Raiffeisen Capital Management
Member of RBI Group

# Sustainability Policy

As of: March 10, 2021

## Sustainability Policy for investment funds, portfolio management and investment advice at Raiffeisen Kapitalanlage-Gesellschaft m.b.H.

Statement 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

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# 1. Vision and strategy

## Creating sustainable values for the future

As an asset manager of RBI (Raiffeisen Bank International AG) Raiffeisen Kapitalanlage-Gesellschaft m.b.H.,[1] is embedded in the Group's sustainability strategy. We understand sustainability to be the corporate responsibility to pursue long-term economic success that is in harmony with the environment and society. Sustainability is a central component of our business policy. We strive to be a responsible fund manager, a fair partner and a socially-involved citizen in our actions.

We incorporate the topic of sustainability at all levels of our activities:

- our (continuing) development of products
- all areas of our investment processes
- our ongoing further development of the company

### Mission statement

**Raiffeisen KAG is committed to comprehensive, substantial and integral sustainability. We create sustainable values for the future – with passion and dedication to meaningful, value-adding capital, respectful and valuable client relationships and a considerate corporate culture. In this context, we actively pursue the diligent preservation and balanced growth of financial, social and natural capital.**

[1]hereinafter referred to as "Raiffeisen KAG"

# 2. Scope

This Sustainability Policy applies to the full range of public funds offered by Raiffeisen KAG. Any agreements concluded with the investors will be taken into account in the management of special funds. In addition to the basic sustainability structure, we implement further criteria, detailed sustainability evaluations, engagement/corporate dialogue, voting/exercise of voting rights and integrational measures as well as theme-based strategies for sustainable funds.

Where fund management has been outsourced to external managers, the measures relating to sustainability risks (section 3) are applied to a limited extent. In the context of the due diligence carried out before the outsourcing and thereafter on a regular basis, Raiffeisen KAG regularly verifies the external manager's compliance with the statutory requirements pertaining to sustainability risks.

The sustainability approach described in this Policy (section 4) has been set out from the perspective of the Raiffeisen KAG fund management.
Details are provided in the respective fund documentation (prospectus or information for investors pursuant to § 21 AIFMG).

In individual cases, Raiffeisen KAG also offers tailor-made portfolio management services to institutional clients. Any agreements concluded with the client will be taken into account in the context of these tailor-made services.

# 3. Sustainability risks

## 3.1 Definition

Sustainability risks are understood as events or conditions that are environmental, social or related to corporate governance, that could cause an actual or potential material negative impact on the value of the investment should they occur.

A significant aspect of sustainability risks includes the related environmental and reputational risks (e.g. through calls to boycott products due to violations of labor laws) that relate to companies and issuers. From our perspective, sustainability risks are not a separate risk category but a specific aspect of the traditional risk categories, first and foremost the market risk. Raiffeisen KAG has developed suitable methods and processes to monitor and manage sustainability risks.

## 3.2 Strategies integrating sustainability risks into investment decisions and measures taken against the principle adverse sustainability impacts

Avoidance of controversial sectors and practices is based on an ethically argued approach towards avoiding involvement in ethically dubious activities and represents the first stage of any sustainable investment, not least in terms of the chronological development. The approach focuses on opinion forming and ethical positioning as well as the avoidance of reputational risks.

Despite the focus of the EU's current sustainability initiatives in the field of climate risks (climate change), the general management of sustainability risks must be placed on a broader footing and must adequately take account of all risk aspects regarding the environment, social matters and governance (hereinafter referred to as "ESG").

**Raiffeisen KAG takes the following companywide negative criteria into account:**

### COAL

In several development steps, Raiffeisen KAG excludes any investment in companies and countries that are active in the coal sector.

Substantial objections to coal in the climate change context derive from the fact that coal essentially consists of carbon. Burning coal thus generates comparatively high carbon emissions. On top of this, there are also emissions of sulfur dioxide, nitrogen oxides and fine dusts. Removing the environmental damage caused by lignite mining requires extensive recultivation programs.

