

SUSTAINABILITY DISCLOSURES

as required by SFDR

INTRODUCTION

This disclosure by UniCredit International Bank (Luxembourg) SA (“**UCINT**”) is mandatory under the SFDR¹, an EU environmental, social and governance (“**ESG**”) regulation adopted on 27 November 2019, which in brief has the main objective to ensure that financial market participants and financial advisers make sustainable investments over the long term. The set objective is reached under SFDR by:

- combating “*greenwashing*”²
- enhancing transparency regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in the processes of financial market participants and financial advisers

A crucial component of the SFDR’s aim is the promotion of “*sustainable investments*”, which can be briefly described as investments in an economic activity that advance either a specific environmental or social objective that must “do no significant harm” as regards any such objective and involve good governance practices.

The scope of SFDR is both entities and products, as described below:

A. Entities

The SFDR applies to the defined concept of financial market participants (“**FMPs**”). The definition of FMP includes:

- MiFID II entities providing portfolio management service
- AIFMs³ and
- UCITS Managers

B. Products

The SFDR imposed requirements to financial products made available by asset managers, including:

- Alternative Investment Funds (“**AIFs**”)
- UCITS⁴ funds and
- portfolio management services / managed accounts

Within the strategies of UCINT, we acknowledge the importance of making sustainable investments over the long term and have implemented a due process to reflect this, applicable at all level of our institution, that includes due diligence, research and investments in line with SFDR objectives and scope. For this purpose, UCINT also requires that all service providers, together with our in-house sustainability assessments, must formalise and have a consistent approach in accordance with SFDR requirements, as detailed in the paragraphs mentioned below.

IN-HOUSE SUSTAINABILITY MEASURES

I. HUMAN RESOURCES

Sustainability forms a central part of everything UCINT does and is fully integrated into the business and decision-making process through a solid commitment to ESG topics, renewed focus on improving customer experience and constant dedication to the people. It is a key lever for the future business strategies and a critical component of our success. As a result, UCINT has opted to pursue long-term interests, having in view sustainability and over time.

¹The Regulation (EU) 2019/2088 of The European Parliament and of The Council Of 27 November 2019 on sustainability-related disclosures in the financial services sector (accessible [here](#))

²Greenwashing is a situation in which the environmental claims made by an investment could be untrue

³Alternative Investment Fund Managers

⁴Undertakings for the Collective Investment in Transferable Securities

In 2020, UCINT took convincing approaches to enhance its strategy by putting in place a remuneration structure that is based on risk-adjusted/related performance and though not encouraging excessive risk-taking, including with respect to sustainability risks, which is now an integral part of the Human Resources framework of our institution. In general, the remuneration policy contributes to UCINT's strategy, namely the pursuit of long-term interests and the sustainability over time.

Additionally, all employees of UCINT must adhere to the sustainability principles stipulated in our code of conduct, which has been drafted with the aim to avoid greenwashing and achieve sustainable value for our clients, employees, shareholders and the environment. Also, the code of conduct is embedded in our governance, policies and operating guidelines.

II. PORTFOLIO MANAGEMENT SERVICE FOR PRIVATE BANKING

UCINT, as investment manager of segregated accounts, has requested its provider, UniCredit SpA, to update, in compliance with the SFDR the existing Advisory Service Agreement.

The provisions are structured in two main parts:

▪ **Policies on Sustainability Risk**

UCINT has requested to UniCredit SpA to identify the criteria for selecting the products or investments subject to these services in order to consider, among other factors, ESG aspects, as detailed in the next paragraph.

The consideration of the aforementioned criteria constitutes the methodology adopted by our institution in order to be able to contain the sustainability risks, in consideration of the value of an investment can be greatly impacted by the environmental and social aspects considered by issuers, as required by the ESG framework.

▪ **Avoiding Negative Effects for Sustainability**

In providing the aforementioned services, UniCredit SpA always considers the possible main negative effects on the sustainability factors concerning the investment choices made in the provision of service to UCINT. These sustainability factors include environmental, social and personnel issues, respect for human rights and issues relating to the fight against active and passive corruption.

