

UniCredit Bank Czech Republic and Slovakia, a.s., having its registered office in Prague 4 – Michle, Želetavská 1525/1, postal code 140 92, ID 64948242, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608 (the “Bank”),

hereby, in line with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (hereinafter referred to as the “Regulation”) and related legal regulations,

issues this Policy on the integration of sustainability risks in its investment and insurance advice (hereinafter referred to as the “Policy”).

POLICY ON THE INTEGRATION OF SUSTAINABILITY RISKS

(in accordance with Article 3 of the Regulation)

On 25 September 2015, the **United Nations General Assembly** adopted a new global sustainable development framework: the 2030 Agenda, which has at its core the Sustainable Development Goals (SDGs). The Commission Communication of 22 November 2016 on the next steps for a sustainable European future links the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both within the Union and globally, take the SDGs on board at the outset. In its conclusions of 20 June 2017, the European Council confirmed the commitment of the Union and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner, and in close cooperation with partners and other stakeholders.

The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the SDGs is key to ensuring long-term competitiveness of the economy of the Union. The **Paris Agreement** adopted under the UN Framework Convention on Climate Change, which was approved by the Union on 5 October 2016 and which entered into force on 4 November 2016, seeks to strengthen the response to climate change by, inter alia, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

The EU has committed to achieving climate neutrality by 2050. Achieving this objective will involve the transformation of European society and economy, which must be cost-effective and fair, as well as socially balanced. In this respect, the Commission presented an announcement on the **EU Green Deal** in 2019, which is set to be the EU's new growth strategy that aims to transform the Union into a climate-neutral, fair and prosperous society, with a modern, resource-efficient and competitive economy. This is to be achieved in particular through the adoption of a regulatory base in several closely linked areas of the economy. Among other things, it is necessary to redirect financial flows to sustainable investments.

The Policy aims to inform clients about how the Bank takes into account sustainability risks in its investment and insurance advice.

Transparency towards investors is a key element of the Regulation. It aims to unify the conditions for informing end investors in individual Member States. In particular, the European Union wants to provide companies with a framework within which they will be able to offer a wide range of products while complying with the rules of sustainable financing. The information obligation of companies will be gradually extended so that end investors are able to make truly informed investment decisions with regard to their sustainability preferences and can easily compare individual products.

Sustainable investment means an investment in an economic activity that contributes to an **environmental** objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a **social** objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good **governance** practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

I. Process of selecting and approving products in the Bank

A. Investment products

Each new product or a significant change of an existing product undergoes an approval process at UniCredit Group or local level, through the Bank investment panel, the Asset Liability Committee and/or the local investment committee. The relevant structure shall provide the committee with information and analyses concerning products, the financial market and the model allocation.

With regard to the Regulation and other related regulations, this approval process will be accompanied by an assessment of the ESG criteria, the ESG objectives of the investee companies, compliance with the ESG strategy as well as an assessment of sustainability risks.

B. Insurance-based investment products

Each new product or a significant change of an existing product undergoes an approval process through various bodies or committees in the Bank, depending on the type of product or type of change (Stakeholder meeting, Change Management Committee, Board of Directors) and also at a joint Operating Committee with the insurance company. The relevant structure shall submit to the competent bodies a description of the product, its characteristics and a description of the risk factors, an analysis of the client segment to which the product is to be addressed and the target market for that product.

With regard to the Regulation and other related regulations, this approval process will be accompanied by an assessment of the ESG criteria, the ESG objectives of the investee companies, compliance with the ESG strategy as well as an assessment of sustainability risks.

II. General principles of approach to the products

Sustainability factors apply, inter alia, to partner selection and product evaluation.

The evaluation of partners and products based on sustainability factors is based on internal and external information and is always subject to prior approval.

a) *Negative screening*

In the first phase, so-called negative screening (selection based on exclusion criteria) takes place, which means that partners and products with a controversial business background are excluded in terms of sustainability factors. More than just marginal involvement in businesses, such as alcohol, pornography, tobacco, gambling, nuclear energy, the armaments industry and coal mining, leads to exclusion from the selection process.

