



Investing Sustainably

Interesting facts about
sustainable investments.

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 **Bank Austria**
Member of  **UniCredit**

Sustainability – what it's all about.

It's about nothing less than our future: Only if all of us act responsibly with an environmental, social and new economic mindset will we pave the way for a worthwhile future for subsequent generations.

For this reason, the United Nations defined 17 goals for the [2030 Agenda for Sustainable Development](#) (SDGs) in 2015, with a view to creating a basis for peace and prosperity. Furthermore, the [Paris Agreement](#) which was signed in the same year provides for comprehensive climate protection measures to limit global warming. Finally, the EU aims to achieve climate neutrality by 2050 – its most important strategic goal and one of the [Green Deal](#) initiatives.

Therefore, the EU has developed the action plan [Financing Sustainable Growth](#). If development is to be sustainable, capital must be invested primarily in environmentally, socially and economically responsible companies, countries and projects.

The EU action plan pursues the following goals:

- to divert capital flows towards sustainable investment.
- to manage financial risks arising from climate change, environmental damage, a scarcity of resources, social conflict and poor management of companies (**sustainability risks**¹⁾).
- to promote transparency and long-term thinking in the financial universe.

How you as investor benefit from the EU “Sustainable Finance” action plan

- Sustainability can be defined by relevant legal factors ([Taxonomy Regulation](#) and [Disclosure Regulation](#)).
- Information and advice make investment decisions **transparent** ([Disclosure Regulation](#)).
- Sustainable financial products are made **comparable** through indicators ([Benchmarks Regulation](#)).

1) Sustainability risk means an environmental, social or corporate governance event or condition that, if it occurs, could have an actual or potential material negative impact on the value of an investment. There are 'outside-in' risks ('What effect does the environment have on an investment?') and 'inside-out' risks ('What effect does an investment have on the environment and sustainability?').

What investing sustainably means.

Sustainable investments must not only comply with the sustainability goals of the UN and the EU, but also with legal sustainability requirements, thereby ensuring that sustainable investments are transparent and comparable. This has the purpose of preventing greenwashing: investments that are not sustainable may not be labeled 'green'. Sustainable investment decisions have to comply with the **ESG factors**:



There is a difference between **environmentally sustainable** and **sustainable investment**.

| Environmentally sustainable investment | Sustainable investment |
|---|---|
| <p>In accordance with the Taxonomy Regulation an investment is environmentally sustainable if</p> <ul style="list-style-type: none">• it contributes significantly to achieving one or more of the following environmental goals:<ul style="list-style-type: none">– climate change mitigation– climate change adaptation– the sustainable use and protection of water and marine resources– the transition to a circular economy¹⁾– pollution prevention and control– the protection and restoration of biodiversity and ecosystems• it does not significantly harm other environment objectives• it complies with minimum safeguards in regard to the social and governance factors• it complies with the technical valuation criteria. | <p>In accordance with the Disclosure Regulation an investment is sustainable if it is an investment in an economic activity that contributes to achieving an environmental or social objective, provided that such investments</p> <ul style="list-style-type: none">• do not significantly impact other objectives and• that the invested companies follow good corporate governance practices. |

1) System of production and consumption in which existing products and materials are reused for as long as possible so that the life cycle of the products is extended.

What investing sustainably means at Bank Austria.

Sustainability is a top priority for Bank Austria. This is why we are committed to the Bank Austria sustainability criteria in addition to legal requirements when selecting sustainable investment opportunities. These sustainability criteria are applicable to shares, corporate bonds and sovereign bonds, regardless of whether the shares or bonds are held directly or indirectly (e.g. through mutual funds, structured products and asset management).

SUSTAINABILITY CRITERIA FOR SHARES AND CORPORATE BONDS.

Based on the sustainability criteria, securities are selected in accordance with the following procedure:

- The first stage, a screening is carried out based on exclusion criteria¹⁾. This means that companies operating in business segments considered to be controversial are excluded as investments. Companies which generate a certain percentage of their turnover in the segments listed below are excluded from the investment universe. The proportion of revenue may serve as the criterion instead of turnover.
- Compliance with the UN Global Compact¹⁾: Companies which violate the UN Global Compact's principles are excluded from the sustainable investment universe for investment purposes.
- In the second stage, issuers which are still in the selection process are evaluated for their social and environmental standards. This selection step excludes those issuers from the remaining investment universe which have a poorer performance than other issuers in the same business segment in terms of sustainability factors.

