

SUSTAINABLE INVESTMENT



SECURITY UNDER
THE ASPECT
OF SUSTAINABILITY

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PUBLICATION INFORMATION

Media proprietor: Zentrale Raiffeisen Werbung
A-1030 Vienna, Am Stadtpark
Published and created by: Raiffeisen Kapitalanlage GmbH
Mooslackengasse 12, A-1190 Vienna
Responsible for the content: Raiffeisen Kapitalanlage GmbH
Mooslackengasse 12, A-1190 Vienna

www.rcm.at/nachhaltigkeit

General orientation: Information on the topics of investment funds, securities, capital markets, and investment; additional information pursuant to the Austrian Media Act can be found in the publication information at www.rcm.at.

Project coordination: Irene Fragner, Sabine Macha
Authors: Gernot Mayr, Pia Oberhauser, Herbert Perus, Wolfgang Pinner, Magdalena Quell
Photos: iStockphoto (p. 04, p. 06, p. 07, p. 08, p. 09, p. 14, p. 21, p. 22, p. 23, p. 24, p. 26), Lichtblickhof (p. 28, p. 29), Meinrad Hofer, Roland Rudolph, matzke-Foto, privat (p. 12, p. 14), Raiffeisen KAG (p. 03, p. 05, p. 11, p. 12, p. 20, p. 27)
Graphic design: [WORX] Multimedia Consulting GmbH

Editorial deadline: 30 June 2022

This is a marketing communication of Raiffeisen Kapitalanlage GmbH.

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EDITORIAL



Dieter Aigner

Managing Director of Raiffeisen KAG,
responsible for fund management
and sustainability

Dear Readers,

The war in Ukraine has plainly shown us how fragile peace is. At the same time, it is forcing us to reflect on the structures we as societies have to promote in order to create or at least maintain peace. Strong military defence systems appear to be the order of the day in light of the aggressiveness of an unpredictable opponent.

But we also need strong institutions, an independent justice system, political alliances, and economic cooperation on a level playing field – in other words, strong democratic structures. Together, these components form the foundation upon which peace and justice can be built. To this end, the United Nations has defined Sustainable Development Goal 16

– Peace, justice and strong institutions. This previously rather abstract goal has noticeably come to the fore recently, with vigorous discussions of whether and how it can be achieved.

The defence industry is positioning itself in the role of peacemaker in these discussions. The arms lobby sees an opportunity and is pulling out all the stops to improve the sector's image and position itself as "sustainable". In fact, the defence industry is going as far as to try to argue its way into the EU's social taxonomy that is currently in development.

All of this is another reminder of how important it is for sustainable investors

to set boundaries. And in order to have as solid an argumentative basis for these boundaries as possible, it requires an intensive analysis of complex, in part values-based questions. This applies to the issues of peace and justice discussed here, but also to many other areas, such as the energy transition, the food crisis, or the scarcity of resources – and these are just a few examples. It is becoming increasingly clear to us that one of the central cores of sustainable investment is the deep examination of issues such as these in order to find answers to complex questions. We aim to address these important, often existential issues and initiate discussions about them with SUSTAINABLE INVESTMENT magazine.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



SECURITY UNDER THE ASPECT OF

You can find out more about Sustainable Development Goal 16 on pages 18–19.

Various crises – above all the war in Ukraine – have fundamentally shaken many people’s faith in the possibility of peaceful coexistence in Europe. Many people are talking about the so-called fruits of peace at the moment. Expressed in blunt terms, the argument is that many European countries did not make the necessary investments in military structures and are now being forced to play catch-up. However, security architecture encompasses much more than just traditional national defence. This article examines matters of social cohesion, security of supply, and other issues that are relevant for a country’s security architecture from the perspective of sustainable investment.

Along with other aspects, sustainable investment is rooted in an ethical, morally oriented approach to investment. As such, the notion of avoiding military conflicts and the meaningful repurposing of government spending away from the production of war materials in favour of financing social development was one of the core ideas of responsible investment from the very beginning.

is becoming increasingly important for the overall market. One answer can be found in the dynamic development of sustainable investment styles in recent years and decades. In today’s “sustainable investment world”, the fundamental values of ethical investment mentioned above have lost a significant amount of importance in favour of environmental and social issues.

INFLUENCE OF SUSTAINABLE INVESTMENTS

At times, the question arises of whether a gap is forming between a sustainable perspective in general – and sustainable investments in particular – and the real world, also when it comes to the financial system. Because responsible investments now have a great deal of importance on the financial markets, the behaviour of sustainable managers

Negative criteria or exclusion criteria that are applied in the course of investment processes today are primarily related to sustainability and are based on ESG factors. Sets of criteria are a way to reduce risks. And reputational risks connected with violations of labour rights and human rights or the risk of lawsuits in connection with controversies or contentious products or services are among the most frequently cited aspects of risk mitigation. »



SUSTAINABILITY



Wolfgang Pinner
Head of Responsible Investment
at Raiffeisen KAG

Criteria catalogues have been supplemented with “more modern” approaches to sustainable investment for several decades. The detailed ESG quality analysis of the investment universe – also referred to as the best-in-class approach – is a key topic here, just like active shareholder engagement – including corporate dialogue and the exercise of voting rights – and

making an appropriate sustainable impact. Naturally, the latter aspect of impact must also be seen in connection with various investment objectives. Because making an impact can be supported through the application of a criteria catalogue, the implementation of sustainability analysis in the portfolio composition process, and shareholder engagement practices. »

Chart: Focuses of sustainable investment styles

	Traditional investment	Sustainable investment styles					Philanthropy
		Exclusion	Best in class, ESG integration	Exercise of voting rights and engagement	Theme-based investment	Impact investment	
Sustainability focus	No explicit consideration of ESG effects	Negative effects on ESG topics are avoided and ESG risks reduced. Investments are oriented towards personal values.					Solely focused on ESG topics
		ESG-related investment opportunities are utilised.					
		Active pursuit of a positive effect on ESG topics					
		Investments that solve a social/environmental problem are actively selected.					
Financial risk/return profile	Solely focused on financial risk/return profile	Financial risk/return profile at market level			Risk/return of lesser importance	No financial goal	

Source: Raiffeisen Kapitalanlage-Gesellschaft m.b.H. 2022

A hand holding a silver pen is positioned over a document on a desk. In the background, a golden scale of justice stands next to a stack of books, including one with a red cover. The scene is lit with soft, warm light, creating a professional and legal atmosphere.

