



Strategy climate



**Climate targets of Raiffeisen KAG
as a responsible contribution to
climate neutrality**

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This document was prepared by:

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Mooslackengasse 12, 1190 Vienna, Austria

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



Vision and strategy

We create lasting values for the future.

As its manager, Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (Raiffeisen KAG) is embedded in the sustainability strategy of the RBI Group¹. We define sustainability as responsible corporate behaviour for long-term economic success in harmony with the environment and society. For us, it is a central component of our business policy. We are a responsible fund manager, a fair partner and a committed citizen.

We integrate the topic of sustainability at all levels:

- in the (further) development of products,
- in all areas of investment processes,
- in the continuous development of our company.

Global climate change has far-reaching consequences for the environment, the economy, and society. We recognise our responsibility to make a suitable contribution to fighting the climate crisis and to actively support the necessary transformation as a financial market participant. The key goals for this path are formulated in the climate strategy.

Climate change as a challenge

Global warming

One of the dominant topics of our day and age is climate change, a global challenge that knows no national borders. The worldwide increase in temperature has been constantly accelerating in recent decades. This has far-reaching consequences for our environment. The sea level is rising in many places, and extreme weather events – such as heatwaves, storms, floods, and droughts – are becoming increasingly frequent. Above and beyond this, the changing weather conditions have serious consequences for society and the economy that are already being seen today and will extend far into the future.

In order to mitigate or partially reverse – at least over the long term – the serious consequences of climate change, it is necessary to limit global temperature rise to a maximum of 1.5 °C compared to the pre-industrial level, as stipulated in the Paris Agreement. Immediate action at many different levels is necessary for this goal to be achieved, to result in a radical global reduction in emissions of greenhouse gases, which is possible by way of a variety of technological measures and behavioural changes. Greenhouse gas emissions, which are also caused by humans, are one of the main factors behind global warming. The atmospheric concentration of greenhouse gases (GHG) such as carbon dioxide, methane, and nitrous oxide has now reached peak levels. In recent decades, greenhouse gas emissions have risen strongly, reaching levels higher than ever before in human history. Achieving

¹ RBI stands for Raiffeisen Bank International AG.



climate neutrality² by 2050 is a precondition for limiting global warming to 1.5 °C, and some countries have now made this their goal.

The necessary transition to a sustainable, carbon-neutral economy and infrastructure requires significant investments, which cannot be undertaken by public entities alone. Involving the private sector is absolutely necessary, with the financial market playing a special role in this regard. On the one hand, this involves the re-channelling of private capital flows into sustainable investments, and on the other hand, the financial market functions as a vehicle for enhancing the transparency, long-term consideration and integration of sustainability risks in risk management. Regulatory changes accelerate this development, such as the EU action plan on financing sustainable growth or the European Green Deal, which sets climate neutrality by 2050 as its goal. Conscious of its active role as a financial market participant and its related responsibility, Raiffeisen KAG decided to put sustainability at the core of its corporate strategy several years ago. The commitment to climate neutrality is of great importance in this regard.

In light of this responsibility, Raiffeisen KAG has formulated a climate commitment, which expresses our company's voluntary undertaking to make an appropriate contribution to combatting the climate crisis.

Climate commitment

➤ Limit global warming

The constant increase in average global temperatures represents a serious risk to the environment, society, and the economy. Consequently, at Raiffeisen KAG we are determined to make a contribution to limiting global warming and have formulated goals in this regard.

➤ Mitigating climate change

As an asset manager, we play an active role in mitigating the consequences of climate change through our products and services. We are constantly developing our range of products and include options with environmental objectives. At the same time, we offer high transparency with the annual publication of the carbon footprint of our range of sustainable products.

➤ Lowering greenhouse gas emissions

We actively promote the reduction of greenhouse gas emissions by way of dedicated products which facilitate the energy transition with their investment focus.

² Climate neutrality means, on the one hand, measuring activities that are harmful to the climate (via greenhouse gas balances) and, on the other hand, neutralising such activities, whether directly by avoiding and reducing greenhouse gas emissions or indirectly by financing climate protection projects as compensation for emissions volumes that cannot be further reduced or avoided. Cf. BOKU Competence Centre for Climate Change <https://xn--klimaneutralitt-elb.boku.ac.at/was-ist-klimaneutralitat/>



Climate risks and opportunities

Climate risks refer to risks, whose root cause is related to climate change, or which are exacerbated by climate change. Companies and financial market participants can be affected directly or indirectly by climate risks, whether this occurs by way of regulatory changes, technological developments, social transformation, or disruptions in supply chains. A distinction is made between two categories: physical risks and transition risks, which are presented in the following table.

Climate risks have direct and indirect effects on companies and financial market participants and are ultimately reflected in a decline in asset value. While physical climate risks tend to have a medium- to long-term effect, transition risks can materialise over the short term.³

At the same time, climate change and the related impacts on the real economy and society offer opportunities to profit from the new possibilities that are opening up and to actively support economic transition. For example, new demand patterns may arise for certain (e.g. low emissions) products or services, innovation can be fostered, and new fields of business can be accessed.⁴ The identification of these opportunities and risks for the companies affected is an integral part of Raiffeisen KAG's sustainable investment process.

Climate risk	Cause
Physical	Climate change: <ul style="list-style-type: none">➤ Extreme weather events (floods, heatwaves, drought, etc.)➤ Gradual changes in climate (e.g. temperature increase, rising sea levels)
Transition	Transition to a climate-neutral economy and society: <ul style="list-style-type: none">➤ Political or legal changes (e.g. climate protection policy; emissions trading)➤ Technological developments (e.g. renewable energy)➤ Changes in consumer and investment behaviour

Source: FMA – Austrian Financial Market Authority

Emissions category

While CO₂ emissions are often referred to colloquially in simplified terms, a wide range of greenhouse gases are actually included in the calculations. These consist of the greenhouse gases specified in the Kyoto Protocol. The following figure shows these gases with their relevant global warming potential, or CO₂ equivalent. This is a relative measure of a gas's contribution to the greenhouse effect, in other words the amount of heat trapped by a certain mass of a greenhouse gas compared to the amount of heat trapped by the corresponding mass of CO₂. For example, the CO₂ equivalent for methane amounts to 21, which means that one kilogram of methane traps 21 times more heat than one kilogram of CO₂ within the first 100 years after being emitted.