1) The assessment of potential investments in corporates and countries in line with sustainability criteria is based on data from research databases of an independent company for ESG-Research and ESG-Rating.

| Exclusion criteria | Investments in individual securities and mutual funds of Schoellerbank Invest AG | Investments in mutual funds/ ETFs of all other investment companies |
|--|--|---|
| Production or haulage of coal, or energy generation from thermal coal | More than 2 % of turnover | More than 5 % of turnover |
| Production or distribution of controversial weapons such as anti-personnel mines, cluster munitions, chemical and biological weapons | Absolute ban, more than 0 % of turnover | Absolute ban, more than 0 % of turnover |
| Fossil fuel production methods which are particularly problematic, such as fracking, oil sands and Arctic oil | More than 5 % of turnover | More than 5 % of turnover |
| Production or distribution of tobacco products | More than 5 % of turnover | More than 5 % of turnover |
| Power generation from nuclear fuels as well as the production or processing of nuclear fuels | More than 5 % of turnover | More than 5 % of turnover |
| Production or distribution of spirits | More than 5 % of turnover | Not applicable |
| Production or distribution of pornography | More than 5 % of turnover | Not applicable |
| Production or distribution of games of chance | More than 5 % of turnover | Not applicable |
| Production or distribution of weapons and military armaments | More than 5 % of turnover | More than 10 % of turnover |
| Production or distribution of genetically engineered plants in agriculture | More than 5 % of turnover | Not applicable |
| Interventions in human germline therapy, human cloning procedures or human embryonic stem cell research | Absolute ban, more than 0 % of turnover | Not applicable |
| Companies that are assigned to certain controversial mining sectors ¹⁾ and do not comply with international norms and standards. | More than 5 % of turnover | More than 5 % of turnover |
| In contrast to the other exclusion criteria, this exclusion criterion excludes from all investments those companies that have committed severe and very severe violations of the principles of the UN Global Compact. | | |
| Performance of animal testing that is not required by law – outsourcing of animal testing to third parties is attributed to the outsourcing company | More than 5 % of turnover in the case of products developed with the support of animal testing | Not applicable |
| Direct or indirect investments in foodstuffs and agricultural raw materials (e.g. raw materials futures, certificates or raw materials funds). Investments in companies which operate in this business segment are not excluded. | No turnover limit | Not applicable |

| Compliance with the UN Global Compact ²⁾ | Investments in individual securities and mutual funds of Schoellerbank Invest AG | Investments in mutual funds/ ETFs of all other investment companies |
|--|--|---|
| Companies which violate the principles of the UN Global Compact are excluded from the sustainable investment universe for investment purposes. | severe and very severe violations ³⁾ | very severe violations ³⁾ |

1) Mining of chemical and fertiliser minerals, hard coal mining, iron ore mining, lignite mining, other non-ferrous metal mining (cassiterite, polymetallic sulphide ores, gold ores), mining of uranium and thorium ores. Extraction of stones and earths

2) The assessment of potential investments in corporates and countries in line with sustainability criteria is based on data from research databases of an independent company for ESG-Research and ESG-Rating.

3) The gravity of the offence is assessed on the basis of data provided by an independent company for ESG-Research and ESG-Rating.

SUSTAINABILITY CRITERIA FOR SOVEREIGN BONDS.

The sustainability criteria for sovereign bonds are screened on the basis of exclusion criteria¹⁾. This means that sovereign bonds with the following criteria are excluded as investments.