SECURITY UNDER
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The objective of sustainable investment is generally geared towards consciously supporting sustainable topics, and, accordingly, promoting future-proof developments and targeted investment – and is thus potentially not in harmony with the topic of sustainability per se. It's ultimately about supporting development towards “a world we wish we had”, which does not have to conform to the current structures.

A RE-EXAMINATION OF SECURITY

The objective described above is often the subject of more or less intense discussions, depending on current events. The war of aggression against Ukraine that began in February is leading to talk of a paradigm shift with regard to the pacifistic attitude of sustainable investors. In general, it seems necessary to rethink the security architecture at the global level. And the close proximity of the conflict makes the topic that much more relevant for the European discourse.

Legal certainty and compliance with international treaties represent key components of a security architecture. Any restriction of ownership rights without legal title must be prevented in order to counteract the rise of anarchistic and of-

ten also populist developments. The protection of property is a cornerstone for a prosperous economy in market-based systems, but it is also a key aspect in the discourse surrounding fairness, if one assumes that property was created lawfully. The transition to a fairer world can only take place within structures that are based on the rule of law.

SECURITY OF SUPPLY

Beyond military-related national defence, the security architecture also serves in the assertion and protection of many interests that are not connected to the military. In a globalised world, a country's ability to supply its domestic economy with raw materials and input materials is an essential topic. In the case of scarce resources, ensuring this type of security of supply is also a question of the clout of individual nations or groups of countries acting in concert. Economic power and military power play a key role in this context. Exerting political influence on economic agendas has a long tradition, but should not be seen as giving countries carte blanche for national egotism. Protectionist tendencies have also never proven successful in the past.

The vulnerability of our highly networked, international system of trade flows has been demonstrated time and >>



SECURITY UNDER THE ASPECT OF SUSTAINABILITY



again in the last few years and decades. In the very recent past, the pandemic and the Ukraine crisis have revealed the limits of globalisation, including supply chains that are extremely intertwined with one another. A trend towards maintaining inventories at the lowest possible level and just-in-time production combined with simultaneous profit optimisation by way of location cost optimisation led to an entirely unprecedented degree of vulnerability in globalised production processes.

At the level of the citizens of a country, security is not just associated with the supply of vital products and services but also with how affordable they are. Aspects such as access to clean water, the availability of energy and electricity, and the maintenance of medical infrastructure are tremendously important. In this context, the globalised production of medications also became a major issue in the fight against the worldwide pandemic over the past two years.

Political and social security are among the most valuable goods in a democratic system. Every kind of social unrest and social division must be prevented. The discussion surrounding mandatory vaccination demonstrated how quickly social consensus can be lost. The goal of social justice is connected with a discourse

regarding the redistribution of wealth. The current high inflation rate is leading to fierce debates surrounding price increases for a wide range of products and services. The affordability of everyday goods and services is becoming increasingly precarious for certain segments of the population. Political decision makers have to avoid turning to overly simple, populist answers to complex questions.

A functioning security architecture is unimaginable without protection against cyberattacks and the misuse of data. The importance of cybersecurity is illustrated time and time again by attacks originating from and aimed at the Internet. Giant tech companies collect massive amounts of private data, which alarms data protection activists. Then there is the security of the truthfulness of the content provided by information services. It is getting more and more difficult to differentiate between information and disinformation, and objective reporting in the media is becoming a rare commodity.

From the perspective of sustainability, many aspects of the security architecture are absolutely crucial for the goal of a “new, sustainable world” described above. The discussion shows that sustainable investment is to be seen as “positive capitalism”. Principles such as legal certainty, free trade, and the se- >>

curity of supply chains form an essential foundation for sustainable development so that social justice or the reliable supply of people's basic needs can be ensured.

INTERNATIONAL REGIMES

International regimes are a central component for lasting peace and increasing global prosperity. They offer a framework for the resolution of conflicts and the reconciliation of interests. Here are a few relevant examples:

International trade

e.g. World Trade Organization, covers roughly 98% of global trade

Regime for labour and social standards

e.g. International Labour Organization protocols

Environmental regimes

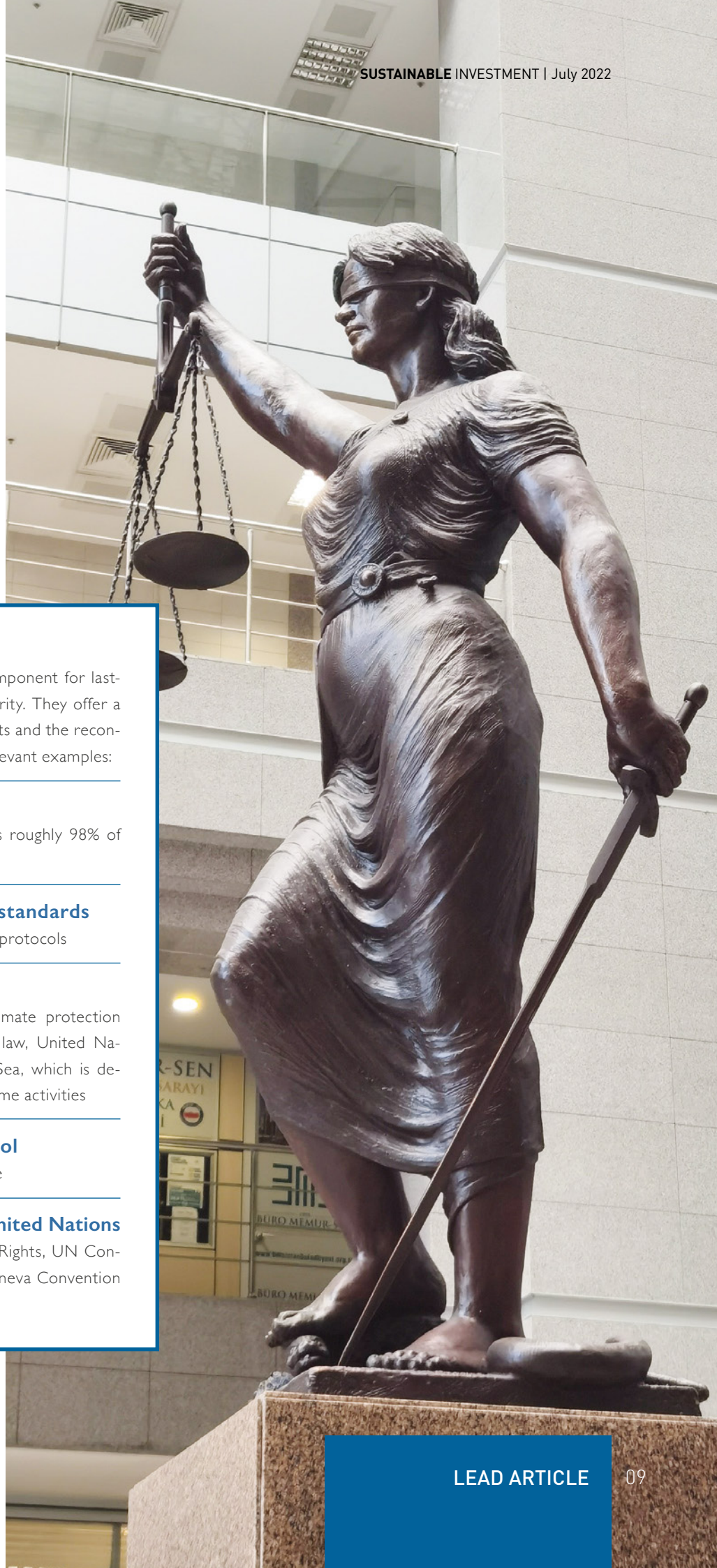
e.g. Paris Agreement as a binding climate protection agreement according to international law, United Nations Convention on the Law of the Sea, which is designed to regulate all marine and maritime activities

