know, empty office. And then of course as a manager you think "Oh my God we just moved into a new office. Was this the right decision?" Right? And in times like this, it sounds weird, but you have doubt; you feel the environment is blowing in your face - which of course it is always only very temporarily because you guys have always come out with dynamic ideas and then entrepreneurship very fast - and it's in times like this to say "Okay, how do people do? Are they happy? What can we do for them? How can we retain them? They're now sitting at home. If they don't have a palatial home, they might have an issue." Right? And you were the first to say "Hey, anyone who wants to come, come! Let's separate." All these things are very smart and I think in the end that is ESG, right? Because S is social, you know, it has to deal with how we deal with society. Whether we care for our employees, whether we have employee participation, you have a very smart incentive program - to me again purely capitalist - but it is ESG because people are happy, they have a stake, we are invested in a number of companies where people generate substantial extra wealth because the company does well and they have stock in the company and that makes them happy and that's S amongst many other things obviously sponsorship caring for those who are not as fortunate as we are. Which Wienerberger has at the core of its value set. I think it's extremely important that we give a bid away. I always joke that you're in a very nice part of town but very few people have that luxury. Some are in like a beautiful office silo and around them you have all these communal flats that are a bit run down 1950s and they just you know have to step out and see what's going on really in the city. Very few people do that. So, again, I think you guys are doing really well in understanding this.

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### **HEIMO SCHEUCH:**

No, thank you and I think also when I talk with, especially our young generation, what matters most for them is the purpose that we obviously as a company serve a good purpose in helping people to create affordable living space, on one side, but also do something good for the nature: biodiversity, saving energy, and obviously effectively fighting against climate change. So these are things that matter at Wienerberger.

There's one personal question that I wanted to ask you today: How is it for you as a professional investor in these periods of continuous crisis? You wake up in the morning and the whole good news that hits you every morning from the US, from Asia, from Europe. How do you deal with this?

### **KLAUS UMEK:**

I would think that the history book will be written about a period and it will of course mention Covid, and it will mention the war, and it will mention climate change that is becoming ever more apparent especially for all those of us who like to ski where it's ever later that we can start and ever more artificial in the the beginning with the snow. That's all going to feature but I don't think that, that will be the headlines as much as we think right now. I think what the headline will be is the speed with which information travels and really for the last 10 years the prevalence of you know, mobile applications, social media, and obviously the percentage of people who have a smartphone has gone to you know in cities to like 90 percent, and so everyone on their way to shaving or brushing their teeth is already bombarded with you know pre-selected articles that confirm the view. So that means that you and I will be reading Bloomberg and Financial Times and things that seem to want to worry us all the time, about economics, about trends, about the economic growth, inflation and Joe average will have a stupid Facebook algorithm that will tell him that if he's worried about immigration he wakes up getting five articles about how the next wave of both refugees has just landed illegally in whatever place. And the guy who's very worried about ecology will hear about the treatment of women in Iran and we'll hear ... they just will be confirmed in their worry. I don't think that that's very healthy, because, you know it, it is visible in how, how kids are unhappy right now because they had lockdowns and they missed out years and now they are bombarded with this negative wave of information. I'm positive about the world I think we're getting richer, we're living longer, we're healthier, people care about their weight, sport has never been as important, food has never been as good choice. I mean we are in a part of the world here in your headquarters that wasn't really known as a place to enjoy a good meal - that has changed. I mean within five minutes walk we can have a poke bowl and a sushi and whatever it is that we please. So the world does get better every day and and we've made considerable amounts of money just staying focused on what the real trend is and not being told that we're all swamped by the wrong people and all unemployed and all dead from Covid because it turned out to be just nonsense.

### **HEIMO SCHEUCH:**

So but basically you are saying that you yourself make up your own mind and make up your own opinion about things and you need to fight this stem media that obviously provides us with a lot of awful news?

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### **KLAUS UMEK:**

I think it's the damn algorithm, not so much the media, because at the same time independent media is shrinking at a pace that worries me. Independent journalism is dying out people copy press releases. That's the sort of stuff you get from some of the best newspapers in this country, and, you know, when we were kids we would read about the Nicaragua Contra Civil War, right? I mean, these days kids would read the newspaper which, of course, unfortunately they do not but they wouldn't even know when Nicaragua is on the map, yeah. Because no one writes about any intelligent articles about the European business let alone things in emerging markets, yeah. I think it's extremely important that we read, that we you know focus and concentrate and take a book. Which is tough, we all know that the first 30 pages you're like "Well, do I really want this?" right? I'm very old school. I read literature, I read factual information about economic trends, about finance, about sociology, about science, right? And that's very helpful because it gives us something to do away from our smartphones. And, yes. I mean, we make money by trying to determine what the trend is and then if we're right you know we will be so much more profitable in the market, yeah.

### **HEIMO SCHEUCH:**

Klaus, let's go back a little bit to financial markets and both of us, I know from experience, you also are a convinced Austrian and you love Austria and Vienna especially. Our financial market is very small. You know, we discuss a lot about the stock exchange here and the activity. There are some things that you miss when you when you talk about Austria and the Austrian Financial market and the attitude that you sort of see really as a major weakness that we have currently?

