

Principal Adverse Impacts (PAI) statement

Summary

The present statement is the consolidated principal adverse sustainability impacts statement of BANQUE RAIFFEISEN S.C., LUXEMBOURG, a cooperative company (société coopérative) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Léon Laval, L-3372 Leudelange, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under the number B20128 (hereinafter referred to as the "Bank" or "Banque Raiffeisen").

Adopted in November 2019 by the European Parliament and the Council of the European Union, [Regulation 2019/2088](#) on sustainability-related disclosures in the financial services sector (SFDR) has been applicable the 10th of March 2021. This regulation is part of a body of regulatory texts that provide a framework to foster sustainable finance in order to support the EU's transition to a sustainable economy.

To enhance transparency and inform end investors, the SFDR requires financial market participants¹ and financial advisors:

- on one hand, to integrate relevant sustainability risks in their investment decision making process (Article 6 SFDR). As per the SFDR, a sustainability risk "means an environmental, social or governance event or condition that, if occurs, could cause a negative material impact on the value of the investment".
- on the other hand, to consider and to report a set of mandatory and additional opt-in PAI indicators and metrics at the entity level (Article 4 SFDR) and at product level (Article 7 SFDR). A Principal Adverse Impact (PAI) is any impact of investment decisions or investment and insurance advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.

The purpose of the present statement is to describe how Banque Raiffeisen considers PAI of its investment decisions and of its investment advice on sustainability factors, as per Article 4 of the SFDR and to summarize the Bank's investment due diligence policies and actions taken to remedy the PAI on sustainability factors.

For the purposes of SFDR:

- **pre-contractual disclosure** means the prospectus or offering documents for a fund and the investment management agreement or other terms and conditions for a portfolio management service. In the specific case of Banque Raiffeisen, pre-contractual disclosure means the R-Gestion mandate (for the discretionary management) and the "Investor Guide" (for the investment advice).
- **Article 6 product** means a financial product that does not promote Environmental/Social (E/S) characteristics, that does not have as its objective sustainable investment and that does not meet the definition of Articles 8 and 9 SFDR.
- **Article 8 product** means, as per the SFDR, a financial product that promotes E/S characteristics. Those products integrate ESG into their strategy and process and promote environmental and/or social characteristics. If those products invest in

¹ The Bank as a credit institution which portfolio management is a financial market participant according to the SFDR.

companies, they must follow good governance practices. Such promotion may for example include screening out certain investments based on ESG criteria or considering ESG ratings when making investment decisions. While those products do not have a sustainable investment objective, they may have a pocket of sustainable investments.

- **Article 9 product** means, as per the SFDR, a financial product that has a sustainable investment objective. ESG considerations are a key element of the investment strategy and process. Furthermore, only sustainable investments are made. An example of a sustainable strategy is impact investing, with the aim to have a measurable positive impact on society.

1. Statement on principal adverse impacts of investment decisions on sustainability factors in the context of the discretionary management (R-Gestion)

As regards discretionary management, the Bank is advised by an external provider (the “external Investment Adviser”). The selection of products is limited to investment funds and ETFs.

The Bank has classified as Article 6 product the following investment instruction: R-Gestion Flexible.

The Bank has classified as Article 8 products the following investment instructions: R-Gestion Defensive, R-Gestion Balanced, R-Gestion Dynamic and R-Gestion Aggressive.

The Bank has classified as Article 9 product the following investment instruction: R-Gestion Sustainable.

The management of PAIs, that is performed by our external Investment Adviser, depends on the investment instruction. For more specific information, please refer to the pre-contractual disclosures available on [our SFDR webpage](#).

1.1. Principal Adverse Impacts (PAI) indicators

The PAI indicators on sustainability factors that we currently take into consideration are the following ones:

Article 9 product (R-Gestion Sustainable)
A financial product to which Article 9 SFDR applies may invest in a wide range of underlying assets, provided these underlying assets qualify at all times ² as “sustainable investments”, as defined in Article 2(17) SFDR.
As a consequence, and as part of the Do Not Significantly Harm (DNSH) test, the set of mandatory PAI that are applicable as well as two additional PAI taken from the Annex 1 of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards are considered.

