Raiffeisen

Product disclosure for financial products that promote environmental or social characteristics (art. 8)

Summary

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. The product invests a minimum of 51% of the fund allocation in target funds with favourable ESG characterisics (either Art. 8 or Art. 9 funds according to the SFDR) and a minimum of 5% of its net assets in sustainable investments. For the sustainable investment part of the portfolio, a robust due diligence in line with the regulatory requirements is applied when selecting the target funds. Sustainable investments have to be screened for involvement in activities that cause significant harm (for instance via the monitoring of Principle Adverse Impact (PAI) indicators) and for activities that are not aligned with minimum good governance safeguards (for instance through the performance of a norms-based screening on the respect of OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights).

The financial product invests at least 51% of the fund allocation in target funds that promote environmental and/or social characteristics (Art. 8) or have a sustainable investment objective (Art. 9) and pass the qualitative assessment of their sustainability processes conducted by the Investment Adviser. A special focus of the financial product is on climate change. Therefore the carbon intensity of the equity allocation must be lower than in the equity allocation of the broad market reference benchmark.

The financial product combines an active top-down investment policy with a bottom-up top-in-class fund selection. Sustainability criteria are only taken into account in the fund selection. ESG criteria are an integral part of the selection process for investment funds. The investment funds selected are the result of close collaboration between investment specialists and sustainability experts at the Investment Adviser. Through this process, neither financial performance nor sustainability performance are compromised. When selecting investment funds, particular attention is paid to the traceability and transparency of the sustainability processes, for instance by documenting processes and drawing up ESG reports at the fund level. The concept of integrating sustainability into the investment process must be a key component of the investment funds selected and should be visible ideally in all steps (investment guidelines, asset allocation decisions, research, portfolio construction, risk management, active ownership and engagement, reporting). To be selected for the financial product, the investment funds must exclude from their investments: companies involved in the controversial arms trade (0% revenue threshold); companies that generate more than a specific percentage of their revenues from either arms (10% revenue threshold on producers) or tobacco (5% revenue threshold on producers, 15% revue threshold on distributors), or nuclear or coal-based energy (10% revenue threshold, unless these companies can demonstrate that they have an exit strategy towards more sustainable energy sources). The financial product promotes adherence to and/or conducting of business activities in accordance with international norms and standards such as the United Nations Global Compact principles.

The investment product invests at least 51% in funds that promote E/S characteristics and 5% of its net assets in issuers that qualify as sustainable investments. At least 1% of the investments will be considered as aligned with the EU Taxonomy on a look-through basis. There is no minimum share of investments in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy or with a social objective. A maximum of 49% can be invested in other investments. This category mainly includes cash and alternative investments (e.g. liquid alternatives, real estate or commodities).

The information used for the implementation of the ESG framework, and consequently the attainment of the environmental and/or social characteristics, are reviewed on a regular basis. Compliance with the binding elements applied by this investment product is monitored by the Investment Adviser. The

Investment Desk of Banque Raiffeisen acts as a second line of defence and carries out spot checks on the first line of defence controls provided by the Investment Adviser. If the portfolio does not comply with the binding criteria described above, the Investment Adviser eighter divests from funds that do not comply with the binding elements or reweights the complying funds in a way that the portfolio is again in compliance with the binding elements. This is done within a time period to be determined by the Investment Adviser without exceeding in principle three months after such breach was detected, considering prevailing market conditions, and taking due account of the best interests of the clients.

The Investment Adviser monitors compliance with the binding elements by consulting the pre-contractual documents, checking EET (European ESG Template) data and sending out a Sustainability Questionnaire for each fund on an annual basis, in which all binding elements are requested, including the minimum allocations to sustainable investments according to SFDR, the Principal Adverse Impacts, as well as value- and norms-based exclusions. Compliance with the value- and norms-based exclusions is additionally checked by data from MSCI ESG, as is the EU Taxonomy alignment of the investment product. The funds that meet the exclusion criteria are subjected to detailed due diligence. The assessment is done by the Manager Selection team in collaboration with dedicated independent ESG specialists. The ESG specialists have the final say.