³ Cf. FMA Guide for Managing Sustainability Risks (2025)

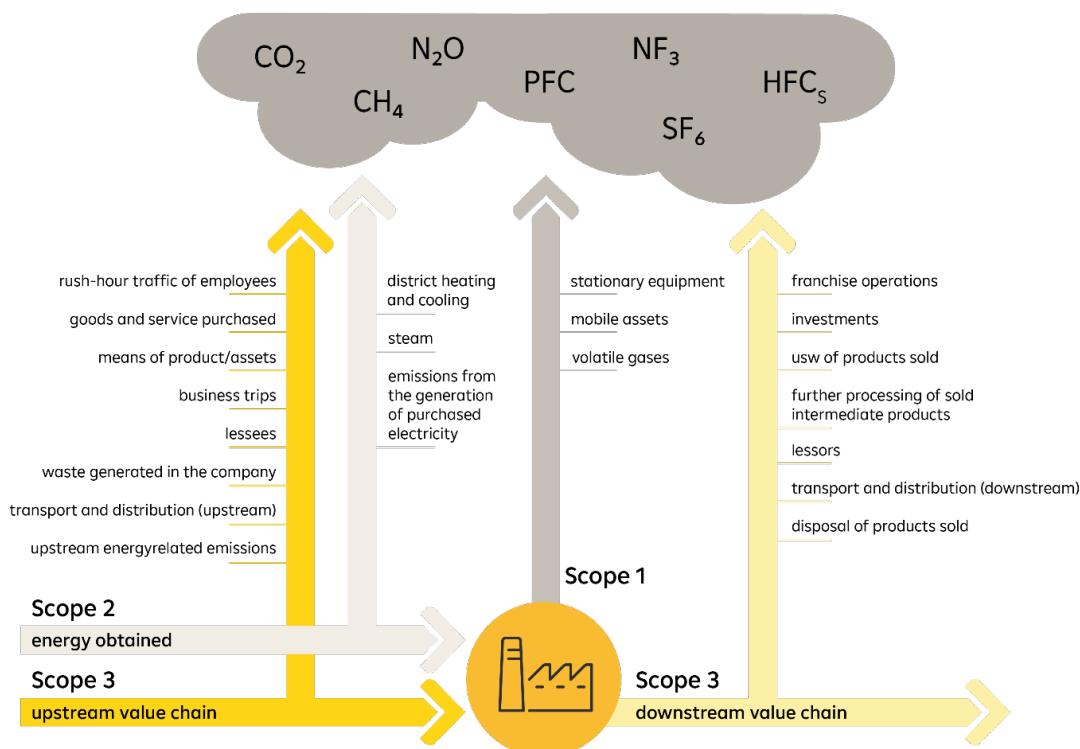
⁴ Cf. German Environment Agency: Management of Climate Risks at Companies (05/2021)

Greenhouse gases according to the Kyoto Protocol

Greenhouse gas	Global Warming Potential
Carbon Dioxide (CO ₂)	1
Methane (CH ₄)	21
Nitrous Oxide (N ₂ O)	310
Hydrofluorocarbons (HFC)	150 – 11,700
Perfluorocarbons (PFC)	6,500 – 9,200
Sulphurhexafluoride (SF ₆)	23,900

Source: carbon footprint report 2024 of Raiffeisen KAG

Greenhouse gas emissions are assigned to three categories according to the Greenhouse Gas Protocol: Scope 1, 2, and 3. Scope 1 pertains to all of a company's direct emissions. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 covers the emissions that occur in the up-stream and downstream value chain. To facilitate understanding, an illustration of the three categories follows.⁵



The dataset is very well developed for Scope 1 and Scope 2. Scope 3 emissions are more difficult to capture, as parts of the activities along the value chain do not fall within the scope of influence or

⁵ Carbon footprint report 2024 of Raiffeisen KAG

knowledge of the company. Nevertheless, the analysis of all three of these scopes of emission is essential for obtaining a comprehensive view of a corporate emissions footprint.

Restrictions

Climate risks are difficult to measure and model, in part due to their long-term consequences. Current data availability has limitations and does not yet allow for a comprehensive view of the climate-relevant impacts of our actions (e.g. as noted above, limited Scope 3 data from corporate sources, insufficient coverage of all emissions categories). Models and scenario analyses involve uncertainty and are updated regularly or as required (e.g. when new data become available). The methodologies currently used to assess and calculate greenhouse gas emissions often do not yet cover all asset classes.

For instance, suitable quality information can be presented for equities and corporate bonds, while the data situation for government bonds is more difficult. Investments in infrastructure and real estate have very complex effects and can only be assessed in a rudimentary way, if at all. However, calculation methods are constantly being refined and thus it is conceivable that data quality will improve over time and that the scope of the asset classes covered will be expanded. In the event of important changes to the conditions described above, we will adapt our climate strategy in accordance with the underlying goals and supporting models in a timely manner.

Climate neutrality in portfolio management

Climate-neutral objectives and underlying assets

Following the first-time definition of climate goals in 2017, we presented a new climate strategy in 2022, after several years of development. This new strategy contains reduction goals over three time periods: until 2025, 2030, and finally until 2050. The assets (known as "assets in scope") included in the climate strategy cover all equities holdings and corporate bonds in the retail funds managed by Raiffeisen KAG. The year 2019 was taken as the base year⁶ for calculations. By including all holdings of equities and corporate bonds, we are starting off on the path towards net zero with 21%⁷ of our assets under management (AuM).