² [FAQ_SFDR.pdf \(cssf.lu\)](#)

Article 8 products (R-Gestion Defensive, R-Gestion Balanced, R-Gestion Dynamic and R-Gestion Aggressive)
<p>Our external Investment Adviser takes into consideration the following PAI indicators:</p> <ul style="list-style-type: none">• PAI 14 of Table 1 Annex 1: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)• PAI 10 of Table 1 Annex 1: violations of UN Global Compact Principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
<p><i>In case, the product has a minimum proportion of sustainable investments</i></p> <p>For that sustainable investment portion only, all mandatory PAI that are applicable as well as two additional PAI as listed in the Annex 1 are taken into consideration, as part of the DNSH test.</p>

This list can be subject to change and more PAIs can be taken into consideration in the future.

As of June 2023, Banque Raiffeisen as an entity will publish data for the PAI indicators with the objective of tracking progress. The first reference period for this data collection will be January 1st to December 31st, 2022 with the results for that reference period. Historical data will be reported on a yearly basis.

1.2. Description of policies to identify and prioritise principal adverse impacts and indicators

To identify and prioritise PAIs and indicators provided in the context of SFDR, we rely on our external Investment Adviser's assessment and on its Sustainable Investing and Advisory Policy.

Identifying principal adverse impacts

On a fund level, the screening of PAIs is based on data provided by third-party data provider MSCI ESG. The ESG assessment methodology of such providers typically takes into account the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO Core Conventions, and the UN Global Compact.

The data obtained from third-party data providers may be incomplete, inaccurate, or unavailable. As a result, there exists a risk of incorrectly assessing a security or issuer, resulting in the incorrect inclusion or exclusion of a security. To properly understand the impact of critical ESG events, our external Investment Adviser may also conduct its own research to assess their impact on the relevant investment instruction and on wider stakeholders.

Prioritizing principal adverse impacts

PAIs are prioritized given the sustainable objectives or Environment and/or Social (E/S) characteristics of the investment instruction, provided that all minimum standards are met. We do not take into consideration PAIs for our R-Gestion Flexible.

1.3. Actions taken to remedy the PAIs on sustainability factors

Exclusion list

As a minimum standard, the external Investment Adviser mitigates PAIs through the application of exclusions. The exclusions include activity-based exclusions with a high occurrence of adverse impacts like controversial weapons (PAI 14). Funds should take into consideration the United Nations Global Compact (UNGC) 10 principles encompassing human rights, labor, environment, anti-corruption and/or OECD Guidelines for Multinational Enterprises and/or equivalent internationally recognized standards to assess the behaviour of companies (PAI 10). An engagement process shall be undertaken on a fund level with companies that have significant breaches of these principles and guidelines. If this engagement does not lead to the desired change in a period of two years from the start of the engagement, the fund must exclude the company from its investment universe or will be otherwise sold from our portfolio.

Engagement and escalation

There is no direct engagement process between the external Investment Adviser and companies, as the financial products only invest in funds. The external Investment Adviser engages with the fund providers when shortcomings in the investment process or breaches of binding elements are identified. In this 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.

Data collection with the objective of tracking and addressing progress

As stated above, Banque Raiffeisen will publish data at the entity level for the PAI indicators with the objective of tracking progress. Any actions planned or taken with respect to PAIs and indicators will also be included.

Trainings

On our external Investment Adviser's side, sustainability-related topics are integrated into specific mandatory training, in order to build up expertise and promote sustainable investing.

At Banque Raiffeisen, sustainability-related topics are also integrated into specific mandatory training.

Governance

At the Bank's level, the "Comité d'Orientation ESG" (ESG Steering Committee) has currently the responsibility to coordinate the ESG initiatives, actions and implementation of new policies. Banque Raiffeisen intends to strengthen its Governance by evolving the "Comité d'Orientation ESG" into a "Comité de Gestion ESG" (ESG Management Committee).

1.4. Measuring and reporting PAIs (quantitative data) at the entity and at the product levels

The SFDR requires financial market participants and financial advisers (when the latter takes into consideration the PAIs) to publish an annual PAI statement on the website. Quantitative as well as qualitative information are disclosed in our PAI statement that will be available [on our SFDR webpage](#) by June 30th, 2023. The first reference period for this data collection will be January 1st to December 31st, 2022 with the results for that reference period. Historical data will be reported on a yearly basis.

