Raiffeisen Capital Management

Make it happen

Strategy **sustainability**

Declaration on Articles 3 and 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

05/2024

Sustainability Policy for investment funds, portfolio management, and investment advising by Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
(including the declaration on the consideration of principal adverse impacts on sustainability factors in the course of investment advising)

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

Content

1. Vision and strategy

We create lasting value for the future

Raiffeisen KAG is embedded in the sustainability strategy of RBI Group (Raiffeisen Bank International AG) as an asset manager of this group. For us, sustainability means responsible corporate action for long-term business success, in harmony with environmental and social goals. Sustainability is a core component of our business policy. Our actions are based on the commitment to being a responsible fund manager, fair partner, and good corporate citizen.

We integrate the topic of sustainability at all levels:
- in the (further) development of products,
- in all areas of the investment process,
- in the ongoing development of our enterprise.

1.1. Climate strategy

One of the dominant topics of our day and age is climate change, a global challenge that knows no national borders. In its climate strategy[1], Raiffeisen KAG has committed to reduction goals for greenhouse gas emissions for the timeframes 2025, 2030, and 2050 in relation to the equities holdings and corporate bonds managed in Raiffeisen KAG's retail funds.

2. Overview and scope

The Sustainability Policy of Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (Raiffeisen KAG) summarises the key principles in the context of sustainability which are anchored at the core of the corporate strategy. The Policy first addresses the consideration of sustainability risks, which is applied within the framework of the investment process as well as in the internal limit system and the performance and risk reporting. Following this, the investment process and related topics are discussed: Sustainability is incorporated at numerous levels in the investment process, in the course of which traditional financial analysis is combined with ESG[2] analysis, as reflected in the so-called Green Path at Raiffeisen KAG. The company is committed to the comprehensive consideration of the principal adverse impacts on sustainability factors within the framework of the investment process for retail funds which

1 | A detailed presentation of our climate strategy in English langauge can be found on our website www.rcm-international.com under "Our topics/Sustainability/Policies &Reports".
2 | ESG stands for environment (E), social (S) and governance (G).

are managed in accordance with sustainability aspects. Additionally, this Policy also explains the engagement policy and process at Raiffeisen KAG, which forms an important component of sustainable investment.

The Sustainability Policy also covers topics that are primarily relevant at entity level. Our memberships and activities within the framework of national and international initiatives on sustainability are presented as well. Furthermore, the consideration of sustainability risks and the principal adverse impacts on sustainability factors in the investment advising of Raiffeisen KAG are disclosed. In conclusion, organisational topics are addressed.

This Sustainability Policy applies to the entire range of retail funds offered by Raiffeisen KAG. In the management of special purpose funds, any agreements concluded with the investor are taken into consideration. Further criteria, detailed sustainability analyses, shareholder engagement/corporate dialogue, and voting/exercise of voting rights as well as measures for integration and theme-specific strategies are applied for ESG funds in addition to the basic sustainability framework.

In the event that fund management is outsourced to delegated managers, the measures described in relation to sustainability risks (chapter 3) are only applied to a limited degree. Compliance with the statutory requirements on sustainability risks by the delegated managers is reviewed by Raiffeisen KAG in the due diligence process which is conducted prior to outsourcing and then regularly thereafter.

The sustainability aspects described in this policy (chapter 4) are depicted from the perspective of Raiffeisen KAG's fund management. Details can be found in the relevant fund documentation (Annex "Environmental and/or Social Characteristics" and possibly the Annex "Sustainable Investment Objective" to the prospectus or the Information for Investors pursuant to § 21 AIFMG).

For institutional clients, Raiffeisen KAG also offers individual asset management services in certain cases. In these cases, any agreements concluded with the investor are taken into consideration.

3. Sustainability risks

3.1. Definition

Sustainability risks mean events or conditions related to environmental, social, and corporate governance issues, the occurrence of which may have actual or potentially material impacts on the value of an investment. Significant aspects are the related environmental and reputational risks for companies and issuers (e.g. product boycotts due to violations of labour rights). In typological terms, we do not view sustainability risks as a stand-alone risk category, as they manifest in the form of market risk, liquidity risk, counterparty risk, operational risk, or other forms of conventional risks. The specific nature of sustainability risks is related to a trigger that can be linked to environmental, social, and corporate governance issues, the occurrence of which may have actual or potentially significant negative impacts on the value of an investment.

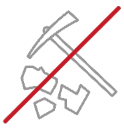
3.2. Strategy for the inclusion of sustainability risks in the investment decision

Avoiding controversial business areas and practices is based on the ethical premise of avoiding participation in bad things and is the first step towards responsible investment. The focus is on influencing opinion and ethical positioning, as well as avoiding reputational risks.

Despite the focus of current EU-level sustainability initiatives on the topic of climate risks (climate change), in relation to the general management of sustainability risks it is crucial to establish a broader basis and to take into consideration all risk aspects with regard to environmental, social, and corporate governance (ESG) issues to a suitable degree.

3.2.1. Company-wide negative criteria

Raiffeisen KAG applies the following company-wide negative criteria:



COAL

In several development steps, Raiffeisen KAG is excluding investments in companies and countries that are active in the field of coal.

The main reason behind the massive criticism of coal in connection with climate change is the fact that it is essentially made up of carbon. As a result, the combustion of coal leads to relatively high CO_2 emissions. It also generates emissions of other pollutants including sulphur dioxide, nitrogen oxides, and fine particulates. The environmental damage caused by the surface mining of lignite coal can only be repaired through extensive land rehabilitation efforts.

Raiffeisen KAG intends to systematically exit the financing of the coal industry by 2030, with milestones to be achieved by 2025. Raiffeisen KAG's Coal Policy covers all investable enterprises active in the fields of coal mining, processing, combustion (production of electrical or thermal energy), transport, and other infrastructure. The phase-out target that Raiffeisen KAG has set is closely linked to the international objectives of the Paris Climate Agreement, namely, to limit global warming to 1.5°C.[3]

3 | One of the key goals of international climate policy is to limit global warming to below two degrees centigrade compared to the pre-industrial level.

Given that few investable enterprises (i.e. stock corporations, large-scale companies) are exclusively active in coal production or coal power generation, and often operate as conglomerates or, for example, (major) electricity producers, strict criteria were selected for the Coal Policy, which exclude any planned expansion of coal-related activities in the future

and also, gradually reduce the maximum share of coal-based revenues of the investee companies. This will ensure a comprehensive exclusion of coal financing by 2025.

