

SUSTAINABLE INVESTMENT



**BIODIVERSITY –
BIOLOGICAL DIVERSITY**

PAGE 04

**DISCUSSION:
LAND TAKE**

PAGE 10

**CORPORATE VOICES
FROM THE FOOD INDUSTRY**

PAGE 18

CONTENTS

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03 EDITORIAL

04 LEAD ARTICLE

04 BIODIVERSITY

10 RESEARCH

10 DISCUSSION: LAND TAKE

16 INFO BOX: SDG 15

18 CORPORATE VOICES FROM THE FOOD INDUSTRY

20 COMPANY SPOTLIGHT

22 INSIDE

22 CLIMATE PROTECTION THROUGH SCIENCE, RE- SEARCH, AND DEVELOPMENT

24 LOSS OF BIODIVERSITY

25 EU-TAXONOMY

EDITORIAL



Dieter Aigner

Managing Director of Raiffeisen KAG,
responsible for fund management
and sustainability

Dear Readers,

According to scientists, without biodiversity humankind has no future. Because the quality of our air, water and food are integrally dependent on a high level of biological diversity. Nevertheless, it sometimes appears that we are simply unable to recognise the crucial value of biodiversity, which is based on very complex systems and was the primary reason that the planet became habitable at all billions of years ago.

Against our better judgement, humans are destroying ecological systems and harnessing the land for economic profit (aside from meeting our basic needs). The loss of fertile land and soil continues on a vast scale: at the global level, several million hectares of the Earth's surface suffer degradation year after year. Every major human intervention

destroys a finely-balanced system that has developed over millions of years and contributes or has contributed to making our Earth a healthy, sustainable planet. Around the world, the consequences are seen in almost daily reports of floods, droughts, landslides, and the like.

With the disappearance of fertile land, many species of plants and animals also go extinct. The red list of the International Union for Conservation of Nature and Natural Resources has 37,500 endangered species, representing 28% of all the species considered in the assessment, including 26% of the mammals, 41% of the amphibians, and 14% of bird species. Some scientists believe that the sixth great mass extinction event in the planet's history has already begun.

In Austria as well, the list of endangered species is far too long, and too much land is taken from nature each and every year. In terms of land take, we are currently at around ten hectares per day. That's a long ways off from the target of 2.5 hectares, but at least this goal has finally been included in a government programme.

In this issue, we wish to bring the topic of biodiversity a bit closer to our readers. All of us have a contribution to make. Most wild animals are killed when land is cleared for cattle, soybean, and palm oil cultivation, or for the production of wood and leather. Most of us consume these products without thinking much about it. Shifting towards sustainable consumption and the conscious use of resources can have an impact in this regard, for instance by eating less meat.

15 LIFE ON LAND



You can find out more about Sustainable Development Goal 15 on pages 16–17.

BIODIVERSITY

BIOLOGICAL DIVERSITY

For most of the species on this planet, life during the Anthropocene (human-influenced) era is not good news. The variety of species and the stability of ecosystems is increasingly threatened by humans. The lifestyles and behaviours of more and more people are becoming less and less sustainable, leading to a tangible deterioration in environmental conditions for all other animals and many people on Earth. One can rightly ask: are humans still a part of our planet's ecosystem, or do they and their actions now simply stand in contradiction to nature?

Bearing this in mind, the preservation of functioning ecosystems as the basis for biological diversity is an important aspect for people and investors who value sustainability, and has been recognised by the international community as an increasingly significant challenge for the future.

The expression “biodiversity” or biological diversity refers to the various forms of life, i.e. the diversity of different living organisms in terrestrial and aquatic ecosystems. On the one hand, biodiversity describes the variety of species, and on the other hand it refers to the variety of ecosystems themselves and genetic diversity. A sustainable approach to biodiversity is a fundamental prerequisite for the future viability of humankind and the Earth's flora and fauna.

The subject of biodiversity first came into the public eye and became an important socio-political issue with the

1992 conference on environment and development in Rio de Janeiro. One year later, the Convention on Biological Diversity (CBD) – an international environment agreement – entered into effect. Currently, 196 states are parties to this treaty. Two internationally binding protocols, the Cartagena Protocol and the Nagoya Protocol, serve to implement the objectives of the CBD. The Cartagena Protocol regulates the international transfer of genetically modified organisms, while the Nagoya Protocol establishes the Aichi targets for global biodiversity protection. According to the Aichi targets, by 2020 the rate of loss of natural habitats should be halved, overfishing should be stopped, and 17% of terrestrial and 10% of marine areas should be conserved. The years 2011 to 2020 were proclaimed as the “Decade on Biodiversity” by the United Nations. By September 2020, it had become clear that the Aichi biodiversity targets could not be achieved. »

Detailed information on the topic can also be found at ourworldindata.org/biodiversity



Wolfgang Pinner
Head of Sustainable and Responsible
Investment at Raiffeisen KAG

Chart: Timeframe of the Convention

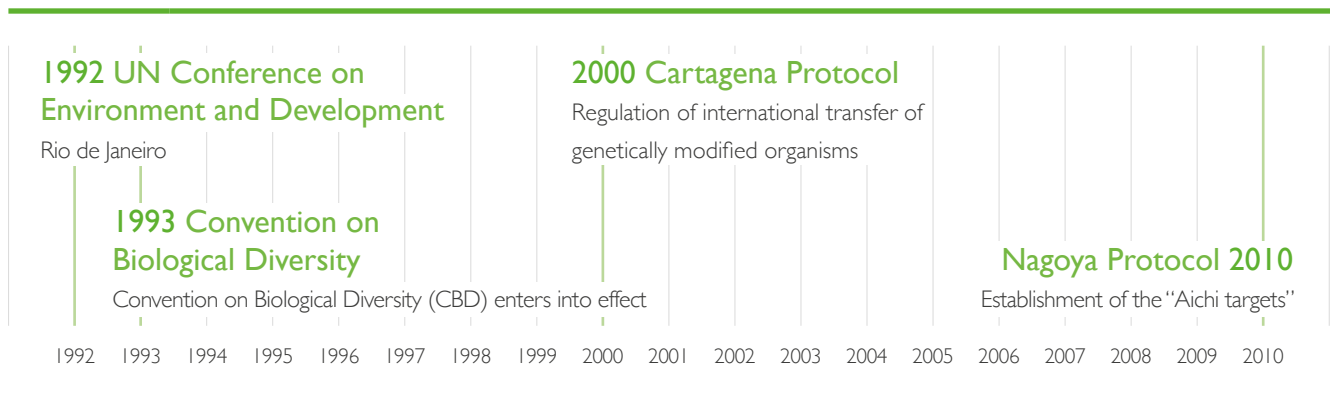
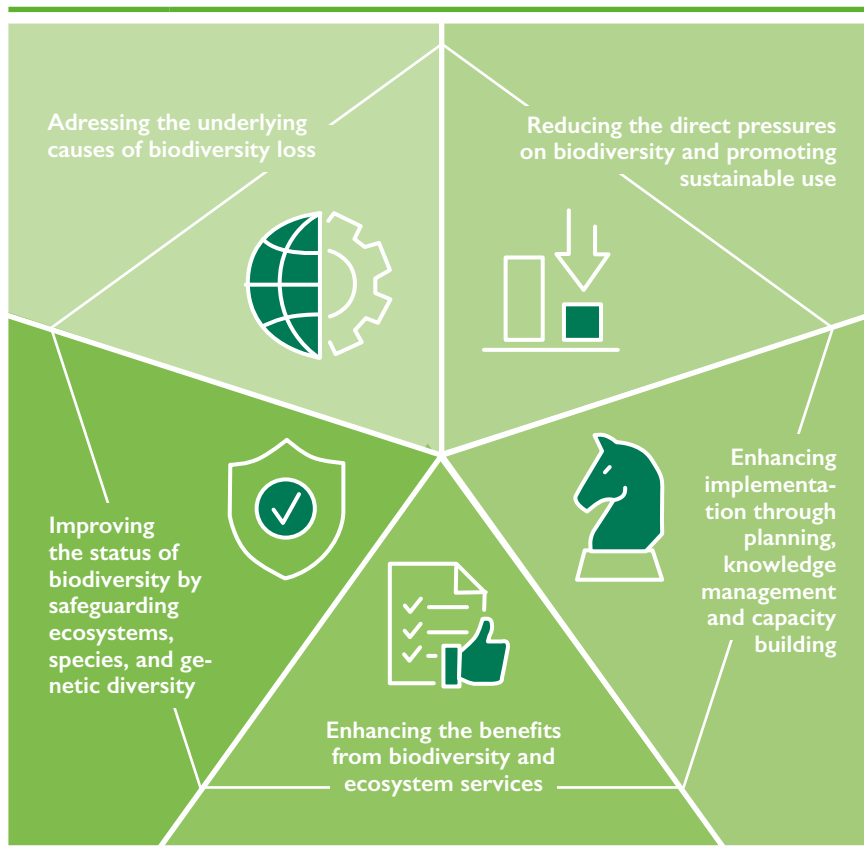