Disarmament and arms control

e.g. Missile Technology Control Regime

Human rights regime of the United Nations

e.g. Universal Declaration of Human Rights, UN Convention on the Rights of the Child, Geneva Convention Relating to the Status of Refugees



ASSESSING THE SUSTAINABILITY

Raiffeisen Capital Management has adopted a comprehensive ESG approach. Every country is rated in the form of a score, a sovereign ESG indicator. This rating is intended to cover all important ESG aspects (environmental, social, and governance) and provide an overall idea of how sustainably a country acts. The indicator is calculated for the roughly 120 countries that are included in the investment focus and for which sufficient information is available.

In order to assess countries based on ESG criteria, various topics were identified that are intended to provide an indication of how sustainably countries conduct themselves in terms of both their laws

There are now a number of established models for assessing the sustainability of companies, but how can the sustainability of countries be evaluated? Traditional corporate key performance indicators clearly do not apply here. Particularly for bond funds with a high share of government bonds, this question is especially important.

and their actions towards the environment and their citizens. These topics are represented by so-called factors, which are quantitatively available data or time series. These factors must meet certain quality criteria pertaining to their availability, history, update frequency, scope, and consistency as well as the integrity and reputation of the source. Every factor that is used is assigned to a meta category and underlying categories:

One example of a factor is carbon emissions per capita, which are assigned to the category of climate change under the environmental meta category. The higher the emissions, the lower the contribution to the overall indicator. Naturally, this factor alone would not be nearly sufficient to measure a country's share in climate change. Therefore, each category includes numerous factors in order to get as accurate a picture as possible of a country's "conduct".

One example for the the social aspect is the Gini index – a factor assigned to the category of justice under the social meta category. The Gini index measures the inequality of the distribution of income in a country. A value of 0 would represent completely equal distribution, while 1 would indicate completely unequal distribution. The subject of how equal incomes should be can be debated at great length, but in the sovereign ESG indicator it is assumed that "more equal" incomes have a more positive impact from a sustainability perspective. »

Chart: ESG factors for countries



Source: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., May 2022



Gernot Mayr
Senior fund manager
at Raiffeisen KAG

OF COUNTRIES

The final example is an estimation of the tendency towards corruption in various countries (governance/institutions). A lower tendency towards corruption has a more positive influence on the indicator than a higher tendency.

The factors are often based on data that is released annually. Market data such as the prices of market-traded securities is not used. The indicator does not use any projections for future data, but only historical data that has already been released. The data for each country is generally assessed in comparison with the other countries and the scores are aggregated. Finally, each individual factor and thus each (meta) category

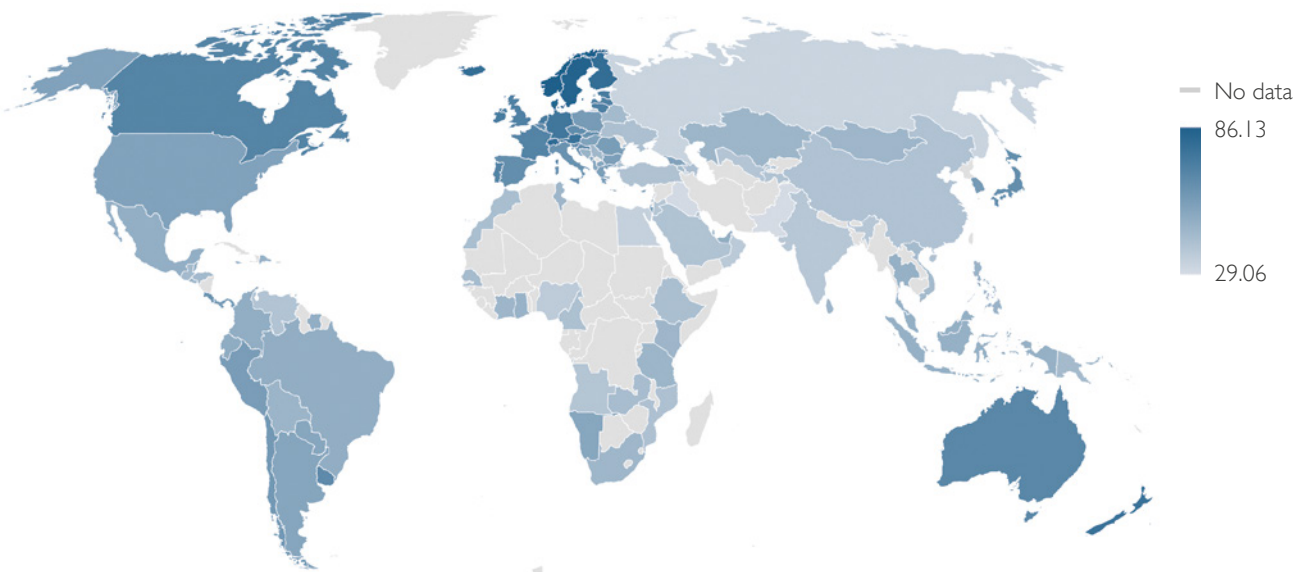
must be assigned a weighting that reflects its "importance" in the overall indicator. Together, the factors result in a value between 0 and 100 for each country, with 0 representing the minimum level of ESG alignment and 100 the relative maximum (based on the country comparison).

It is not surprising that the developed countries, and particularly those in northern Europe, have the best scores. The advantages of the developed countries primarily come from the social and governance factors, while the split is less clear for the environmental factors.