Development pathway:
Raiffeisen KAG intends to significantly reduce its investments in coal immediately and over the coming years. To this end, a development pathway until 2030 was formulated, which envisages a multi-step withdrawal. The underlying revenue thresholds can be found in the Coal Policy.

Scope of exclusion:
Within the framework of the three-step exit pathway, as a first step Raiffeisen KAG excludes companies that are strongly involved in the coal business.

At the corporate level, the exit pathway covers the defined actors listed below:

- Companies, that are directly involved:
  - Coal mining
  - Coal-fired power plants
  - Coal combustion

- Companies, that are indirectly involved:
  - Transport infrastructure
  - Companies whose activities (share of revenue) are generated in the coal sector to a significant degree (e.g., construction companies that build coal-fired power plants)

By 2030, the revenue ratios will be reduced in the direction of complete exclusion, and the sovereign level will also be included.

All of the retail funds and portfolios managed by Raiffeisen KAG are affected by this obligation; in this regard, there is differentiation by inclusion in the product portfolio (entire range of funds or sustainable funds) and by the position of the investee company in the coal value chain. Coal mining is completely excluded for ESG funds. With regard to the delivery and processing of coal, revenue thresholds will be applied which will fall to zero by 2030. For the rest of the coal product range, exit is scheduled to occur by 2030 (see the exit pathway described in the Coal Policy).

In the selection of investment funds that are managed by other asset management companies, it will be complied with as best as possible. In the management of special purpose funds by Raiffeisen KAG, this obligation will be complied with as possible, taking into consideration any agreements concluded with the investor.

CONTROVERSIAL WEAPONS

Raiffeisen KAG excludes investments in companies that are active in the field of controversial weapons.

The specific definitions of controversial weapons are set forth in international conventions. These include the Convention on Cluster Munitions (2008), the Anti-Personnel Landmines Convention (1997), the Nuclear Non-Proliferation Treaty (1968), as well as the Biological Weapons Convention (1972) and the Chemical Weapons Convention (1993).

Based on these treaties and in close cooperation with external advisors, Raiffeisen KAG reviews companies in relation to their involvement in the following areas:

- Cluster munitions,
- Chemical or biological weapons,
- Uranium munitions,
- Nuclear weapons,
- Landmines, and
- Phosphorus munitions.

Scope of exclusion:
Raiffeisen KAG excludes companies that are active in the production of controversial weapons.

All retail funds and portfolios managed by Raiffeisen KAG are affected by this obligation. In the selection of investment funds that are managed by other asset management companies, it will be complied with as best as possible. In the management of special purpose funds by Raiffeisen KAG, this obligation will be complied with as possible, taking into consideration any agreements concluded with the investor.

FOOD SPECULATION

Raiffeisen KAG excludes investments that allow or support food speculation.

Specifically, the exclusion applies to derivative instruments in the agricultural sector. Key types of excluded futures involve:

- Cereals,
- Meat,
- So-called soft-commodities; these are exchange-traded basic foodstuffs such as maize, soy beans, sugar, cacao, and coffee.

This obligation applies to all of Raiffeisen KAG's funds and portfolios. In the selection of investment funds that are managed by other asset management companies, it will be complied with as best as possible.

3.2.2. Process for issuers with reputational risks

The fund management continuously monitors various channels of information such as the media and research agencies to determine whether an investment is threatened by reputational risk. For example, whether a company is involved in a corruption scandal or suspected of balance sheet fraud. Depending on the assessment of the risk, the securities are divested, a corporate dialogue (shareholder engagement process) is initiated, and in severe cases the securities are excluded from certain or even all Raiffeisen KAG's funds.

3.2.3. Selection of funds

In the course of investing in the funds of other asset management companies, their handling of sustainability risks is taken into account. In particular, an assessment is conducted to determine which investments are excluded from the investment universe on the basis of sustainability considerations. In the course of fund selection, a sustainable orientation is the decisive factor in the event of an identical evaluation.

3.3. Risk management

Sustainability risks are comprehensively addressed in our risk management processes. Our approach pursues the goal of transparent, objective, and holistic risk assessment covering the entire investment in securities and various product categories.

Independently of the fund management, the Risk Management Department ensures the identification, measurement, and limitation of sustainability risks, applying established, external sustainability assessments in the form of comprehensive scores for all holdings of equities, bonds, and third-party funds. Additionally, sustainability indicators (e.g. data on CO_2 emissions) are used.

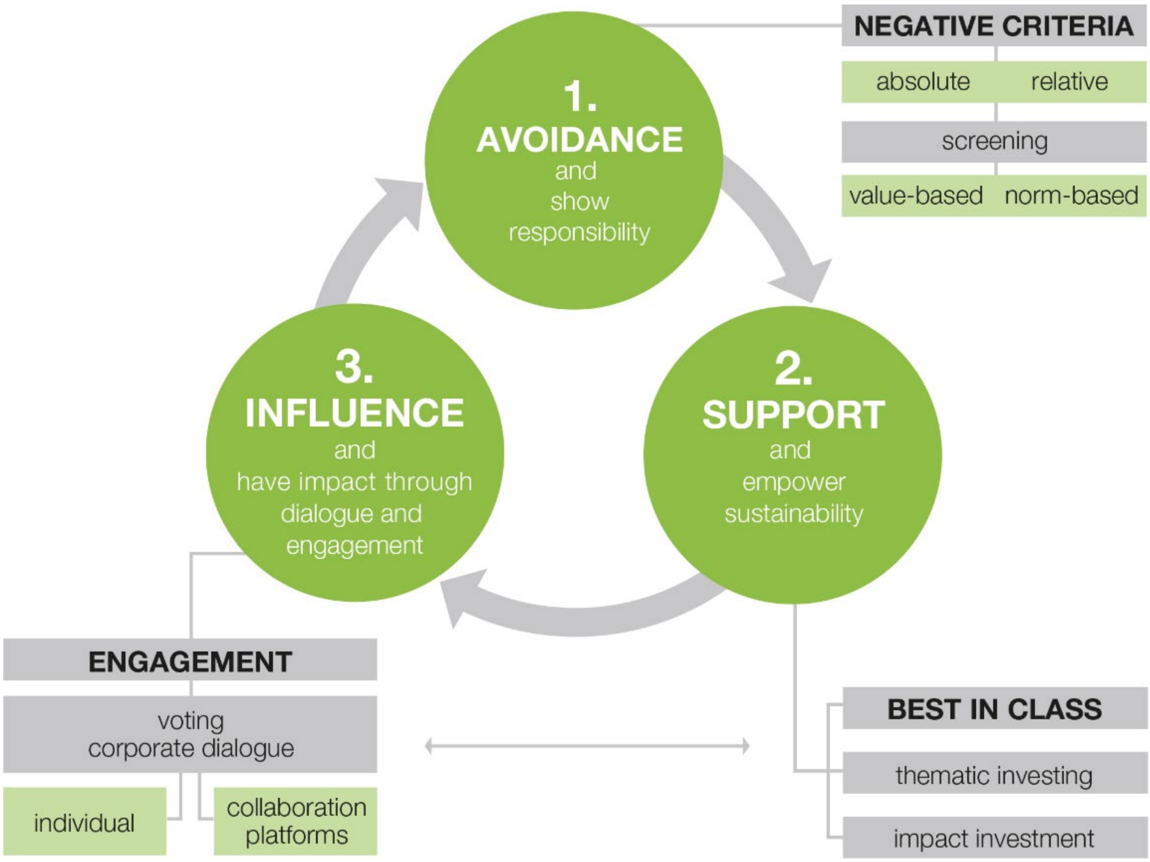
An assessment of sustainability risks is a part of the risk profile of every fund product. Constant monitoring of sustainability risks is ensured using specific limits, which are integral components of the internal limit system. Furthermore, the internal performance and risk reporting is supplemented with indicators on sustainability risks, with the goal of formulating a comprehensive assessment of the overall risk profile of each fund.