Chart: Five Strategic Aichi Goals

Source: Raiffeisen KAG, May 2021



Source: Aichi Biodiversity Targets 2010, Chart: Raiffeisen KAG, May 2021



BIODIVERSITY



Biodiversity in relation to the variety of species, genes and ecosystems correlates with human health. Healthy, intact ecosystems form a crucial basis for human health. They ensure clean air and water, provide healthy nutrition, and are the basis for many medicines. Other aspects of biodiversity include protecting against natural hazards and providing space for recreation and experience, both of which are vital for humans' psyche and well-being.

LAND TAKE IN AUSTRIA

Biodiversity and land take are clearly at odds. Based on data from Environment Agency Austria, up until 2019 a total of 5,729 km² was used in Austria. This is equivalent to 7% of the land area and 18% of the permanently settled area. The term "land take" means that biologically productive land is lost due to construction and soil sealing for settlement and traffic purposes. This definition also covers intensive recreation uses, depots, surface mines, power stations, and other similarly intensive uses. Soil sealing means that land is made impervious to air and water, as a result of which rainwater can no longer infiltrate or only to a limited degree.

As well as posing a threat to biodiversity, the negative impacts of soil sealing include various other aspects, such as the »



Biodiversity declined
by 68% between
1970 and 2016.

loss of biological function, a process that is difficult to reverse. Soil sealing is also accompanied by a loss of productivity, as most settlements are located in areas with arable land. It also leads to higher flooding risks, less binding of dust, and thermal effects, as water cannot evaporate from sealed soils.

Rising levels of land take means that the amount of productive land in Austria is reduced, with the annual loss fluctuating between 38 km² and 104 km² in the period 2001–2019, according to Environment Agency Austria. A slowdown in this trend has been observed since 2009 and the average figure over three years is at 44 km², an area roughly equivalent to the size of the city of Eisenstadt. Soil sealing accounts for 32%–41% of annual land take. The Austrian government programme 2020–2024 calls for a significant reduction in land take, with annual growth to fall to 9 km² by 2030. There is also an EU-level agreement to reduce net land take to zero by 2050.

CAUSAL RELATIONSHIP BETWEEN CLIMATE CHANGE AND THE DECLINE IN BIODIVERSITY

Up until a few decades ago, the main causes for the decline in biodiversity

were the careless or targeted elimination of species and overuse. Now the alteration or destruction of entire ecosystems is leading to an unprecedented decline in biodiversity. One main reason for the loss of biodiversity is the increasingly fast changes in land use. Forests are being cut down and natural ecosystems reorganised to increase the amount of land available for agricultural use. In addition to deforestation, water pollution, watercourse regulation, land fragmentation, and soil sealing are factors leading to habitat destruction for many species. The consequences of declining biodiversity are climate changes, higher levels of nitrogen in waters due to artificial fertilisers, the introduction of invasive species, and an increase in atmospheric concentrations of carbon dioxide. A cause-and-effect relationship has been demonstrated between the decline in biodiversity and the phenomenon of climate change.

LIVING PLANET INDEX

The Living Planet Index is an indicator that measures biological diversity, based on trends in global populations of various species of vertebrates, which was developed by the WWF and the UNEP World Conservation Monitoring Centre. The index is based on the development of almost 21,000 populations encompassing nearly 4,000 species of vertebrates. The

latest report was published in 2020. According to this report, the decline in biological diversity between 1970 and 2016 amounted to 68%.

NEW BIOLOGICAL BOUNDARIES

The nine planetary boundaries also involve the topic of biodiversity. In its concept of ecological boundaries, the University of Stockholm has defined nine planetary boundaries and future scenarios for global environmental changes. In addition to the loss of biodiversity, the planetary boundaries include stratospheric ozone depletion, the release of novel substances (such as microplastic, nanomaterials and radioactive waste), climate change, ocean acidification, freshwater consumption, unsustainable land system change, atmospheric aerosol loading, and biogeochemical cycles (in particular, phosphorus flows to the oceans and the conversion of atmospheric nitrogen). Scientists believe that these boundaries have already been exceeded in four cases, namely climate change, biochemical cycles, land system change and loss of biodiversity.

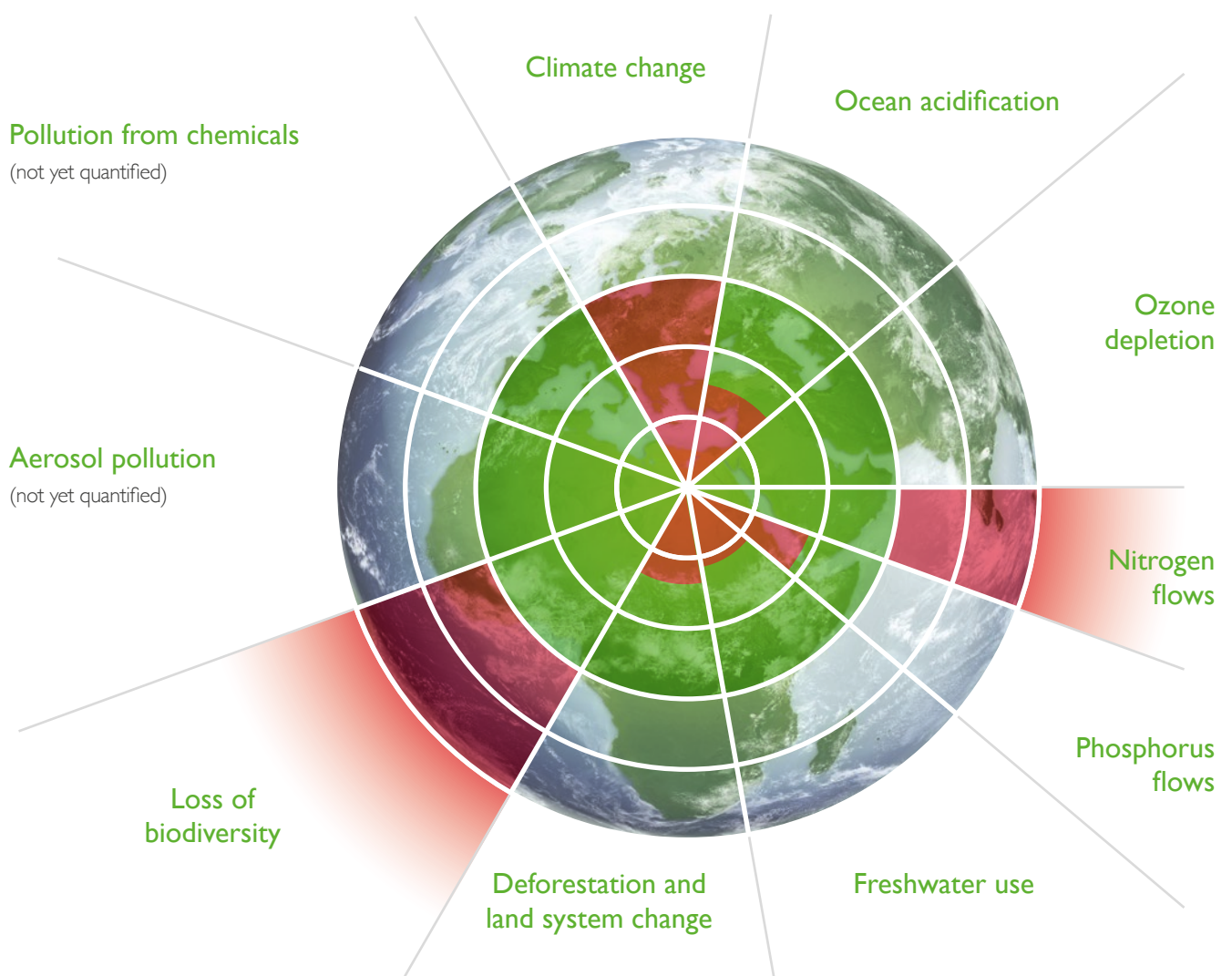
Possible measures to help maintain biodiversity include creating conservation areas, preventing the spread of invasive species, integrating agriculture, forestry »



