

# Sustainability Bond Framework



18 June 2021

Banking that matters.



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# 1. Introduction to UniCredit

## UNICREDIT AT A GLANCE

UniCredit<sup>1</sup> is a simple successful pan-European Commercial Bank, with a fully plugged in Corporate and Investment Banking (CIB), delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise.

We meet real client needs with real solutions which harness synergies between our businesses: CIB, Commercial Banking and Wealth Management. The way in which these solutions are developed and provided is as important as the solutions themselves, which is why everything we do is based on our two core values: Ethics and Respect.

By focusing on banking that matters, we offer local and international expertise, providing unparalleled access to market leading products and services in 13 core markets through our European banking network.

Leveraging on an international network of representative offices and branches, UniCredit serves clients in another 16 countries worldwide.

## SUSTAINABILITY AT UNICREDIT

Sustainability is part of UniCredit's DNA.

Our **Ethics and Respect values**, together with our simple guiding principle to do the right thing, are applied to everything we do and are at the core of our stakeholder interactions to generate sustainable results.

We are fully committed to long-term **value creation for all stakeholders** and measure our company performance not only on the basis of economic return, but also on how it achieves its Environmental, Social and Good Governance (ESG) objectives.

The core of our business is supporting customers and stakeholders in managing social and environmental challenges and financing their investments for a sustainable future. We see **ESG** as essential factors for long-term growth and sustainability and they are fully integrated in our strategy, core business and operations.

A strong corporate **governance** is supporting the integration of ESG in the strategy of the bank. We are constantly involving the Board of Directors and its committee dedicated to Corporate Governance, Nominations and Sustainability as a clear signal that ESG topics play a central role in discussions regarding strategy. We aim at guiding capital reallocation towards economic activities which generate a positive impact on society. With our activities, we are supporting and financing people and organizations at risk of financial and **social** exclusion. To protect the **environment**, we are partnering with our customers in the shift to a low-carbon, climate-resilient economy.

We recognize the importance of contributing to a more equitable and sustainable society, responding to market and societal challenges and supporting our customers, employees, and communities now and in the future. We wish to be at the forefront of social change and green transition, enhancing **ESG ambitions** in our strategy to increase our positive impact on society and measuring our progress against a set of clear targets via measurable key performance indicators.

Our **Business Model** enables us to transform our resources and relationships into results which, in turn, help us to achieve our strategic goals and create value over the short, medium and long term. Our Governance and Group Strategy guide us in dealing with market risks and opportunities.

We use **different types of resources** - financial, human, natural, social and relationship and intellectual capital- as inputs to contribute to our economy and society at large and these inputs are essential to our business model.

Our long-term value creation is linked to our investments in our:

- **Financial Capital** and the financial resources employed and generated by business, used to sustain the economy, distributing value and contributing to the balance of public administration;
- **Human Capital**, supporting colleagues throughout their working lives, in order to strengthen competences, foster diversity and inclusion and improve the quality of life thanks to our welfare policies;
- **Natural Capital**, taking care of the environment by promoting the shift to a low-carbon economy and reducing our environmental footprint;
- **Social and relationship Capital**, aiming at generating a positive impact on society, investing to improve how people live and how businesses operate and strengthening the well-being and competitiveness of the countries in which we work;
- **Intellectual Capital**, leveraging digitalisation to provide services based on innovative technologies and simpler and safer processes.

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<sup>1</sup> UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria and all subsidiaries of the UniCredit Group, jointly "UniCredit"

The outcomes of our approach and business model have an **impact on the environment and on society at large**.