4. Sustainability approach in investment decisions

The sustainability approach described below is the standard approach for funds managed by Raiffeisen KAG which are part of the ESG range of products. Individual funds may deviate from this; details can be found in the Annex "Environmental and/or Social Characteristics" and possibly the Annex "Sustainable Investment Objective" to the respective prospectus or respective Information for Investors pursuant to § 21 AIFMG.

4.1. Principles

Sustainability is implemented in the investment process by integrating ESG (environmental, social, and governance) considerations throughout the process. In addition to economic factors, the investment process also integrates environmental and social factors as well as (good) corporate governance. This occurs at various levels.



Practising avoidance and showing responsibility: negative criteria

Avoiding controversial business areas and practices is based on the ethical premise of avoiding participation in bad things and is a starting point on the path towards responsible investment policies. The focus is on a fundamental ethical positioning and on avoiding reputational risks. The main instrument is the exclusion of controversial areas of business, or companies and countries (regional entities) which violate certain pre-defined criteria.

Providing support and promoting sustainability: best-in-class

The next significant level of development can be described as "collaborating for good" and focuses more on integrating ESG research into enterprise analysis and thus into the selection of securities. This approach is also applied accordingly for countries (regional entities) as issuers of debt securities. The thorough integration of ESG research into the investment process (ESG indicators) leads to higher ESG quality and improves the risk profile of the portfolio.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) were developed at the UN Climate Conference in Rio in 2012 and have been in force since 2016. The SDGs were unanimously accepted by 193 countries and are also being implemented by the Austrian federal government. The 17 goals with a total of 169 targets run until 2030 and cover a broad range of sustainability objectives, from fighting poverty and gender equality to ensuring sustained, inclusive, and sustainable economic growth. The SDGs form an important foundation for engaging with companies and issuers from a sustainability perspective.

In our investment process, evaluating the contribution that companies and issuers make to the SDGs is an important aspect when assessing sustainability impacts. Companies and issuers are analysed to determine their SDG-related effects before and during an investment.

Exercising influence and having an impact: engagement

The third level of a holistic sustainability concept is shareholder engagement as an integral component of a responsible, sustainable investment policy. It complements the first two levels described above by supporting change in the sense of having a socio-economic impact by way of influencing the behaviour of companies, organisations, and consumers. The focus is on corporate dialogue and, in particular, on exercising voting rights. These impacts can fall outside the immediate sphere of return or risk targets for a portfolio, but they should not violate these. The vision of the desired "double dividend" can only really be pursued in a credible manner through shareholder engagement.

The interaction of all three elements – avoid, support, and especially influence – forms the basis for the responsible, active management of ESG funds. These elements ensure the consideration of sustainability risks and adverse impacts on sustainability factors, as well as the positive effect of investments in the selection of companies and issuers.

4.2. Consideration of the principal adverse impacts on sustainability factors

Sustainability factors refer to issues such as environmental, social, and employee matters, respect for human rights, and anti-corruption and anti-bribery measures. Adverse impacts on sustainability factors (also known as principal adverse impacts or PAIs) describe the impact of the investment on the external world, while sustainability risks from the external world have a (potentially) negative impact on the value of the investment. The difference between adverse impacts on sustainability factors and sustainability risks is not precise; accordingly, measures to limit sustainability risks generally also reduce adverse impacts on sustainability factors, and vice-versa.

The consideration of the principal adverse sustainability impacts is based among other things on the UN SDGs, the UN Global Compact, the OECD guidelines for corporate governance and multinational enterprises, the Universal Declaration of Human Rights, and other international conventions and standards. Furthermore, the implementation of the PAIs reflects requirements which are related to most of the climate-critical sectors and are oriented to the goals of the Paris Agreement on climate protection.

Raiffeisen KAG is committed to the holistic consideration of the principal adverse impacts on sustainability factors within the framework of the investment process for retail funds which are managed in accordance with sustainability criteria. More details on this are presented below.

4.3. Responsible investment process – the Green Path

Raiffeisen KAG's responsible investment process is based on the end-to-end integration of economic, environmental, and social aspects. This occurs at numerous levels in the investment process, in the course of which traditional financial analysis is combined with ESG analysis.

4.3.1. Selection of corporate securities

Raiffeisen KAG has identified key topics at the investment level: these so-called Future Transformation Topics (Zukunfts-Themen) are ascribed great importance in the internal research and are also incorporated into Raiffeisen KAG's investment process. At present, these topics specifically include the fields of energy, infrastructure, commodities, technology, health care/nutrition/well-being, the circular economy, and mobility. The list of Future Transformation Topics takes into account the major geopolitical and global economic trends and can be expanded at any time. Using internal research, key trends and topics are developed, and ESG ratings, questions, and shareholder engagement themes are formulated. Interdisciplinary, interlinked Future Transformation Topic teams provide a central basis for ESG policies and key information for Fund Management's investment and shareholder engagement process. Additionally, the ESG rating generated in the Future Transformation Topic forms the starting point for the discretionary investment process (see chapter 4.3).

The integration of ESG aspects into Raiffeisen KAG's fund management in the framework of the Green Path is intended to strengthen the consideration of socially responsible investment, in addition to return and risk targets. Sustainability is thus active management.