The quantitative assessment of ESG categories has its limitations. There is a lack of

data in many areas, and some topics cannot be measured at all or only with a significant delay. The political developments of recent months show that the topic of security architecture is most likely under-represented in the indicator. While the scores of Russia, Belarus, and Ukraine have dropped considerably, conventional concepts such as "The lower a country's defence spending, the better it is in terms of sustainability" are presumably no longer in keeping with the times. The latter example clearly shows that a country assessment and thus also the sovereign ESG indicator used by Raiffeisen Capital Management must be a living process that is refined on an ongoing basis.

Chart: Raiffeisen Capital Management sovereign ESG indicator



Source: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., May 2022



Moderated by
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Research associate, Süd-Wind, Bonn



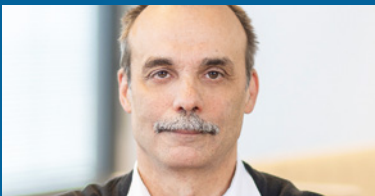
Wolfgang Müller-Funk

Literature and cultural theorist, Vienna.
He worked as a professor of cultural
studies in Birmingham and Vienna.



Herbert Perus

Sustainability Office, Raiffeisen KAG,
Vienna



**Virtual round-table discussion
about the significance of the
defence industry for maintaining
peace and whether this makes
it sustainable.**

Peace around the world – this would presumably be the ideal state. But we are a long ways off from achieving it. And now we are seeing social tensions and economic redistribution to a higher degree. Mr Müller-Funk, you are a professed supporter of defensive democracy. Do we need weapons to achieve peace?

Wolfgang Müller-Funk: I could make it easy on myself now and say: Yes, we do. I think that the West failed to perceive the change in reality after 1989 or at the latest after the year 2000. The Austrian author Heimito von Doderer coined the term “apperception denial”, and this is precisely what I see here. In retrospect, I unfortunately have to say that the conditions for the possibility of peace in Europe were linked to the nuclear stalemate and the fact that there was a sort of security partnership in place. Now, I don’t want to romanticise communist rule – far from it. But there was a certain need for peaceful exchange. The communist leadership was not revisionist. But now we are facing a regime that is clearly revisionist, that wants to establish a Third Reich. And I say that very intentionally.

Are you comparing Putin’s ambitions to those of the Third Reich?

Wolfgang Müller-Funk: I merely want to quote the former Russian prime minister Kasyanov, who said that if Ukraine falls, the Baltic will fall as well. This means that we are facing a very dangerous situation, and the fear that Putin is spreading is a very important weapon in the battle with the West. It’s not just about the fact that cities are being bombed, but also the fact that an entire order of peace was destroyed. An order that was not created out of love between the Soviet Union and the West, but was at least a partnership one could rely on to a certain extent. This partnership is over. There can only be a new order of security if this regime in Moscow falls. Then it would be possible to initiate a discussion with a post-authoritarian regime. This means that we must be interested in ensuring that Ukraine does not fall and that there is a democratic transformation in Russia at some point – also from the perspective of global environmental challenges. With an opponent like Putin, who sees any support for peace as a weakness and takes advantage of it, this is not possible.

Russia is threatening to use nuclear weapons. How much room to manoeuvre does this leave? »»

CAN WEAPONS SECURE PEACE?

Wolfgang Müller-Funk: Let me pose a counterquestion: If Putin is successful in Ukraine and then marches into the Baltic or Moldova, will the West simply leave these areas to Russia out of fear of nuclear weapons? A system that is not willing to defend itself is generally doomed to become extinct. This means that if the West does not take any visible steps to counteract this, the situation looks very, very difficult in my opinion. But I also do not believe that the military complex in Russia would go along with such an adventure on the part of Putin so easily and automatically. Pacifism is not innocent in every context. It's a difficult question, but as long as Putin is spreading this fear even just by threatening and thus putting the West into a state of paralysis, this war will continue to go in his favour.

We heard that pacifism is not innocent in every context. What do you have to say about that, Ms Lohr?

Ulrike Lohr: At any rate, I have to agree with Mr Müller-Funk that the Ukraine war was an eye-opener for us in Western Europe. Western democracies did not want to see certain things and failed to recognise that part of a defensive democracy is having a functioning military

and also weapons. However, I do want to draw a bit of a distinction here: A defensive democracy needs not only military equipment but also strong political alliances and economic ties based on equal partnerships rather than dependencies. We are currently seeing this with Sweden and Finland, for example, who want to join NATO. The current discussion in Germany is focused on the realisation that too little was invested in the military. So now we need to spend EUR 100 billion as quickly as possible. But there is no discussion about what type of warfare we actually want to engage in. This relates to internationally banned weapons, weapons of mass destruction, the export of armaments to warring countries, and illegal arms sales. How is it possible that German weapons ended up in the Yemen war? I don't see this debate taking place anywhere. Yes, we have to increase our military capabilities. But we also have to discuss at what price and what we want and what we don't. Do we want autonomous weapons systems? I would say no. We have to be defensive, but we also have to define where the red lines are.

The arms lobby sees an opportunity in light of such discussions and is now trying to po-

sition defence companies as sustainable in the EU taxonomy against the backdrop of the war in Ukraine. Is this a justified undertaking?

Christian Klein: I am actually surprised by this discussion and I wonder – to put it mildly – what defence companies are after in the Taxonomy Regulation. When we talk about sustainability – and in this case about SDG 16, which addresses peace and justice – I do ask myself what weapons have to do with it. In my opinion, it's very dangerous to mix things up here, namely to believe that there is only “sustainable” and “not sustainable”, or green and brown. Because green and brown aren't all that exist – there's also colourless. The standard example I always give here is the hairdresser who wants to know why he isn't included in the EU taxonomy because what he does isn't bad, after all. The answer is because his business isn't directly related to climate change. That's why cutting hair isn't on the list of funded actions. The hairdresser is a classic case of a colourless business.

But the defence industry is certainly brown...

Christian Klein: What's happening now in the area of sustainable finance? The goal **»**



Dieter Aigner conferencing with Christian Klein, Ulrike Lohr, Wolfgang Müller-Funk and Herbert Perus

here is to redirect capital from the brown segment to the green segment. We can debate all we want to about whether weapons, which have been brown up to now – maybe we'll need them to a greater extent in the future after all – are now colourless. But at the end of the day, when we talk about whether weapons are sustainable, in the context of the financial market it's not just about whether you provide financing for weapons but whether you possibly even promote them financially. And then the hairdresser justifiably wonders why arms producers are now being offered better financing conditions while he only has access to a normal loan. To me, it's astounding what the arms lobby is trying to do here. Because one thing is certain in my opinion: If we tell end consumers that the EU Commission and a few banks have decided that arms are now sustainable, they will pull their money out of sustainable investments. Because surveys show that end consumers absolutely do not consider child labour, weapons, or environmental pollution to be sustainable.