BIODIVERSITY



Chart: Planetary boundaries



Source: Chart by Raiffeisen KAG, May 2021, based on "Visual presentation of the ecological limits 'planetary boundaries' according to Johan Rockström et al. 2009" via Wikimedia Commons

Safe planetary boundaries —
based on author's assessment
Observed level as of 2009 —



SUMMARY & SUSTAINABLE ASSESSMENT:

Both at the corporate level and the national level, biodiversity is a positive criteria in the sustainability assessment and is also included in the Sustainable Development Goals 13 (action to combat climate change) and 14 (marine resources).

E (environment):

Biodiversity and the related variety of species is a topic that relates very strongly to the environment, as the goal is to preserve as many species of plants and animals as possible. Relevant

aspects in this regard are genetic diversity within a species, on the one hand, and the biological diversity of habits and ecosystems, on the other. At the national level, the topic of biodiversity, with an assessment of the variety of species in relation to mammals, birds, reptiles and fish, is represented by an independent point in the sustainability analysis.

S (social):

Biodiversity forms a vital basis for human well-being. Nature provides humans with a wide range of resources, such as nutrition, fuels, and con-

struction materials. The psychological aspect of biodiversity is also a major factor in human well-being.

G (governance):

States and companies as well must make efforts to preserve biodiversity. The international treaties on biodiversity represent an important first step in maintaining the Earth's biodiversity.

Summary:

Biodiversity is a key future topic for Raiffeisen Capital Management. It plays an important role in relation to investment in government bonds in particular.

and fishing into strategies for preserving biodiversity, and strengthening institutions that support the preservation of biodiversity and the sustainable use of ecosystems, as well as the implementation of international treaties. Providing the public with information on the advantages of protecting biodiversity is important as well. Preserving biological diversity also means promoting a sustainable approach in agriculture and adjusting and limiting the level of nutrients in waters and soil.





Under the moderation
of Dieter Aigner,
Managing Director of
Raiffeisen KAG



Virtual round table discussion on land and soil in Austria and the measures necessary to reduce it.

Kurt Weinberger
CEO of Austrian Hail Insurance



Matthias Marhold
Managing Director of
Raiffeisen Immobilien KAG



Sibylla Zech
Institute for Spatial Planning,
Technical University of Vienna



Gundula Prokop
Expert for Soil and Land Management
at Environment Agency Austria



Ms Prokop, the current government programme of the Austrian People's Party and the Green Party promises "Healthy land and sustainable spatial planning". What is the situation with land and soil use in Austria? Could you give us a brief overview?

Gundula Prokop: We are currently at a level of about ten hectares per day in terms of land take. That's around 40 square kilometres per year. Fortunately, the figures have been falling since 2010. That said, we are clearly still using up too much land. The goal would be to take less than 2.5 hectares per day, equivalent to nine square kilometres annually. We want to reach that level by 2030. One new aspect is that, for the first time ever, the government programme explicitly states this goal, because that has never been so clearly formulated.

What strategies are there to achieve this goal?

Gundula Prokop: Right now, work is under way on a national land and soil conservation strategy. I can say already that the focus in this strategy is on two main goals: first, improving the protection of open areas, so priority agricultural areas and priority nature conservation areas, and second, the reactivation of unused areas. The biggest problem in this regard, however, is that the federal government does not have many competencies in this field and thus lacks the legal basis to take action. Aside from a few cases of illegal construction, land take

as we currently experience it in Austria is completely legal. The entire process occurs within the legal framework, which allows a great deal, for example in relation to spatial planning and the promotion of residential construction. Action needs to be taken in this regard, but from a political perspective this might not be popular. It is difficult to make headway with strict requirements.

Where is land consumption the highest?

Gundula Prokop: Our affluent society is responsible for a large share of the land take. From a statistical perspective, the highest use of construction lots is for residential purposes and commercial shops. This is followed by operating areas for businesses, but this has been on a sharp downtrend since 2013. Land use for road construction, which is ranked third, is also declining moderately. Only after that do we have use for recreational purposes and mining areas, as well as land used by the railway.

Ms Zech, spatial planning is a responsibility of the federal states. In your opinion, what problems does this cause?

Sibylla Zech: In Austria, we have nine provincial laws that govern land planning. Essentially, this is no different than in other countries. In Germany, there is also a separate spatial planning law for each federal state and in Switzerland spatial planning laws are handled by the cantons. However, »

LAND OF FIELDS, WITH A PROMISING FUTURE?

in contrast to Germany and Switzerland, there is no framework law at the federal level in Austria. And in the countries where the federal government has certain rights to intervene, we see that they have an easier time, for example in relation to secondary residences. In these countries, there are also institutions which are responsible for spatial planning, such as the Office for Spatial Development in Switzerland, which – among other things – develops strategies for support programmes. Such institutions are also found in Germany. This is very important, and in Austria efforts are also under way to develop such institutions.

Do you have hopes that the federal government will become more strongly involved in the future?

Sibylla Zech: Yes. And this is also reflected in the government's current "Baukultur" Report, which is now being prepared. This involves urban and town planning developments. It also involves the subject of land conservation, as well as the integration of civil organisations into such projects. The federal government has the ability to do quite a bit in Austria. And just the fact that these strategies will exist is a sign that the federal government no longer wants to play such a passive role in these issues. The federal states and the municipalities also define certain directions in their support programmes.

The federal government can take action.

What's your opinion on this, Mr Weinberger?