The starting point of Raiffeisen KAG's integrated approach is an analysis on the basis of internal and external data and information. Internal know-how is based on the proprietary research results from the Future Transformation Topics. Right from the beginning, Raiffeisen KAG's sectoral investment assessments are part of the analysis process. Additionally, positive and negative criteria are taken into consideration. In terms of the underlying external research that is employed, data from two sustainability providers form an important foundation. On the basis of the internal and external ESG data, proprietary Raiffeisen Corporate ESG Indicator is calculated, which represents one of the core decision-making criteria in the investment process for ESG funds. Overall, the corporate ESG indicator is based on three pillars: in addition to the sector assessment and the corporate ESG score, the topic of shareholder engagement forms the third pillar of the indicator.

The **first pillar** of the Raiffeisen corporate ESG indicator is based on the analysis of the Future Transformation Topic teams. They derive scores for sectors and subsectors, which take a sustainability perspective into account and thus provide a sector assessment. A five-part rating scale is used. A five-level rating scale is used.

As a **second pillar** of the investment process, the calculation of the corporate ESG score follows. It includes various ratings from external partners, which incorporate stakeholder assessment, an analysis of ESG risks, a corporate governance analysis, an evaluation of controversial issues, and an analysis of the contribution to the Sustainable Development Goals (SDGs), as well as the assessment based on negative criteria defined by the management company. At this analysis level there is a pre-selection process for the overall investment universe. In consideration of sustainability aspects, no company or issuer in this universe may violate the negative criteria established by Raiffeisen KAG. The negative criteria are subject to constant monitoring and may be amended or adjusted on the basis of new information or developments in the market. The objective of the strict criteria is to avoid controversial business areas and criminal acts, which may result in significant damages to the environment and society, and possibly for the companies as well. Negative criteria may be motivated by environmental considerations (such as the production of oil and gas, coal extraction, and power generation using coal), social aspects (such as the violation of labour rights or human rights), or governance issues (such as corruption or balance sheet fraud). Moral aspects also form the basis for some criteria, such as gambling or pornography.

The Raiffeisen ESG Corporate Indicator[3] is used as the sustainability indicator in the investment process. It corresponds to the sum of the ratings of the security issuers at the fund level. It is measured on a scale from 0 to 100. The assessment also takes into account the relevant sector. As the indicator plays a central role in Raiffeisen KAG's investment process, it is also used as a sustainability indicator for measuring the extent to which the environmental or social characteristics promoted by the fund or its sustainable investment objective are achieved. Reporting[4] occurs annually in the Annex "Environmental and/or Social Characteristics" or in the section "Sustainable Investment Objective" of the relevant annual report, and in the regular publication Investing in Future Transformation (INVESTMENT **ZUKUNFT**) for selected funds.

In terms of the financial aspects, there is no investment in companies or issuers with inadequate financial strength.

4 | The Raiffeisen ESG Indicator is published at fund level. Depending on the product investment class, this may include both the Raiffeisen ESG Corporate Indicator and the Raiffeisen ESG Sovereign Indicator.

The assessment of shareholder engagement forms the **third pillar**. This contains a combination of three dimensions:

1. The intensity and form of shareholder engagement;
2. The communication
   This includes an assessment of the company's willingness to address Raiffeisen KAG's questions, the frequency of communication, as well as prompt and timely responses to these questions;
3. The impacts of shareholder engagement
   This quantifies the implementation of shareholder engagement goals by the company;

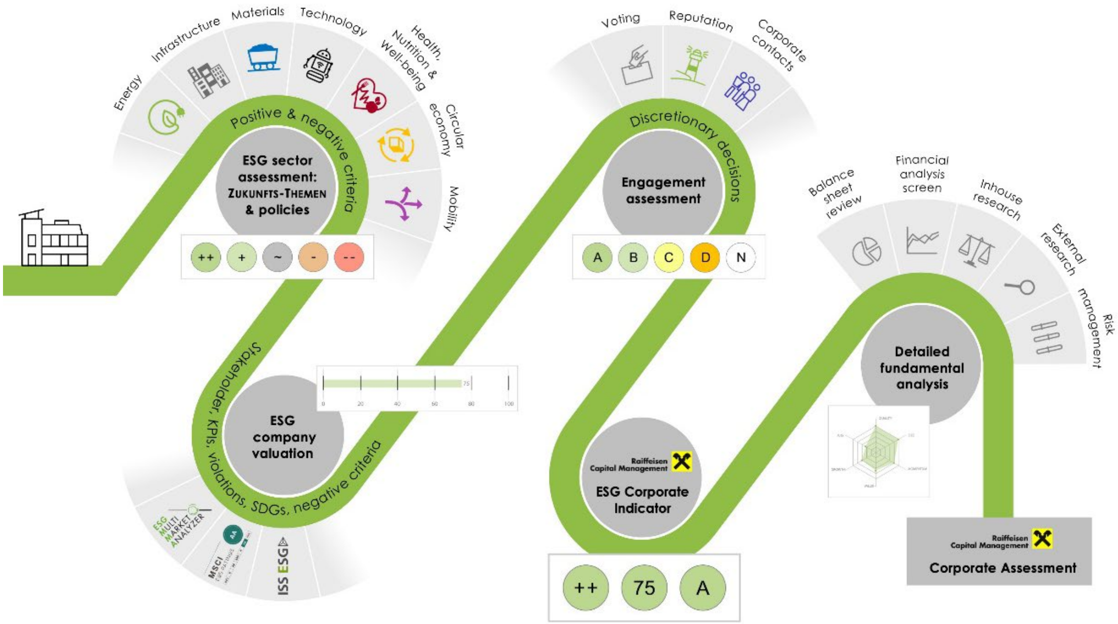
If reputational risks are identified in the shareholder engagement process, the company is excluded from investment. If no shareholder engagement has yet occurred, the company is given a neutral rating.

Consideration of the principal adverse sustainability impacts (PAIs) is incorporated into the three pillars of the investment process described above. This occurs through the use of negative criteria, through the integration of ESG research into the investment process, and in the asset selection (positive criteria). The use of positive criteria includes the absolute and relative assessment of companies regarding stakeholder-related data, e.g. relating to employees, society, suppliers, business ethics, and the environment. In addition, the instrument of shareholder engagement is used in the form of corporate dialogue and especially the exercise of voting rights to reduce adverse sustainability impacts.

For more information, see the policy on the consideration of principal adverse impacts on sustainability factors at product level at rcm.at or rcm-international.com under Our Topics/Sustainability/Policies & Reports.