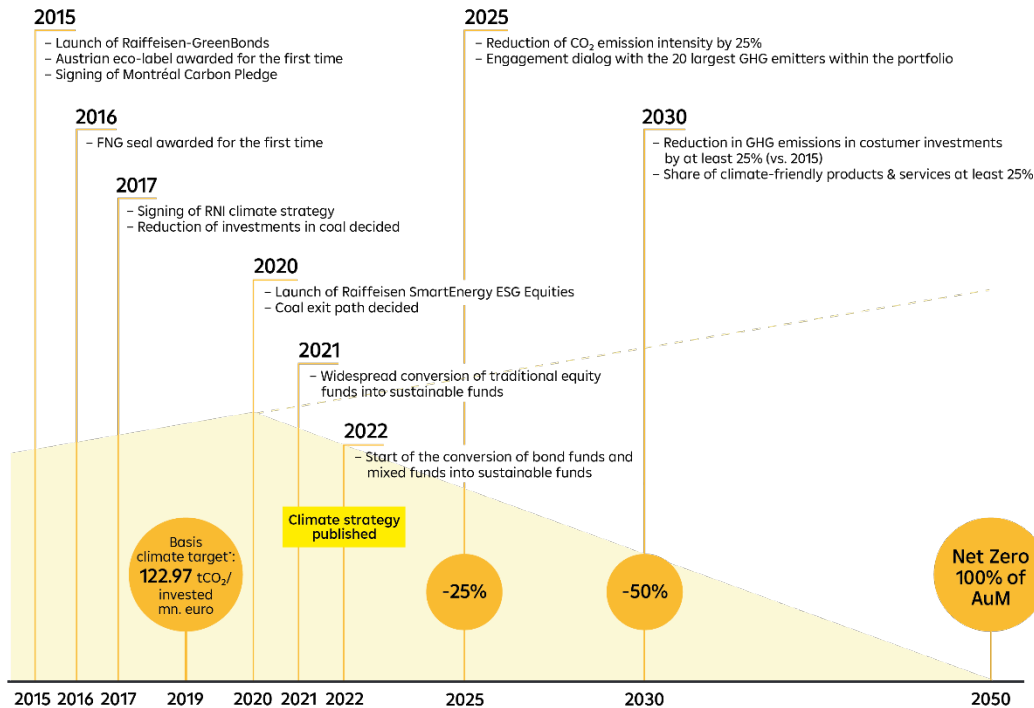
The portfolio targets formulated within the framework of the climate strategy are as follows:

- Raiffeisen KAG undertakes to transition the investment portfolio to net zero GHG emissions by 2050, which corresponds to a maximum global temperature increase of 1.5 °C by 2050;
- Reduction of emissions intensity by at least 25% by 2025 (base year: 2019) for a portfolio consisting of corporate bonds and equities;
- Reduction of emissions intensity by at least 50% by 2030 (base year: 2019) for a portfolio consisting of corporate bonds and equities;

⁶ Base year emissions

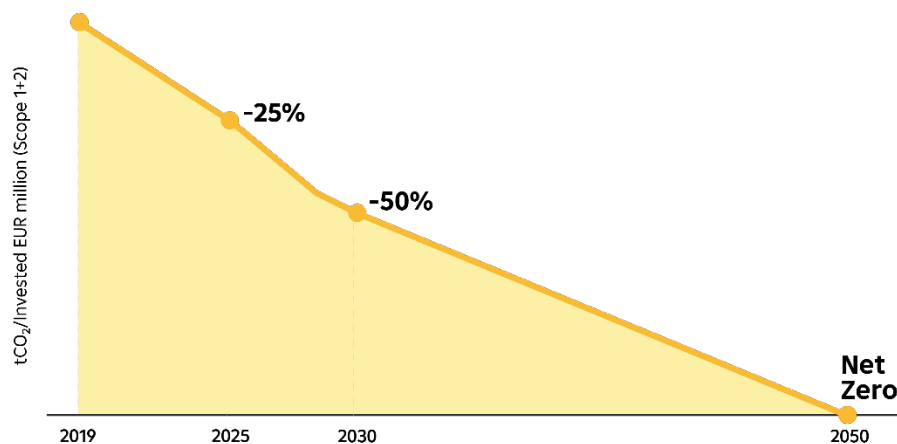
⁷ Base year portfolio: 2020 (corresponds to base year emissions 2019)

Schedule for net zero



The scope covered by the intermediate targets (2025, 2030) includes Scope 1 and Scope 2 CO₂ emissions. Due to the current limitations in data availability and quality, Scope 3 figures will be reported, but do not constitute part of the current agreement on targets. The commitment to achieve climate neutrality by 2050 has a broader approach in terms of the coverage of greenhouse gases. The inclusion of all emissions categories cannot currently be presented due to inadequate data availability. Calculations are conducted on the basis of the emissions database of ISS ESG.⁸ The achievement of targets in regard to the climate strategy is documented in the annual carbon footprint report on the Raiffeisen KAG website.

Target pathway for the reduction of emissions at portfolio level



⁸ ISS ESG stands for Institutional Shareholder Services Inc.



The shareholder engagement target embedded in the climate strategy includes the shareholder engagement dialogue with the 20 largest GHG emitters in the portfolio, which have either not yet formulated an obligation in relation to the Paris climate targets or belong to the 20 largest GHG emitters in the portfolio. In the shareholder engagement process, the goal is to influence companies to either make a commitment to the Paris climate targets, to comply with these targets (and the related intermediate targets), or to significantly reduce their GHG emissions. In this regard, specific objectives are defined for each company (e.g. for a general decarbonisation strategy or for the allocation of investments in renewable energy), which are communicated to the company, and quantified in terms of their achievement. The individual success of these shareholder engagement efforts is incorporated into the suffix of the Raiffeisen ESG Indicator.

