

# Statement on the consideration of key adverse impacts on sustainability factors in investment advice and insurance advice

1 October 2024 (updated the status from 1 April 2024)

Due to the services offered (asset management, investment advice and insurance advice), UniCredit Bank Austria AG is both a financial market participant and a financial advisor within the meaning of the EU Sustainable Finance Disclosure Regulation (SFDR), Regulation (EU) 2019/2088.

As a financial market participant, UniCredit Bank Austria AG takes into account the adverse effects on sustainability factors in sustainable asset management/sustainable management.

As a financial advisor, UniCredit Bank Austria AG takes adverse effects on sustainability factors into account when providing investment and insurance advice.

## INVESTMENT ADVICE

The advisory universe of UniCredit Bank Austria AG includes both sustainable financial products and products whose underlying investments do not take into account the EU criteria for environmentally sustainable economic activities. The main adverse impacts on sustainability factors are included in the sustainable investment products in the advisory universe.

If a corresponding offer is available from the respective product manufacturer, the information on the adverse effects on sustainability factors of the product manufacturer will be made available to the customer and explained in more detail during the advisory talk. The customer is informed about the expected effects of adverse impacts on sustainability factors and the effects of sustainability risks on the return of the financial products offered in the pre-contractual information provided by the product manufacturer. The pre-contractual information is made available to the client in the investment advice and explained in more detail.

## INSURANCE ADVISORY

We have an exclusive co-operation with ERGO Versicherung AG in the area of insurance advisory. Insurance investment products (IBIP) are sold. We include the main adverse impacts on sustainability factors in our insurance advice in accordance with the SFDR in the following manner:

The identification of the main adverse impacts on sustainability factors is carried out by the product manufacturer (financial market participant) for financial products. Insurance advice is based on the information provided by the product manufacturer. In the course of the advisory talk, the customer is provided with the information on the most important adverse impacts on sustainability factors of the product manufacturer and explained in more detail.

Further information on sustainability can be found at <https://ergo-versicherung.at/verantwortung>. Information on selectable funds (factsheets) can be found at <https://ergo-versicherung.at/fonds>.

## CONSIDERATION OF THE MAIN ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN THE PRODUCT SELECTION PROCESS IN DETAIL

The consideration of the main adverse impacts on sustainability factors is implemented as part of the defined sustainability criteria of UniCredit Bank Austria AG's sustainability approach.

Taking into account the adverse impact on sustainability factors restricts the investable universe. This can have both positive and negative effects on the return of the financial products compared to the respective benchmark of the product.

The sustainability criteria relate to shares and corporate bonds as well as sovereign bonds, regardless of whether the shares or bonds are held directly or indirectly. Individual securities are understood to mean direct investments in shares, corporate bonds and sovereign bonds. Indirect investment refers in particular to

- Investment funds,
- Structured products (e.g. guaranteed bonds, bonds with minimum repayment, bonds with conditional capital protection)
- Asset management/sustainable asset management: Both direct investments (shares, corporate bonds and sovereign bonds) and indirect investments (e.g. investment funds) can be made as part of sustainable asset management. Sustainable asset management promotes environmental and social characteristics, but does not seek to make sustainable investments. The financial product does not pursue a sustainable investment objective - i.e. investments in economic activities that are categorised as environmentally sustainable according to the EU taxonomy. However, the financial product promotes environmental and social characteristics in the portfolio and although no sustainable investments are targeted, it contains a minimum proportion of sustainable investments. In the case of sustainable asset management, the respective sustainability criteria described in the table below are used for the selection of individual securities and investment funds. Further details can be found on the UniCredit Bank Austria AG website under the respective investment approach of sustainable asset management.

Depending on the financial instrument (individual securities, Schoellerbank funds and external funds/ETFs), different sustainability criteria are applied in accordance with the table.

## SUSTAINABILITY CRITERIA FOR SHARES AND CORPORATE BONDS

The selection process for the sustainability criteria is broken down as follows:

- In the first stage, a screening is carried out based on for exclusion criteria<sup>1)</sup>. 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 Compact<sup>1)</sup>: Companies that violate the principles of the UN Global Compact are excluded from the sustainable investment universe.
- 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.

Exclusion criteria	For investments in individual securities and investment funds of Schoellerbank Invest AG	For investments in investment 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-specific 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 or human embryonic stem cell research	Absolute ban, more than 0 % of turnover	Not applicable
Companies that are assigned to certain controversial mining sectors <sup>2)</sup> and do not comply with international norms and standards  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.	More than 5 % of turnover	More than 5 % of turnover
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 support of animal testing	Not applicable
Direct or indirect investments in foodstuffs and agricultural raw materials (e.g. raw materials futures, certificates or raw material funds). Investments in companies which operate in this business segment are not excluded.	No turnover limit	Not applicable
Compliance with the UN Global Compact <sup>1)</sup>	For investments in individual securities and investment funds of Schoellerbank Invest AG	For investments in investment funds/ETFs of all other investment companies
Companies that violate the principles of the UN Global Compact are excluded from the sustainable investment universe.	Serious and very serious offences <sup>3)</sup>	Very serious offences <sup>3)</sup>

1) The assessment of potential investments in companies and countries according to sustainability criteria is based on data from research databases of an independent ESG research and ESG rating company.

2) 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

3) The assessment of the degree of non-compliance is based on data from an independent ESG research and ESG rating company.

## SUSTAINABILITY CRITERIA FOR SOVEREIGN BONDS

The sustainability criteria for sovereign bonds are screened on the basis of exclusion criteria<sup>1)</sup>. This means that sovereign bonds with the following criteria are excluded as investments.

Exclusion criteria	For investments in individual securities and investment funds of Schoellerbank Invest AG	For investments in investment 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)	✓	✓
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: <ul style="list-style-type: none"> <li>Freedom House Index: If a country is classified as "not free" or "partly free" by the Freedom House NGO, this represents a controversy.</li> <li>Child labour: The widespread employment of children in a country is a controversial issue.</li> <li>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, this represents a controversy.</li> <li>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.</li> <li>Freedom of speech and the press: A considerable restriction in the freedom of speech and the press constitutes as a controversy.</li> <li>Human rights: If fundamental human rights are severely restricted in a country, this represents a controversy.</li> <li>Labour rights: If labour conditions in a country are particularly poor, especially in terms of minimum wages, working hours and health and safety regulations, this represents a controversy.</li> </ul>	✓	✓

1) The assessment of potential investments in companies and countries according to sustainability criteria is based on data from research databases of an independent ESG research and ESG rating company.

**Please note that the following criteria are not used for asset management/administration:**

### **CRITERIA FOR GREEN BONDS**

Green bonds are bonds which are aligned with the Green Bond Principles<sup>1)</sup>. 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.

### **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 <http://www.unicreditgroup.eu> under the heading "ESG and Sustainability" in the sub-item "ESG Sustainability Policies and Ratings".

1) The Green Bond Principles are guidelines for the issuance of green bonds drawn up by the International Capital Markets Association.