Good corporate governance, in particular solid management structures, relations with employees, and compensation, is a prerequisite for the selection of companies. In the three pillars described above, good corporate governance is assessed in the investment process based on the application of negative criteria, the integration of ESG research into the investment process (ESG scores) for the evaluation of companies, and ultimately in the asset selection, as well as through continuous monitoring of the governance-related score of the fund in the internal limit system. Governance-related topics are also particularly relevant in the process for issuers of securities which are exposed to reputational risks (see chapter 3 "Sustainability risks").

Based on the above analyses and principles, at the end of the Green Path a broadly diversified portfolio is ultimately constructed from the selected companies and issuers or funds, taking into consideration the comprehensive Raiffeisen ESG indicator, its trend (ESG momentum), and fundamental aspects.



4.3.2. Continuous monitoring of the sustainability universe

The investment universe is updated monthly and constantly amended with internal input sources. Furthermore, the investable sustainability universe is monitored daily using a so-called Impact Monitor by MSCI ESG, with a transparent methodology based on more than 2,500 data sources. The process analyses violations of international conventions and other serious controversies, evaluates company policies, and the management of controversies. The goal is to avoid reputational risks. The standards applied are the UN Global Compact[5], the core conventions of the International Labour Organization[6], and the UN Guiding Principles on Business and Human Rights[7].

The topic areas reviewed cover the Environment, Customers & Stakeholders, Human Rights, Labour Rights & Supply Chain, and Corporate Governance. Current controversies are included in the assessment: depending on the degree of a violation, a company may be immediately excluded from the investable sustainability universe or put on a watch list.

5 | The United Nations Global Compact is a voluntary initiative, in which companies make a commitment to the United Nations in relation to shared sustainability goals. These goals range from human rights and labour rights, environment objectives, to fighting corruption.

6 | The International Labour Organization is a specialised organisation of the United Nations, which promotes the improvement of labour conditions and living standards by establishing international standards.

7 | The United Nations Guiding Principles on Business and Human Rights are guidelines for states and companies, which help to prevent human rights violations.

4.3.3. Selection of government bonds

The Raiffeisen sovereign ESG indicator was developed for the assessment of sovereign issuers. For the calculation, various topics were identified that reflect how sustainably countries conduct themselves in terms of both their laws and their actions towards the environment and their citizens. These topics are represented in the calculation model by so-called factors, with each factor assigned to one of the categories Environment, Social, or Governance and to one of the sub-categories Biodiversity, Climate protection, Resources, Environmental protection, Basic needs, Justice, Human capital, Satisfaction, Institutions, Politics, Finances or Transparency. Data from external research providers are also used as input in the calculations.

The process of asset selection in the case of government bonds includes the consideration of the principal adverse sustainability impacts (PAIs). This occurs through the use of negative criteria, through the integration of ESG research into the investment process, and in the asset selection (positive criteria).

The use of positive criteria includes the absolute and relative assessment of sovereigns regarding sustainable development, represented by factors such as the political system, human rights, social structures, environmental resources, and climate change policy.

The Raiffeisen ESG Sovereign Indicator is used as the sustainability indicator in the investment process. It corresponds to the sum of the ratings of the security issuers at the fund level. It is measured on a scale from 0 to 100. As the indicator plays a central role in Raiffeisen KAG's investment process, it is also used as a sustainability indicator for measuring the extent to which the environmental or social characteristics promoted by the fund or its sustainable investment objective are achieved. Reporting occurs annually in the Annex "Environmental and/or Social Characteristics" or in the section "Sustainable Investment Objective" of the relevant annual report, and in the regular publication Investing in Future Transformation (INVESTMENT **ZUKUNFT**) for selected funds.

4.3.4. Selection of funds

On the one hand, for the selection of investment funds from other management companies, quantitative data such as ESG assessments and information on controversies are incorporated into an internal sustainability indicator, to enable the ranking and analysis of the sustainable investment universe. On the other hand, there is also a qualitative selection process, which includes face-to-face discussions with the managers. The regular asset manager dialogue is deemed to be very important, in order to be able to perceive the partner's sustainability developments. Special emphasis is placed on avoiding food speculation and the definition of negative criteria for investments in coal and controversial weapons have been defined. Despite regular and thorough review, compliance with the negative or positive criteria confirmed by other management companies cannot be guaranteed.

4.3.5. Use of derivatives

The use of derivatives plays a subordinated role in the responsible investment process. Derivatives are mainly used for the management of market risks and efficient portfolio management. Care is taken that the sustainability-related objectives are not impaired by the use of derivatives. In the case of derivatives that are used to hedge risks, the promoted environmental or social characteristics are not taken into consideration.

4.4. Excursus: disclosure pursuant to Art. 8 of the Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation contains special transparency requirements for financial products that consider sustainability criteria or have sustainable investment as their objective (Art. 8 and Art. 9 of the Disclosure Regulation / Regulation (EU) 2019/2088). From the current perspective, the requirements of Article 9 of the Sustainable Finance Disclosure Regulation can only be presented for special products and are thus individualised.

4.4.1. Consideration of environmental and/or social characteristics

The consideration of environmental and/or social characteristics is covered by the responsible investment process (see **chapter 4.3**). In this sense, factors such as climate change, natural capital and biodiversity, pollution and waste, environmental improvement vectors (such as green technologies and renewable energy), human resources, product liability and safety, relationships with interest groups, and social improvement vectors (such as access to health care) are considered to be environmental and social characteristics. Good corporate governance, including business practices and business ethics, is a prerequisite for an investment in every case.

4.4.2. Sustainability pursuant to Art. 2 (17) of the Sustainable Finance Disclosure Regulation

In the following, the approach to identifying sustainable investments pursuant to Art. 2 (17) of the Sustainable Finance Disclosure Regulation for funds that consider sustainability criteria (Article 8 of the Disclosure Regulation / Regulation (EU) 2019/2088) is explained (for information on any minimum share of sustainable investments, see Annex "Environmental and/or Social Characteristics" of the respective prospectus or the respective Information for Investors pursuant to § 21 AIFMG). Taking the entire fund portfolio as a basis, a share of sustainable investments in the statutory sense is reported, which is determined according to the criteria described below. Independently of a minimum share of sustainable investments, the sustainable, responsible investment process and in particular the defined negative criteria are applied.

The investment objectives set forth in the consideration of environmental and/or social characteristics in the investment process, as presented in chapter 4.3., are a prerequisite for this. As another step, the sustainability of an economic activity is assessed on the basis of the proprietory Raiffeisen ESG indicator described in the sections above.