Using quantified targets, the climate strategy is currently focused on the level of portfolio management. Consequently, the milestones and measures of our climate strategy are primarily focused on reducing or avoiding emissions from the AuM covered. Instruments for GHG compensation are not a strategic component of the climate strategy.

Net Zero Asset Managers Initiative

The Net Zero Asset Managers Initiative (NZAM) is an international group of asset managers committed to supporting the goal of net zero emissions by 2050. In accordance with the Paris climate targets, the aim is to limit global warming to 1.5 °C and enable a fair transition.

Raiffeisen KAG joined the initiative in December 2022. The transparency obligations resulting from its membership are reflected in the company's current climate strategy and, in addition to achieving net zero GHG emissions in 2050 for 100% of the AuM, they also include the setting of intermediate targets and the regular review of such intermediate targets and the assets in scope at intervals of five years as well as the integration of climate goals into the shareholder engagement policy. Furthermore, the publication of an annual climate report pursuant to the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), which is embedded in the PRI reporting, is also required.

Carbon footprint calculation

By signing the Montréal Carbon Pledge in 2015, we undertook to measure the carbon footprint of our ESG funds. Scope 1 and Scope 2 emissions are used in the calculations, as the dataset is already very well developed for these emissions. We are working on including Scope 3 emissions on a sector level. Emissions data from the ISS ESG database are used for calculating the carbon footprint.

The following data are calculated:

- total CO₂ emissions at the portfolio level (in tons of CO₂e);
- CO₂ emissions normalised per USD million invested, for the purposes of comparison with the market and other portfolios.
- carbon intensity (in tons of CO₂e per USD millions of corporate revenue).
- average weighted carbon intensity (in tons of CO₂e/USD million invested).

More information can be found in our annual publication „carbonfootprint“ on our homepage www.rcm.at/sustainability at “policies & reports”.



Sustainability approach in investment decisions

The sustainability approach described below is the standard approach for funds managed by Raiffeisen KAG which are part of the ESG and sustainable product range.

Principles

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

Practising avoidance and showing responsibility: negative criteria



Avoiding controversial business areas and practices is based on the ethical premise of avoiding participation in bad things and is a fundamental principle of our sustainable investment policy. The main instrument is the exclusion of companies and countries (regional entities) whose areas of business violate certain pre-defined criteria. In the investment process, this occurs using the negative criteria

that we have defined. Negative criteria implemented at the company-wide level address the topics of coal, controversial weapons, food speculation, and companies or issuers with reputational risk. For ESG funds, additional criteria are defined, which must be met.

In relation to climate change, the exclusion of coal deserves special mention. The combustion of coal leads to relatively high CO₂ emissions. It also generates emissions of other pollutants including sulphury dioxide, nitrogen oxides, and fine particulates. The environmental damage caused by the surface mining of lignite coal can only be repaired through extensive land rehabilitation efforts. Raiffeisen KAG is implementing its consistent withdrawal from financing the coal industry. This extends to all investable companies which are active in the fields of exploration, mining, extraction, distribution or refining of hard coal and lignite. Details on exclusions and revenue thresholds in relation to fossil greenhouse gases can be found on our website at www.rcm.at in our Coal Policy. Funds that are within the scope of the "Guidelines on fund names using ESG or sustainability-related terms" issued by the European Securities and Markets Authorities (ESMA) adopt the exclusion criteria established by the minimum standards of the so-called Paris-aligned EU benchmarks.

Providing support and promoting sustainability: best-in-class



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

quality and improves the risk profile of the portfolio.

Sustainable Development Goals

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

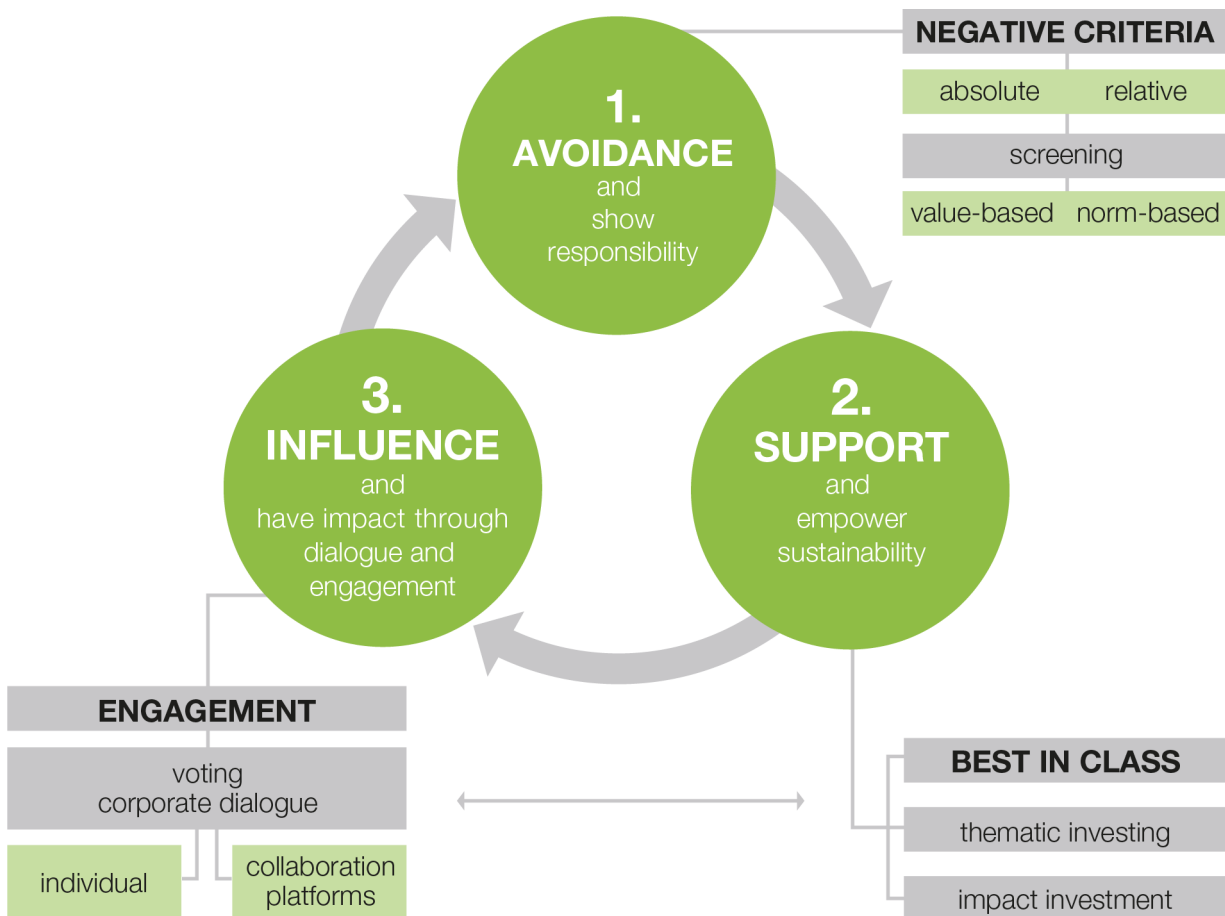
form an important foundation for engaging with companies and issuers from a sustainability perspective. In our investment process, evaluating the contribution that companies and issuers make to the SDGs is an important aspect when assessing sustainability impacts. Companies and issuers are analysed to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