Kurt Weinberger: The federal government does not have any competencies in the field of spatial planning. That's what it says in the Austrian constitution. The constitution defines responsibility for spatial planning in Article 118, and this is clearly assigned to the domain of the municipalities. What this means is that any changes to zoning plans is the responsibility of the municipalities, and formally this means that the respective offices of the provincial governments must approve such changes. Generally speaking, this is usually merely a formality, unfortunately. The federal government only has so-called specialised planning competencies, when areas for road construction, railways and mining are involved. Otherwise, the municipalities are the competent authorities, and in terms of constitutional law this essentially cannot be altered, since one would need a two-thirds majority in parliament, which is not going to be realistically possible.

Where could one start?

Kurt Weinberger: On the one hand, it would be necessary to put more bite into the provinces' permitting obligations, and on the other to change the tax code. The municipal tax, which is levied at the level of the municipalities and is calculated on the basis of the number of wage-earning

employees in the municipality, is not set up right. Right now, mayors have to generate their revenues from this tax source and this is completely counterproductive. Because then the argument is always jobs. But what good are jobs if the quality of life in the municipality is no longer adequate? A new paradigm is needed in this regard. It cannot simply only be about jobs. We also have to preserve nature intact, because, as we all know, you can't eat concrete.

In the EU's nature conservation ranking, Austria is now ranked next to last.

What share of soil sealing is accounted for by agriculture?

Kurt Weinberger: Agriculture is often blamed for the decline in biodiversity. But the fact of the matter is that compared to the rest of Europe, Austria has the highest annual rate of land take for construction, the densest road network, and the highest floorspace of supermarkets per capita. And so on and so forth. All of this has impacts on the environment. Consequently, Austria is now ranked next to last in the »



Dieter Aigner discusses land system change with Matthias Marhold, Gundula Prokop, Kurt Weinberger and Sibylla Zech

EU's nature conservation ranking. We need to be aware of this. Around 80% of the species and habitats evaluated in Austria are not in good condition, and the biodiversity of fauna has thus declined by 70% over the last 30 years. Austria is also dropping down the ranking in the climate index year after year. We've lost the sense of what the soil means. Soil doesn't need us, we need the soil. It forms the basis for our lives. It secures our food supply. It provides space for recreation and life for people and for animals. And despite all of this, we are killing off this living space at a record pace. Out of the three economic production factors, land, labour and capital, unfortunately land no longer plays a role. It's simply been replaced by capital. And that's a very grave development.

Massive buildings are popping up on the outskirts of Vienna, and there are rumours that Vienna is becoming more and more of a focus for large international investment firms. How does this topic look from the investor's perspective? Is there even any room for manoeuvre in this industry in terms of sustainability? Will there be a trend towards building higher, in the interests of concentration?

Matthias Marhold: There is room for manoeuvre, but ultimately we also have to be honest and admit that – as property developers – we are profit-oriented. Balancing these two aspects is difficult and

not always successful. As for construction projects, property development with buildings, offices, and commercial projects is happening where urbanisation is occurring and people are moving into the cities. That said, the subject of residential development in the urban environment has numerous aspects that need to be taken into consideration. In any case, the topic of sustainability has also become a major issue in our industry as well. This is reflected in the wide-ranging laws, regulations, and initiatives, both at the international and national levels. Every investor is now engaged with this topic. We have been for quite some time now and are trying to ensure a sustainable approach with our investments. For example, we are in the process of having our entire portfolio certified pursuant to the DGNB standard, and have set ourselves the goal of continuously improving the sustainability of the structures in the coming years. Above and beyond this, every new investment is analysed in terms of its sustainability.

What can be done in this regard?

Matthias Marhold: For example, in relation to density. We recently purchased a project on a property that had already been built up with four residential units. Now, 45 units are going to be built there. This kind of thing is already taken into account in the planning phase, and the trend in this »

direction is continuing, and naturally it is also driven by standards and regulations. In Graz, we are currently developing a project involving the construction of a multi-storey residential building with 134 flats on an inner city lot. The property was previously used as a 1-storey car repair shop. We are implementing sustainability measures ranging from soil replacement and the installation of a solar power system on the roof to a mobility concept for all of the tenants with the city of Graz. I am confident that massive changes will be seen in the field of sustainability. The truth is that the industry is undergoing a transformation, which is driven in large part by institutional investors who have adequate capital. Taking a look at what is happening here in Austria, and especially in Vienna, we can see that the big projects are driven very strongly by capital from institutional investors. And these investors are precisely the ones who are now really expected to implement measures and take action.

Gundula Prokop: I think that the worries that we will only see high-rises being built in Vienna to meet the strong housing demand are unfounded. We really have to draw a clear line here between the actual demand for residential space and investment projects. Because construction is going on everywhere, where the lot prices are very high. These buildings are then not used very

efficiently, because in all reality they are just built for speculative purposes.

Matthias Marhold: Speculation and high vacancy rates are a huge problem, not only in Vienna but also in many other cities and countries, and this problem has to be addressed comprehensively. As an investor, however, Immobilien KAG has completely different motivations. For us, it is very important that the flats are rented out and used.

Kurt Weinberger: According to estimates by the Environment Agency, we have approximately 40,000 hectares of vacant real estate in Austria. That's equivalent to the size of Vienna. We need to create incentives to revitalise older buildings and bring them back into economic use. On the other hand, we are destroying nature so that a few selected can reap the profits. But it is society in general and future generations that pay the price. Very specifically, I am referring to the subject of profits from real estate sales here. If land was zoned for construction before 1987, then the land owner only pays just 4.2% of the income

from its sale in taxes. Where else can you find anything like this? If I currently make more than 11,000 euros as an employee, I am liable to pay income tax at a rate of 20%, whereas these people are earning millions on properties that were rezoned long ago, essentially without paying any taxes! For property that was zoned later, the tax rate is 30%, which is correct, but this disparity still exists.

Gundula Prokop: Mr Weinberger is absolutely right. For instance, as an investor if you want to build a new supermarket, you can get a good piece of land zoned for business operations at a reasonable price and you can develop your project like you want to. But if you take an inner-city lot, then you have to face various requirements, in terms of design, noise protection and many, many other things. As long as developing urban properties is more complicated than developing properties outside city limits, this trend will not change. By the end of the year, we expect to have an incentive system for unused industrial and commercial areas. I hope that this will generate some momentum. But a lot more »



There are 700,000 empty dwellings in Austria not being used as a primary residence.

ROUND- TABLE DISCUSSION

still has to happen. And one place where we could start would be the support system for residential construction.

Sibylla Zech: The vacancy rates are really a massive issue. There are 700,000 empty dwellings in Austria which are not being used as a primary residence. Compared to a total of 4.9 million dwellings, that's a huge number. In many municipalities we have 30 to 40% reserves of lots for construction, which are often in central locations with good amenities. The situation with rezoning is a massive problem. And it has gotten much worse in recent years, because property owners are engaging in strong lobbying and the regional planning laws have gotten weaker. Looking at newly zoned property, there are lots of tools that can be used to reach a reasonable level of density, at least in terms of residential and mixed use. For industrial operations, the situation is more difficult. I think banks also have a responsibility, to only finance investments in properties when these projects generate ecological and social value added. In doing so, banks could also help promote more concentrated construction and the revitalisation of former industrial areas.

As a general question for everyone, what kinds of possible incentive systems do you think are promising?

Gundula Prokop: Incentives won't be enough. Taking a long-term view of things,

we have to reach a situation in which land take has to be offset. In Germany, at least for large-scale projects, this kind of approach was started ten years ago with the Compensation Regulation. Over the long run, one solution would be if soil sealing had to be compensated. This would lead to people automatically considering how many parking places are really needed. Maybe then construction would become more compact. Ultimately, this would be the best tool to achieve lower resource intensity for land and soil.

