

Strategy

Principal Adverse Impacts



This document was prepared by:

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

As of March 2026

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



1 | Scope

The scope of application includes all mutual funds self-managed by Raiffeisen Kapitalanlage Gesellschaft m.b.H. (hereinafter "Raiffeisen KAG") that are classified as investment funds according to Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure obligations in the financial services sector (hereinafter "SFDR")¹ that consider sustainability criteria or have sustainable investment as their objective (Art. 8 and Art. 9 of SFDR/Regulation (EU) 2019/2088) and are offered to the general public for distribution (hereinafter "Sustainability Funds"). For special funds, these regulations apply in accordance with the agreement with the investors.

2 | PAIs – definition and background

According to Art. 4 SFDR, when considering the main adverse impacts of investment decisions on sustainability factors (hereinafter also "principal adverse impacts", "PAIs"), financial market participants shall publish on their website a statement on due diligence strategies in relation to these impacts in view of their size, the nature and scope of their activities, and the types of financial products offered. Raiffeisen KAG has committed itself within the framework of Art. 3 and 4 SFDR ("Sustainability Strategy").

Furthermore, Art. 7 SFDR specifies transparency obligations at product level regarding the consideration of PAIs. This document aims to elaborate in more detail how Raiffeisen KAG takes PAIs into account in its sustainability funds.

Sustainability factors include environmental, social, and employee matters, respect for human rights as well as anti-corruption and anti-bribery matters. Adverse impacts on sustainability factors describe the external impact of the investment, while sustainability risks² from the outside (potentially) have a negative impact on the value of the investment.

The difference between negative impacts on sustainability factors and sustainability risks is not clear-cut, as measures to limit sustainability risk regularly also reduce negative impacts on sustainability factors and vice versa.

Annex I of Level II of the SFDR stipulates transparency on 16 mandatory and 2 optional PAIs (for the asset classes equities and bonds) covering the areas of greenhouse gas emissions (GHG emissions), biodiversity, water, waste, and social indicators. The PAI indicators are listed in the enclosed table.

1 | SFDR stands for Sustainable Finance Disclosure Regulation

2 | Sustainability risks are environmental, social, or corporate governance events or conditions, the occurrence of which could have an actual or potential material adverse effect on the value of the investment. A significant aspect of sustainability risks is the associated environmental and reputational risks for companies and issuers (e.g., through calls not to buy products due to violations of labour rights).



STRATEGY | PRINCIPAL ADVERSE IMPACTS

Indicators applicable to investments in investee companies:

Climate and other environment-related indicators

PAI 1	Greenhouse gas emissions	Greenhouse gas emissions
PAI 2	Greenhouse gas emissions	Carbon footprint
PAI 3	Greenhouse gas emissions	Greenhouse gas intensity of investee companies
PAI 4	Greenhouse gas emissions	Exposure to companies active in the fossil fuel sector
PAI 5	Greenhouse gas emissions	Share of non-renewable energy consumption and production
PAI 6	Greenhouse gas emissions	Energy consumption intensity per high impact climate sector
PAI 7	Biodiversity	Activities negatively affecting biodiversity sensitive areas
PAI 8	Water	Emissions in water
PAI 9	Waste	Hazardous waste and radioactive waste ratio

Indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters

PAI 10	Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
PAI 11	Social and employee matters	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
PAI 12	Social and employee matters	Unadjusted gender pay gap
PAI 13	Social and employee matters	Board gender diversity
PAI 14	Social and employee matters	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons, and biological weapons)

Indicators applicable to investments in sovereigns and supranationals

PAI 15	Environmental	Greenhouse gas intensity
PAI 16	Social	Investee countries subject to social violations



Two optional PAIs applied at Raiffeisen KAG

PAI (1)+	Water, waste, and material emissions	Water usage and recycling
PAI (2) +	Social and employee matters	Rate of accidents

Source: European Commission

The indicators for real estate investments are not applied, as direct investments in real estate are not permitted for investment funds of Raiffeisen KAG.

3 | Identification and prioritisation of PAIs

The sustainable investment process of Raiffeisen KAG addresses negative sustainability impacts mainly via exclusion/negative criteria, positive criteria (best-in-class), and engagement. Furthermore, a proprietary ESG³ indicator is calculated (for details, see section 4).

Exclusion/negative criteria are defined by the Sustainability Office and apply to the entire investment universe/fund range. Positive criteria (best-in-class) are implemented by the fund management as part of the sustainable investment process. In addition, sustainability risks are mapped in risk management processes. Raiffeisen KAG's risk management identifies, evaluates, and monitors sustainability risks, with ongoing monitoring via an internal limit system. Engagement activities are anchored both in the sustainability office (investment universe) and in fund management (funds).