Exercising influence and having an impact: shareholder engagement



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

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





Consideration of the principal adverse impacts on sustainability factors

Sustainability factors refer to issues such as environmental, social, and employee matters, respect for human rights, and anti-corruption and anti-bribery measures.

Adverse impacts on sustainability factors (also known as principal adverse impacts or PAIs) describe the impact of the investment on the external world, while sustainability risks from the external world have a (potentially) negative impact on the value of the investment. The difference between adverse impacts on sustainability factors and sustainability risks is not precise; accordingly, measures to limit sustainability risks generally also reduce adverse impacts on sustainability factors, and vice-versa.

The consideration of the principal adverse sustainability impacts is based among other things on the UN SDGs, the UN Global Compact, the OECD⁹ guidelines for corporate governance and multinational enterprises, the Universal Declaration of Human Rights, and other international conventions and standards. Furthermore, the implementation of the PAIs reflects requirements which are related to most of the climate-critical sectors and are oriented to the goals of the Paris Agreement on climate protection.

In terms of greenhouse gas emissions, this relates to the following negative impacts on sustainability factors:

- PAI 1: GHG emissions
- PAI 2: Carbon footprint
- PAI 3: GHG emissions intensity for companies
- PAI 4: Share of investment in companies active in the field of fossil fuels
- PAI 5: Share of energy consumption and energy generation from non-renewable sources
- PAI 6: Intensity of energy consumption by climate-intensive sectors

Raiffeisen KAG is committed to a consideration of the most adverse effects on sustainability factors in the investment process of mutual funds.



A detailed presentation of our policy on the consideration of principal adverse impacts on sustainability factors at the product level can be found on our website (www.rcm.at/sustainability) at "policies & reports".

Responsible investment process – the Green Path

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

Selection of corporate securities

Raiffeisen KAG has identified key topics at the investment level: these so-called Future Transformation Topics (ZUKUNFTS-THEMEN) are ascribed great importance in the internal research and are also incorporated into Raiffeisen KAG's investment process. At present, these topics

⁹ OECD stands for the Organisation for Economic Co-operation and Development

specifically include the fields of energy, infrastructure, commodities, technology, health care/nutrition/well-being, the circular economy, and mobility.

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

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

The first pillar of the Raiffeisen ESG Corporate Indicator is based on the analysis of the Future-Transformation-Topic teams. They calculate scores for sectors and subsectors, which reflect their potential from a sustainability perspective and thus provide a sector assessment. The rating scale used consists of five levels.

Calculation of the corporate ESG score comes next as the second pillar of the investment process. It includes various ratings from external partners, which incorporate stakeholder assessment, analysis of ESG risks, corporate governance analysis, evaluation of controversial issues, and analysis of the contribution to the Sustainable Development Goals, as well as the assessment based on negative criteria defined by the management company. At this analysis level there is a pre-selection process for the overall investment universe. In consideration of sustainability, no company or issuer in this universe may violate the negative criteria established by Raiffeisen KAG. The negative criteria are subject to constant monitoring and may be amended or adjusted on the basis of new information or developments in the market. The aim of the strict criteria is to avoid controversial business areas and criminal activities, which could cause significant damage to the environment and society, and possibly to the companies as well. Negative criteria may be motivated by environmental considerations (such as the production of oil and gas, coal extraction, and power generation using coal), social aspects (such as the violation of labour rights or human rights), or governance issues (such as corruption or balance sheet fraud). In terms of the financial aspects, there is no investment in companies or issuers with inadequate financial strength.

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

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

If a risk to reputation is identified during the engagement process, the company is excluded from the investment. If no engagement has yet taken place, the company is assessed neutrally.

