



# UniCredit ESG Product Guidelines Summary

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# UniCredit ESG Product Guidelines Summary

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# 1. Sustainability at UniCredit

UniCredit's ESG Strategy has clear principles underpinning all aspects of ESG to ensure the pillars of Environmental, Social and Governance are core to our activities across the group.

We want to hold ourselves to the highest possible standards so that **we do the right thing for our clients and society**, totally committing to **supporting our clients in a just and fair transition**, reflecting and **respecting the views of our stakeholders** in our business and decision-making process.

Our ESG Strategy is built on **strong fundamentals** and interconnected elements to deliver value:

- 1. ESG principles**, representing our important milestones woven through UniCredit Unlocked
- 2. leading by example**, striving to set high standards for ourselves and also from those we do business with
- 3. setting ambitious ESG goals** to support a just and fair transition for our clients
- 4. equipping ourselves with tools to assist clients and communities in navigating the environmental and social transition through strategic sustainable actions**
- 5. embracing and investing the resources** needed to deliver and reach our ESG targets and long-term commitments, through a strong Governance Model, embracing our Culture and delivering quality Monitoring, Reporting and Disclosure.

We will constantly work on raising awareness on ESG topics across the organization and cascading knowledge to drive change.

Our **ESG Product Guidelines** are designed to meet this objective as they provide rules to all countries in our group to ensure the homogeneous classification and reporting of UniCredit's ESG financial products and services.

The main goal is the **prevention of the related risks of greenwashing and social washing**.

# 1. Sustainability at UniCredit



## Greenwashing and social washing

Climate change and the need to move to a more sustainable economy has become one of the most pressing issues globally. One of the side effects of this change is the phenomenon of greenwashing, which, although not new, is now in the spotlight, due to its potential negative impact on the transition by reducing investor confidence.

Green/social washing is a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.<sup>1</sup>

To this end in 2022 the ESG Product Guidelines Policy was introduced. ESG Product Guidelines also rely on our Group commitment and strategy on Net Zero as well as, where applicable, on the [ESG Policies, Statements and Commitments](#).

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1: ESMA, Progress Report on Greenwashing, 31 May 2023.

## 2. Scope of application

The ESG Product Guidelines, applicable since end 2022, aim at establishing a consistent and comprehensive methodology for the classification and reporting of **UniCredit's ESG offering and at preventing the related risks of green washing and social washing**.

They serve as a basis to further improve UniCredit's sustainability ambitions and metrics, to deliver on our commitment to support sustainable economic growth and the transition to a more inclusive, equitable society and a low-carbon economy.

The document is regularly reviewed to amend or include additional qualifying activities and/or criteria based on market trends or business needs and to comply with regulatory requirements.

The perimeter of application covers all Group's Legal Entities (LEs) and business lines: lending products, bonds, investment products, hedging products, capital market products, transactional products and insurance products.

### 3. Lending Products

As an integral part of the ESG Strategy, the ESG Product Guidelines introduce a methodology to classify financial products and services offered by UniCredit Group as Green, Social, Transition or Sustainability-linked.

ESG products include different product categories considering Environmental, Social and Governance characteristics.

The policy specifies the classification logic, the eligibility criteria, the applicable environmental and social requirements.

Use of Proceeds	Green Financing	<b>Green</b> Financing supports economic activities substantially contributing to the achievement of one or more of the six environmental objectives set out by the EU Taxonomy and meeting specific technical screening criteria.
General Purpose	ESG-linked Products	<b>ESG-linked</b> products are any type of financial instruments and/or contingent facilities which incentivize client's achievement of ambitious, predetermined sustainability performance objectives.

### 3. Lending Products



#### 3.1 Green Financing

##### Green Financing

Green Financing includes loan Instruments used to finance or re-finance, in whole or in part, projects with specific and well identified objectives that should provide positive environmental benefits.

##### Eligibility Criteria

In accordance with the 6 environmental objectives<sup>2</sup> set out in the EU Taxonomy, we consider as “Green” the loans financing economic activities, contributing substantially to one or more of the environmental objectives and aligned with the EU Taxonomy criteria or with the ICMA<sup>3</sup> principles.

