CUSTOMER INFORMATION ON SUSTAINABILITY

for the use of investment services provided by Raiffeisen Bank Zrt.

New EU rules require investment firms and banks to take into account their clients' sustainability objectives. On the one hand, this requires banks to transparently disclose to their clients the sustainability factors of the financial instruments offered in the context of investment services, and on the other hand, it requires banks to obtain a sufficiently detailed picture of the individual sustainability preferences of their clients.

In order to enable you to make informed investment decisions and effectively represent your own sustainability preferences, please find information below on the different dimensions of the sustainability of financial instruments and on sustainability-sensitive investment advice.

How your sustainability preferences will be reflected in our advisory process?

Prior to providing investment services, the Bank will assess your sustainability preferences through an Investor Questionnaire (MiFID test) so that we can take them into account when providing investment advice.

In the MiFID test, you will be asked to determine whether the Bank should take the sustainability of products into account in its investment advisory activities, and how important sustainability considerations are to you when making investment decisions.

Sustainability preferences mean your decision on the type of financial instrument(s) you wish to invest in from among the following:

a) environmentally sustainable investments under the Taxonomy Regulation,

b) sustainable investments under the SFDR Regulation, and

c) financial instruments that take into account the Principal Adverse Impacts (PAI) on sustainability factors.

- **If you do not have any sustainability preferences**, your financial advisor will recommend products that meet your traditional suitability criteria (risk appetite, investment objective, product knowledge and experience, etc.), and you are free to choose the product that best suits your needs, regardless of sustainability criteria.

- **If you are interested in sustainability considerations but do not want to specify your sustainability preferences for your investments** (e.g. percentages, Taxonomy, SFDR or PAI values), we will recommend products that meet your traditional suitability criteria and any sustainability criteria. You can decide to choose a product that meets or choose a product that does not meet sustainability criteria.

- **If you are specifically interested in sustainability aspects and would like to specify your sustainability preferences for your investments**, you will have the opportunity to specify the desired sustainability characteristics in detail. You will then be able to determine which sustainability factors you are interested in, as well as the percentage of products in your portfolio that meet your sustainability preferences, and the minimum values expected for Taxonomy, SFDR, and PAI. The Bank will then compare the sustainability characteristics you have provided with the sustainability ratings of the available products, and the investment advice will be given on the basis of the result. When providing investment advice, the Bank will therefore take into account your sustainability preferences in addition to your traditional suitability criteria.

What are the sustainability factors?

Increasingly, investors expect companies to identify and communicate the environmental and social impacts of their activities and to minimise negative impacts.

In the future it will become even more transparent for investors what sustainable investment really means, and how their own investments impact the environment and society.

Sustainability factors ("ESG" criteria) are the criteria against which the activities of business organisations are assessed from a sustainability perspective.

Environmental factors ("E"): this includes, for example, companies' energy use, waste management, pollution prevention, climate change mitigation and adaptation, and the conservation of natural resources and biodiversity.

Social factors ("S"): this includes human rights, labour relations, inequality, illegal child labour, and other issues such as compliance with the requirements of health and safety at work.

Governance factors ("G"): it means a set of rules or principles that define the rights, responsibilities and expectations related to corporate governance, such as the fight against corruption and bribery, or increasing tax transparency.

Which investments are considered sustainable?

Investments can qualify as sustainable based on several criteria. Some financial instruments and their issuers take ESG considerations into account by raising investor awareness, for example by calculating and disclosing the negative environmental or social impacts of investments, while other financial products explicitly aim to have a positive impact on the environment or society.

Sustainable investments can be defined according to the following three regulations:

1. Taxonomy Regulation
2. Sustainable Finance Disclosure Regulation (SFDR)
3. Principal Adverse Impacts (PAI)

Taxonomy: investments in economic activities that are considered **environmentally sustainable** under the EU's sustainable activities regulation (the Taxonomy Regulation).

The Taxonomy Regulation identifies green activities that make a significant contribution to the six environmental objectives highlighted in the Regulation, thereby facilitating the transition to a sustainable economic operation.

The six environmental objectives are:

- climate change mitigation
- climate change adaptation
- the sustainable use and protection of water and marine resources
- transition to a circular economy
- pollution prevention and control

- protection and restoration of biodiversity and ecosystems.

What does it mean in practice?

A predefined set of economic activities (real estate transactions, manufacturing, agriculture and forestry, water supply, transport, energy, information and communication, professional and scientific activities) considered by the Taxonomy Regulation as contributing most to climate impacts are assessed against specific indicators (e.g. emission thresholds, carbon footprint, etc.), and it is examined whether OECD and UN business, human and labour rights guidelines are complied with during such activities. Once all activities related to an investment have been screened against the criteria set out in the EU taxonomy, the proportion of sustainable activities within the investment that meet these criteria is determined.

If, for example, 60% of a construction company's revenues come from the construction of buildings that meet all the necessary criteria, we can say that 60% of the investment is in line with the criteria set out in the Taxonomy Regulation.

If you decide to buy investments under the Taxonomy Regulation, you choose the most sophisticated and data-intensive way to meet the ESG assessment criteria. Unfortunately, as the necessary data are not yet available for most companies, the choice of investment products that are more in line with the requirements of the Taxonomy Regulation is currently very limited.

SFDR: financial instruments that follow a minimum rate of sustainable investments as defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector.

These financial instruments are investments in the financial instruments of issuers that **follow good corporate governance practices** (e.g. sound management structures, employee relations, remuneration of the relevant staff, tax compliance), or whose **economic activity contributes to the implementation of some environmental** (e.g. increasing resource efficiency in energy use, use of renewable energy, waste production) **or social objectives** (contribution to the fight against inequality; investments to strengthen social cohesion, social inclusion and labour relations), provided that these investments do not have a significant negative impact on any of these objectives.

The calculation of the rate of sustainable investments follows the same logic as the previous example: a product that represents 60% sustainable investment according to the SFDR has 60% of the total money invested in activities that meet the requirements of the SFDR Regulation. The calculation is based on data published by the companies concerned, which few large companies are currently able to do.

PAI (Principal Adverse Impacts): financial instruments that **take into account the principal adverse impacts on sustainability factors**, from which the client determines the indicators that are most important to him. A financial instrument that takes into account PAI aims to avoid the negative impacts of the investment on sustainability.

Principal adverse impacts on sustainability (PAI) are the effects of investment decisions that have a negative impact on environmental, social and labour issues, the respect for human rights, or the fight against corruption and bribery.

For investments in general, you can choose from the following 5 PAI indicators:

- Greenhouse gas emissions,
- Biodiversity,
- Waste management,
- Water management,
- Social and labour issues.

For investment in government bonds, two specific PAI indicators are available:

- Environmental, i.e. the intensity of greenhouse gas emissions.
- Social, i.e. countries where social violations occur, such as violations of the UN Global Compact principles on human rights, labour rights and anti-corruption.

As regards real estate funds, two specific PAI indicators are available:

- Exposure to fossil fuels, for example from tenants processing fossil fuels.
- Investment in real estate property that is inefficient according to its energy performance certificate.

PAI can be taken into account:

- On a best-in-class basis: selecting companies that are leaders in their sector in implementing ESG requirements.
- Based on exclusion criteria: no investment in companies dealing in e.g. coal, tobacco, fossil fuel.
- Through strategies on engagement policies.

Based on the data currently available on investment products, products that take into account PAI are available in the highest number.

For more information, please contact your personal banking advisor!