In addition, PAI indicators are calculated on a monthly basis and analysed on a quarterly basis, with the necessary data being sourced from ISS⁴ ESG. In the case of negative outliers, affected companies or issuers are subjected to further internal analysis, which is carried out by the Sustainability Office in cooperation with the fund management (see section 4). Relevant cases are submitted to representatives of the executive board, the fund management, and the corporate responsibility department, for a final decision.

The list of PAIs given in section 4 indicates the prioritisation of the individual indicators within the investment process. Nine of the mandatory PAIs (PAI 3, 7, 8, 9, 10, 11, 12, 14, and 16) are addressed on two out of three layers of the sustainability concept, while the remaining seven PAIs (1, 2, 4, 5, 6, 13 and 15) are each considered at one level of the investment process.

3 | ESG stands for environment (E), social (S) and governance (G).

4 | ISS stands for Institutional Shareholder Services Inc.



4 | Actions to address and avoid PAIs

Sustainability is at the core of Raiffeisen KAG's investment strategy and is thus a crucial component of the investment process. As mentioned above, negative sustainability impacts are targeted at three levels: exclusion/negative criteria, positive criteria, and engagement. Negative criteria address controversial business areas and practices and thus create the basis for ethical positioning. They also help to avoid reputational risks. Negative criteria implemented throughout the company address the following topics: coal, controversial weapons, food speculation, and reputationally challenged securities. As part of the investment process, controversial business areas or companies and states (local authorities) that violate the specified criteria are excluded. In addition, further negative criteria are defined for funds taking sustainability criteria into account or aim for sustainable investment (Art. 8 and Art. 9 of the SFDR/Regulation 2019/2088). These criteria can be found in the respective prospectus.

Furthermore, for investment funds of Raiffeisen KAG, where applicable, the "Guidelines on Fund Names Using ESG or Sustainability-Related Terms" issued by the European Securities and Markets Authority (ESMA) on August 21, 2024, are implemented. Accordingly, where required, exclusions pursuant to Article 12(1) (a) to (g) of Delegated Regulation (EU) 2020/1818 (minimum standards for so-called "Paris-aligned EU benchmarks") are applied to corporate issuers. In the case of special funds, reference is made to the individual agreement with the client.

Subsequently, the application of a best-in-class approach (positive criteria) in the investment process ensures that ESG research is reflected in the company and issuer assessment, with sufficient consideration of PAIs. This step includes the application of proprietary ESG indicators (ESG indicator or sovereign indicator) and leads to a reduction of sustainability risks and negative impacts on sustainability factors at portfolio level.

A further level of the holistic sustainability concept takes into account the stewardship policy, which integrates sustainability risks and negative impacts on sustainability factors and aims to mitigate or avoid them. The stewardship policy includes the engagement process, which on the one hand represents the active dialogue with the company or issuer. On the other hand, it comprises the exercise of voting rights, which can be carried out individually or collectively via collaborations. Details on the consideration of negative sustainability impacts in the stewardship policy are discussed in section 5.

In addition, Raiffeisen KAG's investment process also maps sustainability impacts with the UN SDGs⁵. Securities are analysed for their SDG-related impacts before and during an investment.

5 | UN SDGs (Sustainable Development Goals) are goals for sustainable development. These United Nations objectives have been in force since 2016. The 17 goals with a total of 169 detailed specifications run until 2030 and cover a broad portfolio of sustainable goals, from poverty reduction and gender equality to ensuring sustained, inclusive and sustainable economic growth.



STRATEGY | PRINCIPAL ADVERSE IMPACTS

The following table provides an overview of indicators included in the various steps of the investment process.

Principal Adverse Impact indicator	Negative criteria	Positive criteria	Engagement
PAI 1 Greenhouse gas emissions		✓	
PAI 2 Carbon footprint	✓		
PAI 3 Greenhouse gas intensity of investee companies		✓	✓
PAI 4 Exposure to companies active in the fossil fuel sector	✓		
PAI 5 Share of non-renewable energy consumption and production		✓	
PAI 6 Energy consumption intensity per high impact climate sector		✓	
PAI 7 Activities negatively affecting biodiversity sensitive areas	✓	✓	
PAI 8 Emissions to water		✓	✓
PAI 9 Hazardous waste and radioactive waste ratio		✓	✓
PAI 10 Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	✓	✓	
PAI 11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises		✓	✓
PAI 12 Unadjusted gender pay gap		✓	✓
PAI 13 Board gender diversity		✓	
PAI 14 Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons, and biological weapons)	✓	✓	
PAI 15 Greenhouse gas intensity		✓	
PAI 16 Investee countries subject to social violations	✓	✓	
PAI (1)+ Water usage and recycling		✓	
PAI (2)+ Rate of accidents	✓	✓	

Negative outliers are subjected to a detailed analysis carried out by the sustainability office together with the fund management. In the next step, relevant cases are submitted to representatives of the executive board, the fund management, and the corporate responsibility department for a final decision. Potential decisions include initiating or intensifying an engagement



dialogue with the targeted company, excluding the company from the investment universe, or maintaining the investment.