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2: i. Climate change mitigation;  
ii. Climate change adaptation;  
iii. The sustainable use and protection of water and marine resources;  
iv. The transition to a circular economy;  
v. Pollution prevention and control;  
vi. The protection and restoration of biodiversity and ecosystems.

3: International Capital Market Association.

### 3. Lending Products



#### 3.1 Green Financing

The eligibility criteria for labeling loans with a specific use of proceeds as “green”, based on the EU Taxonomy are the following:

##### CLIMATE MITIGATION

Activity	Eligibility Criteria
Energy	<p>Loans to corporates and projects financing aimed at the construction, acquisition or revamping of facilities generating energy from renewable sources (see following list):</p> <ul style="list-style-type: none"><li>• Electricity generation using solar photovoltaic technology</li><li>• Electricity generation using concentrated solar power (CSP) technology</li><li>• Electricity generation from wind power</li><li>• Electricity generation from ocean energy technologies</li><li>• Electricity generation from hydropower</li><li>• Electricity generation from geothermal energy</li><li>• Electricity generation from renewable non-fossil gaseous and liquid fuels</li><li>• Electricity generation from bioenergy</li><li>• Cogeneration of heat/cool and power from solar energy</li><li>• Cogeneration of heat/cool and power from geothermal energy</li><li>• Cogeneration of heat/cool &amp; power from renewable non-fossil gaseous &amp; liquid fuels</li><li>• Cogeneration of heat/cool and power from bioenergy</li><li>• Production of heat/cool from solar thermal heating</li><li>• Production of heat/cool from geothermal energy</li><li>• Production of heat/cool from renewable non-fossil gaseous and liquid fuels</li><li>• Production of heat/cool from bioenergy</li><li>• Production of heat/cool using waste heat</li><li>• Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle</li><li>• Construction and safe operation of new nuclear power plants, for the generation of electricity and/or heat, including for hydrogen production, using best-available technologies</li><li>• Electricity generation from nuclear energy in existing installations</li><li>• Transmission and distribution of electricity</li><li>• Storage of electricity</li><li>• Storage of thermal energy</li><li>• Storage of hydrogen</li><li>• Manufacture of biogas and biofuels for use in transport and of bioliquids</li><li>• Transmission and distribution networks for renewable and low-carbon gases</li><li>• District heating/cooling distribution</li><li>• Installation and operation of electric heat pumps</li></ul>

### 3. Lending Products



#### 3.1 Green Financing

Activity	Eligibility Criteria
Construction and Real Estate	<p><b>Loans towards companies aimed at financing the following economic activities, respecting the criteria listed:</b></p> <ul style="list-style-type: none"><li>• New Buildings construction</li><li>• Acquisition and ownership of buildings</li><li>• Installation, maintenance, and repair of energy efficiency equipment</li><li>• Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</li><li>• Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings</li><li>• Installation, maintenance and repair of renewable energy technologies</li></ul>
Energy Efficiency programs and EU/National programs	<p><b>FOR INDIVIDUALS:</b> Activities/projects for individuals included in environmental programs/initiatives promoted by EU/National authorities (e.g. Case Green, Superbonus, Eco/Sisma Bonus in Italy, KfW and LfA programs in Germany) and designed to support through fiscal or financial incentives energy efficiency overall (e.g. purchase of electric/hybrid vehicle, Installation, maintenance, and repair of energy efficiency equipment, etc.).</p> <p><b>FOR CORPORATES:</b> Economic activities for Corporates included in environmental programs/initiatives promoted by EU/National authorities (e.g. BEI Green, Sace Green, Superbonus, Eco/Sisma Bonus in Italy, KfW and LfA programs in Germany) and designed to support through financial or fiscal incentives energy efficiency overall (e.g. industrial facilities, processes, technologies, environmental improvement of car fleet vehicles of companies or acquisition of cars or energy efficiency equipment, etc.).</p>
Manufacturing	<p><b>Loans to companies aimed at financing the following economic activities, respecting the criteria listed</b></p> <ul style="list-style-type: none"><li>• Manufacture of renewable energy technologies</li><li>• Manufacture of batteries</li><li>• Manufacture of low carbon technologies for transport</li><li>• Manufacture of energy efficiency equipment for buildings</li><li>• Manufacture of other low carbon technologies</li><li>• Manufacture of equipment for the production and use of hydrogen</li><li>• Manufacture of anhydrous ammonia</li><li>• Manufacture of automotive and mobility components</li><li>• Manufacture of rail rolling stock constituents</li><li>• Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation</li></ul>