Taking into account the potential negative effects on sustainability factors, as well as the risks to sustainability as explained above, UniCredit SpA has decided to exclude investments with significant exposure in companies that have seriously violated the principles set out in the Global Pact of Nations Unite (United Nations Global Compact), created to promote a sustainable global economy.

Investments with significant exposure in companies operating in business areas that UniCredit SpA considers controversial due to environmental and social impacts, such as, for example, production and / or maintenance and / or distribution of controversial weapons (e.g., anti- personnel mines or cluster bombs, as well as biological and chemical weapons of mass destruction), direct production and / or maintenance and / or distribution of nuclear weapons, direct production of thermal coal and / or electricity from thermal coal etc.

Finally, investments with significant exposure in government bonds issued by countries that have strategic gaps in the systems for preventing and combating money laundering and terrorist financing, as well as in countries that have not signed the Paris Agreement⁵.

The application of the exclusion criteria mentioned above allows the Bank to manage, as part of the provision of the portfolio management service, the main negative impacts on the following factors:

- on climate and other environment-related indicators, in terms of greenhouse gas emissions, impact on biodiversity, emissions to water and generation of hazardous waste for the environment;
- on social and personnel issues, respect for human rights and issues relating to the fight against active and passive corruption.

⁵The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 (2015 United Nations Climate Change Conference) in Paris, on 12 December 2015 and entered into force on 4 November 2016

Finally, according with RTS supplementing Regulation (EU) 2019/208 Financial Market Participants are tasked to consider principal adverse impacts of investment decisions on sustainability factors and to publish a filled Principal adverse impact statement (PAIS) template by 30 June each year with the previous calendar year as a reference period. It should be noted that due to the small size of the Bank (much less than 500 employees which would make the disclosure binding) and high complexity of the data needed to accurately fulfil the requirements, the Bank does not integrate the consideration of environmentally sustainable economic activities into the investment process (as required by the Taxonomy Regulation and SFDR) and, therefore, under this Regulation, the investments underlying the portfolio do not take into account the EU criteria for environmentally sustainable economic activities. The Bank will re-assess its approach when the ESG data feeding reaches a more mature and stream-lined stage.

III. PORTFOLIO MANAGEMENT SERVICE AND INVESTMENT ADVICE FOR MANAGEMENT COMPANIES AND AIFS

Fund Management within UCINT, in the provision of portfolio management service and investment advice, has identified the needed criteria for the selection of products under advice or under portfolio management, with the objective of considering, among other factors, ESG risks and ESG requirements.

- 1. We apply the following exclusion criteria**, through identifying companies, countries that should be excluded or where investments have to take into account prudential measures and thresholds.

For example, investments in the following types of companies/ products and countries are not allowed:

- A. Companies that are involved in very severe violations of the UN global compact.
Exclusion criteria: those companies not meeting the mandatory UCINT criteria are excluded and if a group holding company is not meeting the mandatory criteria the whole group is excluded.
- B. Companies manufacturing, maintaining, or trading controversial and/or morally unacceptable weapons, as identified through the international obligations, treaties and legislations.
Exclusion criteria:
 - (i) For “*nuclear weapons*”, the exclusion is referred to companies involved in manufacturing, maintaining or trading nuclear weapons for more than 5% of the consolidated revenues.
 - (ii) For all companies belonging to groups represented within global index (i.e., the constituents of MSCI global index), the companies with an exposure to nuclear weapons higher than 5% in terms of total revenues contribution that has been identified in a dedicated blacklist of UCINT and UniCredit Group: in this case, all the group companies are excluded, while if at consolidated level is ok, only the companies that do not meet the mandatory exclusion criteria will be excluded.
 - (iii) The dedicated blacklist of UCINT and UniCredit Group focuses on specific companies to be excluded but in general all the companies that do not satisfy the criteria have to be excluded.
 - (iv) Any involvement must be considered as referred to all those companies directly manufacturing, maintaining or trading forbidden weapons. According to above criteria, please refer to the list⁶ of “forbidden weapons”.
- C. Companies involved in thermal coal production and/or production of energy from thermal coal that derive from these businesses more than 25% of their consolidated revenues:
Exclusion criteria: the aforementioned are excluded and in this case all the group companies are excluded, while if at consolidated level is OK, only the companies that do not meet the mandatory exclusion criteria will be excluded. “*Involvement*” must be consider as referred to all those companies directly producing thermal coal and/or producing energy from thermal coal.
- D. Government Bonds
Exclusion criteria: Bonds issued by countries that are not compliant with FATF Recommendations (Black and Grey list) or those that are not signatories of Paris 2015 Agreement on climate change are excluded.
- E. Supranational bonds
Exclusion criteria: Criteria apply coherently at supranational level that means that supranational have to be compliant with the three mandatory exclusion criteria.