In the case of corporate issuers, the Raiffeisen corporate ESG indicator combines a wide range of data points relating to environmental, social, and governance factors. In addition to sustainability opportunities and risks, the contribution that the business activity makes to sustainable objectives along the entire value chain is examined and transformed into qualitative and quantitative ratings. An important part of this is the sustainability influence of the respective products and/or services (economic activity).

Climate protection bonds, also called green bonds, serve to raise financing for environmental projects. These are categorised as sustainable investments if the issuer is not excluded from investment based on the negative criteria and if they comply with the Green Bond Principles of the International Capital Markets Association or the EU Green Bond Principles.

The financed projects normally fall into the following categories:

- renewable energy
- energy efficiency,
- sustainable waste management,
- sustainable land use,
- clean transport,
- sustainable water management, or
- sustainable buildings.

The project assessment generally includes an evaluation of whether there are material adverse impacts on environmental or social objectives.

The sustainability of government bonds is assessed on the basis of the proprietory Raiffeisen Sovereign ESG Indicator described in the sections above. This indicator combines different sustainability assessments from data providers and an internal assessment: It affords a comprehensive view of environmental (biodiversity, climate change, resources, environmental protection), social (basic needs, justice, human capital, satisfaction), and governance (institutions, political system, finances, and transparency) factors.

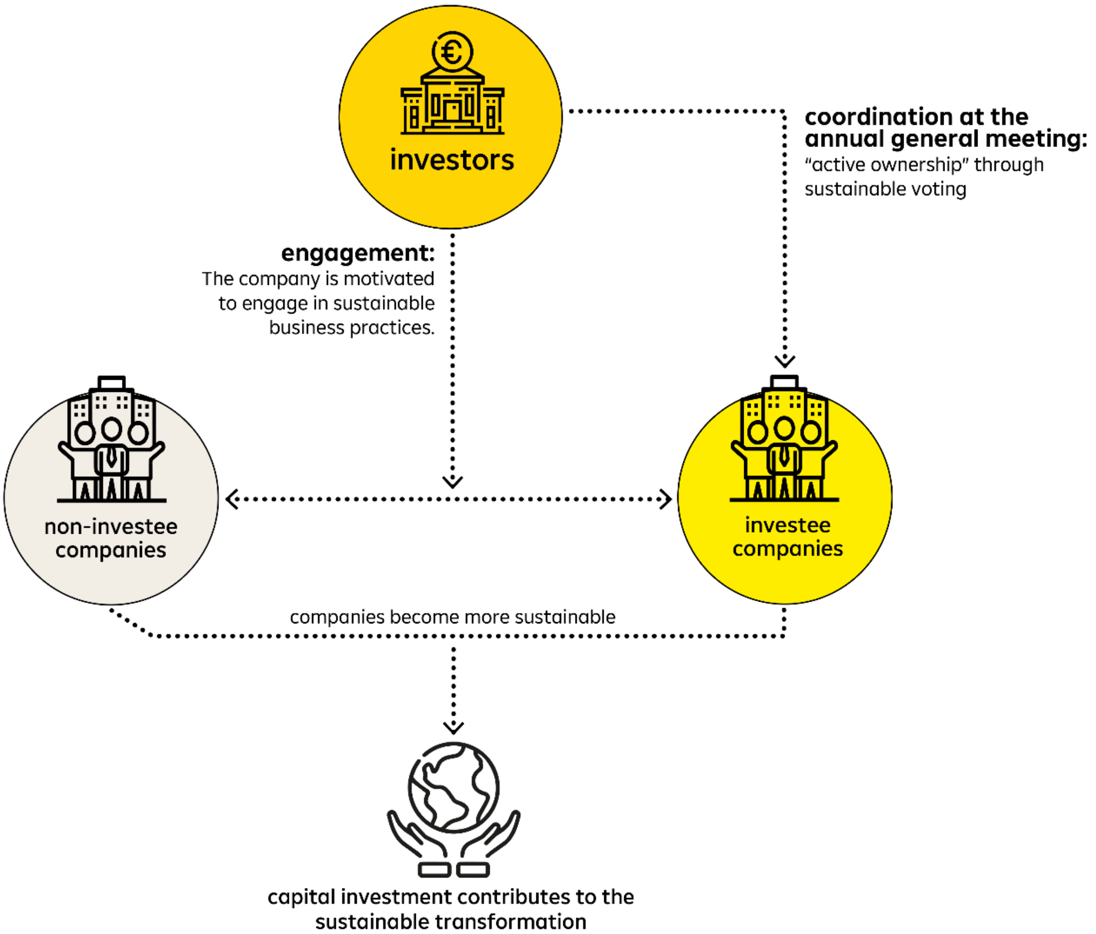
To avoid significant adverse impacts on an environmental or social sustainable investment objective, companies or issuers that violate negative criteria as defined by Raiffeisen KAG for this purpose and relating to environmental and social objectives (such as the extraction and use of coal, labour rights violations, human rights violations, and corruption) do not qualify as a sustainable investment.

Based on the exclusions in effect and the application of the Raiffeisen ESG indicator in the selection of assets, fulfilment of the minimum social safeguards is ensured. The negative criteria are subject to constant monitoring and may be amended or adjusted based on new information and developments in the market.

5. Engagement

As one of Austria's leading asset managers, Raiffeisen KAG is conscious of its fiduciary duty to its customers. As part of this, it actively engages with companies in order to best preserve its customers' interests.

Engagement can serve different purposes. On the one hand, it is used for a more careful assessment of a company's financial situation and development. It provides a look behind the scenes, so to speak. On the other hand, in conjunction with a proactive approach, engagement on ESG issues helps companies move towards improvement in corporate social responsibility (CSR) and sustainability. For the company and ultimately for the owners as well, this improvement should lead to "sustainable" benefits, which are reflected over the long term in better operating results.



In terms of corporate dialogue, Raiffeisen KAG makes a distinction between proactive and responsive engagement. Proactive, constructive dialogue with companies serves to identify potential financial and non-financial opportunities and risks. Whereas addressing current events in a targeted manner via responsive dialogue allows for an accurate assessment of the company in the context of its business environment and potential risks.

The exercise of shareholders' voting rights occurs either directly or indirectly via proxy. Raiffeisen KAG acts according to internal principles which are based on a transparent, sustainable corporate governance policy and cover significant topics that regularly arise at annual general meetings.