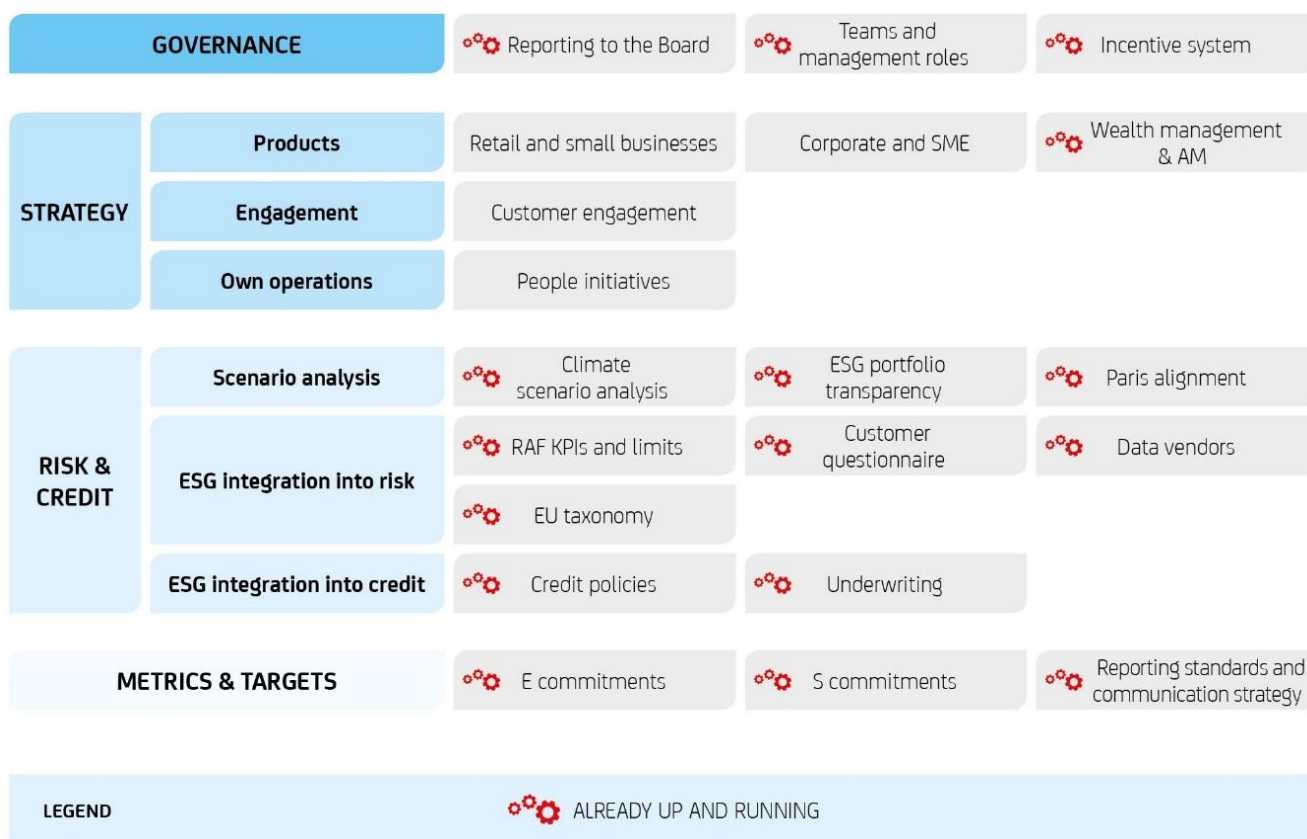
A **long-term journey** aimed at further enhancing our ESG ambitions was launched last year and represents a key component of a wider ongoing strategy review.

Our long-term journey already took its first steps:

1. Mapping UniCredit practices to obtain a complete picture of the Group on ESG topics;
2. Understanding UniCredit positioning in the current environment; identifying improvements and enhancement potential;
3. Prioritising initiatives to become a leading player in the next 3 years;
4. Defining a detailed roadmap
5. Defining an ESG internal and external communication plan

As a result of the prioritisation exercise, 20 high priority initiatives have been selected and will therefore be rolled out in the short term.

### Our 20 priority initiatives



We have also built an **ESG monitoring framework** consisting of:

- A set of measurable KPIs for each of the 20 initiatives to ensure that progress of the implementation could be appropriately measured;
- A suite of dashboards and reports to safeguard the correct development of the process across regions and business units.

The takeaways gathered during our ESG journey will help us ensure the sustainability of our financial capital in the long term as well as protect all our capitals, from natural and social and relationship to intellectual and human.

# 2. UniCredit Sustainability Bond Framework

## **RATIONALE FOR SUSTAINABLE FINANCING**

UniCredit strongly believes in the effectiveness of the sustainable finance market and its ability to channel investments to projects and activities with environmental and social benefits.

This Framework aims to support UniCredit's ambition to align its business strategy with the need of individuals and the goals of society, as expressed in the United Nations Sustainable Development Goals and the Paris Climate Agreement.