Sibylla Zech: Looking at the spatial planning framework, there are two areas where action is urgently needed: the concentration of commercial activities on city outskirts, which was already mentioned, and large-scale developments of housing estates with single-family homes. With regard to the concentration of commercial activities, the provincial governments need to take a more restrictive approach in their spatial planning and construction regulations. The latest provincial development programmes, for instance in Upper Austria, show that the laws and regulations are slowly getting stricter. Similar work is under way in Lower Austria. We need a more restrictive approach, and using incentives alone will not be enough for progress to be made. Turning to the large single-family home developments, a moderate increase in density is needed. It is often the case »



Simply believing that we are all good people will lead to disaster for our children's and grandchildren's generations.

that just one or two people live in a big house, and thus taking care of the house and the yard is hardly possible anymore. A process of social thinning is occurring, and the question is how these neighbourhoods of single-family homes can be transformed.



Anyone who destroys natural capital and habitats should have to pay a fee.

This is a spatial planning process, as well as a social process. And it needs to be monitored and addressed. There are some really exciting models, such as house pooling, street clubs, and district consulting. With a moderate increase in density in urban areas, we can alleviate pressure on green spaces.

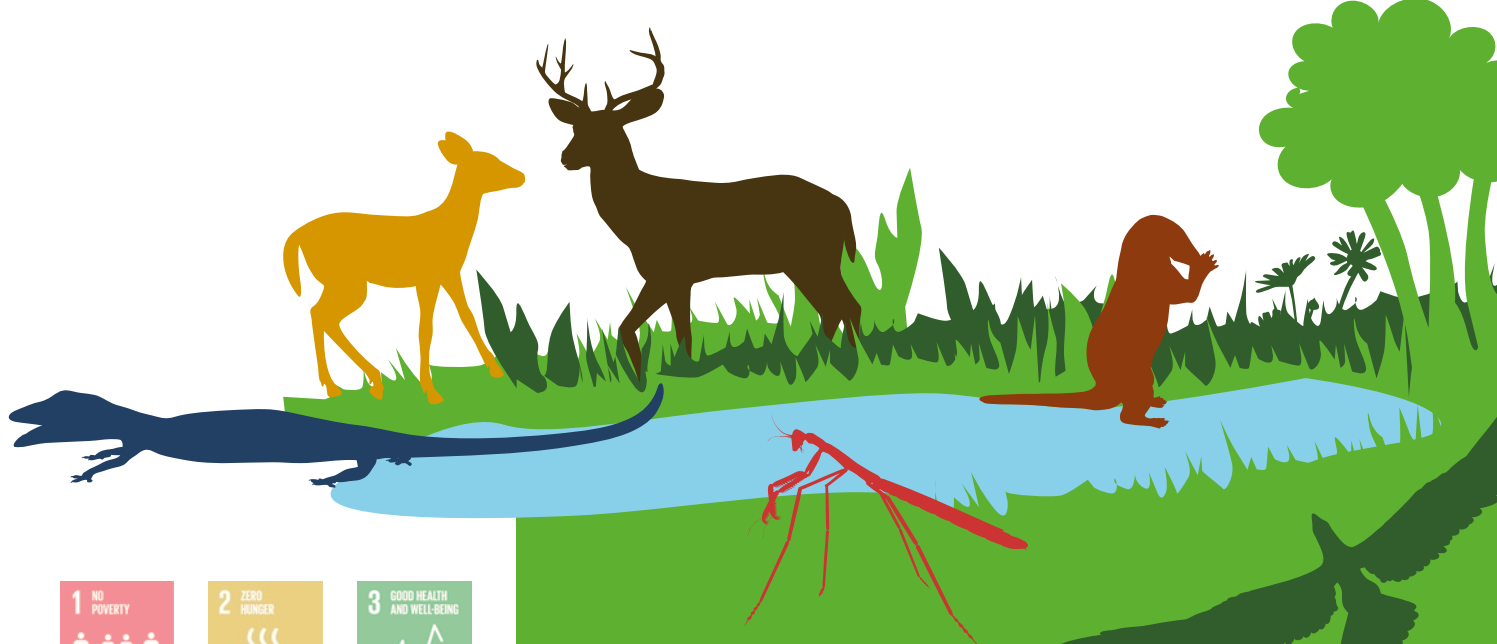
Kurt Weinberger: In the last 25 years alone, we have taken 150,000 hectares out of agricultural production and used it for construction. 150,000 hectares! That's equivalent to the entire area of land used for agriculture in the Burgenland. What we need is a mixture of measures. Even though the federal government does not have a say when it comes to land use, it could at least place the best agricultural

land under protection. Meaning that no construction would be allowed there. Of course, this represents a serious intervention in ownership rights. However, from a constitutional perspective, guaranteeing the security of food supply in the interests of public welfare is an argument that could certainly be advanced. The second measure relates to the municipal tax. This tax should be levied at the federal level and then distributed to the municipalities by way of fiscal equalisation like other taxes levied at the federal level, and it should be linked to certain performance parameters. The fact that road construction is exempt from property tax also shows how crazy the whole system is. A higher degree of equity is needed in this regard. Anyone who destroys natural capital and habitats should have to pay a fee. Naturally, real estate investors won't like this, because they are only focused on maximising their profits. But all of this is occurring at the expense of future generations, and that's just grossly irresponsible.

Matthias Marhold: This subject generates a lot of emotions, because it impacts everyone. In my opinion, there need to be both incentives and sanctions. We are familiar with the concept of egoism from game theory. People are egotistical, and like to optimise their outcomes at the expense of others. Without strict regulations and sanctions, we will not be able to achieve

the goal of maximising land take at 2.5 hectares per day. As soon as a loophole appears, it is exploited again in the interests of optimising. I don't think that it will be possible to leave these competencies at the municipal level. That's a battle you're going to lose. At the end of the day, mayors are driven to develop their communities and, when in doubt, they will provide land for use because they need the tax revenue. We need to have very clear regulations. Simply believing that we are all good people will lead to disaster for our children's and grandchildren's generations.

Kurt Weinberger: In a market economy system, if an ethical position is not profitable, it apparently gets cast aside. Society must punish unethical behaviour, such as the destruction of nature. Consequently, fundamentally we need to discuss the primacy of economics over ethics, because that is without sanctions. Land and soil are really miracles of nature. Land and soil mean life. And anyone who destroys our land and soil is also destroying the life that is found in the soil, 8 billion organisms in every handful of earth. As a father, I want my kids to be able to sing the words of our national anthem "Land of fields, with a promising future" and not have to sing "Land without fields, with no future". We have to get this into the heads of this country's decision-makers; we can't give up. All of us have a responsibility to future generations.



SUSTAINABLE DEVELOPMENT GOAL 15 (SDG 15):

Protecting and restoring terrestrial ecosystems, promoting their sustainable use and sustainable forestry, combating desertification

**SUSTAINABLE
DEVELOPMENT
GOALS**

Nature is a decisive factor for human survival on Earth: it provides us with oxygen, regulates our weather, gives life to our plants, and produces our food, animal feeds, and fibres. However, nature is under more and more stress, as human intervention has altered almost 75% of the planet's surface, crowding natural habitats and living creatures into an ever smaller part of the planet, as well as increasing the risk of zoonotic diseases, such as the current outbreak of Covid-19.

Forests cover 30% of the Earth's surface and are crucial for food security, combating climate change, and the preservation

of biodiversity. The world lost 32 million hectares of forest between 2010 and 2015. Due to drought and steppification, some 12 million hectares of agricultural land are lost every year, amounting to 23 hectares per minute.