### 3. Lending Products



#### 3.1 Green Financing

Activity	Eligibility Criteria
Transport	<p><b>Loans to companies aimed at financing the economic activities related to the Transport Sector, respecting the criteria listed:</b></p> <ul style="list-style-type: none"><li>• Operation of personal mobility devices, cycle logistics</li><li>• Infrastructure for personal mobility, cycle logistics</li><li>• Infrastructure for rail transport</li><li>• Infrastructure enabling low-carbon road transport and public transport</li><li>• Infrastructure enabling low carbon water transport</li><li>• Low carbon airport infrastructure</li><li>• Air transport ground handling operations</li></ul>
Water supply, sewerage, waste management and remediation	<p><b>Loans to companies aimed at financing the following economic activities, respecting the criteria listed</b></p> <ul style="list-style-type: none"><li>• Construction, extension and operation of water collection, treatment and supply systems</li><li>• Renewal of water collection, treatment and supply systems</li><li>• Construction, extension and operation of wastewater collection and treatment</li><li>• Renewal of wastewater collection and treatment</li><li>• Collection and transport of non-hazardous waste in source segregated fractions</li><li>• Anaerobic digestion of sewage sludge</li><li>• Anaerobic digestion of bio-waste</li><li>• Composting of bio-waste</li><li>• Material recovery from non-hazardous waste</li><li>• Landfill gas capture and utilization</li><li>• Transport of CO2</li><li>• Underground permanent geological storage of CO2</li></ul>
Forestry and environmental protection and restoration activities	<p><b>Loans to companies aimed at financing the following economic activities, respecting the criteria listed</b></p> <ul style="list-style-type: none"><li>• Afforestation</li><li>• Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event</li><li>• Forest management</li><li>• Conservation forestry</li><li>• Restoration of wetlands</li></ul>
Information and communication	<p><b>Loans to companies aimed at financing the following economic activities, respecting the criteria listed:</b></p> <ul style="list-style-type: none"><li>• Data-driven solutions for GHG emissions reductions</li></ul>

### 3. Lending Products



#### 3.1 Green Financing

Activity	Eligibility Criteria
Professional, scientific and technical activities	<p>Loans to companies aimed at financing the following economic activities, respecting the criteria listed</p> <ul style="list-style-type: none"><li>• Close to market research, development, and innovation</li><li>• Research, development, and innovation for direct air capture of CO2</li><li>• Professional services related to energy performance of buildings</li></ul>

#### CLIMATE CHANGE ADAPTATION<sup>4</sup>

Activity	Eligibility Criteria
Water supply, sewerage, waste management and remediation	<ul style="list-style-type: none"><li>• Desalination</li></ul>
Information and communication	<ul style="list-style-type: none"><li>• Computer programming, consultancy and related activities</li><li>• Programming and broadcasting activities</li><li>• Software enabling physical climate risk management and adaptation</li></ul>
Financial and insurance activities	<ul style="list-style-type: none"><li>• Non-life insurance: underwriting of climate-related perils</li><li>• Reinsurance</li></ul>
Education	<ul style="list-style-type: none"><li>• Education</li></ul>
Human health and social work activities	<ul style="list-style-type: none"><li>• Residential care activities</li></ul>
Arts, entertainment and recreation	<ul style="list-style-type: none"><li>• Creative, arts and entertainment activities</li><li>• Libraries, archives, museums and cultural activities</li><li>• Motion picture, video and television program production, sound recording and music publishing activities</li></ul>
Disaster and risk management	<ul style="list-style-type: none"><li>• Emergency Services</li><li>• Flood risk prevention and protection infrastructure</li></ul>

4: The economic activities contributing to Climate Adaptation are those contributing to Climate Mitigation (and Transition) added to those listed in this table, except for a few activities which contribute to climate Mitigation/Transition only.

