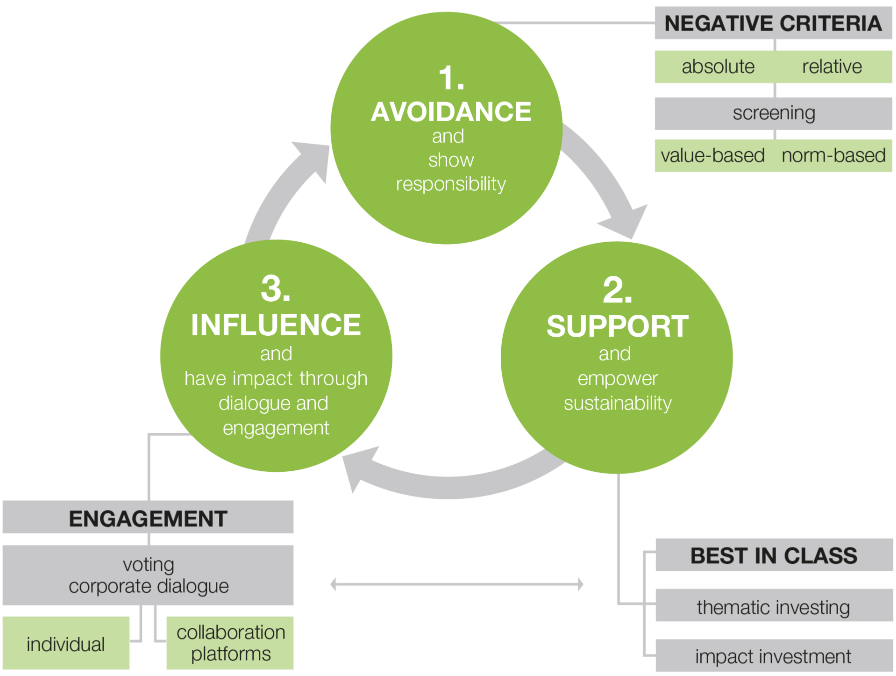
Raiffeisen Capital Management

Raiffeisen Sustainable Mix

Information according to Article 10 of the Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation) on the transparency of the promotion of environmental or social characteristics and of sustainable investments (as of 10/03/2021)

Principle

As an asset manager of the RBI Group (Raiffeisen Bank International AG), Raiffeisen Kapitalanlage-Gesellschaft m.b.H. / the management company is embedded in their sustainability strategy. The management company understands sustainability to be the corporate responsibility to pursue long-term economic success that is in harmony with the environment and society. Sustainability is a core element of their business policy. The company strives to be a responsible fund manager, a fair partner and a socially-involved citizen in their actions.



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 traditional criteria such as profitability, liquidity and security, but also ecological and social factors and (good) corporate governance, which are all integrated into the investment processes.

The incorporation of ESG criteria occurs on various levels within the investment policy:

1. Avoidance and show responsibility: negative criteria to exclude controversial sectors and/or companies and countries (sovereigns) that violate the established criteria.

2. Support and empower sustainability by integrating ESG research into the investment process (ESG scores) for the evaluation of companies and ultimately for stock-picking (best-in-class approach). This is applied analogously to countries (sovereigns) as issuers of debt securities.

3. Influence and make an impact: "Involvement" as an integral component of a responsible and sustainable investment policy by means of initiating dialogue with companies and, in particular, exercising voting rights. The unification of all three elements – avoidance, support and, above all, influence – is required for the responsible, active management of sustainable funds.

Investment process / methods for assessing, measuring and monitoring the ecological and social criteria

The fund takes ecological and social criteria into consideration for investment.

The three pillars of sustainability that form the basis of every investment decision stand for environment (E), social (S) and responsible corporate governance (G). The sustainability analysis is integrated into the fundamental, financial company analysis on various analysis levels:

On the first analysis level, preselection is made of the overall investment universe. In terms of sustainability, no company/issuer in this universe may violate the negative criteria established by the management company in order to avoid investments in controversial sectors and practices. The negative criteria are subject to constant monitoring and may be amended or adjusted on the basis of new information and developments on the market.

Negative criteria may have various backgrounds. Specifically, the management company differentiates between negative criteria that are related to the environment, social or societally motivated, connected with corporate governance, or linked to the theme "addiction", and negative criteria that are related to the preservation of a dignified natural life (simply referred to as the theme "natural life"). Criteriology also serves to avoid scandals and the related, potentially negative adverse effects on prices.

Negative criteria do not necessarily mean the total exclusion of a sector or a business practice. In some cases, thresholds are established in consideration of the significance.
Some of the negative criteria mentioned are typically not discovered until after the occurrence of an event (for example, accusations of manipulating balance sheet figures) and therefore support the estimation of future behavior for an investment decision.

Derivative instruments that may enable or support speculative deals with food commodities are excluded from purchase altogether.