Compared to an untouched state, this has reduced the amount of pristine terrestrial habitats by 30% at the global level. Although conservation areas currently cover 15% of terrestrial and freshwater areas and 7% of marine areas, these only represent a portion of the areas which are crucial for biodiversity, and they have neither been completely explored in terms of their ecology nor effectively or properly managed.

WITH REGARD TO THE TOPIC "LIFE ON LAND", THE UN HAS SET THE FOLLOWING TARGETS FOR 2030. WHICH HAVE ALSO BEEN INCORPORATED INTO THE AUSTRIAN FEDERAL GOVERNMENT'S 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT (SLIGHTLY ABRIDGED):

✓ To ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands.**

✓ To promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.**

✓ To combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

✓ To ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development.

✓ To take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.*

✓ To promote fair and equitable sharing of the benefits arising from the utilisation of genetic resources and promote appropriate access to such resources, as internationally agreed.*

✓ Take urgent action to end poaching and trafficking of protected species of flora and fauna and address both demand and supply of illegal wildlife products.*

✓ To introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species.**

✓ To integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts.**

✓ To mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.*

✓ To mobilise significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation.*

✓ To enhance global support for efforts to combat poaching and trafficking of protected species, including by increasing the capacity of local communities to pursue sustainable livelihood opportunities.*

* No time frame defined for these targets

** By 2020

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CORPORATE ON THE TOPIC OF

The special report on climate change and land systems published by the World Climate Council (IPCC) in August 2019 argues that the current land use and global food systems exacerbate climate change, land degradation, the

loss of biodiversity, and other environmental threats. Consequently, how we feed ourselves is a key factor in preserving biodiversity. It will also be even more important to monitor the direction in which the food industry moves.

a local decline in biodiversity and impairment of the ecosystems. For this reason, the German company invests in research and development, in order to achieve a better balance between productivity and the conservation of biological diversity and ecosystems. Defining indicators to measure the effects of products turns out to be a very complex task. Using a model recently developed at the Technical University of Denmark, Bayer is attempting to quantify the environmental impact of all plant protection products on different cultivated areas and is reviewing its entire product portfolio in this regard. This measurement allows a determination to be made as to which products have the greatest environmental impacts, where these originate, and where Bayer can thus achieve improvements. Nestlé, the world's largest food group, also identifies the measurement of impacts on biodiversity, especially due to the enormous regional differences, as being a bigger challenge than CO₂ for example. Nevertheless, it was feasible, for example with the use of satellite technology for monitoring deforestation risks and with pilot farms, which Nestlé has established specifically for the monitoring, measurement, and restoration of soil health. The timeframes necessary for these efforts to yield measurable results vary widely. While deforestation can almost be monitored and measured in real time, it can easily take three to four years to demonstrate impacts when »

The shareholder engagement activities of Raiffeisen Capital Management's SRI team with regard to the topic of biodiversity include discussions with some of the biggest listed companies in the food industry. The following questions were asked in this process:

- 1 Is the negative impact of our global food systems on biodiversity a problem that you deem relevant for your company?
- 2 Are you actively monitoring your positive/negative impact on biodiversity? What are the results?
- 3 How can your company contribute to achieving Sustainable Development Goal 15? Have you set specific objectives?
- 4 According to forecasts, the world's population will increase by another two billion by 2050. Will it be possible to feed all these people in a sustainable manner? What role could your company play in this?

The responses to these questions can be summarised into the following statements and results.

1 & 2 For Bayer, which specialises in the fields of health care and agriculture, it is clear that the more intensive use of land for agricultural purposes has resulted in

VOICES

BIODIVERSITY

it comes to the regeneration of soil. Campbell Soup, a US food producer, is following a similar strategy, working together with the non-profit organisation The Sustainability Consortium in 2020 to compile a risk assessment of its procurement process. As part of this, the risks related to the countries of origin for 30 different categories of ingredients linked to the loss of biodiversity, water consumption, and deforestation were assessed and the ingredients used were prioritised on the basis of the results.

3 Conserving and promoting biodiversity is a key point in Sustainable Development Goal 15 “Life on land”. For the UK group Unilever, which is one of the world’s largest producers of consumer goods with brands such as Knorr, Eskimo, Coral, and Axe, the 17 Sustainable Development Goals offer a unique opportunity to create a better world. The company noted that business opportunities amounting to around USD 3 billion were estimated just for the transformation of the food and land system. Thus, the growth potential of ecological innovations which both protect the environment and promote people’s well-being was enormous. In light of this, the company is also focusing on raw materials from agricultural producers that deploy sustainable business practices in terms of preserving soil fertility, optimising water and fertiliser use, and protecting biodiversity. In order to achieve SDG

15, Nestlé is following a clearly defined plan, which calls for a main supply chain that is free of deforestation and envisages a share of raw materials that are produced using regenerative agricultural methods of 20% by 2025 and 50% by 2030. Campbell Soup, in turn, requires all of its suppliers to comply with all valid environmental regulations. Above and beyond this, suppliers are expected to take measures to protect and ameliorate the soil and to protect and promote natural habitats, indigenous species and biodiversity. Additionally, the company forbids production on land that has not been used for agriculture in the last ten years. Novozymes, a Danish biotechnology company, is convinced that its enzymes and microbial solutions can help agriculture to boost the efficiency of plant and animal production, to reduce environmental impacts, and – at the same time – to strengthen climate resilience. The company has set itself the goal of contributing to the production of an additional 500,000 tonnes of food products based on efficiency enhancements along the entire value chain in 2022. According to internal estimates, a figure of 136,000 tonnes had already been achieved in 2020.

4 Bayer views intensive agriculture with high yields per hectare as a key factor enabling the continuous supply of high quality, affordable food. The reason for this is that increasing the intensity

of agriculture will lead to less and less land being needed for food production. While agricultural yields have risen by 60% over the last 40 years, the area used for agricultural production has only increased by 5%. Digital technologies play an important role in this, along with improvement in seeds and optimised agricultural practices. Unilever feels that it has the responsibility to help shape a global food system that is fair for everyone. With this in mind, the company has launched the “Future Foods” initiative and thus undertakes to reach an annual sales target of EUR 1 billion in plant-based meat and milk alternatives in the span of 5 to 7 years, to halve food waste in direct operations from the factory to the shelf by 2025, to double the number of health-promoting products by 2025, and to continuously reduce the calorie, salt and sugar content of all of its products. Kellogg’s, a world leader in cereal products, also wants to contribute to a sustainable food supply and has undertaken to support one million farmers and workers with programmes designed to enhance climate protection and boost social and financial resilience, by the end of 2030. On doing so, Kellogg’s is offering its own training programmes and technical support to disseminate good practices which improve the productivity of agricultural businesses, help to regenerate soil health, and contribute to the preservation of biodiversity and the reduction of greenhouse gas emissions.

ROYAL DSM

Royal DSM is a Dutch speciality chemicals group specialising in biological and material sciences. Its activities are grouped into three clusters: Nutrition, Materials, and the Innovation Center. The Nutrition cluster provides solutions for food and beverages, animal feed, dietary supplements, pharmaceuticals, and personal care. Materials comprises specialty materials for the automotive, electronics, and apparel industries, as well as for food packaging and medical applications. As suggested by the name, the Innovation Center stands for purpose-led innovation at DSM and future growth. The company has operations in more than 40 countries, with more than 23,000 employees. The company is based in Heerlen, the Netherlands.

BRIGHTER LIVING SOLUTIONS

Brighter Living Solutions (BLS) is DSM's programme for developing sustainable, innovative solutions with environmental and/or social benefits, which create shared value for its stakeholders. These solutions include products, services, and technologies that have a smaller environmental impact and/or superior social impact compared to the mainstream alternative for the same application. These »

The castor plant - or miracle tree - is the main ingredient for a bio-based engineering plastic.