6. Memberships and activities

6.1. Code of Conduct of Raiffeisen Bank International AG (RBI)

Raiffeisen KAG is committed to the values of the RBI Group, as set forth in RBI's Code of Conduct, and accordingly the Code of Conduct also forms the basis for all of its activities.

The Code of Conduct of the RBI Group defines the fundamental values and forms the foundation for its lawful and ethically oriented corporate culture. It is binding for all employees of the RBI Group and ensures that the most stringent standards are applied in our social and ethical behaviour, which are based on the following values:

- Customer orientation,
- Professionalism,
- Quality,
- Mutual respect,
- Initiative,
- Teamwork, and
- Integrity.

This also includes good corporate governance.

6.2. Voluntary commitments

Signatory of: PRI Principles for Responsible Investment

The United Nations' **Principles for Responsible Investments** (PRI), consist of six principles for responsible investing. These principles form the core of a voluntary commitment by asset managers, asset owners, and service providers. The goal is to support the signatories in integrating ESG topics into their investment decision-making processes. By doing so, the signatories contribute to a more sustainable global financial system.

On 21 November 2013, Raiffeisen KAG became one of the first Austrian asset management companies to sign the principles and thus commits to the following (where consistent with its fiduciary responsibilities):

1) to incorporate ESG issues into investment analysis and decision-making processes;
2) to be active owners and incorporate ESG issues into its ownership policies and practices;
3) to seek appropriate disclosure on ESG issues by the entities in which it invests;
4) to promote acceptance and implementation of the principles within the investment industry;
5) to work together to enhance its effectiveness in implementing the principles;
6) to report on its activities and progress towards implementing the principles;

The **Net Zero Asset Managers Initiative** (NZAM) is an international group of asset managers committed to supporting the goal of net zero emissions by 2050, in line with global efforts to limit global warming to 1.5 degrees Celsius. NZAM was launched in December 2020 and is part of the Glasgow Financial Alliance for Net Zero (GFANZ) and the United Nations' campaign "Race to Zero". Raiffeisen KAG joined NZAM in December 2022.

The **Montréal Carbon Pledge** was created in 2014 and is supported by the Principles for Responsible Investment (PRI) and United Nations Environment Programme Finance Initiative (UNEP FI). The goal of the Montréal Carbon Pledge is to create more transparency about the CO2 footprint of equity portfolios and to help to reduce this footprint over the long term. By signing the agreement, investors agree to measure their portfolio's carbon footprint annually and to publish the relevant data.

Finance for Biodiversity is an initiative of financial institutions with the objective of stopping the loss of biodiversity and contributing to a responsible use of natural capital. The goal is to protect and restore biodiversity through finance activities and investments, and to heighten the awareness of biodiversity-related risks and opportunities in politics and business. Finance for Biodiversity plays a key role in establishing industry standards to increase the transparency of biodiversity risks and opportunities, to work on setting science-based targets, and to facilitate knowledge transfer within the financial industry. In 2023, Raiffeisen KAG signed the Finance for Biodiversity Pledge and became a member of the Finance for Biodiversity Foundation.

The **Raiffeisen Nachhaltigkeits-Initiative** (RNI) is a platform, service, and representation body for its members' activities in the field of sustainability. Raiffeisen KAG is a founding member.

6.3. Additional memberships and initiatives

The **Carbon Disclosure Project** (CDP) is a non-profit organisation with the goal of having companies and communities publish their environmental data, such as greenhouse gas emissions and water consumption. On behalf of investors, the CDP uses standardised questionnaires to collect voluntary data and information from companies on their CO_2 emissions, climate risks, and reduction goals and strategies once every year. The CDP now manages the largest database of its kind in the world. Raiffeisen KAG is a signatory investor. The data disclosed by companies and the annual CDP reports are available at CDP's website free of charge. Investors supporting CDP also have access to non-public information.

Forum Nachhaltige Geldanlagen (FNG) (Socially Responsible Investment Forum, or FNG) is a professional association for sustainable financial investments in Germany, Austria, Liechtenstein, and Switzerland. Its members include banks, asset management companies, insurers, rating agencies, investment firms, asset managers, financial consultants, and NGOs.

The objectives and responsibilities of FNG are:

- to actively promote the development, transparency, and quality of sustainable financial products,
- to help shape the political, legal, and economic frameworks,
- to demonstrate the positive influence of sustainable investments, and
- to ensure quality control in sustainable investments.

Forum per la Finanza Sostenibile (FFS) is a multi-stakeholder organisation with the goal of promoting socially responsible investments in Italy. Its members include asset managers, banks, insurers, foundations, and NGOs. Raiffeisen KAG has been an active member since 2016.

The objectives and responsibilities of FFS are:

- network development and the exchange of information on the subject of socially responsible investing;
- sharing know-how on socially responsible investments;
- promoting the development of socially responsible financial products at the national and European levels.

The **Green Bond Principles** (GBP) – developed under the auspices of the International Capital Market Association (ICMA) – are a non-binding set of guidelines for the issuance of green bonds. They recommend transparency in reporting on the use of bond proceeds and management, processes for project assessment and selection, and reporting. The GBP are intended to facilitate access to green bonds, and they present recommendations for best practices in issuing said bonds. The GBP were developed with the participation of GBP members, working groups, and green bond interest representatives, taking into account general market developments. The principles are refined on an annual basis. Compliance with the Green Bond Principles is an important selection criterion in the responsible investment process in relation to the selection of climate protection bonds.

ökofinanz-21 e.V. Netzwerk für nachhaltige Vermögensberatung®

Ökofinanz-21 is a network of socially responsible consultants, which was founded in 2003. For many years, the association has been calling for ethical, ecological, and social criteria to be integrated as obligatory parts of the consulting process. This pertains to all forms of investment: banking products, funds, equity investments, and insurance. Implementing these important demands not only requires a complete re-think of fiduciary responsibilities, it also calls for different education and advanced training for actors in the asset management and savings industries.

Collaborative engagement initiatives[8]
Raiffeisen KAG is a member of the following collaborative engagement initiatives:

- CDP
- Climate Action 100+
- FAIRR
- Nature Action 100
- PRI

8 | Within the framework of the collaborative engagement initiatives, working groups focus exclusively on topics in the shareholder engagement strategy. No agreements whatsoever regarding investment decisions (buy/sell) or voting behaviour are made, and such agreements are forbidden by the respective initiatives.