Coal divestment is based on the concept of withdrawing investments in companies active in the production or processing of fossil energy sources. There is also a financial argument in favor of divestment. Calculations carried out by McKinsey and the Carbon Trust show that implementation of the so-called "two-degree target"[2] involving extensive measures to reduce global carbon emissions could have a massive impact on the energy sector and cut the stock market value of fossil energy companies by 30 to 40 percent. The calculations are based on the assumption that part of the companies' coal, crude oil and natural gas reserves will no longer be used and could thus become worthless.

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[2] One of the key objectives of international climate policy is the limitation of global warming to a maximum of two degrees centigrade compared to pre-industrialized levels.

**Development trajectory**
Raiffeisen KAG is committed to substantially reducing its coal investments both immediately and over the next few years. The company has defined a development trajectory until 2030 that involves three stages of an accelerating phase-out.

**Scope of exclusions**
Within the context of its new development trajectory, Raiffeisen KAG's first step involves the exclusion of all companies that are extensively engaged in the coal sector.

At the corporate level, this includes the following areas:

- coal production / mining
- coal processing / use
- other services relating to / transport of coal

Until 2030, turnover shares will be reduced further until a complete exclusion has been achieved; the country level will also be included.

This requirement applies to all public funds and portfolios managed by Raiffeisen KAG.

The company's selection of investment funds managed by other asset management companies complies with this requirement to the fullest extent possible. In its management of special funds, Raiffeisen KAG complies with this requirement to the fullest extent possible, taking into account any agreements concluded with the investor.

As regards the company's sustainability funds, coal production is excluded altogether. Turnover thresholds, which will reach zero by the year 2030, apply to the supply and processing of coal.

The details of our coal policy are provided on our website at www.rcm.at or rcm-international.com under About us / Corporate Governance.

## CONTROVERSIAL WEAPONS

Raiffeisen KAG excludes all investments in companies that are active in the "controversial weapons" sector.

Detailed definitions of controversial weapons are set out in various international conventions, including the Convention on Cluster Munitions (2008), the Anti-Personnel Mine Ban Convention (1997), the Treaty on the Non-Proliferation of Nuclear Weapons (1968) as well as the Biological Weapons Convention (1972) and the Chemical Weapons Convention (1993).

Based on this set of treaties, and in close cooperation with external consultants, Raiffeisen KAG investigates companies in terms of their links with the following areas:

- cluster munitions
- chemical or biological weapons
- uranium munitions
- nuclear weapons
- landmines

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

This requirement applies to all public funds and portfolios managed by Raiffeisen KAG.

The company's selection of investment funds managed by other asset management companies complies with this requirement to the fullest extent possible. In its management of special funds, Raiffeisen KAG complies with this requirement to the fullest extent possible, taking into account any agreements concluded with the investor.

## FOOD SPECULATION

Raiffeisen KAG excludes all investments that may facilitate or support food speculation activities.

In concrete terms, this refers to the exclusion of derivative instruments in the agricultural sector.

- grains
- meat
- so-called "soft commodities" such as maize, soybeans, sugar, cocoa and coffee

This requirement applies to all Raiffeisen KAG funds. The company's selection of investment funds managed by other asset management companies complies with this requirement to the fullest extent possible.

## REPUTATIONALLY CHALLENGED SECURITIES

The fund management utilizes various information channels such as the media and research agencies to continually examine whether an investment may cause reputational damage. Among others, this includes the question whether companies are embroiled in a corruption scandal or suspected of balance sheet manipulation. Depending on the risk assessment, the securities are either sold, or a dialogue is initiated with the company (engagement), or, in serious cases, the securities are excluded from all Raiffeisen KAG funds.

## SUBFUND SELECTION

As regards investments in funds from other management companies, the respective approach to handling sustainability risks will be taken into consideration. In particular, it will be determined which investments will be excluded from the investment universe for sustainability reasons. Fund selection will be subject to the same evaluation with sustainable orientation the deciding factor.