COMPANY SUSTAINABILITY SPOTLIGHT

effects can be realised at any stage of the product life cycle, from raw materials through the manufacturing process to potential re-use and end-of-life disposal. Within this programme, DSM conducts an annual review for all product categories, which uses comparative life cycle assessments and expert opinions to determine whether a product has a superior performance and can be identified as a Brighter Living Solution.

BIODIVERSITY

One example of a Brighter Living Solution is Veramaris® algal oil, developed by a joint venture of DSM and Evonik Industries AG, a company also active in the field of speciality chemicals. Veramaris® was brought to market in 2018, offering a sustainable alternative to fish oil as a source of omega-3 fatty acids. Fish is crucial for our society, but at the same time global fish stocks are declining due to overfishing. However, many people are unaware that large amounts of wild-caught fish are used as feed for farmed fish, such as salmon. According to DSM, 75% of global fish oil is used for this purpose. DSM and Evonik want to counter this with their algal oil product. One tonne of Veramaris® natural algal oil saves 60 metric tons of wild fish from

being used as salmon feed. The oil thus reduces dependence on marine fish, helping to protect marine biodiversity.

Another notable example for a sustainable, alternative solution in nutrition is CanolaPRO® plant-based protein. The increase in health- and environment-conscious food consumers represents a significant challenge for the food industry. Consumers want alternative protein products that offer good nutritional value with a minimal environmental footprint, but are also appealing in terms of texture and taste. CanolaPRO® provides this kind of alternative. It is a source of protein obtained from canola meal, a by-product of canola oil production. This protein is rich in nutrients and easily digestible. CanolaPRO® is non-GMO, gluten-free and is produced using a solvent-free extraction process, which preserves all of the valuable components and functional advantages of the protein. This makes it a healthy, sustainable plant-based protein, in terms of both production and consumption. Thanks to its properties, the protein is ideal for use in meatless food products, promoting a reduction in the excessive consumption of meat products and thus helping to mitigate

the related devastating impacts on our environment.

CIRCULAR ECONOMY

According to DSM, the circular economy starts with procurement and development. Specifically, this involves the use of renewable input materials and the development of products which are both longer lasting and easier to repair and reuse. This approach is reflected in DSM's products, such as special plastics for the automotive industry, which stand out for their durability, low weight and reduced environmental impact. One example of this is EcoPaXX®, a bio-based technical plastic, which is 70% made from castor bean plants. However, DSM also believes that the recycling of materials and the recovery of energy offers outstanding opportunities to reduce waste and retard climate change. The company recycles around 85% of its waste and is trying to reduce the total volume of process-generated waste every year. In 2020, it achieved a reduction of 6.3%. With its products, the company helps boost efficiency along the entire value chain, thus also making a contribution to reducing waste volumes outside of the scope of its own production.



Alfred Strigl

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CLIMATE THROUGH SCIENCE,

BOKU COMPETENCE CENTER FOR CLIMATE CHANGE

At the University of Natural Resources and Life Sciences, Vienna (BOKU), people are convinced that science and research can be harnessed to serve life. The Alma Mater Viridis – BOKU's Latin nickname, which means "green foster mother" – has been active in the fields of climate protection and sustainable development for many, many years. Starting from 2012, BOKU was the first university in the world to formulate its own development and climate mitigation projects in Africa, Asia, and Latin America. These projects make a massive contribution to various aspects of the 17 Sustainable Development Goals (SDGs). Climate mitigation and development projects are financed via donations from private individuals, teaching staff from universities and companies, which wish to voluntarily offset their carbon dioxide emissions. This fosters a good conscience among CO₂ emitters, because even a climate-neutralised flight to an international meeting is an effective act, as well as among project participants, which are provided with funding to undertake important development measures from the compensation payments. This creates a win-win situation for everyone involved. This initiative was awarded as an exemplary project at the Arnold Schwarzenegger R20 Summit held in 2019 in Vienna.

In terms of climate policy, the global political situation is very dynamic, as countries are presently outbidding each other when it comes to reduction targets. By 2030, the USA wants to cut its emissions by 50% compared to 2010, and the EU wants to achieve as much as a 55% compared to 1990. By the middle of the century, both of them want to be completely climate neutral. The scientific community has outlined a steady string of ominous scenarios for the future. There are warnings that Greenland's ice cap may reach a tipping point, that critical juncture when it is no longer possible to stop the ice from thawing. Sea levels could rise by more than seven metres. And this is not the only risk. Despite all of the efforts of the international community, the legal binding targets from the Paris Climate Convention will not be adequate. Because the measures are only slowly entering into effect: the European Green Deal with its ten very good sub-strategies, emissions trading, measures of the individual states. Much of this is still not legally binding. And thus, actors from the private sphere and business have to voluntarily take climate mitigation efforts into their own hands. And they are doing just that. Many voluntary carbon offsetting initiatives are trying to push us towards the post-fossil era while there is still time.

Year after year, the tonnage of CO₂e trading is rising on the market for voluntary carbon offsetting. In parallel with this, the number of climate mitigation projects needed is also rising, and these projects have to be of suitable quality. Fundamentally speaking, first and foremost, carbon emissions should be offset by savings, for example with the use of alternative energy sources when possible. Secondly, CO₂ emissions that cannot be avoided should be offset using clever, promising measures.

The BOKU Competence Center for Climate Change helps companies and individuals offset their greenhouse emissions through the BOKU's own climate mitigation projects. By financing new climate mitigation projects with funds from offsetting, additional carbon emissions are avoided or, for example, captured by way of reforestation or the conservation of at-risk forest areas. The goal is to implement pilot climate mitigation projects in the least developed countries, with sustainable advantages (social, ecological, and economic). The price for one metric ton of CO₂e is based on the project development costs and oriented to international standards. The award of BOKU climate mitigation projects is reviewed by a scientific panel composed of representatives of BOKU as well as external experts from the Development Bank of Austria, the Austrian Develop- »

PROTECTION RESEARCH, AND DEVELOPMENT

ment Agency (ADA), the Federal Ministry for Sustainability and Tourism, and the NGOs Caritas and Greenpeace. BOKU climate mitigation projects must ensure the precisely quantifiable avoidance of CO₂ emissions or the additional capture of CO₂ emissions. Furthermore, they should promote biodiversity preservation and other positive environmental effects, such as the conservation of soil, forests, and waters, and exert positive socio-economic impacts. At the moment, the BOKU compensation system is managing seven ongoing projects, including ones in Ethiopia, Costa Rica, Nepal, Uganda, and Colombia, the latter of which is briefly presented here.