| Exclusion criteria | Investments in individual securities and mutual funds of Schoellerbank Invest AG | Investments in mutual funds/ETFs of all other investment companies |
|---|--|--|
| Countries which fail to meet the minimum standards of the anti-money laundering provisions (catalogue of measures of the global Financial Action Task Force – FATF) | ✓ | ✓ |
| Countries which display insufficient efforts to combat climate change (Climate Change Performance Index of German Watch e.V. less than 40) | ✓ | ✓ A comparable indicator may also be used |
| Countries which maintain the death penalty | ✓ | ✓ |
| Countries with exceptionally high military budgets | ✓ More than 3 % of GDP | ✓ More than 4 % of GDP |
| Countries which have not signed the Paris Climate Agreement | ✓ | ✓ |
| Countries with a primary nuclear power share of over 10 % and no scenario for a nuclear phaseout and no moratorium on nuclear power plants | ✓ | ✓ |
| Countries which have not ratified the UN Convention on Biological Diversity | ✓ | ✓ |
| Countries in which corruption in the public sector is perceived to be too high (Corruption Perception Index of Transparency International less than 50) | ✓ | ✓ |
| <p>Countries which violate democratic principles and fundamental/human rights. As soon as a country violates a criterion (controversy), no investment can be made in that country. Controversies are measured using the following indicators:</p> <ul style="list-style-type: none"> • Freedom House Index: If a country is classified as “not free” or “partly free” by the Freedom House NGO, this represents a controversy. • Child labour: The widespread employment of children in a country is a controversial issue. • Discrimination: If the legal and social equality of, for example, women, people with disabilities, ethnic or racial minorities and people who identify as “LGBTQI” is severely restricted in a country, then this represents a controversy. • Freedom of association: When people’s freedom of association, their rights to organise themselves and to conduct collective bargaining negotiations are severely curtailed in a country, then this constitutes a controversy. • Freedom of speech and the press: A considerable restriction in the freedom of speech and the press constitutes a controversy. • Human rights: If fundamental human rights are severely restricted in a country, then this represents a controversy. • Labour rights: If labour conditions in a country are particularly poor, especially in terms of minimum wages, working hours and health and safety regulations, then this represents a controversy. | ✓ | ✓ |

1) The assessment of potential investments in corporates and countries in line with sustainability criteria is based on data from research databases of an independent company for ESG-Research and ESG-Rating.

PLEASE NOTE THAT THE FOLLOWING CRITERIA ARE NOT APPLIED BY ASSET MANAGEMENT:

CRITERIA FOR GREEN BONDS

Green bonds are bonds which are aligned with the Green Bond Principles¹⁾. Given the bonds' financing objective, they are also included among the sustainability products in the advisory universe. Green bonds are designed to finance projects which have a positive impact on the environment and/or the climate. Here, the prime consideration is the bonds' financing objective and not the issuer. For this reason, it is possible that green bond funds may include issuers which do not exhibit the exclusion criteria for sustainable investment products. The Green Bond Principles promote the green bond market's integrity through guidelines for transparency, disclosure and reporting, while enabling investors to invest in climate-friendly projects.

1) The Green Bond Principles are a guideline for the issue of green bonds, drawn up by the International Capital Markets Association.

CRITERIA FOR OTC DERIVATIVES

Advice provided on OTC derivatives distinguishes between two categories:

- OTC derivatives with an underlying ISIN: With these products, the aforementioned sustainability criteria for shares and corporate bonds are taken into account
- OTC derivatives without an underlying ISIN: With these products, the UniCredit Policies for Sustainability are taken into account in the Internet on the website www.unicreditgroup.eu under the heading "ESG and Sustainability" in the sub-item "ESG Sustainability Policies and Ratings".

HOW SUSTAINABLE PRODUCTS ARE CLASSIFIED.

Depending on whether and to what extent an investment takes sustainability considerations into account, investment funds, capital-forming life insurance policies and asset management are distinguished as follows:

- **Financial products** with which, among other things, **environmental (E)** or/and **social (S)** criteria are promoted, provided that the companies in which the investments are made apply good **corporate governance (G)**. This can be done, for example, by using an index as a reference for the achievement of the environmental and/or social features which the financial product promotes. These products are referred to as Article 8 financial products or 'light-green' financial products.
- **Financial products** that aim to achieve a **specific** sustainable investment objective. The designation for these products in practice is Article 9 financial products or 'dark-green' financial products.
- **Financial products** that take **neither environmental nor social criteria** into account.

This distinction is important because for these financial products there are special pre-contractual disclosure obligations and periodic reports required by law.

For other financial instruments such as bonds, certificates, structured products or derivatives, the interest in sustainable products has led to the development of different recognised standards and methods for taking account of sustainability considerations.

HOW INVESTMENTS CAN BE ASSESSED FOR THEIR DEGREE OF SUSTAINABILITY.

Countries and companies which are invested in are rated by independent rating agencies based on ESG criteria: the higher the score, the more sustainable the investment (**ESG score**). For this purpose

- Information is collected on social aspects, environmental protection and good corporate governance,
- Ratings and rankings are developed and
- Their reports are made available to banks and other financial companies.