Credibility is being put to the test. How have things gone so far that the defence industry is now demanding a positive sustainability

assessment in the course of the development of the EU's social taxonomy?

Ulrike Lohr: The demands by the arms lobby are nothing new. Even before we started talking about the taxonomy, they railed against the ESG criteria and tried to argue their way into sustainability funds based on the premise that the defence industry creates peace. Because the sustainability market was still a niche at that point, however, the discussion never really attracted any attention. The remarkable thing about the taxonomy that's already in force is that, for the first time, binding standards were defined for what is ecologically sensible and what is classified as a transformation technology. When it comes to the environment, the scientific findings mean that this is relatively well researched and can be backed up by scientific data. In the social segment, it's a much more difficult undertaking to develop similar standards, although there are also many socially positive activities such as the construction of hospitals, the COVID-19 vaccine, or universally accessible health care services. There are many business activities with a positive social impact to which we as a society would like to see money diverted. But this has to be appropriately >>>

defined. And that's what the social taxonomy can achieve: ensuring that funds are funnelled into this area, into socially positive economic activities defined by the EU. It goes without saying that it's difficult.

And how does the defence industry think it fits into this?

Ulrike Lohr: By presenting false arguments. Since the social taxonomy cannot operate with scientifically substantiated figures, the people developing it very wisely decided to use international conventions and standards as the basis. It's not intended to be moral window dressing, but a set of rules that is oriented towards international requirements of the UN and EU that were developed into recognised standards through years of discussions and battles. This is also intended to ensure that the rules are recognised by the market. Based on these guidelines, so-called banned weapons such as atomic, biological, or chemical weapons have a negative rating and other weapons are neutral. And this would also be the case in the social taxonomy. This would mean that defence would not be negative per se, but that certain defence activities would be complete-

ly excluded. The taxonomy is aimed at defining where we want to go and what is social based on recognised standards. However, the defence industry wants to reframe the standard for its own purposes because it would then receive better financing conditions. But this is not a valid argument. Because SDG 16 "Peace, justice and strong institutions" by no means calls for the military to be expanded – but very much espouses a significant reduction of illegal arms flows. If the social taxonomy were not based on international conventions, the hairdresser could also claim that he makes a contribution to social peace. We too believe that the taxonomy will be dead if the defence industry is included.

Are defence companies even a topic of interest for sustainable investors?

Herbert Perus: As a sustainable fund company, we do not invest in the defence industry. Our customers justifiably expect this of us, and it is also in line with our own values. Companies that produce controversial or banned weapons are fully excluded, and there are no compromises here, not even if only a small percentage of the company's rev-

enues fall into this segment. It's more difficult to arrive at an assessment in the case of dual-use products, which can also be used in a military context but not exclusively, such as helicopters. In this case, we defined a revenue limit of 5% of the company's total revenue. This means that we exclude companies that generate more than 5% of their revenue with products that can also be used in a weapons/military context. This pertains to over 100 companies from a universe comprising roughly 2,600 names.

How can credibility be maintained in this context?

Herbert Perus: Certifications – such as the FNG Seal or the Austrian Ecolabel – play a very important role in our industry. They are essentially objective proof of the fact that we act sustainably. The awarding process follows very clear requirements that have to be met and that we are also happy to meet. In addition, we maintain a very active exchange with the companies and conduct engagement activities. This means that we ask the issuers directly about the sustainability strategies they follow. Making an impact is a very high priority for us. >>

ROUND- TABLE- DISCUSSION

What will the discussion come down to? Will this be the acid test for the social taxonomy?

Christian Klein: Particularly when we talk about sustainability in the social sphere, it's about values. And when it comes to values, there are naturally different approaches, which is also okay. Does pork belong in a sustainability fund? A Muslim will see this differently than a Christian. And that's perfectly fine. Some people see things one way, and others see them differently. And if you were to ask me whether there's a chance for a reasonable discussion or possibly even a solution, I'd say: Yes, the solution is the taxonomy. And that's why the taxonomy is so extremely important and also why the discussions we're having about it right now are so relevant. I'm a huge fan of the taxonomy. I bet that regardless of what problem we take on in the area of sustainable finance and investment, the taxonomy will be able to solve it.

An impassioned speech in favour of the taxonomy...

Wolfgang Müller-Funk: I'm not a specialist for sustainability or the taxonomy. But listening to this discussion makes me wonder if it wouldn't be possible to transfer sustainability to other areas. Such as the areas

of war and peace as well as the matter of preserving our democracy. There's also an ecology of the mind, as Gregory Bateson once called it. Maybe there's also a kind of sustainability in other areas. If this type of thinking, of taxonomy, that you praise so highly is so efficient, I can imagine that we could also discuss whether it can also be applied to other areas. I think that we're obligated to vehemently defend our political way of thinking – human rights, liberal democracy, and everything associated with it, protecting minorities, and so on. A society that isn't willing to defend these things has ultimately lost. This applies to the environment and the political situation we currently find ourselves in.

Ulrike Lohr: One fundamental problem that I'd like to touch on is the fact that a tank doesn't distinguish between good and evil. It always depends on who's using it. This means that, according to your perspective and perhaps based on sustainability aspects, we could produce armaments in order to maintain peace. But reality shows that German weapons – whether due to illegal trading or due to political considerations – also repeatedly end up in crisis regions, where they cause »



“We cannot meet these challenges defensively. We have to take the offensive and fight for democracy and its values.”

endless suffering and fuel armed conflicts. Yes, we have to think about this and make a political decision about how we want to organise ourselves as a defensive democracy, but I for one do not want this to be mistaken for a discussion about social sustainability in financial flows, because that's actually a completely different issue.

Let's move on to our final round. What do you feel is particularly important to mention at this point in the findings?

Christian Klein: The social taxonomy was developed by independent experts who volunteered and put in an unbelievable amount of work. I would wish that the political decisionmakers do not add totally different aspects now in the final stages. Because then there's a risk that this type of policy will be robbed of its credibility even if no one is forced to invest in the defence industry just because it is included in the taxonomy. Thus, I think it would be good to keep the greater goal in perspective here, namely sustainability: We want to achieve the SDGs. We want to save the world. Political interests should shift into the background a bit. In my opinion, more grassroots democracy and less politics would be desirable here.