7. Strategy for the inclusion of sustainability risks in investment advising and explanation of the consideration of the principial adverse impacts on sustainability factors in investment advising

Responsible management is a core strength of Raiffeisen KAG and is thus a key focus in our range of products and services. Raiffeisen KAG only provides investment advice to institutional customers, hereby limited to funds managed by Raiffeisen KAG and the formulation of investment guidelines for special purpose funds. Additionally, the advising of other management companies occurs within the framework of implementing master-feeder structures of Raiffeisen KAG funds.

To this end, we offer a comprehensive range of products and sustainable management services in the most important asset classes. In the case of mandates for institutional customers, the investment guidelines offer the option of addressing individual customer wishes, such as negative criteria and exclusions. Fundamentally, the impact of sustainability risks is lower for funds which take into account sustainability criteria in the course of investment and higher for funds which do not take these criteria into account in the course of investment. Information on the impacts of sustainability risks on the funds' returns can be found in the respective prospectus (Section II / Point 14 Risk profile of the fund) or in the Information for Investors pursuant to § 21 AIFMG (Point 14.5 Risk profile of the fund).

Possible sustainability preferences of the customer are taken into account in the course of investment advising (suitability evaluation), and accordingly sustainability indicators for adverse impacts are also relevant. Special criteria or thresholds for these sustainability indicators do not play a role for the products typically involved in investment advising, as this investment advice by Raiffeisen KAG pertains to the investment funds that it manages. Raiffeisen KAG offers investment funds that take into consideration the principal adverse impacts on sustainability factors as well as funds which do not take such impacts into account. The selection occurs in accordance with the suitability evaluation. For information on the inclusion of sustainability risks and consideration of adverse impacts on sustainability factors in investment decisions, see chapters 3 and 4.2.

8. Organisation

8.1. Organisational structure

Raiffeisen KAG's organisation reflects the company's focus on sustainability. Headed by the Chief Sustainability Investment Officer (CSIO), the business areas Corporate Responsibility (consisting of the Sustainability Office (SO) and product management) and Fund Management comprise part of the executive management level. The SO defines the sustainability philosophy, manages the policies and Future Transformation Topics (Zukunfts-Themen), and as well as the shareholder engagement process. It also ensures the implementation of the strategies and methods in the investment process in terms of sustainable product positioning. Key elements include the further development of sustainability databases and the management of certifications and partnerships. The Corporate Responsibility division also includes the Product Management department, which plays a central role in the development of the sustainable product range.

An advisory board supports the sustainability strategy and criteria of Raiffeisen KAG in an consultative capacity. This advisory board consists of a number of external experts who bring the perspectives of various stakeholder groups into the discussion.

8.2. Knowledge management

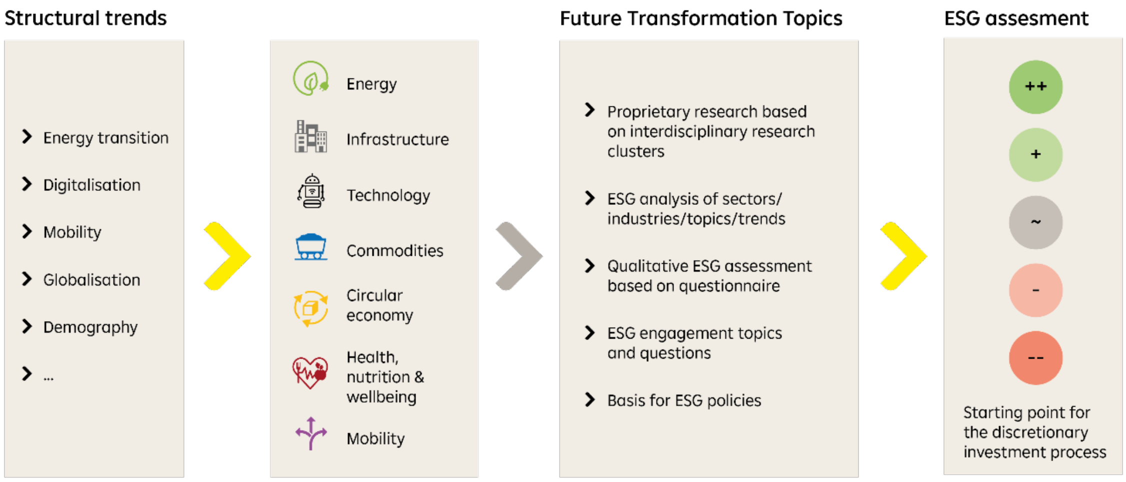
In reflection of the great importance of sustainability, know-how has consciously been built up in all areas of the company. Every fund manager is required to take a certified basic training on sustainable investment at the PRI Academy. Advanced, external training activities are promoted and heavily used.

Raiffeisen KAG places great emphasis on providing information to investors. The Website www.investment-zukunft.at is dedicated exclusively to the topic of sustainability and offers a wealth of articles and films on various sustainability issues. Every quarter, the publication Investing in Future Transformation (INVESTMENT **ZUKUNFT**) focuses on a specific sustainability topic, such as the energy transition or biodiversity.

8.3. Future Transformation Topics (Zukunfts-Themen)

Within the framework of the so-called Future Transformation Topics, the formal and informal exchange of knowledge is strongly supported within the company, via cross-team research groups in Fund Management. At present, these topics specifically include the fields of energy, infrastructure, commodities, technology, health care/nutrition/well-being, the circular economy, and mobility. The list of Future Transformation Topics takes into account the major geopolitical and global economic trends and can be expanded at any time. It addresses the sustainability aspects of structural trends such as the energy transition, digitalisation, mobility, demographics, and other developments which may currently and prospectively have wide-ranging impacts on the transformation of the global economy and society.

Using internal research, key trends and topics are examined both within the individual Future Transformation Topic working groups and in an interdisciplinary approach, and ESG analyses are prepared for sectors, industries, topics, and trends. In addition, qualitative ESG assessments are developed, and ESG topics and questions are defined for the shareholder engagement process. Interdisciplinary, interlinked Future Transformation Topic working groups provide a central basis for ESG policies and key information for Fund Management's investment and shareholder engagement process. Additionally, the ESG rating generated in the Future Transformation Topic forms the starting point for the discretionary investment process (see chapter 4.3.).



The Chief Sustainability Investment Officer, the heads of the business areas Corporate Responsibility and Fund Management, and the heads of the working groups regularly discuss current developments and the insights and results generated by the individual Future Transformation Topics working groups. Additionally, there is ongoing exchange with Fund Management. In certain cases, external experts are consulted who are able to contribute to the analyses.

Raiffeisen Capital Management
is a partner and member of

www.rcm.at/sustainability

Raiffeisen Capital Management is the umbrella brand name for the following companies:

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H.

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