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

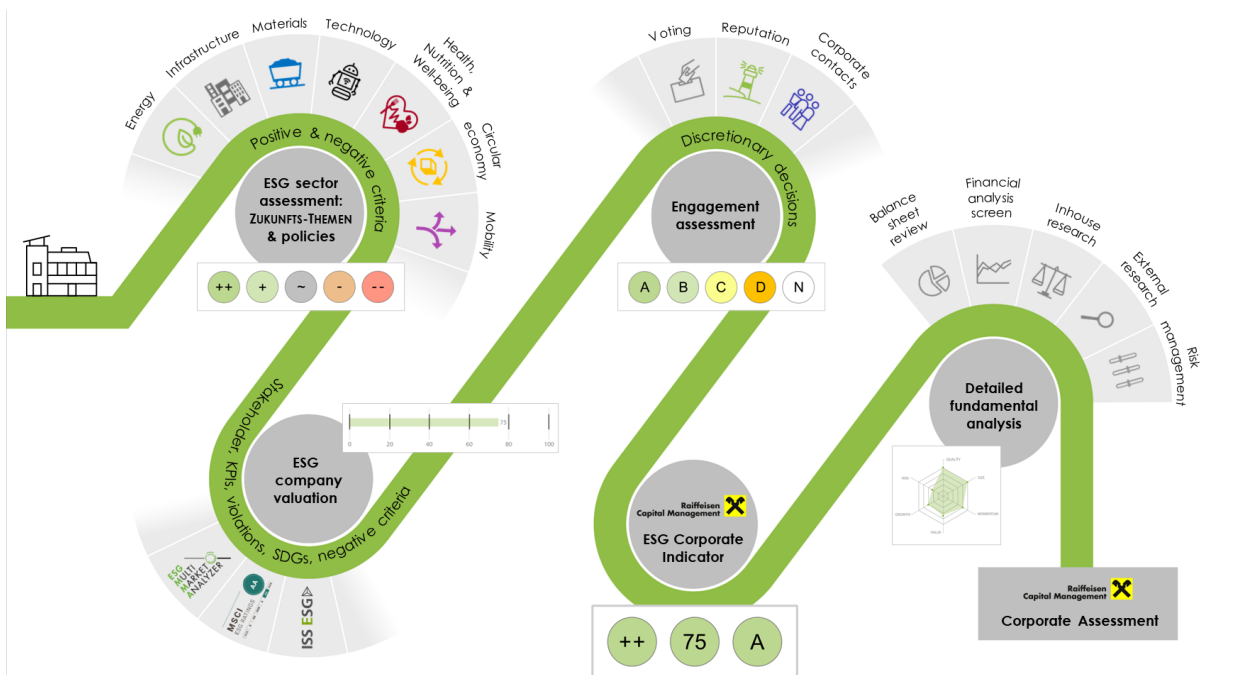
Furthermore, the PAIs are calculated at the level of the investment universe on a monthly basis and analysed quarterly. In the course of this, the PAIs are analysed in an absolute, relative or binary approach and rated within the sustainable investment universe or respective sector. Values that exceed or fall below defined thresholds are reviewed in a detailed analysis.

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

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

The Raiffeisen ESG Indicator is used as the sustainability indicator in the investment process. It combines the sum of the assessments of the issuer of the security (companies and sovereigns) at the fund level. It is measured on a scale from 0 to 100. The assessment also takes into account the relevant sector. As the indicator plays a central role in Raiffeisen KAG's investment process, it is also used as a sustainability indicator for measuring the extent to which the environmental or social characteristics promoted by the fund or its sustainable investment objective are achieved. Reporting¹⁰ occurs annually in the annex "Environmental and/or Social Characteristics" or in the section "Sustainable Investment Objective" of the relevant annual report, and in the regular publication INVESTMENT **ZUKUNFT** ("Investing in Future Transformation") for selected funds.

¹⁰ The Raiffeisen ESG Indicator is published at the fund level. Depending on the product asset class, both, the Raiffeisen ESG Corporate Indicator as well as the Raiffeisen ESG Sovereign Indicator can be included.



Continuous monitoring of the sustainability universe

The investment universe is updated monthly and constantly amended with internal input sources. Furthermore, the investable sustainability universe is monitored daily using a so-called Impact Monitor by MSCI ESG¹¹, with a transparent methodology based on more than 2,500 data sources. The process applied analyses violations of international conventions and other serious controversies, evaluates company policy, and the management of controversies. The goal is to avoid reputational risks. The standards applied are the UN Global Compact¹², the core conventions of the International Labour Organization¹³, and the UN Guiding Principles on Business and Human Rights¹⁴.

The topic areas analysed cover the environment, customers & stakeholders, human rights, labour rights & supply chain, and corporate governance. Current controversies are included in the assessment: depending on the severity of a violation, a company may be immediately excluded from the investable sustainability universe or put on a watch list.

Excursus: Selection of government bonds

The Raiffeisen ESG Sovereign Indicator was developed for the assessment of sovereign issuers. For the calculation, various topics were identified that reflect how sustainably countries conduct themselves in terms of both their laws and their actions towards the environment and their citizens. These topics are represented in the calculation model by so-called factors, with each factor assigned to one of the categories Environment, Social, or Governance and to one of the sub-categories biodiversity, climate protection, resources, environmental protection, basic needs, justice, human capital, satisfaction, institutions, politics, finances or transparency. Data from external research providers are also used as input in the calculations.

¹¹ MSCI ESG is an external research partner of Raiffeisen KAG.

¹² The United Nations Global Compact is a voluntary initiative, in which companies make a commitment to the United Nations in relation to shared sustainability goals. These goals range from human rights and labour rights, environment objectives, to fighting corruption.

¹³ The International Labour Organization is a specialised organisation of the United Nations, which promotes the improvement of labour conditions and living standards by establishing international standards.

¹⁴ The United Nations Guiding Principles on Business and Human Rights are guidelines for states and companies, which help to prevent human rights violations.



The process of asset selection in the case of government bonds includes the consideration of the principal adverse impacts (PAIs). This occurs through the use of negative criteria, through the integration of ESG research into the investment process, and in the asset selection (positive criteria). The use of positive criteria includes the absolute and relative assessment of sovereigns regarding sustainable development, represented by factors such as the political system, human rights, social structures, environmental resources, and climate change policy.