Data is provided by the fund providers (e.g. EET, questionnaire, manager meetings) and ESG data providers (MSCI ESG). All data is processed in spreadsheets, where it is aggregated on portfolio level.

In assessing the eligibility of a target fund based on ESG research, there is a dependence upon information and data from the fund providers, third party ESG research data providers and internal analyses which may be based on certain assumptions or hypothesis that render it incomplete or inaccurate. In order to maintain confidence that social and/or environmental characteristics are met, the Investment Adviser may also engage with fund providers in order to fill data gaps or may use complimentary data from additional providers or directly from target fund disclosures.

For each due diligence, the Investment Adviser sends a Sustainability Questionnaire and a General Questionnaire to the fund providers. These must be returned prior to a meeting in order to discuss any ambiguities directly with the fund manager. Before the meeting, the presentation to be used and a meaningful performance attribution are also requested in order to be able to prepare optimally for the discussion with the fund manager. For the manager meeting, it is aspired that always at least two people of the Manager Selection Team participate, as well as an additional ESG expert in case of an initial assessment of the sustainability approach. After the meeting, the findings are summarized in a report and the most important fund characteristics are systematically stored and evaluated in a database. The ESG specialist writes an independent assessment. The results are then sent to the other members of the Manager Selection Team and discussed at the weekly Fund Research Meeting to decide whether the fund should be included in the investment universe. If so, the performance of the fund is monitored on at least a weekly basis. Absent any unusual occurrences, a fund is typically reviewed once a year. In case of special events or if the performance deviates significantly from the expectations of the Manager Selection Team, an ad hoc meeting is scheduled.

There is no direct engagement process as the financial product only invest in funds. But the Investment Adviser engages with the fund providers when shortcomings in the investment process or breaches of binding elements are identified. Is this the case, the fund manager is informed and asked to resolve the issue within a reasonable period of time. Depending on the severity of the issue, this should be the case within 3 to 12 months. If the fund does not resolve them within the mentioned period, the fund will be sold.

No specific index has been designated as a reference benchmark to meet the sustainable investment objective.

Raiffeisen

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. The product will invest a minimum of 51% of the fund allocation in target funds with favourable ESG characterisics (either Art. 8 or Art. 9 funds according to the SFDR) and a minimum of 5% of its net assets in sustainable investments.

For the sustainable investment part of the portfolio a robust due diligence in line with the regulatory requirements is applied when selecting the target funds. Sustainable investments have to be screened for involvement in activities that cause significant harm (for instance via the monitoring of PAI indicators) and for activities that are not aligned with minimum good governance safeguards (for instance through the performance of a norms-based screening on the respect of OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights). A target fund that cannot fulfil these standards, is not eligible to contribute to the sustainable investment allocation of the product. This is checked in the due diligence of the fund selection process, using data provided by the fund providers (e.g., EET, questionnaire, manager meetings) and ESG data providers.

Environmental or social characteristics of the financial product

The financial product invests at least 51% of the fund allocation in target funds that promote environmental and/or social characteristics (Art. 8) or have a sustainable investment objective (Art. 9) and pass the qualitative assessment of their sustainability processes conducted by the Investment Adviser.

At least 5% of the net assets will be in investments that qualify as sustainable investments.

The financial product combines investment funds with a range of different objectives, e.g. environmental and/or social objectives, including investment funds targeting positive alignment with one or several of the 17 UN Sustainable Development Goals (SDG), thematic funds etc.

But a special focus of the financial product is on climate change. Therefore the carbon intensity of the equity allocation must be lower than in the equity allocation of the broad market reference benchmark. The limit is imposed on the equity allocation rather than the fixed income segment since the carbon intensity of companies and sovereigns are not easily comparable, as it is typically measured as a proportion of sales with companies and as a proportion of Gross Domestic Product (GDP) with sovereigns.