The management company aspires to resolutely withdraw from the financing of the coal industry by 2030. This includes all investible companies that are active in the field of coalmining, coal processing, coal burning (for the production of electrical or thermal energy), coal transport and other infrastructure. In the sustainable investment process, no investment whatsoever is allowed in coal production.

Corporate sustainability is assessed on the basis of company principles, and particularly in connection with their active operations. Countries are evaluated mainly on a theoretical level in regards to ESG legislation.

Negative criteria for companies:

Ecological negative criteria (category "E")
- Coal: production, mining, processing and use, and other related services
- Extraction of oil and gas (including high-volume fracking and extraction of oil sands)
- Nuclear energy: producers of nuclear energy and uranium; services in connection with nuclear energy production
- Massive destruction of the environment

Social negative criteria (category "S")
- Violation of human rights
- Infringement of labor laws (according to the protocol of the International Labour Organization)
- Use of child labor

Corporate governance negative criteria (category "G")
- Corruption
- Balance sheet manipulation
- Violation of the United Nations Global Compact criteria

Negative criteria relating to the theme "addictions"
- Alcohol: producers of beverages with a high alcohol content
  Gambling: in particular controversial forms
- Tobacco: producers of end products

Negative criteria relating to the theme "natural life"
- Abortion: pharmaceuticals and clinics
- Embryo research
- Green gene technology: producers
- Pornography: producers
- Animal testing (except where legally provided for)
- Defense supplies: producers of weapons (systems) and banned weapons; dealers of conventional weapons, producers of other defense supplies
  Dealers of banned weapons

Negative criteria for countries
(as issuers of government bonds)

Ecological negative criteria (category "E")
- Non-ratification of the Paris Agreement on Climate Change
- Nuclear energy as a dominant energy source
- Violation of the Convention on Biological Diversity

Social negative criteria (category "S")
- Authoritarian regimes, countries that are not free (classification by Freedom House)
- Substantially detrimental working conditions: in particular relating to minimum wages, working hours, safety and health

- Massive discrimination,
  massive limitation of legal and social equality
- Widespread use of child labor
- Massive violation of human rights:
  massive limitations, such as political despotism, torture, violations of privacy, freedom of movement
- Massive violation of freedom of the press and media

Corporate governance negative criteria (category "G")
- Lack of cooperation in relation to money laundering:
  (according to the Financial Action Task Force on Money Laundering of the Organisation for Economic Co-operation and Development (OECD)
- Corruption: in consideration of the Transparency International corruption index

Negative criteria relating to the theme "natural life"
- Particularly high defense budget (exceeding 4 % of the GDP)
- Possession of nuclear weapons
- Death penalty,
  where it has not been eliminated altogether according to Amnesty International

For violations of negative criteria by companies that are not obvious, such as moderate infringement of labor laws or cases of corruption, the fund management initiates a so-called engagement process with the company. During this process, it is examined as to how the company reacts to the case and which precautions will be taken in the future. Then the fund management decides on whether to keep the position in the fund or sell it off.

For severe violations, the securities are generally sold at the management company's discretion within a period of 14 days.

On the **second analysis level**, a detailed evaluation of the individual companies/issuers takes place. In addition to the classical financial analysis, various aspects of sustainability are taken into consideration. During this sustainability analysis step, companies that are unconvincing will be eliminated from the investable universe; this step leads to a significant reduction of the original investment universe.

On the **third level**, a widely diversified portfolio is created from the remaining companies based on their ESG assessment (ESG score) and their development (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 investment.

The following criteria in particular are decisive here:

- Good financial development with a consistently high ESG level
- Positive influence in the area of sustainable development goals (SDG); these goals for sustainable development were established by the United Nations and unanimously adopted by 193 nations, and are also implemented by the Austrian Federal Government.
- Positive impact on sustainability factors as compared to the traditional market (carbon footprint calculation, work accidents, waste production and water consumption)
- Selection of companies with an above-average ESG assessment and positive development (ESG momentum)

Data management

Within the management company's sustainability process, the ESG assessment is based on internal and external research sources. In addition to internal research, a combination of two external research partners is applied.
The management company's sustainability team focuses on the high-quality, qualitative growth of companies during its research. A potential added-value of the companies for environmental and social criteria is analyzed and the subject is brought up with them in the course of dialogues (engagement process).
Both external research partners contribute differing ESG research approaches and input variables to the analysis.

The **first approach** – applied by the research provider Institutional Shareholder Services – is based on a comprehensive stakeholder and sustainability analysis of the respective company by using a method that is based on the Frankfurt-Hohenheim Guidelines.

The **second approach** – used by the research provider MSCI ESG Research Inc. – analyzes in particular the aspects of the ESG risk and the related risk management of the respective company on the basis of sustainability indicators/key performance indicators (KPIs).

The **assessment** is adjusted to each sector so that the companies are comparable with one another, and it includes items that are relevant to each company.

A certain minimum level of sustainability is required in both analyses. If the values are below the established threshold, the respective company does not qualify to be included in the investible universe.