### 3. Lending Products



#### 3.1 Green Financing

##### SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES

Activity	Eligibility Criteria
Manufacturing	<ul style="list-style-type: none"><li>Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems</li></ul>
Water supply, sewerage, waste management and remediation	<ul style="list-style-type: none"><li>Water supply</li><li>Urban Waste Water Treatment</li><li>Sustainable urban drainage systems (SUDS)</li></ul>
Disaster risk management	<ul style="list-style-type: none"><li>Nature-based solutions for flood and drought risk prevention and protection</li></ul>
Information and communication	<ul style="list-style-type: none"><li>Provision of IT/OT data-driven solutions for leakage reduction</li></ul>

##### TRANSITION TO A CIRCULAR ECONOMY

Activity	Eligibility Criteria
Manufacturing	<ul style="list-style-type: none"><li>Manufacture of plastic packaging goods</li><li>Manufacture of electrical and electronic equipment</li></ul>
Water supply, sewerage, waste management and remediation	<ul style="list-style-type: none"><li>Phosphorus recovery from wastewater</li><li>Production of alternative water resources for purposes other than human consumption</li><li>Collection and transport of non-hazardous and hazardous waste</li><li>Treatment of hazardous waste</li><li>Recovery of bio-waste by anaerobic digestion or composting</li><li>Depollution and dismantling of end-of-life products</li><li>Sorting and material recovery of non-hazardous waste</li></ul>
Construction and Real Estate	<ul style="list-style-type: none"><li>Construction of new buildings</li><li>Renovation of existing buildings</li><li>Demolition and wrecking of buildings and other structures</li><li>Maintenance of roads and motorways</li><li>Use of concrete in civil engineering</li></ul>
Information and communication	<ul style="list-style-type: none"><li>Provision of IT/OT data-driven solutions</li></ul>
Services	<ul style="list-style-type: none"><li>Repair, refurbishment and remanufacturing</li><li>Sale of spare parts</li><li>Preparation for re-use of end-of-life products and product components</li><li>Sale of second-hand goods</li><li>Product-as-a-service and other circular use- and result-oriented service models</li><li>Marketplace for the trade of second-hand goods for reuse</li></ul>

### 3. Lending Products



#### 3.1 Green Financing

##### POLLUTION PREVENTION AND CONTROL

Activity	Eligibility Criteria
Manufacturing	<ul style="list-style-type: none"><li>Manufacture of active pharmaceutical ingredients (API) or active substances</li><li>Manufacture of medicinal products</li></ul>
Water supply, sewerage, waste management and remediation	<ul style="list-style-type: none"><li>Collection and transport of hazardous waste</li><li>Treatment of hazardous waste</li><li>Remediation of legally non-conforming landfills and abandoned or illegal waste dumps</li><li>Remediation of contaminated sites and areas</li></ul>

##### PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS

Activity	Eligibility Criteria
Environmental protection and restoration activities	<ul style="list-style-type: none"><li>Conservation, including restoration, of habitats, ecosystems and species</li></ul>
Accommodation activities	<ul style="list-style-type: none"><li>Hotels, holiday, camping grounds and similar accommodation</li></ul>

### 3. Lending Products



#### 3.2 Transition Financing

##### Transition Financing

**Transition Financing** supports a business transition to a low-carbon or green economy. Financing can only be provided to companies that have committed to reducing their carbon footprint in alignment to 1.5°C Paris agreement pathways or to net-zero emissions targets and are making the necessary investment to achieve their decarbonization goals. They should have a credible and feasible transition plan.

Transition Finance includes:

- Dedicated purpose transition loans supporting economic activities classified as green or transitional by the EU Taxonomy or to be classified as such in 5 (or exceptionally 10) years
- General purpose products measuring the sustainability performance through KPIs in alignment with the transition plan

**Transition plans** must clearly state the ambition of the targets (including short and mid-term interim targets) and be complemented with an implementation plan and their progress should be measurable with KPIs to demonstrate credibility.