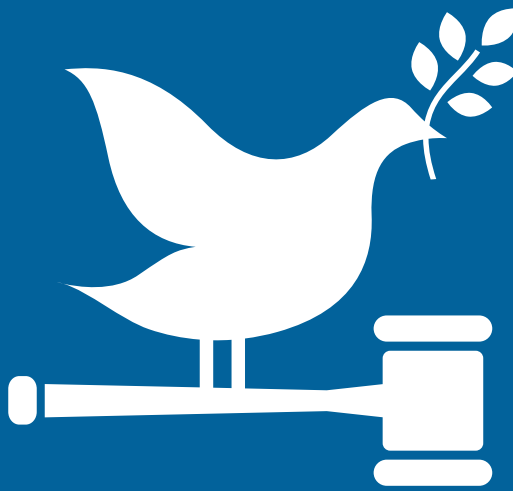
Herbert Perus: From an investment perspective, I wish that this surge of money that is flowing into sustainability will not dissipate and that sustainable investment will expand even further among investors – from a relative minority to a relative majority. Because only then can we redirect significant capital flows and make a true impact.

Ulrike Lohr: I hope that policymakers are decisive in the definition and implementation of the social taxonomy because otherwise these efforts will remain hobbled. I also wish for a stronger focus in general on achieving the SDGs. More than ever – also in light of all the crises in the world – we need money to flow to the Global South in a way that reduces inequalities and strengthens local communities.

Can humanity succeed in making the world a peaceful place?

Wolfgang Müller-Funk: There is an obligation to stay optimistic, and I'd like to advocate this here. I have to disagree with Mr Klein on one point: I'd like to see more politics and less grassroots democracy. I think we're in a situation that

calls for responsibility, expertise, but also courage. We have to do everything in our power to counteract the internal and external opponents of our liberal values. Democratically oriented societies are better equipped to solve problems, even if they may appear slower at first glance. We have to make compromises, we have to argue. But I have faith in the ability of representative democracy to solve political problems and to balance out any social hardships associated with this. I don't believe that any of this is free; it will be painful and expensive from the standpoint of sustainability in the short term. It's difficult. But I also don't think that dictatorships can better overcome global climate crises. With this in mind, I hope that we strengthen our democratic values and wisely consider how we defend ourselves. Violence has a self-destructive power and may lead us to destroy ourselves as well. The militarisation of society is something highly problematic for a democracy. I think we have a need for a level-headed political approach. We cannot meet these challenges defensively. We have to take the offensive and fight for democracy and its values.



**SUSTAINABLE DEVELOPMENT
GOAL 16 (SDG 16):**

**Peace, justice
and strong institutions**



The geopolitical developments in the past few months have led to not only a massive change in economic conditions, but also a global rethinking of security policy. At the same time, it has become all the more clear how crucial peace and security are as the foundation of fair and inclusive societies and that they are thus a prerequisite for being able to achieve the Sustainable Development Goals.

SDG 16 deals with peace, justice, and strong institutions and thus covers a broad legal, social, and political science spectrum. The attainment and reinforcement of this goal requires mutual efforts by the public sector and civil society. Issues

ranging from violence, abuse, and exploitation to rule of law, corruption, and arms trading are addressed. Two-thirds of the global population still live in countries ruled by autocratic governments and do not have complete access to their basic rights. Austria is among the international leaders when it comes to the attainment of the SDG 16 targets, although there is still a need for action here, too. Central aspects of SDG 16 include access to justice for everyone, non-discriminatory laws, freedom of expression in the private and public sector, citizen participation in political processes, transparency, and combatting corruption. The following information box shows a selection of the key targets:

THE UN HAS SET THE FOLLOWING GOALS FOR 2030 WITH REGARD TO PROMOTING PEACE AND JUSTICE, AND THEY HAVE ALSO BEEN INCORPORATED INTO THE AUSTRIAN FEDERAL GOVERNMENT'S 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT (ABRIDGED):

- ✓ Significantly reduce all forms of violence and related death rates everywhere
- ✓ End abuse, exploitation, trafficking and all forms of violence against and torture of children
- ✓ Promote the rule of law at the national and international levels and ensure equal access to justice for all
- ✓ Significantly reduce illicit financial and arms flows and combat all forms of organized crime
- ✓ Substantially reduce corruption and bribery in all their forms
- ✓ Develop effective, accountable and transparent institutions at all levels
- ✓ Ensure responsive, inclusive, participatory and representative decision-making at all levels
- ✓ By 2030, provide legal identity for all, including birth registration



Herbert Perus
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supported by Mathias Zwiefelhofer,
Corporate Responsibility at
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ON THE TOPIC OF CORPORATE

The shareholder engagement activities of Raiffeisen Capital Management's (Raiffeisen KAG) fund management on the topic of cybersecurity and justice include dialogue with some of the largest, and for us most interesting, listed companies in this field. In total, over 45 companies from various sectors were contacted, with a focus on the especially vulnerable sectors of utilities, telecommunications, industry, and financials. These companies in particular are often victims of cyberattacks but are also at the forefront when it comes to defending against them. The following questions were asked in this process:

- 1 What significance does cybersecurity currently have at your company and how has this changed over the last two years due to the increase in telecommuting, the pandemic, and the tense geopolitical situation?
- 2 Have you planned budget increases for cybersecurity?
- 3 Do you receive government support for dealing with these challenges?
- 4 Which types of attacks on your digital security are most dangerous for you (phishing, social engineering, etc.) and how do you train your employees to protect them against attacks?
- 5 What contribution does your company make to Sustainable Development Goal 16 (Peace, justice and strong institutions)?

1 OMV, Iberdrola

The pandemic, the associated increase in telecommuting, and the tense geopolitical situation surrounding Ukraine have changed the digital security structure on a lasting basis over the past two years. As a

result, companies were also forced to arm themselves against the growing threat from cybercrime. Entirely new approaches had to be taken on a global basis in order to successfully defend against these new threat scenarios. At the same time, »

VOICES

CYBERSECURITY

companies have more to lose than ever before as a result of the digitalisation that pervades the entire corporate structure.

In its dialogue with Raiffeisen KAG, the Austrian petroleum producer stressed that cybersecurity is the highest priority for its group-wide IT division. This is reflected in numerous preventative and reactive measures. For OMV, cyberdefence is not a rigid process but must always be developed further in order to have the optimal defence ready for unexpected situations.