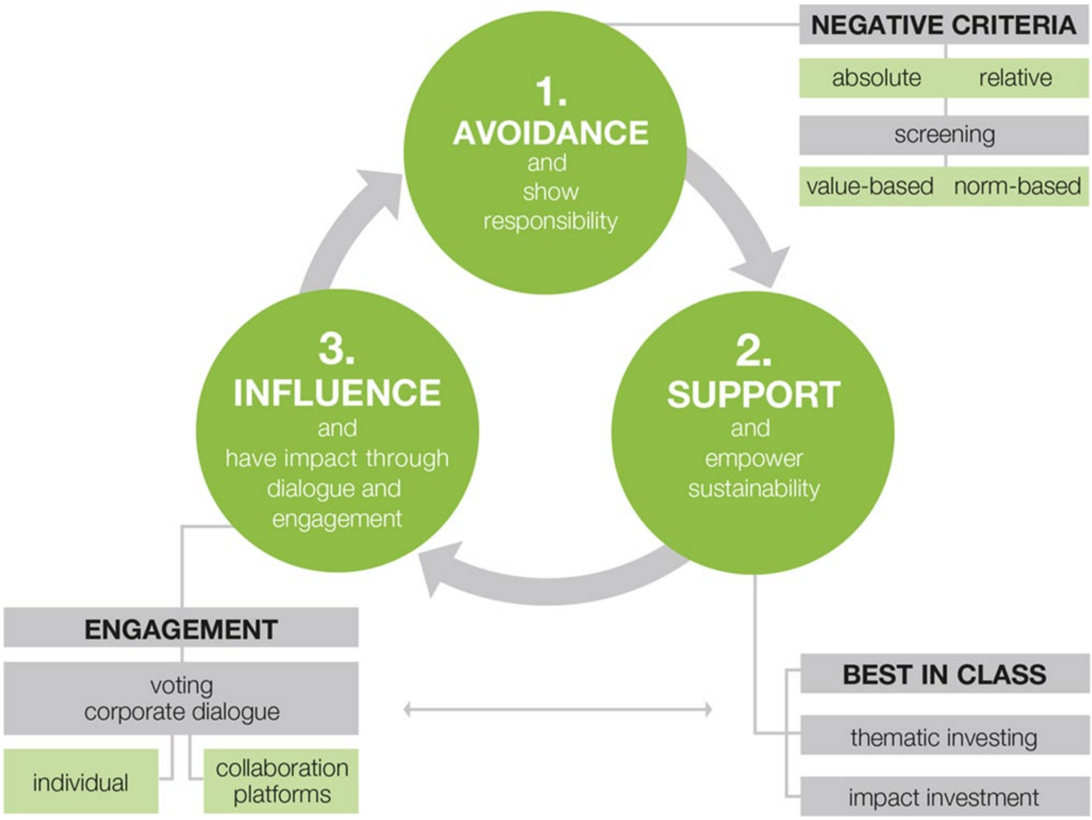
## MONITORING

The sustainability risk is assessed and monitored independently of the fund's management by the risk management department in consideration of external data. During this process, sustainability assessments (scores) and sustainability figures (e.g. carbon emissions) may be applied. The assessment is made in consideration of the company's respective branch of business.

# 4. Sustainability approach in investment decisions

## 4.1 Principle

Sustainability in the investment process is achieved through the consistent integration of environmental, social and governance (ESG) criteria. In addition to economic factors, these also include ecological and social aspects and (good) corporate governance, which are all integrated into the investment processes. This is implemented at various levels.





**Avoidance and showing responsibility: negative criteria**
Avoidance of controversial sectors and practices is based on an ethically argued approach towards "avoiding involvement in ethically dubious activities" and represents the starting point for any sustainable investment policy. The approach focuses on an initial ethical positioning combined with the avoidance of reputational risks. The key instrument consists of the exclusion of controversial sectors or companies and countries (sovereigns) that violate the established criteria.

**2. SUPPORT** and empower sustainability

**Supporting and empowering sustainability: best in class**

The next essential development stage can be defined as "working together for the common good" and places greater emphasis on the integration of ESG research into the evaluation of companies and hence into the stock-picking process. This is applied analogously to countries (sovereigns) as issuers of debt securities. The consistent integration of ESG research into the investment process (ESG scores) results in higher ESG quality levels and enhances the portfolio's risk profile.