Transition Financing mainly, but not only, applies to companies operating in specific high carbon intensity sectors (Net Zero Sectors as defined by Net Zero Banking Alliance) for which UniCredit has publicly disclosed specific financed emission reduction targets ([https://www.UniCreditgroup.eu/en/esg-and-sustainability/netzero.html](https://www.UniCreditgroup.eu/en/esg-and-sustainability/net-zero.html)) and to companies operating in sectors other than Net Zero when committed to achieving decarbonization target.

### 3. Lending Products



#### 3.2 Transition Financing

We envisage three distinct categories:

- Loans to companies operating in Net Zero Sectors, committed to decarbonization targets based on a transition plan and still not fully aligned to them, performing the economic activities listed in the Green Loans and meeting the related eligibility criteria.
- Loans to companies (including companies operating in Net Zero Sectors, committed to decarbonization targets based on a transition plan and still not fully aligned to them), performing the Eu Taxonomy Transitional Economic Activities listed in the table below and meeting the related eligibility criteria.
- Loans to companies (including companies operating in Net Zero sectors, committed to decarbonization targets based on a transition plan and still not fully aligned to them), performing the economic activities listed in the Green Loans section or the EU Taxonomy Transitional Economic Activities listed in the table below but not meeting the related eligibility criteria. In alignment with the EU Commission Recommendation approved on 13 June 2023, the client is asked to provide the bank with a confirmation of alignment to the eligibility criteria within 5 years (exceptionally 10 years) from the loan disbursement and in any case not exceeding the expiration of the loans.

Activity	Eligibility Criteria
Energy	<ul style="list-style-type: none"><li>• Electricity generation from fossil gaseous fuels</li><li>• High-efficiency co-generation of heat/cool and power from fossil gaseous fuels</li><li>• Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system</li></ul>
Manufacturing	<ul style="list-style-type: none"><li>• Manufacture of cement</li><li>• Manufacture of aluminum</li><li>• Manufacture of iron and steel</li><li>• Manufacture of carbon black</li><li>• Manufacture of soda ash</li><li>• Manufacture of chlorine</li><li>• Manufacture of organic basic chemicals</li><li>• Manufacture of nitric acid</li><li>• Manufacture of plastics in primary form</li><li>• Manufacturing of aircraft</li></ul>

### 3. Lending Products



#### 3.2 Transition Financing

<b>Activity</b>	<b>Eligibility Criteria</b>
Transport	<ul style="list-style-type: none"><li>• Passenger interurban rail transport</li><li>• Freight rail transport</li><li>• Urban and suburban transport, road passenger transport</li><li>• Transport by motorbikes, passenger cars and light commercial vehicles</li><li>• Freight transport services by road</li><li>• Inland passenger water transport</li><li>• Inland freight water transport</li><li>• Retrofitting of inland water passenger and freight transport</li><li>• Sea and coastal freight water transport, vessels for port operations and auxiliary activities</li><li>• Sea and coastal passenger water transport</li><li>• Retrofitting of sea and coastal freight and passenger water transport</li><li>• Leasing of aircraft</li><li>• Passenger and freight air transport</li></ul>
Construction and Real Estate	Renovation of existing buildings (for corporates)
Information and communication	Data processing, hosting and related activities

### 3. Lending Products



#### 3.3 Social Financing

The Social Financing Guidelines are based on the current *UniCredit Group Social Strategy*, inspired by the Final Report on Social Taxonomy (February 2022) that represents the overall view of the members and observers of the EU Platform on Sustainable Finance and proposes a structure for a social taxonomy within the present EU legislative environment on sustainable finance and sustainable governance. Moreover, it refers to the UNEP Principles for Responsible Banking, a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

#### Social Financing

UniCredit Group's offer of financial products and services supports the following groups of stakeholders to achieve their social goals:

- **Communities and societies:** Ensure sustainable progress of communities, with focus on Youth and Education, supporting other stakeholders in the communities, such as Third sector, non-profit organizations, etc. to tackle key social challenges. Protect categories at higher risk of being negatively affected by the transition, retraining and reskilling to nurture small enterprises in communities, partnering to ensure social security, tackling social distress in communities.
- **Workers (including value chain workers):** Ensure positive work conditions for employees: respecting Human Rights and equal opportunities for all, striving for the highest working standards, including education, wages, work-life balance, healthy workplace.
- **Consumers:** Foster financial inclusion and health of vulnerable people ensuring access and affordability of financial services to vulnerable people (e.g., students, pensioners, low-income, start-ups and female-led enterprises). Support corporates to become more socially oriented supporting the development of social enterprises and encouraging corporate clients to improve their social impact.

### 3. Lending Products



#### 3.3 Social Financing

##### **Social Financing criteria**

Social Financing perimeter consists of the following loan categories:

<b>Social Loans</b>	Loans to Companies (for profit and not for profit companies or organizations, Public Sector Entities) to finance or re-finance eligible projects and economic activities contributing to the achievement of the Stakeholders' social goals.
<b>Inclusive Finance</b>	Loans supporting individuals (such as fragile people, students, disabled people, elderly people, retirees, young people, etc.), small enterprises, micro enterprises, start-ups, female entrepreneurship potentially excluded from the traditional banking offer.
<b>Loans for disaster recovery</b>	Financing or re-financing new and/or existing loans/projects to companies or individuals facing natural disasters.
<b>Loans to SMEs in disadvantaged areas</b>	Loans to small and medium-sized enterprises located in disadvantaged areas
<b>Social Housing</b>	Loans for real estate and urban intervention that aim to help low-income people to access decent houses at affordable prices and improve the access to good quality housing.
<b>Impact Financing</b>	Medium/Long-Term loans, mortgages and unsecured loans supporting projects and activities that - in addition to an economic return - have a clear intention of generating a positive, measurable, additional social impact.
<b>Social Oriented Organizations</b>	General purpose loans supporting for profit and not for profit companies and organizations including NGOs, Foundations, Associations, Religious bodies, Public sector companies/organizations.

### 3. Lending Products



#### 3.4 Sustainability-Linked Products

##### Sustainability Linked Products

Any type of financial instruments and/or contingent facilities (such as loans, bonds, derivatives, revolving facilities, trade finance, supply chain finance, working capital programs, guarantees & letters of credit) which incentivize client's achievement of ambitious, predetermined sustainability performance objectives.

On the base of Sustainability-linked Loan Principles (SLLP) of the Loan Market Association (LMA), the sustainability performance is measured through **key performance indicators (KPIs)** and by setting **Sustainability Performance Targets (SPTs)**, that allow to measure the improvements of the clients sustainability profile. A margin/fee step-up (bonus)/step-down (malus) mechanism is applied at the achievement/non achievement of one or more of the pre-selected SPTs.

The whole structure of Sustainability Linked Products has to respond to recommendations to avoid the risk of greenwashing:

- 1. KPIs** need to be relevant for the company's activity, measurable, able to be benchmarked, clearly defined.
- 2. SPTs** have to be ambitious, benchmarked, consistent with the client's overall strategy and defined over a timeline of some years.
- 3. Loan characteristics** include an economic outcome, linked to whether the selected predefined SPT(s) are met, through a contractualized margin ratchet.
- 4. Reporting and verification:** clients should provide, at least once per year, the SPTs performance report, and preferably include this information in their integrated annual report or sustainability report, when available or provide external verification. The actual results are compared with the predefined targets and the bonus/malus system is applied.

To reduce or prevent greenwashing and social washing risks, each customized ESG Linked deal is assessed on a "four-eyes principle" through a dedicated process involving local and group functions for verification of the alignment of ESG features to market practice and ESG Guidelines.

## 4. Corporate Bonds

Bonds for which UniCredit acts as Bookrunner refer to the most relevant updated market standard principles such as ICMA Green Bond Principles, ICMA Social Bond Principles, ICMA Sustainability Bond Guidelines, ICMA Sustainability Linked Bond Principles and Climate Bonds Standards.