## **ALIGNMENT WITH ICMA'S GREEN AND SOCIAL BOND PRINCIPLES**

UniCredit bond issuance under this Framework is based on principles and guidelines introduced by the Green Bond Principles (GBP) 2021 version<sup>2</sup>, the Social Bond Principles (SBP) 2021 version<sup>3</sup> and the Sustainability Bond Guidelines (SBG) 2021 version<sup>4</sup> as administered by the International Capital Markets Association ("ICMA"), collectively the Principles.

The Principles have been introduced by ICMA to promote transparency in disclosure regarding environmental and social impacts of bond investments.

Under this Framework, UniCredit can issue Green, Social or Sustainability Bonds ("Bonds"), whose proceeds will be entirely dedicated to finance or re-finance green, social or a combination of both green and social projects, as described in the Use of Proceeds section.

The Sustainability Bond Framework is also intended to align, on a best effort basis and to the extent currently possible, with the proposal for the EU Green Bond Standard (EU GBS)<sup>5</sup> and the Technical Screening Criteria of the EU Taxonomy Delegated Act<sup>6</sup>.

The UniCredit Sustainability Bond Framework is based on four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This Framework will apply to any Green, Social or Sustainability bond issued by UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria and all subsidiaries of the UniCredit Group, jointly, "UniCredit" and will be in force as long as any of those instruments is outstanding.

The Framework may be updated and amended from time to time. Any such updated and amended Framework will be published on UniCredit website under <https://www.unicreditgroup.eu/en/investors/esg-investors/sustainability-bonds.html>.

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-100621.pdf>

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>

<sup>5</sup> [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf)

<sup>6</sup> [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)





# 3. Use of proceeds

UniCredit intends to use an amount equal to the bond's net proceeds to finance or refinance, in whole or in part, certain projects that have been specifically selected in accordance with this Sustainability Bond Framework ("Eligible Projects"). The Eligible Categories have been selected based on the environmental and social areas included in UniCredit's Sustainability Strategy.

UniCredit grants green and social lending through all its subsidiaries. Proceeds from any bonds issuance will be used to support identified Eligible Projects that have been or will be financed in whole or in part by each issuing legal entity.

Examples of Eligible Projects are set out below. The list is illustrative and not exhaustive. Eligible Projects will not be limited to those included on this list, provided that they qualify under the Eligible Categories presented in this Framework.

## Green Projects

Eligible Categories	Examples of Eligible Projects	European Environmental Objectives <sup>7</sup>	UN SDGs
<b>Renewable energy</b>	Renewable energy production: <ul style="list-style-type: none"> <li>Onshore and offshore wind</li> <li>Solar</li> <li>Biogas from biowaste and low carbon gases (Hydrogen)<sup>8</sup></li> <li>Hydroelectric<sup>9</sup></li> <li>Energy storage (batteries)</li> <li>Products and services related to renewable energy production</li> </ul>	Climate Change Mitigation	
<b>Clean transportation</b>	<ul style="list-style-type: none"> <li>Low carbon passenger cars and commercial vehicles (electric, hybrid, etc.) and relevant infrastructure<sup>10</sup></li> <li>Enhancement of rail transport and relevant infrastructure<sup>11</sup></li> <li>Improvement of public electricity-based/sustainable transportation and relevant infrastructure</li> </ul>	Climate Change Mitigation	 
<b>Green buildings</b>	<ul style="list-style-type: none"> <li>Construction or acquisition of commercial or residential green buildings which meet at least one of the following criteria:               <ul style="list-style-type: none"> <li>The building meets a recognised environmental standard such as: LEED gold or higher, or BREEAM very good or higher</li> <li>Buildings with Energy Performance Certificate (EPC) class 'A'</li> <li>The energy performance of the building is within the top 15% of the national or regional building stock</li> <li>Buildings which meet other regional or national standards or certifications related to energy efficiency<sup>12</sup></li> </ul> </li> <li>Implementation of energy efficiency solutions or renovations in buildings<sup>13</sup>, which lead to a 30% increase in the building energy efficiency or at least two steps improvement in EPC compared to the baseline before the renovation</li> </ul>	Climate Change Mitigation	

<sup>7</sup> The six environmental objectives are climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. They are defined by the EU in the REGULATION (EU) 2020/852 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