**3. INFLUENCE** and have impact through dialogue and engagement

**Influence and making an impact: engagement**

The third stage of the integrated sustainability concept is "engagement" as an integral component of a responsible and sustainable investment policy. The above elements of the first two stages are joined by the facilitation of change in the sense of a socio-economic impact: influencing the conduct of companies, organizations and consumers. The focus is on dialogue with companies and, in particular, the exercise of voting rights. The resulting impact may well extend beyond a portfolio's immediate risk reward targets, although they may not infringe on such targets. Engagement ensures that the vision of a desired "double dividend" is pursued by credible means.

The unification of all three elements – avoidance, support and, above all, influence – is required for the responsible, active management of sustainable funds.

## 4.2 Investment process and Raiffeisen ESG score

Our sustainable investment process links ESG analysis (extra-financial analysis) and financial analysis at each of the three analysis levels.

At the **first analysis level**, preselection is made of the overall investment universe. In terms of sustainability, 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 extended or adjusted to incorporate new information and developments on the market. It is the aim of this strict criteriology to avoid controversial sectors and criminal acts that may result in severe damage to the environment or society or to the companies themselves. On the financial side, no investments are made in companies or issuers with insufficient financial viability. Negative criteria may be motivated by the environmental side (such as the production of oil and gas, coal production or coal-fired power generation), may have social relevance (such as violations of labor or human rights) or may relate to governance (such as corruption or balance sheet manipulation). On top of this, the ethical level also forms the basis for a number of criteria, for instance gambling or pornography.

At the **second analysis level**, a detailed evaluation of the individual companies and issuers takes place. In addition to the traditional financial analysis, various aspects of sustainability are taken into consideration: Together with a comprehensive stakeholder assessment and an ESG risk assessment, the results of the company-specific sustainability research are reflected in the 'Raiffeisen ESG score'. During this sustainability analysis step, companies and issuers that are not convincing will be eliminated from the investable universe.

At the **third level**, a broadly diversified portfolio is constructed from the remaining companies and issuers in consideration of the ESG score and its trend (ESG momentum). During this process, especially high importance is placed on the quality of the company and the business model. A high degree of sustainability and fundamental strength are of crucial importance for an investment.

The investment universe is updated every month and continuously supplemented from internal input sources. "Engagement" involving intensive dialogue with companies on sustainability topics plays an essential role in this context (see also section 5).

Furthermore, the investible sustainability universe is subject to daily monitoring via a so-called Impact Monitor by MSCI ESG whose transparent methodology is based on over 2,500 data sources. The respective process analyzes violations of international law conventions and other serious controversies as well as assessing corporate policy and the way controversies are handled. This analysis is aimed at the avoidance of reputational risks. The standards applied consist of the UN Global Compact[3], standards set by the International Labor Organization[4] and the UN Guiding Principles on Business and Human Rights[5].

The analyzed subjects comprise the environment, clients & stakeholders, human rights, employee rights & supply chain as well as corporate governance.

Current controversies are reflected in the valuation: Depending on the severity of a violation, a company is either immediately excluded from the investable sustainability universe or placed on a watchlist.

[3] The United Nations Global Compact is a voluntary initiative under which companies declare to the UN their commitment to comply with universal sustainability objectives. Such objectives range from human and labor rights to environmental targets and combating corruption.
[4] The International Labor Organization is a specialized UN body that works to improve working conditions and living standards by setting international norms.
[5] The UN Guiding Principles on Business and Human Rights are guidelines for governments and companies aiming to prevent and avoid human rights violations.

## 4.3 Sustainability impacts and indicators

The Sustainable Development Goals (SDGs) were developed at the UN Climate Conference in Rio in 2012 and have been effective since 2016. The SDGs were unanimously adopted by 193 nations, and are also implemented by the Austrian Federal Government.

17 goals, which involve 169 individual targets, are to be reached by 2030 and comprise a broad portfolio of sustainable objectives ranging from poverty reduction and gender equality to lasting, broad-based and sustainable economic growth.

The SDGs form an essential basis for the assessment of companies and issuers from a sustainability perspective.

In the context of our investment process, the assessment of the contribution securities make to the SDGs is a key step in the evaluation of sustainability impacts. Securities are analyzed as to their SDG-related impacts both before and during an investment.