UniCredit Group's Green, Social and Sustainability Bonds are subject to the UniCredit's [Sustainability Bond Framework \(SBF\)](#) currently in place.



## 5. Investment products

In the financial market the following **types of financial products** are available:

1. investment products having and/or considering ESG factors, ESG objectives or ESG characteristics;
2. products under SFDR<sup>5</sup> (for example mutual funds and Insurance Based Investment Products - IBIPs), investment products promoting environmental or social characteristics, with or without sustainable investments, and ensuring that the companies in which the investments are made follow good governance practices (the so-called **art. 8 SFDR** products);
3. products under SFDR (for example mutual funds and IBIPs), investment products having sustainable investments as their objective<sup>6</sup> (the so-called **art. 9 SFDR** products).

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5: 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.

6: Sustainable investment means an investment in an economic activity that contributes to an environmental objective or a social objective, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

# 5. Investment products



## 5.1 Criteria definition/application

UniCredit has defined specific criteria to consider, among others, the environmental, social and governance risks and principal adverse impacts on sustainability factors, which apply to:

- 1. Manufacture** of investment **products**
- 2. Distribution** of investment products **via advice**

These criteria are applied to products falling under SFDR art. 8 and 9 and to products not falling under SFDR but with ESG characteristics, in order to consider them as investment products with ESG characteristics and relevant for the clients' sustainability preferences.

In fact, **sustainability within investment services** is a wide topic **regulated not only by SFDR but also by other Regulations** with different scope and purposes, **among which MiFID II**, regarding the client sustainability preferences.

For investment products offered via portfolio management and investment advice services, the Bank needs to ensure that its clients are being asked about their sustainability preferences and that investment products and services match the expressed preferences. To do so, such products/ portfolio management service have to be integrated into the suitability assessment according to MiFID II/IDD and ultimately into the specific procedures of each involved Legal Entity of the Group.

As a result, a set of exclusion criteria has been defined and applied to countries (as issuers) and to companies with consolidated revenues exceeding predefined thresholds.

**UniCredit applies:**

- 1. mandatory exclusion criteria** that identify companies (above specific thresholds of % consolidated revenues), countries, underlying assets in which investments cannot be made and that cannot be included in the advisory product catalogue
- 2. additional exclusion criteria** that identify companies (above specific tighter thresholds of % consolidated revenues), countries, underlying assets in which investments cannot be made in order to consider them as suitable for sustainability preferences. Products not meeting these additional exclusion criteria cannot be classified as products with ESG characteristics
- 3. positive screening** (best-in-class, rating) adopted outside the guidelines scope.

# 5. Investment products



## 5.1 Criteria definition/application

### Investment Products

#### Mandatory exclusions

1. Very severe violations of the UN Global Compact
2. Controversial, nuclear or morally unacceptable weapons
3. Bonds issued by countries **not compliant with GAFI or not signatories of Paris 2015 Agreement**  
Excluded if **consolidate revenues >25%**
4. **Thermal coal** production or **production of energy from thermal coal**
5. Hydrocarbons extraction with **controversial technique**

#### Additional exclusions (consolidated revenues >10%)

1. **Thermal coal** production or **production of energy from thermal coal**
2. **Hydrocarbons extraction with controversial technique** or in areas with high environmental impact
3. Manufacturing of **tobacco**
4. Manufacturing of **military weapons**
5. **Controversial mining**

Each Legal Entity of the Group, considering specific legislation, market situation, strategic implications and business model, can adopt a **stricter approach** (more restrictive criteria).

Internal specific **processes** have been defined to verify the application of the exclusion criteria: distribution within the Group of blacklists of financial assets, ex post checks about possible breaches and an escalation process to define the best remediation strategies in case of breach detection.