Partners and products which seriously violate the UN Global Agreement's principles and EU rules are also excluded. These include, for example, violations of labour regulations, human rights, environmental pollution, non-compliance with the right to collective bargaining, discrimination and corruption.

In this phase, companies that do not comply with or even significantly violate the regulations in the area of sustainable business and for this reason they may also pose a significant reputational risk for the Bank if it distributes the products of these companies or participates in the issue or distribution of the products of these companies.

b) *Positive screening*

Partners and products that remain in the selection are subject to the so-called positive screening in terms of their social and environmental standards. In this second selection step, only those who are better on average than others in the same industry in terms of sustainability factors are selected from the remaining partners and products. The products and companies must be one of the Best-in-Class. The range of products offered will only include products that comply with the criteria of Articles 6, 8 and 9 of the Regulation.

III. Advice

The Regulation applies to the Bank on the grounds that it provides its clients with investment advice (regardless of the subject of the investment advice provided by the Bank) and insurance advice in connection with insurance-based investment products.

The product manufacturer (financial market participant) who makes the products available is responsible for identifying the sustainability risks of financial products pursuant to the Regulation. Information from the product manufacturer will be used to take these risks into account in the Bank's investment process.

A. *Investment advice*

The Bank provides investment advice in accordance with the approved product catalogue and in accordance with the approved product typology (currently, it may be units of mutual funds, investment certificates issued by UniCredit AG Munich, the Bank's own issues or third-party corporate bonds where the Bank acts as a manager, arranger, administrator of the issue, etc.).

Individual distributed products are classified at the level of product manufacturers (according to the Regulation, they are financial market participants) who make financial products available.

As regards the area of providing investment advice, which is not independent investment advice, the Bank has several partners whose products are offered by the Bank to clients in the form of investment advice. Some of these partners may be considered as financial market participants under the Regulation as far as mutual and investment funds are concerned. These partners must therefore meet all the obligations arising from the Regulation, including the classification of products under Articles 6, 8 and 9 of the Regulation and amendments to the relevant statutes/prospectuses, key investor information documents, information on their websites, annual reports, etc.

As part of its approval and selection procedures, the Bank plans to always carefully evaluate and select, before starting product distribution, which products to include in its client offering as part of its investment advice service, taking into account all sustainability factors. At present, however, it does not assess the ESG criteria for qualified investor funds.

B. Insurance advice

The Bank provides its clients with insurance advice in relation to the investment life insurance products, i. e. it provides personal recommendations to clients either at their request or on the initiative of the Bank as an insurance distributor in relation to one or more insurance contracts.

The Bank currently intermediates investment life insurance products exclusively from Allianz - Slovenská poisťovňa, a.s. (hereinafter referred to as “Allianz”).

Allianz prepared a separate pre-contractual document which contains information under Article 6 of the Regulation, i. e. the manner in which sustainability risks are integrated into Allianz’s investment decisions and the results of the assessment of the likely impacts of sustainability risks on the returns on the financial products they make available. If the products meet the definition of Articles 8 and 9 of the Regulation, the information obligation in this section will be extended.

In relation to the underlying assets of insurance-based investment products, the documents concerning these underlying assets (e. g. units of mutual funds) are adjusted accordingly, with the relevant asset manager being responsible for updating them. At the fund level, Allianz considers sustainability risks based on the Morningstar Sustainability Rating, which assesses the degree of the non-managed sustainability risks regarding a comparable group of funds. The lower the Morningstar Sustainability Rating, the higher the probability of a real occurrence of sustainability risks.

As part of its approval and selection procedures, the Bank plans to always carefully evaluate and select, before starting product distribution, which Allianz’s products to include in its client offering as part of its insurance advice, taking into account all sustainability factors.

IV. Transparency of remuneration policies

The Bank has also integrated the sustainability approach into its remuneration policies, taking sustainability risks into account in its remuneration schemes. The remuneration policy is based on the rules of UniCredit Group, while sustainability is fully integrated into the business and decision-making process, and the ESG principles represent a key element for future business strategies. The principles of incentive system of UniCredit Group are available on the websites [here](#).

Prague, 5 November 2021