For the directive Aggressive, the reference benchmark (broad market index) of the equity allocation is 48.6% MSCI EMU NR EUR, 41.4% MSCI World ex EMU NR USD and 10% MSCI EM (Emerging Markets) NR USD.

For the directives Dynamic, Balanced and Defensive, the reference benchmark (broad market index) of the equity allocation is 50% MSCI EMU NR EUR, 40% MSCI World ex EMU NR USD and 10% MSCI EM (Emerging Markets) NR USD.

To be selected for the financial product, the investment funds must exclude from their investments: companies involved in the controversial arms trade (0% revenue threshold); companies that generate more than a specific percentage of their revenues from either arms (10% revenue threshold on producers) or tobacco (5% revenue threshold on producers, 15% revenue threshold on distributors), or nuclear or coal-based energy (10% revenue threshold, unless these companies can demonstrate that they have an exit strategy towards more sustainable energy sources).

The financial product promotes adherence to and/or conducting of business activities in accordance with international norms and standards such as the United Nations Global Compact principles.

The financial product has not designated a specific reference benchmark for the purpose of attaining the sustainable investment objective.

Investment strategy

The financial product combines an active top-down investment policy with a bottom-up top-in-class fund selection. Sustainability criteria are only taken into account in the fund selection.

ESG criteria are an integral part of the selection process for investment funds. The investment funds selected are the result of close collaboration between investment specialists and sustainability experts at the Investment Adviser. Through this process, neither financial performance nor sustainability performance are compromised.

When selecting investment funds, particular attention is paid to the traceability and transparency of the sustainability processes, for instance by documenting processes and drawing up ESG reports at the fund level. The concept of integrating sustainability into the investment process must be a key component of the investment funds selected and should be visible ideally in all steps (investment guidelines, asset allocation decisions, research, portfolio construction, risk management, active ownership and engagement, reporting).

The financial product combines investment funds with a range of different investment objectives, e.g. environmental and/or social objectives, or investment funds targeting positive alignment with one or several of the 17 UN Sustainable Development Goals (SDG).

But a special focus of the financial product is on climate change. Therefore the carbon intensity of the equity allocation must be lower than in the equity allocation of the reference benchmark. The limit is imposed on the equity allocation rather than the fixed income segment since the carbon intensity of companies and sovereigns are not easily comparable.

To be selected for the financial product, the investment funds must exclude from their investments: companies involved in the controversial arms trade (0% revenue threshold); companies that generate more than a specific percentage of their revenues from either arms (10% revenue threshold on producers) or tobacco (5% revenue threshold on producers, 15% revue threshold on distributors), or nuclear or coal-based energy (10% revenue threshold, unless these companies can demonstrate that they have an exit strategy towards more sustainable energy sources).

Companies involved in gambling and the alcohol trade shall be scrutinized very closely. Both do not need to be excluded necessarily but one needs to explain how the asset manager deals with them. The reason is that certain economic activities have the potential to be harmful. However, the negative effects can be substantially mitigated or avoided, e.g. depending on the technology, distribution, and advertisement of their products. Simple exclusion-screens cannot reflect these nuances. Hence, these issues should be optimally dealt with on a case-by-case basis. Depending on further developments, a stricter exclusion of these sectors will be regularly reviewed.

The financial product promotes adherence to and/or conducting of business activities in accordance with international norms and standards such as the United Nations Global Compact principles.

When selecting funds, attention is paid to ensuring that governance criteria are noticeably integrated into the investment process. In addition, emphasis is placed on ensuring that the fund companies have solid active ownership processes in place.

Proportion of investments

The investment product invests at least 51% in funds that promote E/S characteristics and 5% of its net assets in issuers that qualify as sustainable investments. At least 1% of the investments will be considered as aligned with the EU Taxonomy on a look-through basis.

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0%. The investment strategy of the financial product is not to prevent investments in taxonomy-aligned activities. As such, there is no commitment within the financial product to invest in activities not aligned with the EU Taxonomy.