The Spanish utility company Iberdrola relied on cloud solutions and virtualised infrastructure to a greater degree during the pandemic. Cybersecurity is a top priority for the company, which is active in the field of critical infrastructure. Accordingly, it introduced a cybersecurity risk policy all the way back in 2015 to ensure the constant availability of its services. In order to counteract the risks resulting from the tense geopolitical situation, Iberdrola has currently put the highest alert level into effect and works closely together with IT security firms, the authorities, and partner companies. In addition, security training is conducted for employees that covers not only cybersecurity but also other risks.

2 BAWAG, Elisa

As capital providers, we are always interested in how these funds are tied up. In

light of the rising cybercrime, companies have to not only explore new possibilities but also make massive investments.

The BAWAG banking group is expanding its control mechanisms and protective measures in all three relevant dimensions: customers and employees, processes, and technology. This ensures that the company is at the cutting edge in all areas of cyberdefence and can thus protect itself, its employees, and its customers.

For telecommunications companies, cyberdefence is particularly important for customers, as well. At the Finnish company Elisa, for example, an increase in customer requests pertaining to this topic led to an increase in the budgets for cyberdefence.

3 Allianz, Iberdrola

When it comes to cybercrime, the shutdown of critical infrastructure is one of the biggest risks for a country. But how do governments support companies that are active in socially relevant fields? Many of the companies we contacted do not receive any government support, neither financially nor in the form of information. The insurance company Allianz is an operator of critical infrastructure as defined by the IT Security Act (IT-Sicherheitsgesetz) and is obligated to report to the German Federal Office for Information Security (Bundesamt für Sicherheit in der »



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Informationstechnik; BSI). The BSI analyses the information that is reported and uses it to prepare a status report on an ongoing basis, which in turn is provided to Allianz. This enables Allianz to improve its internal knowledge and get an overview of the general threat situation.

One of the most frequent targets of politically motivated cyberattacks are utility companies. The previously mentioned Spanish utility company Iberdrola works closely together with the government agencies for cybersecurity in all of the countries in which it operates in order to exchange information about threats and proven cybersecurity methods. The utility also receives funds for the improvement of cybersecurity capacities in the countries where such arrangements are in place for utilities.

4 Hapag-Lloyd, Verbund

Scammers are getting more and more creative and innovative in order to achieve their goals. As a result, a highly professional e-mail from a purported customer can easily turn out to be a Trojan and do permanent damage to the company's security environment. Because opening the links contained therein enables the cybercriminals to install malware on the computer. Likewise, there are no boundaries when it comes

to social engineering. For example, the friendly job applicant who cannot get through the turnstile could be a fraudster who specifically wants to steal passwords from the company.

The danger with these attacks is that every employee can become a security gap, which is why company-wide training is needed. In order to provide a broad range of training offerings, companies often have to find situation-specific solutions.

The logistics and shipping company Hapag-Lloyd introduced a user awareness programme for how to handle phishing e-mails in 2021. Due to the poor connections on the high seas, it is not always technically possible to use this online programme. In order to nevertheless ensure the continuous training of the employees, the officers instruct the material using digital training documents and videos. Regular reports of abnormalities by the crews indicate to the company that these awareness-raising measures are working.

When it comes to defending against phishing, well-trained personnel is essential and support can primarily be provided through advanced security systems. The utility company Verbund uses technical defence systems that utilise anomaly detection and the blocking of suspicious

e-mail contents that must first be reviewed by the security unit.

5 Post, A1

Peace, justice, and strong institutions are fundamental building blocks of our modern society, and companies are also confronted with SDG 16 in many different ways.

Parcel services are often used by criminals to do their business. The Austrian postal service Österreichische Post AG is aware of this and thus places emphasis on security and crime prevention. This also includes the increased efforts aimed at combatting bribery and corruption.

The postal service ensures public access to information. This is not just an important contribution to the social stability of individual countries but is also in line with national regulations and international agreements.

The telecommunications company A1 Telekom has introduced products for people with hearing impairments and severe visual impairments onto the market. These products use state-of-the-art technology and are intended to contribute to increasing equal opportunity and facilitating fair access to modern communication.

NOKIA – FROM GLOBAL MARKET LEADER TO GLOBAL MARKET LEADER?



COMPANY SUSTAINABILITY SPOTLIGHT

In a development that came as a surprise to many, the discussion of the neutral countries of Finland and Sweden joining NATO soon has gained momentum in the political debate in recent weeks. This is one of the reasons why we are taking a closer look at the Finnish model company Nokia in this issue, whose eventful history includes several spectacular successes but at the same time is not without a few failures.

NOKIA – FROM GLOBAL MARKET LEADER TO GLOBAL MARKET LEADER?


The Helsinki-based company currently has roughly 88,000 employees around the world and reported group revenues of over EUR 22 billion for the 2021 financial year.

Following its humble beginnings in the year 1865 as the only paper factory in Finland, Nokia has enjoyed success in a number of different industrial sectors over the years. The company has produced such varied products as paper, cables, tyres, televisions, the famous rubber boots, and, of course, mobile phones. Nokia's transition to a telecommunications company began in the 1990s. The first phone call using the GSM standard was made with Nokia devices in 1991. Due to the tremendous success in the mobile phone sector, Nokia became the highest-selling mobile phone brand in the world in 1998. Nokia's logo was also prominently placed on the first mobile phone with an integrated camera.

Due to several bad strategic decisions, the company lost ground to competitors such as Apple in subsequent years. A strategic partnership with Microsoft ended in 2014 with the complete sale of the mobile phone business to the American software company, and Nokia was once again forced to fully reorient itself.

The founding of Nokia Networks following the acquisition of the shares of the joint venture partner, Siemens, in 2013 laid the foundation for Nokia's transformation to primarily a network hardware and software provider. In 2015, the French-American telecommunications equipment supplier Alcatel-Lucent was acquired. With the expanded customer base, the resulting revenues, and several more small acquisitions, Nokia established itself as one of the leading companies in the telecommunication network and 5G segments.

Thanks to a licensing agreement with HMD Global, Finnish mobile phones have also been available under the Nokia »



NOKIA – FROM GLOBAL MARKET LEADER TO GLOBAL MARKET LEADER?

brand again since 2016, but it has not been possible to match the past successes and sales figures.

NOKIA AND THE CLIMATE

The sectors of manufacturing, energy and utilities, transport, and buildings account for 80% of the total global carbon emissions. The transition to renewable energy will not be enough for these industries to reach net zero by 2050. More ambitious, far-reaching measures are necessary. And Nokia is one of the companies that could play a role here. GSMA Intelligence and Nokia jointly published a study entitled Industry pathways to net zero, which shows how mobile and digital technologies will make it possible for companies to achieve their decarbonisation goals faster. In the manufacturing industry, for example, this study shows that the construction of intelligent factories, the automation of labour-intensive tasks, and the use of conventional network technology can lead to an annual increase in productivity and energy savings of 10 to 20% until 2030.

