Statement of Principal Adverse Impacts (PAI) on sustainable development in the context of discretionary management

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 since 10 March 2021. This new regulation is part of a body of regulatory texts that provide a framework for finance in an environmental and sustainable transition.

The provisions require financial market participants to be transparent about their due diligence policies regarding the adverse impacts that investment decisions may have on sustainability factors.

The information below describes how Banque Raiffeisen s.c. (hereinafter the “Bank” or “Raiffeisen”), as part of its discretionary portfolio management offering, considers the adverse effects of its investment decisions on environmental, social and personnel issues, respect for human rights, the fight against corruption and acts of corruption.

Policy for assessing PAI on sustainable development

As societal responsibility is a key component of the Bank’s DNA, consideration of the impacts of investments on sustainability factors is part of its decision-making process. The Bank is increasingly focusing on investments that take into account the climate, the environment and society. Being advised by an external service provider in its discretionary portfolio management offering, the Bank has ensured that the latter complies with the defined investment orientations and objectives.

The Bank has chosen a financial expert that has been a pioneer in sustainable investment since the 1990s, and is committed to playing a major role in the transition to a sustainable economy.

The Bank has ensured that its provider has implemented due diligence measures to take into account the PAI of its advice on sustainability factors across all of the main stages of its investment process. The main elements of this due diligence are as follows:

- The implementation of a governance framework that takes sustainability factors into account in the investment process via specialised committees in this area, including a committee to define a sustainability strategy and objectives based on sustainability principles;
- The exclusion of investments in controversial activities;
- The integration of sustainability risk analysis with the identification and monitoring of critical sustainability events through access to external data and assessments and/or specific internal research;
- A process for selecting financial instruments and counterparties based on an in-depth analysis of sustainability risks, including quantitative and qualitative analyses;
- Sustainability risk is considered material, with a possible effect on long-term investment returns;
- Information made available in the various recommendation lists issued.

It should be noted that the Bank’s external service provider is an active member of the network supported by the United Nations that contributes to the development of a more sustainable financial system. It is also the founder of a sustainable finance association.

Action taken to remedy the PAI on sustainability

The Bank ensures on a regular basis, and at least once a year, that the principles set out above are complied with by the external service provider. In addition, it uses key indicators to ensure that the principal adverse impacts on sustainability factors of the investments set out in its placement guidelines are remedied.

Engagement policy and voting rights

Voting and engagement policies can have a positive impact on a company's long-term returns by influencing its values and behaviour. This can strengthen a company's contribution to the transition to a more sustainable economy/companies and to environmental protection.

Where applicable, the Bank exercises voting rights in the best interests of its customers; however, to date, the Bank has not planned to integrate shares in its discretionary portfolio management.
Furthermore, the Bank draws on the engagement policies of its external service provider.

Raiffeisen, a committed bank

The Bank is committed to ensuring sustainable and responsible relationships with its customers, as underscored in the engagement set out in its 2020 extra-financial report: "Satisfy our customers and maintain good relations with our stakeholders". The Bank has also developed a Code of Ethics and Good Conduct which sets out rules of responsible behaviour for its employees, which are aligned with its values of respect, ambition, passion and proximity.

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.

Aware of the role it could play in the emergence of a sustainable and responsible transition, the Bank has been committed since 2019 to the UNEP FI PRB (Principles for Responsible Banking), a financial initiative of the United Nations Environment Programme. 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 UN 2030 Agenda.

Lastly, the Bank obtained the label of a socially responsible company 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".