5 | Stewardship policy

As a leading sustainable asset manager in Austria, Raiffeisen KAG is aware of its fiduciary duties to its customers on one hand and of the potential influence on investee companies on the other hand. As part of these duties and rights, engagement and thus long-term dialogue with companies is a cornerstone of Raiffeisen KAG's sustainability philosophy. In general, engagement can serve different purposes. In addition to the financial situation and development of the companies, the focus extends to sustainability issues. In this context, engagement can be used to emphasise improvements in corporate social responsibility or sustainability in the respective company itself. The best-case scenario involves the stringent engagement process triggering changes in relevant ESG topics within targeted companies, which consequently can lead to improvements in operational results for investors and stakeholders.

In the area of corporate dialogue, Raiffeisen KAG distinguishes between proactive and reactive engagement. The proactive, constructive dialogue with companies serves to identify potential financial or non-financial opportunities and risks, while the reactive dialogue addresses current events and ensures the most accurate assessment possible of the company in the context of its environment and potential risks.

Voting rights are exercised either directly or indirectly via proxy voting. As part of this process, in-house principles are applied which are based on a transparent and sustainable corporate governance policy and cover significant topics that are regularly dealt with at annual general meetings.

Direct corporate engagements take place in face-to-face meetings as one-on-one or group meetings on the one hand, or as collaborative engagements through platforms such as PRI⁶ or ISS ESG on the other hand.

In the case of negative sustainability impacts, the engagement process with companies where an investment position is held at portfolio level is carried out in several stages. The aim is to actively participate in the annual general meeting and specifically address the respective PAI on this occasion. With the help of collaborative engagement via platforms or direct contacts with the respective companies, PAIs are explicitly targeted.

The identification of the target company for the engagement is based on data from research agencies with which Raiffeisen KAG has been collaborating for many years. This is followed by a definition of quantitative and qualitative targets that can track the engagement progress. The company is contacted individually or together with other investors in the course of a collaborative engagement. If the contacted company does not respond, a reminder letter is sent, usually to a higher authority than before.

⁶ | PRI stands for Principles for Responsible Investment



STRATEGY | PRINCIPAL ADVERSE IMPACTS

In all forms of engagement, targets or, if applicable, intermediate targets are set and their achievement is monitored and documented. If these targets are not met, the final escalation stage can lead to a liquidation of the investment position.



You would like to learn more about our stewardship policy? Details can be found on our website rcm-international.com under "Sustainability / Policies&Reports".

6 | International standards & voluntary commitments

The application of negative sustainability impacts is based on the UN SDGs, the UN Global Compact, the OECD Guidelines for Corporate Governance and Multinational Enterprises, the Universal Declaration of Human Rights, and other international conventions and standards.

In addition, the implementation of the PAIs reflects requirements that affect most climate critical sectors and are aligned with the goals of the Paris Agreement.

Raiffeisen KAG is a member and partner of the following initiatives, which support and further develop the implementation of sustainable investment solutions:

- Finance for Biodiversity
- Forum Nachhaltige Geldanlagen (FNG)
- Forum per la Finanza Sostenibile
- Montréal Carbon Pledge
- Net Zero Asset Managers Initiative
- UN Principles for Responsible Investments
- Raiffeisen Nachhaltigkeits-Initiative

Raiffeisen KAG is also a member of the following collaborative engagement initiatives:

- Climate Action 100+
- FAIRR
- Nature Action 100
- UN Principles for Responsible Investments
- Finance for Biodiversity FABRIC

Mitglied der



Signatory of:



A proud participant of:



FAIRR Network Member





7 | Funds of funds & sustainable wealth management

Within the context of funds of funds and sustainable wealth management, PAIs are taken into account if at least 50% of the investments (sub-funds and, if applicable, individual securities) consider PAIs. This applies across the board when disclosing if PAIs are considered. When assessing whether PAI families are taken into account in detail, a distinction between companies and countries is made. No threshold is applied. Due to limited data availability, the institutionalised consideration of PAIs in the context of sub-fund selection as well as an ongoing review will be established in a second step.

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