To improve investor protection and prevent the risk of greenwashing/social washing, for the manufacturing of Art. 8 and Art. 9 financial products (as defined above in chapter 5), UniCredit adopted minimum requirements in terms of:

- investments to promote environmental and/or social characteristics.
- sustainable investments
- EU Taxonomy aligned investments
- consideration of Principal Adverse Impacts (PAI) on sustainability factors

Moreover, according to the Guidelines on funds names using ESG or sustainability-related terms, published by the European Securities and Markets Authority (ESMA) on 21 August 2024, funds using ESG or sustainability-related terms in their name should allocate minimum proportions of their investments to meet the environmental or social characteristics or sustainable investment objectives and meet minimum safeguards exclusion criteria depending on the terms used.

## 6. Transactional products and services

Transactional products, such as debit/credit cards and current accounts, to be labeled as ESG should have specific features supporting the definition of the product as sustainable such as:

### **1. Credit/debit cards:**

- Support to sustainable projects or initiatives, promoted directly or through a partnership with third parties, linked to number or amount of transactions (e.g. as percentage of every purchase or of the card income);
- Credit/debit cards made from sustainable materials (e.g. biodegradable or recycled), contributing to carbon footprint reduction. The sustainability of the card material has to be properly proved and documented.

### **2. Current accounts:**

- Support to sustainable projects or initiatives through donations (e.g. one-off or recurrent);
- Support to not-for-profit organizations (e.g. through promotion of their products or services at discounted prices).

## 7. Governance and Processes

The central ESG function acts as a reference point for the LEs also **through specific processes in place** with the main goal of an incisive application of the principles under the ESG Product Guidelines. In particular:

- 1. Guidelines adoption:** **support** to the LEs for the **implementation of the rules** under the ESG Guidelines policy;
- 2. ESG-linked transactions<sup>7</sup>:** **verification** of the compliance of the ESG features with the ESG product Guidelines as well as with market standards and practices and assignment of a **level of greenwashing risk**;
- 3. ESG conformity checks:** **ex-post checks** on Green Loans reported by the LEs on quarterly basis to verify the **alignment to the eligibility criteria** provided by the ESG Product Guidelines;
- 4. Products:** **assessment** of the **ESG features of new products** proposed by the LEs to verify the alignment with the Group's ESG Strategy and the ESG Product Guidelines.

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7: The entire process related to evaluation of ESG deals, is meant to identify activities, roles and responsibilities (establishing 4-eyes controls involving local and central levels) to prevent and mitigate green and social washing risk.

## 8. Monitoring

For Green/Transition/Social loans, UniCredit had been setting up processes to verify and monitor that the proceeds of Green Loans, Transition Loans and Social Loans are used for the sustainable activities they have been granted for.

Furthermore, for Green Loans and Transition Loans, processes are in place to verify that the eligibility criteria are met in order to confirm the classification of the loan as Green/Transition loan. The verification can occur at the disbursement of the loan or during the loan life, depending on the characteristics of the asset or of economic activity/project to be financed.

For Sustainability Linked deals, processes are in place to report and monitor the achievement of the Sustainability Performance Targets defined over the monitoring period and to confirm the application of the margin adjustment mechanism.



## 9. Marketing & Communication of products, services, initiatives

UniCredit also monitors the risk of greenwashing and social washing in communication. In the guidelines we map the main risks in this respect for Marketing & Communication activities, for the promotion of ESG and non-ESG products/services/initiatives.

The objective of this section is to provide all useful indications for correctly and consistently defining communication and marketing messages and the related validation processes.

In line with European directives<sup>8</sup> and by leveraging and creating synergies with the bank's already existing internal regulations, processes were optimized to enable the group-wide oversight of green and social washing issues.

The validation process considers activities promoting either **products and services** or **UniCredit's brand and reputation** initiatives. It is based on the interaction between Group and local functions, including submission and approval steps according to a 4-eyes approach.

For **products**, the content of the marketing material should be drafted in consistency with the sustainability-related disclosures in the product documentation, addressing elements such as product's name/label, how the sustainability/ESG related information/features and sustainable product's objectives are represented, the alignment of claims regarding ESG characteristics and objectives and/or ESG metrics with the true product characteristics.

In case of **brand campaigns**, the consistency and coherence with UniCredit ESG principles and beliefs is also evaluated.

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8: European Directive EU2019/2161.