In an increasingly networked and digitised world, energy consumption is also rising significantly. Nokia is working on this problem very intently and aims to counteract it with a wide range of »



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measures. There are clearly communicated goals for the reduction of greenhouse gases at every plant and business location, and Nokia also plans to thoroughly examine its supply chain in this regard in the near future.

Overall, the company strives to reduce greenhouse gas emissions by 50% by 2030, with the generally recognised Science Based Targets serving as the foundation. This target pertains to the entire value chain (i.e. scope 1, 2, and 3). The emissions from 2019 were used as the basis. This target is in line with the Paris climate targets and is aimed at achieving full climate neutrality by 2050. We feel that this is a very ambitious plan for a company that is inherently very energy-intensive.

NOKIA AND SOCIETY

Nokia firmly believes that the positive effects of the technologies developed by the company and the associated networking and digitalisation of society far outweigh the potential negative factors. Digital networking makes it possible for people to interact, communicate, share, learn, and work. It provides access to services, work, health care, education, and opportunities. It makes life and work easier, more productive, and thus more sustainable. Nokia aims for its products

to contribute towards solving many of the social and economic challenges facing the world today by providing more integrative access to basic social services and human rights.

According to Nokia, its business is based on trust. The company-wide code of conduct explicitly references this trust, which has to be earned in all business activities and in every country in which Nokia operates. This strategy is also viewed in the same way by external experts. In March 2022, the company was named to the “World’s Most Ethical Companies” list by the research firm Ethisphere for the fifth time in a row and was the only Finnish company to make the cut.

NOKIA AND CYBERSECURITY

Particularly the telecommunications sector with the relatively new technology of 5G can offer many targets for potential cyber risks. Nokia attempts to counteract these risks with comprehensive protection that differentiates the company from the competition. In this context, Nokia cites the triangle of trust, a combination of detection, scalability, and adaptability. Nokia provides a broad portfolio of security products, ranging from general security risk assessment and consulting

services to corresponding software and hardware. As such, Nokia is also the leader in this rapidly growing segment.

Marking another chapter in the company’s eventful history, these efforts have forged a path in recent years that has once again put the company in a promising position in a segment with above-average growth prospects.

For us as active investors, it is very important for companies to have concrete targets. This enables us to adequately measure the compliance with these targets. Which concrete climate targets did Nokia communicate?

- 2022:** 60% of energy from renewable sources at all sites, 45% reduction of greenhouse gas emissions compared to 2019
- 2023:** 50% reduction of energy consumption of 5G base stations
- 2025:** 100% of energy from renewable sources at all sites
- 2030:** 50% reduction of greenhouse gas emissions (scope 1, 2, and 3), 95% recycling of waste from production
- 2050:** Net Zero



WE MAKE IT HAPPEN – CORPORATE VOLUNTEERING AT LICHTBLICKHOF

Anyone who has taken the time to help others knows how good it feels. And help is needed in so many places in our society now more than ever. Lichtblickhof, an organisation that offers children and teenagers a safe and protected space for therapeutic (hospice) care and with which we have enjoyed close ties for years, also needs our help.



volunteering initiative. In 2020, the construction of a roof including wind protection for a horse stable as well as the construction of a new entrance gate were financed. Last year, we were once again able to volunteer in person on-site and helped with the relocation of the office and the setup of a therapy room.

That is why about 30 employees of Raiffeisen Capital Management, including CEO Rainer Schnabl and managing director Dieter Aigner, rolled up their sleeves at a corporate volunteering event on 22 and 23 June 2022 and completed the following projects:

Construction of a workshop by installing a loft in the storage barn with the help of a carpenter

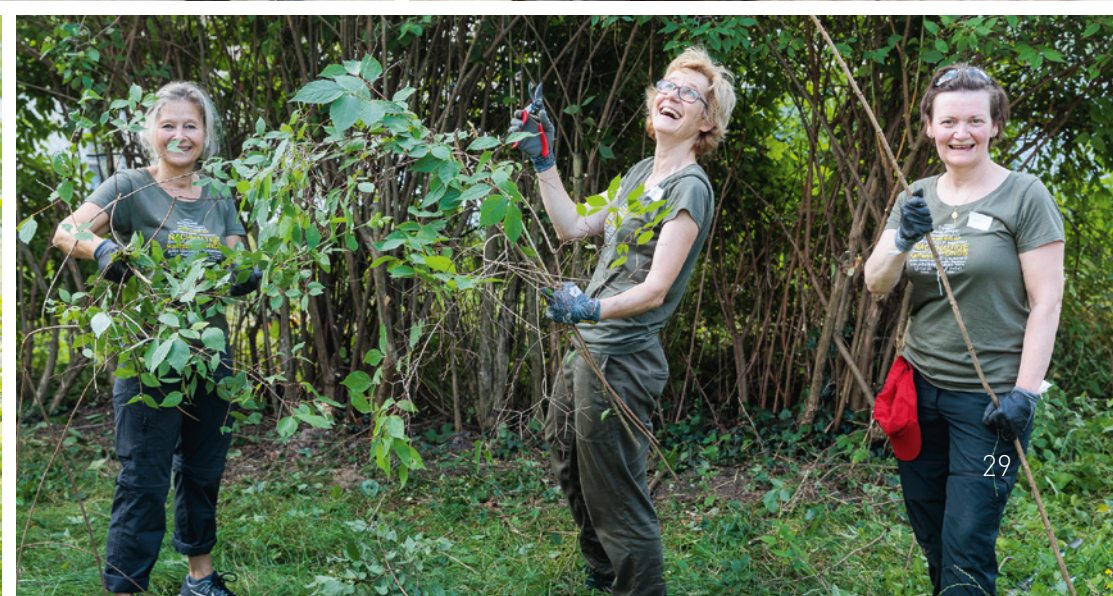
Layout and planting of the Lichtblick garden

Refinishing of old wooden chairs

Decoration of the hospice flat terraces with various signs

In 2019, Raiffeisen Capital Management became the sponsor for the therapy horse Miakoda and built an enclosure for small animals as part of a corporate

For more information about Lichtblickhof's activities, visit www.lichtblickhof.at



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SUSTAINABLE FUTURE.**

PRESERVING VALUE. CREATING VALUE.

Raiffeisen Capital Management stands for Raiffeisen Kapitalanlage GmbH.
created by Raiffeisen Kapitalanlage GmbH, Mooslackengasse 12, 1190 Vienna, Austria, as of: June 2022.