

# Explanation of the main adverse impacts of investment decisions on sustainability factors

## Summary

Status: 29.6.2021

As part of its sustainability strategy, Bank Austria takes into account the most important factors that have a negative impact on sustainability when making investment decisions.

Adverse sustainability impacts are those impacts on investment decisions that have a negative impact on sustainability factors. Sustainability factors include environmental and social issues, respect for human rights, sustainable corporate governance and the fight against corruption.

## Description of the main adverse sustainability impacts

In order to make the most important adverse sustainability impacts measurable, indicators from the areas of environment, social affairs and good governance will be used in future.

The underlying indicators are, for example, the carbon footprint of a company, the consumption of non-renewable forms of energy and the impact of corporate activities on biodiversity. At a social level, for example, violations of the rules of the UN Global Compact are recorded and indicators are considered that assess gender equality in terms of pay and career opportunities. In the case of state emitters, greenhouse gas intensity and violations of international standards and conventions are used as indicators.

## Description of measures to identify and prioritize the main adverse sustainability impacts

Bank Austria uses information from the data supplier ISS ESG, among others, to identify, measure and evaluate material adverse sustainability impacts. In addition to the exclusion criteria defined by Bank Austria - e.g. alcohol, coal mining, games of chance, nuclear energy, pornography, controversial weapons production or serious violations of the principles of the UN Global Compact - other factors are also included in the assessment as part of a holistic view of ESG factors: For example, the emission of greenhouse gases, the efficient use of energy and resources, the processing and disposal of hazardous substances, the fair remuneration of employees regardless of gender and the company's impact on biodiversity. As a result, those companies that score particularly well in all relevant ESG criteria are identified and given preference for investment.

In order to counteract the adverse effects of sustainability, sustainability risks are taken into account in the portfolio composition for the individual investment strategies and financial instruments. In addition, Bank Austria pursues the broadest possible diversification of investments in order to exploit opportunities from different economic sectors and reduce the impact of sustainability risks, as these have different effects on individual sectors, regions, currencies and asset classes.

## Participation policy

Bank Austria provides portfolio management services for investors. The investment process implemented for the customer's individual portfolio as part of individual asset management - i.e. how and according to which criteria shares are acquired, held and sold for the respective securities account - means that these shares and the companies concerned are monitored on an ongoing basis. The analysis of the companies in which Bank Austria invests as part of its asset management relates to their strategy, their financial and non-financial results, their capital structure, their social and environmental impact, their valuation and their corporate governance.

For the following reasons, Bank Austria does not consider it appropriate to represent the interests of investors at general meetings as part of its individual asset management and therefore generally refrains from exercising voting rights and other rights associated with shares:

- In terms of a cost-benefit ratio (principle of proportionality), Bank Austria does not exercise the voting rights at the respective Annual General Meetings, as the voting rights of all shares in those portfolios that are managed by Bank Austria as part of individual asset management - i.e. consolidated across all mandates - do not reach a significant proportion of the voting rights of all shareholders of the respective companies due to diversification principles and are therefore insignificant.
- Bank Austria's individual asset management contracts do not provide for any explicit authorization to exercise the voting rights associated with the shareholdings in the portfolios. The processes required to enable the representation and exercise of voting rights at the Annual General Meeting, whereby each customer would have to individually issue a corresponding power of attorney, have also contributed to Bank Austria's decision to generally oppose the representation and exercise of voting rights and other rights associated with shares.
- As a shareholder, each client can exercise voting rights and other rights associated with shares at their own discretion, as the shares held as part of individual asset management are held in client custody accounts.

If shares are acquired as part of individual asset management for the portfolio in the name of the customer as shareholder, Bank Austria will generally not exercise the voting rights associated with these shares.

### **International standards**

ISS ESG - Bank Austria works with ISS ESG to integrate the various aspects of sustainability into the investment process. ISS ESG has internationally recognized expertise in all areas relevant to sustainable investments. These include topics such as climate change, the impact on achieving the UN Sustainable Development Goals, human rights, labor standards, corruption, controversial weapons and much more. As part of Bank Austria's strict quality criteria, companies can be filtered in terms of exclusion criteria and best-in-class approach. In this way, we combine the expertise of two specialists - and thus offer sustainable investors added value.

### UN Global Compact:

UniCredit is an active member of the UN Global Compact, the world's largest initiative for responsible corporate governance. The 10 universal principles of the UN Global Compact cover the areas of labor standards, human rights, environmental protection and anti-corruption. UniCredit is constantly developing measures for all these areas.

### klimaaktiv Pact:

The klimaaktiv pact is a voluntary alliance for climate protection initiated by the Ministry of Climate Protection. Bank Austria is one of these climate protection pioneers among Austria's large companies, developing a climate protection concept and implementing it as part of the pact by 2030. In this way, it is making a contribution to achieving Austria's climate targets.

### ÖGUT:

Bank Austria has been a member of the ÖGUT (Austrian Society for Environment and Technology) working group "Operational Ecological and Social Benchmarking" for financial services companies for many years. The regular exchange at expert level contributes to the continuous improvement of environmental and sustainability performance in the individual companies.

### respACT:

Bank Austria is a long-standing member of respACT, the leading Austrian corporate platform for responsible business. The constant exchange with sustainably committed companies from all sectors of the economy contributes significantly to the development of our own initiatives.

### GRI Sustainability Reporting Standards:

UniCredit complies with the "GRI Sustainability Reporting Standards" and the "Financial Services Sector Disclosures", both published by the GRI - Global Reporting Initiative, when preparing the Integrated Report.