LAS MERCEDES – RAINFOR- EST CONSERVATION AREA AND AGRO-FORESTRY IN COLOMBIA

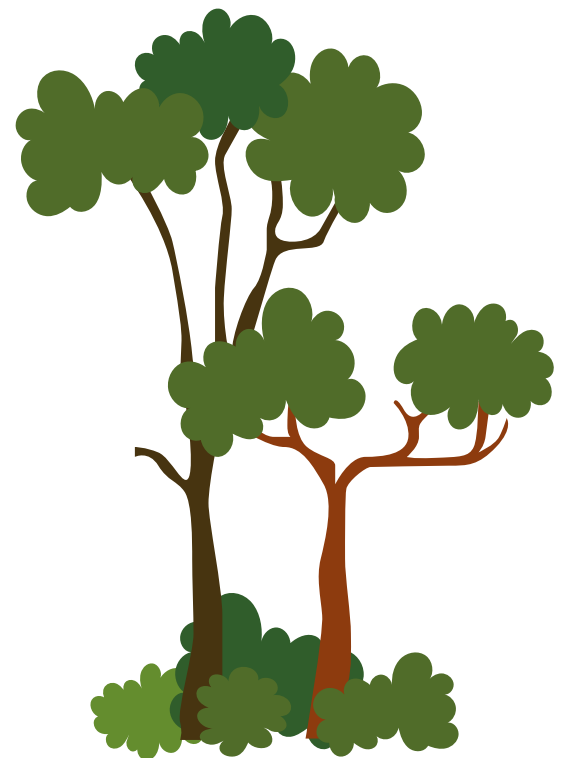
In the central region of Colombia, between Bogotá and Medellín, the project “Las Mercedes – Reserva Natural de las Aguas” is working to protect a rainforest area that is acutely threatening by deforestation. The main focus is the conservation of around 8,000 hectares of primary rainforest, which serves as an important green oasis for the protection of four major water sources of local rivers. Additionally, existing agricultural land is being shifted to a silvopastoral rotational grazing system and crops with higher yields than coffee

and cacao are being tested in an agroforestry system. This project also features intensive cooperation with the art project “ArtEmbassy”, which is primarily focused on strengthening local and supraregional communication and self-awareness.

OUTLOOK: VOLUNTARY COMPENSATION MARKET FOR A CARBON-NEUTRAL EUROPE

In an enlightened, humanist society, the principle prevails that individual responsibility and voluntary action is always better than coercion and punishment. However, in practice individual responsibility must be based on awareness, recognition, and voluntary action. With regard to climate protection, it ultimately does not matter where and how climate-degrading emissions are introduced into the atmosphere, or where they are reduced and CO₂ is once again actively stored in biomass. What is important is that – in total – greenhouse gas emissions decline at the global level, both quickly and massively. There is an ominous gap between the savings achieved with climate mitigation measures that are binding at the international level and the ability to meet the 2-degree goal. The efforts would have to be three times as intensive to even begin minimising global warming. The example of the BOKU compensation system should and must function as a guiding light at the global level.

Raiffeisen Capital Management is one of the companies that offsets its carbon emissions using the BOKU system. The BOKU projects are presented transparently on the organisation's Website at <https://xn--klimaneutralitt-elb.boku.ac.at/>





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LOSS OF BIODIVERSITY

THE BIGGEST CHALLENGE OF THIS CENTURY

Currently, the global pandemic with Covid-19 is the main story and its impacts can be directly felt. When this public health crisis is over, attention will shift once again to another global crisis and combating it, since it would be utopian to think that we could overcome it: the climate crisis. There is also another, third global challenge, which is likely the most lasting, complex and risky of all of these, but nevertheless often remains in the background: the loss of biodiversity.

A popular description of biodiversity with the expression “diversity of species” comes up short, because biodiversity also pertains to genetic diversity (at the micro level) and, in a broader sense, the diversity of ecosystems. This global challenge is no secret: all the way back in 1992, at the “Earth Summit” in Rio de Janeiro, participants adopted the UN Convention on Biological Diversity (CBD), the most important multi-lateral treaty which forms the current international legal basis for 196 signatory states. Every two years since there have been conferences with various protocols, such as the Nagoya Protocol from 2010.

According to a (strongly condensed) version of the preamble of the CBD treaty: “The Contracting Parties ... conscious of the intrinsic value of biological diversity ... [and] concerned that biological diversity is being significantly reduced by certain human activities ... [are] determined to conserve and sustainably use biological

diversity for the benefit of present and future generations”.

The three equal objectives in this regard are:

- + the conservation of biological diversity,
- + the sustainable use of its components, and
- + the fair and equitable sharing ... of the benefits and resources.

The Convention goes far beyond the purely ecological necessities, insofar as it also addresses social, economic, scientific, educational, cultural, and aesthetic issues.

The main causes for the loss of biological diversity, which is now increasingly visible, are the reduction and degradation of habitats, overuse of soils, the introduction of non-native species, general environmen-

tal pollution, and climate change. Humans are essentially the source of this.

AUSTRIAN BIODIVERSITY STRATEGY

Austria also ratified the CBD and published its “Biodiversity Strategy Austria 2020+” in 2014. This strategy contains twelve objectives in five areas of action which are oriented towards international targets, as well as a comprehensive catalogue of measures for the conservation of biodiversity in Austria. In this strategy, the strategy fields are documented in-depth, but decisive measures often give way to evaluations, analyses and educational measures. A report by Environment Agency Austria highlights progress towards achieving some, but not all of the objectives, and comes to the conclusion that urgent action is still necessary and that an intensification of activities for the conservation of biodiversity is imperative.

At present, work is under way in Austria on the new biodiversity strategy 2030, and the European Commission has also incorporated a biodiversity strategy into its Green New Deal. A wealth of assessments and strategies are available; impactful measures must be taken.

Sources and links: Convention on Biological Diversity: www.cbd.int/convention/
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€U-TAXONOMY



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Intact biodiversity forms the basis for sustainable ecosystems and ultimately for the long-term functioning of economic systems. The significance of biodiversity and the conservation of habitats is now a key political issue at the level of the European Union (EU), which has committed itself to achieving climate neutrality by 2050. The comprehensive transformation of the real economy that is needed to achieve this is anchored in the European Green Deal. It intends to help Europe develop a sustainable, resource-efficient, and competitive economy. One third of the investments necessary for this transformation will be government funded. Most of the rest, however, will be the responsibility of the private sector. To this end, the EU action plan defines the necessary conditions for "sustainable financing", which effectively channel financial flows into sustainable investments, integrate sustainability into risk management, and boost transparency and the adoption of long-term perspectives.

The EU action plan has several components, and the EU taxonomy is at its

core. This taxonomy is a standardised, science-based system of classification for defining sustainable economic activities. What's behind it? The goal of the EU taxonomy is to set a uniform framework for the definition of sustainability and to limit the risk of so-called greenwashing. The taxonomy does not impose a requirement for sustainable investments: based on the principles, it is used to determine which investments can be classified as "green" or sustainable. Listed companies with more than 500 employees must disclose their share of sustainable activities in their non-financial reporting. The metrics examined include revenue, operating costs, and capital expenditure. This will apply from 1 January 2022 for the first two taxonomy objectives, with the remaining four objectives entering into force one year later.

Economic activities are reviewed on the basis of three steps and must simultaneously meet the science-based evaluation criteria of the technical expert group on sustainable finance (TEG).

+ Substantial contribution to at least one environmental objective

+ „Do no significant harm“ in relation to other environmental objectives

+ Meeting certain minimum criteria

At present, the taxonomy of activities encompasses three groups: sustainable activities, enabling activities (that enable important low-carbon activities) and transitional activities (as a transition to a more low-carbon form). The taxonomy specifically exclude activities in the field of fossil fuels (coal). The treatment of nuclear energy and natural gas has not yet been fully agreed upon. The TEG has taken a position against classifying these categories as sustainable. That said, there is very strong resistance at the level of some Member States. It is expected that this dispute will be resolved in the course of Q2 2021.

At the present, the EU taxonomy is restricted to green, i.e. ecological, objectives. Above and beyond this, project groups are already working on a social taxonomy. This is to rest on three pillars: respect for human rights, governance, and suitable living conditions for all. An initial draft is anticipated for Q3 2021.

The six environmental objectives of the EU taxonomy

	1. Climate change mitigation		4. Transition to a circular economy
	2. Climate change adaptation		5. Pollution prevention
	3. Sustainable use of water resources		6. Protection and restoration of ecosystems and biodiversity

**Raiffeisen
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SUSTAINABLE FUTURE.**

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