1.5. Engagement policy and voting rights

Voting and engagement policies can strengthen a company's contribution to the transition to a more sustainable economy.

Banque Raiffeisen draws on the engagement efforts of its external Investment Adviser that takes place on a fund level.

Engagement with fund managers

Our external Investment Adviser engages in the following way:

- Proposing explicit rather than implicit exclusions where possible: as part of their commitment to improving the ESG ecosystem, the external Investment Adviser will propose explicit exclusions wherever possible. This means that they will encourage fund providers to materialize the exclusion of companies or industries that are clearly linked to activities that are harmful to the environment, society, or governance in their fund documentation or policies.
- Encouraging fund providers to publish comprehensive and correct data: they will also encourage fund providers to publish comprehensive and correct data on their ESG strategies and performance. This will enable investors to make informed decisions based on reliable information and increase transparency in the market.
- Ensuring continuous improvement on reporting requirements: reporting requirements play a critical role in ensuring that ESG factors are properly integrated into investment decisions. Therefore, they will continuously work to improve reporting requirements to ensure that they are comprehensive and meaningful.
- Challenging the fund managers when shortcomings in the investment process are identified through open communication: the external Investment Adviser will actively engage with fund managers and challenge them when shortcomings in their investment process are identified. Open communication and constructive criticism can help drive continuous improvement in ESG investing.

Voting rights

As fund unit holders, we cannot vote directly. This is why our external Investment Adviser is looking at the stewardship policy of the target funds as one point of the qualitative assessment.

2. Statement on principal adverse impacts of investment advice on sustainability factors

The Bank does not take into consideration adverse sustainability impacts in its investment advice as of 10 March 2021. The underlying information required to identify and prioritise adverse sustainability impacts is not currently available to a sufficient degree of quality and quantity.

The Bank is looking for a solution to check the availability and quality of this information.

3. Adherence to standards

3.1. International standards and degree of alignment with the Paris Agreement

Banque Raiffeisen is a signatory to the UNEP FI (UN Environment Programme Finance Initiative) Principles for Responsible Banking. This membership reflects the Bank’s willingness to contribute through its own management and activities to the Sustainable Development Goals (SDGs) for the achievement of the United Nations 2030 Agenda.

In addition, Banque Raiffeisen adheres to voluntary due diligence and reporting standards to increase transparency. As an example, since 2021, Banque Raiffeisen has published a yearly extra-financial report that respects the GRI standards (Global Reporting Initiative - global standards for sustainability impacts).

To date, we do not have portfolio decarbonization targets derived from the IPCC 1.5 degree-scenario. But, in the context of our discretionary management, we use two key performance indicators to compare the performance of the funds against the 1.5 degree scenario: these are the Carbon Intensity and the Implied Temperature Rise. Currently the only carbon target applicable for our Article 8 and Article 9 investment instructions is to have a lower carbon intensity than the customized benchmark.

The internationally recognized standards are also linked to the PAIs that we are monitoring:

International standards	Link to sustainability indicators
Paris Agreement	Annex 1 Table 1, PAI 1 to 6 (Greenhouse gas emissions): PAI 1: GHG Emissions PAI 2: Carbon footprint PAI 3: GHG 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 per high impact climate sector
UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights	Annex 1 Table 1: 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
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3.2. National standards

The Bank has been a member of IMS (Inspiring More Sustainability) Luxembourg since 2008, through which it exchanges CSR (corporate social responsibility) best practices. The Bank is also a signatory of the IMS Diversity Charter.

The Bank actively works in different industry associations at the national and European level. Banque Raiffeisen is an active participant in roundtables and workshops organised by the ABBL (Association des Banques et Banquiers Luxembourg, the Luxembourg Bankers' Association).

The Bank obtained the label of a Socially Responsible Company (SRC) in 2015. Awarded by the National Institute for Sustainable Development and Corporate Social Responsibility (Institut national pour le développement durable et la responsabilité sociale des entreprises - INDR), this label confirms that the Bank exercises social and sustainable development responsibility in accordance with the strict criteria of the INDR concerning three CSR pillars, "Governance", "Social and Equal Professional Opportunities" and "Environment".

Amendment and Updates

Version	Date	Reason for and Extent of Changes
1.0	10.03.2021	SFDR requirements
2.0	12.05.2023	Clarifications added and information updates