A maximum of 49% can be invested in other Investments. This category mainly includes cash and alternative investments (e.g. liquid alternatives, real estate or commodities). Cash serves both as a tactical tool to control the level of investment of clients, but also as an account from which deposits and withdrawals are made into the strategy, as well as fees are paid. Within alternative investments it is currently still difficult to find first-class target funds that are in line with environmental and/or social characteristics. In a portfolio context, alternative investments serve as diversifiers and improve the risk-return ratio of a portfolio due to their low correlation to traditional asset classes. Often, the strategies are implemented using derivatives, and sufficiently liquid sustainable products are often not yet available. However, target funds in this category must at least include ESG risks (Article 6), exclude controversial weapons (0% revenue limit) and promote adherence to and/or conducting of business activities in accordance with the United Nations Global Compact principles.

Monitoring of environmental or social characteristics

All the following characteristics are controlled:

- At least 5% of the net assets must have a sustainable investment objective.
- At least 51% of all selected target funds promote environmental and/or social characteristics (Art. 8) or have a sustainable investment objective (Art. 9).
- At least 51% of all selected target funds pass the qualitative assessment of their sustainability processes conducted by the Investment Adviser. The assessment is done by the Manager Selection team in collaboration with dedicated independent ESG specialists. The ESG specialists have the final say.
- A lower Carbon Intensity of the equity allocation, measured as scope 1 & 2 tons of CO_2 equivalents in relation to sales than of the reference benchmark, measured on a look-through basis on the portfolio level.
- All selected investment funds are in compliance with the exclusion policy: companies involved in the controversial arms trade (0% revenue threshold); companies that generate more than a specific percentage of their revenues from either arms (10% revenue threshold on producers) or tobacco (5% revenue threshold on producers, 15% revue threshold on distributors), or nuclear or coal-based energy (10% revenue threshold, unless these companies can demonstrate that they have an exit strategy towards more sustainable energy sources).
- All selected investment funds are in compliance with the United Nations Global Compact principles.

The information used for the implementation of the ESG framework, and consequently the attainment of the environmental and/or social characteristics, are reviewed on a regular basis.

Compliance with the binding elements applied by this investment product is monitored by the Investment Adviser. The Investment Desk of Banque Raiffeisen acts as a second line of defence and carries out spot checks on the first line of defence controls provided by the Investment Adviser.

If the portfolio does not comply with the binding criteria described above, the Investment Adviser eighter divests from funds that do not comply with the binding elements or reweights the complying funds in a way that the portfolio is again in compliance with the binding elements. This is done within a time period to be determined by the Investment Adviser without exceeding in principle three months after such breach was detected, considering prevailing market conditions, and taking due account of the best interests of the clients.

Methodologies

The Investment Adviser monitors compliance with the binding elements by sending out a Sustainability Questionnaire for each fund on an annual basis, in which all binding elements are requested, including the minimum allocations to sustainable investments according to SFDR, the Principal Adverse Impacts, as well as value- and norms-based exclusions. Compliance with the value- and norms-based exclusions is additionally checked by data from MSCI ESG. The funds that meet the exclusion criteria are subject to detailed due diligence. In this process, the information in the pre-contractual documents is reviewed and the investment process is discussed in manager meetings. When selecting investment funds, particular attention is paid to the traceability and transparency of the sustainability processes, for instance by documenting processes and drawing up ESG reports at the fund level. The concept of integrating sustainability into the investment process must be a key component of the investment funds selected and should be visible ideally in all steps (investment guidelines, asset allocation decisions, research, portfolio construction, risk management, active ownership and engagement, reporting). The assessment is done by the Manager Selection team in collaboration with dedicated independent ESG specialists. The ESG specialists have the final say.

EET data from fund providers are used to measure compliance with the minimum allocation to sustainable investments. The same is true for the allocation in target funds that promote environmental and/or social characteristics (Art. 8) or have a sustainable investment objective (Art. 9). The carbon intensity is measured with data from MSCI ESG. The Weighted Average Scope 1+2 Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is the sum of the security weight (normalized) multiplied by the security Scope 1+2 Carbon Intensity.