Excursus: Selection of funds

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

Use of derivatives

The use of derivatives plays a subordinated role in the sustainable investment process. Derivatives are mainly used for the management of market risks and to implement efficient portfolio management. Care is taken that the sustainability-related objectives are not impaired by the use of derivatives. For the use of derivatives not used for hedging purposes minimum exclusions according to the ESMA Guidelines on fund names using ESG or sustainability-related terms (pursuant to Article 12 (1) letters (a) through (g) of Delegated Regulation (EU) 2020/1818: minimum standards for so-called "EU Paris-aligned Benchmarks") are taken into account in any case. In the case of derivatives that are used to hedge risks, the promoted environmental or social characteristics are not taken into consideration.

Engagement policy

We view active engagement as a fiduciary responsibility to our customers. Our engagement process consists of active dialogue with companies and issuers on the one hand, and the exercise of voting rights on the other. These are exercised individually or collectively via collaborations. Through direct contacts, we not only obtain immediate information about a company's financial situation and development, but we also see it as our task to persuade companies to improve their corporate social responsibility (CSR). In terms of corporate dialogue, we distinguish between proactive engagement and responsive engagement. Proactive, constructive dialogue with companies serves to identify potential financial and non-financial opportunities and risks, and addressing current events in a targeted manner via responsive dialogue allows for an accurate assessment of the company in the context of its business environment and potential risks. Dialogue with companies also forms the



third pillar of the Raiffeisen ESG Indicator¹⁵ and is thus anchored at the core of the responsible investment process.

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

The integration of climate goals at the level of the engagement policy is crucial, not only to focus on historical emissions data, but also to send a signal for the future and support broad-based transition of companies. In accordance, our climate goals contain clear engagement goals which are based on achieving net zero in 2050.



Our engagement policy, including the voting rights policy, and the annual shareholder engagement report can be found on our website www.rcm.at/sustainability at "policies & documents".

Reporting

We report regularly on our strategies, activities, and progress in relation to the net-zero transition of our portfolio and other areas falling within our scope of influence. Joining the NZAM Initiative requires us publishing an annual report¹⁶ in accordance with the TCFD recommendations (Task Force on Climate-Related Financial Disclosures), which pertain to the areas "Governance", "Strategy", "Risk Management", and "Metrics and Targets". Additionally, we report annually on the development pathway to our intermediate targets in relation to AuM, which are managed in accordance with the net zero strategy. This is done as part of the NZAM reporting embedded in the PRI reporting.

The intermediate targets are reviewed at least once every five years, in conjunction with determining share of AuM on the net zero path. The share of assets in scope will constantly rise and, in addition to equities and corporate bonds, will also cover other asset classes in our portfolio, insofar as suitable, mature methodologies for capturing emissions data have developed.

Operational ecology

Raiffeisen KAG's commitment to environmental and climate protection is also expressed in our own activities. As part of the RBI banking group, we support the sustainability goals of the group. The materiality analysis in the context of operational ecology is largely determined by climate change. In 2022, RBI AG signed the Science-Based Targets (SBT) initiative and formulated the goal of reducing greenhouse gas emissions by 40% by 2040.¹⁷ The management of greenhouse gas emissions is therefore the focus of the group's efforts, with energy and business travel identified as the biggest

¹⁵ The Raiffeisen ESG indicator is published at fund level. Depending on the asset class of the fund, both the Raiffeisen ESG Corporate Indicator and the Raiffeisen ESG Sovereign Indicator can be included.

¹⁶ Starting with the 2023 reporting period

¹⁷ Sustainability report of Raiffeisen Bank International AG, 2023



drivers. Measures in the key environmental areas have been formulated to strengthen internal sustainability. The most important measures that apply to Raiffeisen KAG are listed in the table below.

Topic	Action
Environmental certificates	<ul style="list-style-type: none">➤ ISO 14001➤ External energy audit
Energy savings and energy efficiency	<ul style="list-style-type: none">➤ LED➤ Light sensors➤ Evening/weekend mode➤ Computer/printer with energy label➤ Adjustments to heating/cooling➤ IT with environmental standards➤ Adaptions in building envelops
Renewable energy	<ul style="list-style-type: none">➤ Purchase of renewable electricity
Business trips and traveling to work	<ul style="list-style-type: none">➤ Subsidy for public transport➤ Bicycle parking space
Vehicle fleet	<ul style="list-style-type: none">➤ Measures to reduce CO₂➤ E-vehicles, hybrid vehicles
Paper consumption	<ul style="list-style-type: none">➤ Paper with an eco-label➤ Measures for reduction
Waste	<ul style="list-style-type: none">➤ Waste separation➤ Waste management system➤ Measures to increase the share of recycling➤ Measures to reduce waste
Water	<ul style="list-style-type: none">➤ Measures for reductions
Employee information	<ul style="list-style-type: none">➤ Via training or internet, etc.

The Footprint team, which was set up in 2019 and is made up of employees from different areas of Raiffeisen KAG, aims to enable the development and exchange of knowledge about responsible ecological action in the operational and private spheres and to strengthen awareness for sustainable action. In this context, the measurable CO₂ footprint directly caused by Raiffeisen KAG's (= operational ecology) is also taken into account, known as, the Raiffeisen Capital Management Footprint, which covers the Vienna location.



The following areas for action in the field of operational ecology were defined by the footprint team:

- Business and official trips,
- Air conditioning in offices (cooling, heating),
- Electricity consumption (office lighting, consumption of operating resources, data centre, etc.),
- Paper consumption,
- Waste, and
- Procurement of operating resources.