### **KLAUS UMEK:**

I think it's down to the ability or inability for the last 20 years to find the new young people that have an interest. So when you look around and you know and I know this from our general meetings or so it's kind of a pensioner's home - people are very gray - so those who participate are well past the peak of their careers and there just seem to be too few young people interested. The young people we have are are punting around Bitcoin, are interested in trading US Dollar on flat tax, they trade Amazon, they're losing all their money on Tesla. So, I mean, people have unfortunately did ... people did come out, but they didn't do enough to do things locally and that has to do with how politicians have portrayed the whole thing and it started with the Faymann government that just wanted to soak the rich and take it away and tax and increase taxation on stock transactions and everything they did was just intent on making sure that this is less of a pleasure, less profitable, and that you would walk around the street feeling guilty. Now they've been very successful. I think people sometimes feel very guilty. They feel very oblivious. They feel cool talking in the restaurant about or the golf club or the tennis club, about owning a Tesla and losing all the money with it, which they will never admit. But they would never feel that it's cool to own Uniqa or Wienerberger which I think is what they should do, ja? I think Vienna has always been a financial center. A great percentage of the smart people in this town are bankers, lawyers, transaction people, and you know, most of our industrialists are traders, right? They trade, you know, building sites, they trade wood pulp, everything. So you know they call themselves industrialists but they really buy stuff and sell at a higher price. But that's not the tone. So it's not yet cool at this point to be. Because you're like a speculator, right? That's

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something bad. I think it's nonsense. I'm testament to how well we can do by just sticking to what we're good at, yeah, and not let anyone spoil that for us and I firmly believe that stock markets are local, yeah. I think that Wienerberger is a global company but its heart is here, its name is very Austrian, and you'd be feeling very lonely in a stock exchange like London because no one cares, right, unless you're 35 billion - at which point you are too big to ignore - but I think for anyone that is a dynamic mid-sized company, a local market is where you should be. And I look at places like Belgium, Finland, Sweden, that all have extremely dynamic capital markets. Again, my contrarian views it's just a matter of time, yeah. Mind you, we had like one significant company come to market which was Bawag There were others but, I mean, Bawag was the most significant. It is by far the most interesting story in financials in Europe, so testament to my view that we have financial people, we have banking people, we have transaction people. And, you know, over the last five years, we'd like to forget some of the stuff that listed in Germany and we certainly want to forget all the gold miners and gold diggers in London that listed. So, you know, I think we shouldn't feel ashamed. It's pretty contrarian there are not many people who do it but I like it, yeah.

### HEIMO SCHEUCH:

No, and you mentioned also some smaller markets like Belgium, but also like the Nordics and I think when we talk about especially the Norwegian one, the Finnish one, and especially the Swedish one, I think what we can learn from them and the culture is transparency: I think this is a good corporate governance and I think you always put a lot of emphasis in your discussions with companies on it and I think in Austria we need a certainly a step up in this respect. And also, from the state, I think from our perspective that you know, from the Vienna Stock Exchange, that the professional investment fund, the state one, that would run the participation like a Norwegian fund, for example, giving it a more transparent approach would help tremendously the financial community here.

### KLAUS UMEK:

Yes, I think that we are faced with a group of people in a lot of institutions that are very inwardly focused. That have the same circle of advisors and friends and influencers and that is just not market. And I hate to say it is very provincial and that doesn't do us good, yeah. You look at who the people are on the boards and how they still, you know, pertain to being like a circle. And this is not something that I always want to tell people, Austria can improve but so can any other nation in the world. I mean, same thing in Germany, right? It doesn't... you have these professional supervisory board cliques and they have never done anything good to any of the companies. I find it important. I look at Wienerberger, how it has become very International, how it has become very focused on diversity, you know, it's imperative that we have people that have a different horizon and not just guys that meet at the same restaurant and they go to the same hunting party and that do all the same things with all the same jokes. It just really means that you come in as a CEO and you're so focused on what to wear for the evening and have, you know, addressed the guy with his right title on the invite. Which we've known has already been very bad for Austria when the dude who did this in Sarajevo cared more about the wine than the right car and protection for our Empress next in kin, right? So, I think we have a history of being too focused on the wrong things and we should just always, you know, pull ourselves together and be real.

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### **HEIMO SCHEUCH:**

But they're good examples that we are able to do that and let's finish not on a typical Austrian sort of negative note but the positive one. No, it's not so bad, I think. And if you look at Wienerberger, where you are heavily invested, I think we've made a big step ahead this year. We are nearly approaching the 5 billion turnover. I think, yeah, I've remembered the discussions ..

Also approaching the - Also, I'm coming to that, yes, indeed. And I remember the discussions with you about the growth, about the focus and I'm actually a strong believer that this sort of good conversation, constructive dialogue is very important for every company and I appreciate it highly and this year, as you correctly say, we will also approach the billion EBITDA. So it's on good track and I look forward, obviously, to the good corporation. Thank you for being here and talking with us.

### **KLAUS UMEK:**

Thank you! Keep doing well.

### **HEIMO SCHEUCH:**

Thank you.

### **KLAUS UMEK:**

Thank you.