For the purpose of ongoing observation and optimization of ESG risks, calculations of key performance indicators (KPIs) with an ecological or social background (sustainability indicators) have been carried out for the last four years. The value resulting at the fund level is then compared to the overall market. The three KPIs with an environmental background include “carbon emissions”, “water consumption” and “waste volume”. An “occupational accident” KPI is calculated in the social area. Although the KPIs do not feed into the portfolio construction process on an ex ante basis, they are calculated for the analysis of the existing portfolios’ sustainability quality.

# 5. Engagement

As one of Austria's leading asset managers, Raiffeisen KAG is conscious of its fiduciary obligations towards its clients. Within the scope of these obligations, the company 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. In-house principles are pursued here which are based upon a transparent and sustainable corporate governance policy and which cover significant issues that are regularly discussed at shareholders' meetings.

Further information on the engagement policy, including voting principles and the annual engagement report, is available on our website at www.rcm.at or rcm-international.com under About us / Corporate Governance.

# 6. Memberships and activities

## 6.1 Code of Conduct adopted by Raiffeisen Bank International AG (RBI)

Raiffeisen KAG is committed to the fundamental values of the RBI Group as set out in the RBI Code of Conduct, which it applies analogously to its own activities.

The Code of Conduct adopted by the RBI Group defines its fundamental values and forms the basis of its legally compliant and ethically guided corporate culture.

The Code is binding for all employees of the RBI Group and ensures that the business and ethical conduct complies with the highest standards based on the following values:

- client focus
- professionalism
- quality
- mutual respect
- initiative
- teamwork
- integrity

This also includes good corporate governance.

## 6.2 Voluntary comminents

Signatory of: PRI Principles for Responsible Investment

### 6.2.1. Principles for Responsible Investment (PRI)

Initiated by the United Nations, the six UN "Principles for Responsible Investments" (PRI) were developed by a group of institutional investors. They form the core of a voluntary commitment undertaken by asset managers, asset owners and service providers and have been designed to help signatories incorporate sustainability issues into their decision-making processes. Signatories thus contribute to a more sustainable global financial system.

As one of the first asset management companies in Austria, Raiffeisen KAG signed the PRI on November 21, 2013, committing itself (to the extent compatible with its fiduciary responsibilities),

1. to incorporate ESG aspects into its analytic and decision-making processes in the investment field
2. to act as an active shareholder and incorporate ESG aspects in its shareholder policy and practice
3. to ask the companies and corporate bodies in which it invests to make appropriate disclosures regarding ESG aspects
4. to promote acceptance and implementation of the signed principles in the investment industry
5. to work together to enhance the effectiveness of the implementation of the PRI
6. to report on the activities and progress made in regard of the application of the principles.

### 6.2.2. Montréal Carbon Pledge

The Montréal Carbon Pledge was launched in 2014 and is supported by the PRI (Principles for Responsible Investment) and UNEP FI (United Nations Environment Program Finance Initiative). It is the aim of the Montréal Carbon Pledge to create greater transparency on the carbon footprint of stock portfolios and contribute to its long-term reduction. Investors who sign the Pledge undertake to measure and publish the carbon footprint of their portfolio on an annual basis.

Our annual „carbon footprint" report is available on our website www.rcm.at/nachhaltig-publikationen

Mitglied der Raiffeisen Nachhaltigkeits-Initiative

### 6.2.3. Raiffeisen Sustainability Initiative

The Raiffeisen Sustainability Initiative – previously the Raiffeisen Climate Protection Initiative – acts as a platform as well as a service and representation facility for the sustainability activities of its members. Raiffeisen KAG is a founding member of the Initiative.

#### 6.2.4. Further memberships and initiatives

The Carbon Disclosure Project (CDP) is a non-profit organization assisting companies and cities in the publication of environmental information, such as greenhouse gas emissions and water consumption. Once a year, on behalf of the investors, the CDP sends out voluntary standardized questionnaires to collect data and information on carbon emissions, climate risks and reduction targets and strategies. The CDP now manages the world's largest database of its kind. Raiffeisen KAG is a signatory investor. The data disclosed by the companies and the annual CDP reports are available to all interested parties on the CDP website. Investors that support the CDP also have access to non-public information.