In order to calculate and monitor the EU Taxonomy alignment of the product, the Investment Adviser will use data provided by MSCI ESG.

The definition of MSCI ESG is as follows: The weighted average of the fund’s issuers' estimated maximum percent of revenue from products and services addressing environmental objectives, based on the framework set by the MSCI Sustainable Impact Metrics. The calculation includes revenue from all companies in the MSCI Sustainable Impact universe and is not limited to those that are required to report taxonomy data, which may lead to an overestimation of fund level EU Taxonomy alignment. Companies with Red and Orange Flag environmental controversies, and Red Flag social and governance controversies are excluded from the list as failing to meet the "Do No Significant Harm and Minimum Social Safeguards" criteria of the EU Taxonomy. Also excluded are tobacco producers; companies generating 5% or more of revenue from supply, distribution, or retail of tobacco products; and companies with any involvement in controversial weapons.

Data sources and processing

Data is provided by the fund providers (e.g. EET, questionnaire, manager meetings) and ESG data providers (MSCI ESG). All data is processed in spreadsheets, where it is aggregated on portfolio level.

In order to ensure data quality, the Investment Adviser regularly reviews the data (questionnaires on an annual basis, MSCI ESG data on a monthly basis) and uses multiple data sources to check consistency. The Investment Adviser directly engages with the fund providers when data gaps occur.

The Investment Adviser may make reasonable estimates, when data is lacking. Additionally, third party ESG data providers may use estimates themselves. The proportion of data that is estimated by the Investment Adviser is indicated to be low.

Limitations to methodologies and data

In assessing the eligibility of a target fund based on ESG research, there is a dependence upon information and data from the fund providers, third party ESG research data providers and internal analyses which may be based on certain assumptions or hypothesis that may render it incomplete or inaccurate. As a result, there is a risk of inaccurately assessing a target fund. There is also a risk that the Investment Adviser may not apply the relevant criteria of the ESG research correctly or that the financial product could have indirect exposure to issuers who do not meet the relevant criteria. This poses a significant methodological limit to the ESG strategy of the financial product. Neither the financial product, nor the Investment Adviser make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness, or completeness of an assessment of ESG research and the correct execution of the ESG strategy.

In order to maintain confidence that social and/or environmental characteristics are met, the Investment Adviser may also engage with fund providers in order to fill data gaps or may use complimentary data from additional providers or directly from target fund disclosures.

Due diligence

For each analysis, the Investment Adviser sends a Sustainability Questionnaire and a General Questionnaire to the fund providers. These must be returned prior to a meeting in order to discuss any ambiguities directly with the fund manager. Before the meeting, the presentation to be used and a meaningful performance attribution are also requested in order to be able to prepare optimally for the discussion with the fund manager. For the manager meeting, it is aspired that always at least two people of the Manager Selection Team participate, as well as an additional ESG expert in case of an initial assessment of the sustainability approach. After the meeting, the findings are summarized in a report and the most important fund characteristics are systematically stored and evaluated in a database. The ESG specialist writes an independent assessment. The results are then sent to the other members of the Manager Selection Team and discussed at the weekly Fund Research Meeting to decide whether the fund should be included in the investment universe. If so, the performance of the fund is monitored on at least a weekly basis. Absent any unusual occurrences, a fund is typically reviewed once a year. In case of special events or if the performance deviates significantly from the expectations of the Manager Selection Team, an ad hoc meeting is scheduled.

Engagement policies

There is no direct engagement process as the financial product only invest in funds. The Investment Adviser engages with the fund providers when shortcomings in the investment process or breaches of binding elements are identified. Is this the case, the fund manager is informed and asked to resolve the issue within a reasonable period of time. Depending on the severity of the issue, this should be the case within 3 to 12 months. If the fund does not resolve them within the mentioned period, the fund will be sold.

Designated reference benchmark

No specific index has been designated as a reference benchmark to meet the sustainable investment objective.