In addition to these ESG scores there are various environmental rating systems (**ecolabels**) which are used to identify and classify environmentally friendly products. For Austria, this is the '**Österreichisches Umweltzeichen**' (**Austrian Ecolabel**), which is awarded by the Federal Ministry for the Environment and the Consumer Information Association (VKI). Products and services must meet a number of environmental criteria and undergo a strict testing procedure. In addition to the Austrian Ecolabel there are also other ecolabels, such as the **European Ecolabel**.



What does this mean for your investment advice.

If you want to invest money in Bank Austria, we will



Inform you about the **possibilities and purposes of sustainable investments**.



Add your **sustainability preferences** to your investor profile.



Recommend investments that fit your **investor profile** – i.e. your investment goals, your experience and knowledge, your risk tolerance, your financial possibilities and your sustainability preferences.



Provide you with statutory **information on the proposed investment products** – including information on sustainability aspects.

Please note:

- Consideration of the sustainability criteria narrows the investable universe down. This can have a positive or negative impact on the yield of the financial product being discussed.
- You can change your sustainability preferences at any time.
- The provisions do not apply to investment decisions without investment advice such as online investments in 24You Online banking or in the MobileBanking app.

What sustainability preferences means

After informing you of the relevance of sustainability for investments, it is you who decides whether and to what extent we are to take your sustainability preferences into account in your future investments.

Within the framework of sustainability preferences, you determine:






- the minimum share of **environmentally sustainable investments** – see page 3
- the minimum share of **sustainable investments** – see page 3
- which of the **sustainability factors** are particularly important to you and should therefore be considered for your investments. These involve the principal adverse impacts (PAIs). The impacts hinder an environmentally sustainable economy where attention is paid to good corporate governance and social aspects. Taking account of these PAIs in your financial investment means that the products recommended to you seek to avoid these negative sustainability impacts.

The retrieval of your sustainability preferences ends with your decision as to how much of your total investment should factor in those preferences – 25%, 50%, 75% or 100%.

If you have sustainability preferences in regard to **OTC derivatives**, and such OTC derivatives are available, a separate ESG rating or sustainability report is required. For the ESG financial instruments offered, the principal adverse impacts on sustainability factors will be taken into account by the ESG rating or sustainability report. As a professional client within the meaning of MiFID II you have the additional option of defining sustainability-related key performance indicators (KPIs).

CLASSIFICATION OF THE PRINCIPAL ADVERSE IMPACTS.

At Bank Austria, the Principal Adverse Impacts (PAIs) are grouped into 5 main categories and are both formulated and retrieved in a positive sense. Therefore, on the investor profile you can tick one, several or each of the 5 categories:

-  **Reduction of greenhouse gas emissions** – e.g. CO₂ footprint, emissions of air pollutants, emissions of ozone layer depleting substances, etc.
-  **Biodiversity conservation** – e.g. activities that negatively impact biodiversity-sensitive areas, land artificialisation (land misappropriation).
-  **Reduction/prevention of groundwater pollution and marine pollution** – e.g. impacting areas with a high amount of water stress, investment in companies that do not engage in sustainable ocean/sea protection, etc.
-  **Waste prevention (hazardous waste)** – e.g. percentage of non-recycled waste, percentage of hazardous waste, etc.
-  **Respect for social and labour concerns/standards** – e.g. cases of discrimination, lack of a human rights policy, absence of anti-corruption and anti-bribery measures, etc.



The complete classification of the 64 Principal Adverse Impacts (PAIs) can be found on the Internet at www.bankaustria.at/files/nachhaltigkeitsfaktoren_en.pdf or can be accessed with this QR code.

Your personal investment proposal

We create an investment proposal for you based on your personal information in the investor profile. We consider

- **Your personal risk tolerance,**
- **Your investment goals and needs,**
- **Your experience and knowledge,**
- **Your financial circumstances and**
- **Your sustainability preferences.**

For each recommended investment product we clearly show the extent to which the strict Bank Austria sustainability criteria and your sustainability preferences are brought to bear. For this purpose, we check which financial instruments best meet your sustainability preferences according to the manufacturer's specifications. On the investment proposal you can see the extent to which your sustainability preferences have been considered for each recommended financial instrument.



MobileBanking app

Simply download the app in your provider's app store.

All information available at

bankaustria.at/en/mobilebanking-app.jsp



Our customer services in the Internet

bankaustria.at/en/customer-support.jsp



Our branches throughout Austria

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