Forum Nachhaltige Geldanlagen (FNG) is an industry association promoting sustainable investment in Germany, Austria, Liechtenstein and Switzerland. Its over 170 members include banks, asset management companies, insurance companies, rating agencies, investment companies, asset managers, financial advisors and NGOs.

**The FNG pursues the following objectives and responsibilities:**

- playing an active part in promoting the development, transparency and quality of sustainable financial products
- helping to shape the political, legal and economic framework
- highlighting the positive steering impact of sustainable investments
- quality assurance in the sustainable investment field

The FNG is continually working on the further development of the quality standards for sustainable investment products. In conjunction with Eurosif, the FNG has been awarding the Transparency Logo for sustainable mutual funds since 2008.

Raiffeisen KAG has been a long-standing, active member of the FNG since 2009.

The Forum per la Finanza Sostenibile (FFS) is a multi-stakeholder organization promoting sustainable investments in Italy. Its over 60 members include asset managers, banks, insurance companies, foundations and NGOs. Raiffeisen KAG has been an active member since 2016.

**The FFS pursues the following objectives and responsibilities:**

- network building and exchange of information on sustainable investment
- support in the field of sustainable investment expertise
- promotion of the development of sustainable financial products at the national and the European level

Developed under the auspices of the International Capital Market Association (ICMA), the Green Bond Principles (GBP) represent non-binding guidelines for the issuance of green bonds. The principles recommend transparency in the fields of resource utilization and management, the project evaluation and selection process and reporting. The GBP have been designed to facilitate access to green bonds for market participants and recommend best practices in the field of bond issues. GBP members, working groups and green bond stakeholders have been involved in the advancement of the GBP, taking into account the general market trend. Such advancement of the principles takes place on an annual basis.

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

Established in 2003, Ökofinanz-21 is a network of sustainable financial advisers. For many years, the association has been arguing that ethical, ecological and social criteria should be a mandatory component of the advisory process. This relates to all types of investments: banking products, funds, participating interests and insurance. The implementation of these important demands requires both a fresh approach to handling money and different training of all professionals active in the field of wealth and pension consulting.

# 7. Strategies facilitating the integration of sustainability risks and adverse impacts of investment decisions into investment advice

Sustainable management is a strategic priority of Raiffeisen KAG, representing a focal point of our range of products and services.

Raiffeisen KAG exclusively advises institutional clients, with investment advice relating to the funds managed by Raiffeisen KAG or, alternatively, the structuring of the investment guidelines for special funds. Furthermore, advice is provided to other management companies, especially in the context of the implementation of master-feeder structures involving Raiffeisen KAG funds.

To this end, we offer a comprehensive range of sustainable products as well as sustainable asset management services in the main asset classes. In the case of mandates for institutional clients, the investment guidelines provide for the possibility of addressing individual client wishes such as negative criteria and exclusions. Generally the impact of sustainability risks is lower for funds that take ecological and social criteria into consideration during investment, and higher for funds that do not take these criteria into consideration during investment. Information on the impact of the sustainability risks on fund returns is available in the respective prospectus or the information for investors pursuant to § 21 AIFMG.

Where clients have any sustainability preferences, such preferences are taken into consideration in the investment advice context (suitability test).
See sections 3 and 4 above for the integration of sustainability risks and the consideration of adverse impacts on sustainability factors in investment decisions.

# 8. Knowledge management

In recognition of the high priority of sustainability, the company has acquired specific know-how in all company areas.

All fund managers complete a mandatory certified basic training course on sustainable investment, which is offered by the PRI Academy. Further external training courses are subsidized and are popular among the staff.

In addition, a formal and informal exchange is actively promoted. Among other initiatives, the company has also established multi-team working groups in the fund management field that focus on key sustainability subjects, such as energy or infrastructure. A leading role is played by the specialized sustainability team.

The sustainability strategy and criteriology adopted by Raiffeisen KAG is supported by an advisory board for sustainable investment which acts in an advisory capacity. The advisory board comprises a number of external experts who introduce the perspectives of various stakeholder groups to the discussion.

**Raiffeisen Capital Management**
**is the umbrella brand for:**

Raiffeisen Kapitalanlage GmbH
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Raiffeisen Salzburg Invest GmbH

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