⁶List of “*forbidden weapons*” under international law is the following: cluster bombs; chemical warfare agents and mines, anti-personnel and anti-vehicle mines; nuclear, biological, chemical or other weapons of mass destruction; biological agents and radioactive materials (including Uranium 238) adapted for use in war to produce casualties among humans or animals, to degrade equipment or to damage crops or the environment

In addition, UCINT in its suitability assessments takes into account the Ten principles⁷ of the UN Global Compact regarding human rights, labour, environment and anti-corruption.

F. Specific provisions regarding Investment Funds selection

2. Specifically for **ESG-Funds (Article 8 or Article 9 of SFDR)**

- ESG-Funds distributed via UniCredit Group
For single securities, the Target Operating Model (“**TOM**”) blacklist provided by UniCredit Group is respected within the security selection process of UCINT. Additional specific ESG-criteria as defined in the fund documents are also applied.
- ESG-Funds with external security advice (distributed via UniCredit Group)
In addition to the specific criteria stated in the fund documents, the TOM Blacklist will be respected for single securities within the security selection process.
- ESG-Funds with external security advice (not distributed via UniCredit Group)
In case of an external security advice for funds not distributed by UniCredit Group entities, the specific security selection process stated in the fund documents will be applied.

3. Specifically for **Non-ESG funds**

- Non-ESG funds distributed via UniCredit Group
The Target Operating Model (TOM) blacklist provided by UniCredit Group will be respected within the security selection process for single securities. Furthermore, the target funds are screened in accordance with the requirements of the target-operating model of UniCredit Group.
- Non-ESG funds not distributed via UniCredit Group (with external security advice)
No specific ESG-criteria in addition to those defined in the fund documents are applied.
- Non-ESG funds not distributed via UniCredit Group (without external security advice)
Beside the ESG-criteria defined in the fund documents, the TOM blacklist provided by UniCredit Group will be respected within the security selection process for single securities.

IV. **SHAREHOLDERS RIGHTS DIRECTIVE DISCLOSURE as required by SRD II⁸**

This disclosure by **UCINT** is mandatory under SRD II, an EU directive encouraging long-term shareholder engagement that has been adopted on 17 May 2017.

In course of the discretionary portfolio management, UCINT acquires in the possession of our customers a shares or similar securities representing a direct interest in an issuer domiciled in a Member State, admitted to trading on the trading venue, to the extent that it does not allow UCINT to perform efficiently and materially voting rights. Therefore, UCINT does not disclose its Engagement policy in accordance with Article 3g of SRD II.

V. **APPLICABLE LEGISLATION**

- Treaty on the Non-Proliferation of Nuclear Weapons (NPT)
- The Comprehensive Nuclear-Test-Ban Treaty (CTBT)
- Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and under Water (Partial Test Ban Treaty)
- Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases and Bacteriological Method of Warfare (Geneva Protocol)

⁷The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption (accessible [here](#))

⁸Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (accessible [here](#))

- International Code of Conduct against Ballistic Missile Proliferation (ICOC)
- Biological Weapons Convention (BWC)
- Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons (CCWC)
- Convention on Cluster Munitions (CCM)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC)
- Convention on the Prohibition of Military or any Other Hostile Use of Environmental Modification Technique (ENMOD)
- Ottawa Convention (Mine Ban Treaty)
- European Code of Conduct on Arms Exports
- Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies
- The Regulation (EU) 2019/2088 of The European Parliament and of The Council Of 27 November 2019 on sustainability-related disclosures in the financial services sector
- Luxembourgish Law of 27 June 2018 regarding the control of exports
- Luxembourgish Grand-Ducal Regulation of 14 December 2018 regulating the control of exports
- Italian Law no. 185/90 for new provisions on controlling the export, import and transit of military goods