Organisation

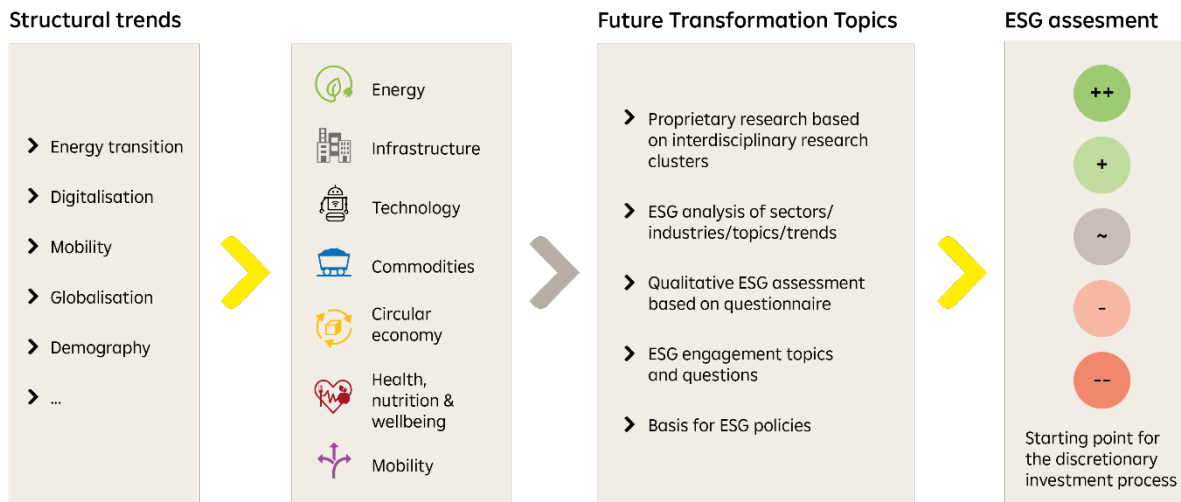
The organisation of Raiffeisen KAG reflects its focus on sustainability. Under the Chief Sustainability Investment Officer (CSIO) at the management level, the areas of corporate responsibility (consisting of the Sustainability Office (SO) and product management) and fund management are located. The SO defines the sustainability philosophy, manages the policies and Future Transformation Topics as well as the engagement process. It also ensures that the strategies and methods are implemented in the investment process in line with sustainable product positioning. Key elements include the further development of the sustainability databases and the management of certifications and partnerships. The Product Management department is also part of Corporate Responsibility and plays a central role in developing the sustainable product range.

An advisory board for sustainable investments supports the sustainability strategy and criteria of Raiffeisen KAG in an advisory capacity. This advisory board consists of a number of external experts who contribute the perspectives of various stakeholder groups to the discussion.

Future Transformation Topics (ZUKUNFTS-THEMEN)

As part of the so-called future transformation topics, the internal formal and informal exchange in the form of cross-team research groups within the fund management is being intensified. The topics currently covered include, in particular, the areas of energy, infrastructure, raw materials, technology, health/nutrition/well-being, circular economy and mobility. The list of future transformation topics is based on major geopolitical and global economic developments and can be continuously expanded. This is how structural trends such as energy transition, digitalisation, mobility, and demography, among others, which may have far-reaching effects on the transformation of the global economy and society now and in the future, are addressed from a sustainability perspective

Proprietary research is used to identify key trends and topics within individual future transformation topics working groups and across groups, and ESG analyses of sectors, industries, topics and trends are carried out. Furthermore, qualitative ESG assessments are developed and ESG engagement topics and questions are derived. The interdisciplinary and interconnected future transformation topics working groups provide a central basis for ESG policies and essential information for the investment and engagement process of the fund management. In addition, the ESG assessment generated in the future transformation topics represents the starting point for the discretionary investment process.



The Chief Sustainability Investment Officer, the heads of the Corporate Responsibility and Fund Management divisions, and the heads of the working groups are in regular contact regarding current developments as well as findings and results of the individual future transformation topics working groups. Furthermore, there is close exchange with the fund management. External experts are consulted on a case-by-case basis to contribute to the analysis process.

Collaborations, initiatives, certifications, awards

Voluntary commitments

Principles for Responsible Investment (PRI)

Signatory of:



The United Nations' Principles for Responsible Investment (PRI), which were developed by a group of institutional investors at the initiative of the UN, consist of six principles for responsible investing. They form the core of a voluntary commitment that can be undertaken by asset managers, asset owners, and service providers. The goal is to support the signatories in integrating ESG topics into their investment decision-making processes. By doing so, the signatories contribute to a more sustainable global financial system.

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

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



Montréal Carbon Pledge

Signatory of:



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

Net Zero Asset Managers Initiative



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

Finance for Biodiversity



Finance for Biodiversity is a voluntary commitment by financial institutions that aims to halt the loss of biodiversity and contribute to the responsible use of biological diversity. The goal is to protect and restore biodiversity through financial activities and investments and to raise awareness among policymakers and business leaders of biodiversity-related risks and opportunities. Finance for Biodiversity is instrumental in establishing industry standards to increase transparency of biodiversity risks and opportunities, working towards science-based target setting and facilitating topic-related knowledge exchange within the financial industry. In 2023, Raiffeisen KAG signed the Finance for Biodiversity Pledge and joined the Finance for Biodiversity Foundation.

Raiffeisen Nachhaltigkeits-Initiative

Mitglied der



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

Additional memberships and initiatives

Forum Nachhaltige Geldanlagen



Forum Nachhaltige Geldanlagen (FNG) is a professional association for sustainable financial investments in Germany, Austria, Liechtenstein, and Switzerland. Its more than 170 member include banks, asset management companies, insurers, rating agencies, investment firms, asset managers, financial consultants, and NGOs. Raiffeisen KAG has been an active member of FNG since 2009. The objectives and responsibilities of FNG are

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

FNG is constantly working on the further development of quality standards for sustainable investment products.

Forum per la Finanza Sostenibile



Forum per la Finanza Sostenibile (FFS) is a multi-stakeholder organisation with the goal of promoting socially responsible investments in Italy. Its more than 60 members include asset managers, banks, insurers, foundations, and NGOs. Raiffeisen KAG has been an active member since 2016.

Green Bond Principles

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

Ökofinanz-21



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

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

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

Mooslackengasse 12
1190 Vienna, Austria

t | +43 1 711 70-0
f | +43 1 711 70-761092
e | info@rcm.at
w | www.rcm.at