<sup>8</sup> Emissions of electricity generated must be lower than 100gCO<sub>2</sub>/kWh. Waste-to-energy plants are not eligible



<sup>9</sup> Facilities with installed capacity up to 10 MW and emissions of electricity generated lower than 100gCO<sub>2</sub>/kWh

<sup>10</sup> Manufacturing and purchasing of light vehicles, personal cars and commercial vehicles with zero direct tailpipe CO<sub>2</sub> emission (electric) or specific emissions of CO<sub>2</sub> lower than 50gCO<sub>2</sub>/km (Hybrid)

<sup>11</sup> Trains, passenger coaches and wagons that have zero direct tailpipe CO<sub>2</sub> emission when operated on a track with necessary infrastructure. Transportation of fossil fuel or other high carbon emission materials nullifies the eligibility of the project










<sup>12</sup> E.g. CasaClima in Italy; DGNB Gold or Higher, EnEV 2016, Gebäudeenergiegesetz 2020 or KfW Standard in Germany, or ÖGNI Gold or Higher, klimaaktiv Gütesiegel in Austria

<sup>13</sup> This includes the acquisition of tax incentives for building-related renovations and improvements under the "Superbonus 110%" introduced by the Italian Government with the relaunch decree (Decreto Rilancio) in July 2020. This also includes similar initiatives from other European countries.

Eligible Categories	Examples of Eligible Projects	European Environmental Objectives <sup>7</sup>	UN SDGs
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>Waste collection, process, disposal and recycling (including related technologies and infrastructure)</li> </ul>	Transition to a Circular Economy	
<b>Sustainable water and wastewater management</b>	<ul style="list-style-type: none"> <li>Water management</li> <li>Waste-water treatments</li> </ul>	Sustainable use and protection of water and marine resources	

## Social Projects

For the avoidance of doubt, the relevant target population of each social category is to be identified with the geographies where UniCredit is active.

Eligible Categories	Examples of Eligible Projects	Target population	UN SDGs
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>Construction of hospitals and healthcare facilities</li> <li>R&amp;D and construction of medical equipment/healthcare technology</li> </ul>	<ul style="list-style-type: none"> <li>People in need of medical care</li> </ul>	
<b>Social Assistance</b>	<ul style="list-style-type: none"> <li>Construction of kindergartens, homes for the elderly, for disabled or for vulnerable people.</li> </ul>	<ul style="list-style-type: none"> <li>Elderly, disabled and vulnerable people</li> </ul>	
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>Access to affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>Low income population<sup>14</sup></li> <li>People living without adequate housing</li> </ul>	
<b>Support to disadvantaged areas</b>	<ul style="list-style-type: none"> <li>Financing small and medium-sized enterprises (SMEs)<sup>15</sup> in deprived areas<sup>16</sup> or affected by natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>SMEs located in economically underperforming areas</li> </ul>	
<b>Education</b>	<ul style="list-style-type: none"> <li>Construction of schools, universities, campuses</li> </ul>	<ul style="list-style-type: none"> <li>Entire population</li> </ul>	
<b>Social Impact Banking</b>	<ul style="list-style-type: none"> <li><b>Impact financing:</b> Projects and initiatives that, in addition to generating economic returns, have objectives of social, positive, tangible, and measurable impacts.</li> <li><b>Microcredit loans</b> Individual and small companies with limited or no access to credit</li> <li>Social mission oriented organisations and religious bodies</li> </ul>	<ul style="list-style-type: none"> <li>Organisations (profit and non-profit) generating proved and measurable social outcomes</li> <li>Individual and small companies with limited or no access to credit</li> </ul>	   

<sup>14</sup> As per the income criteria defined by the relevant state where assets are located

<sup>15</sup> [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>16</sup> Deprived areas are defined according to the NUTS2 Mapping disadvantaged Areas Model, which is based on macroeconomic indicators (i.e. unemployment rate, GDP per capita, etc.)

# 4. Project Evaluation and Selection Process

UniCredit will govern the Framework through a Sustainability Bond Panel (SBP).

The SBP includes senior management representatives of products, business lines and competence lines (e.g. finance, treasury, lending and risk management, sustainability functions, investor relations and other relevant functions). The composition of the SBP ensures an adequate representation of global functions as well as of local issuing entities.

The Sustainability Bond Panel is responsible for:

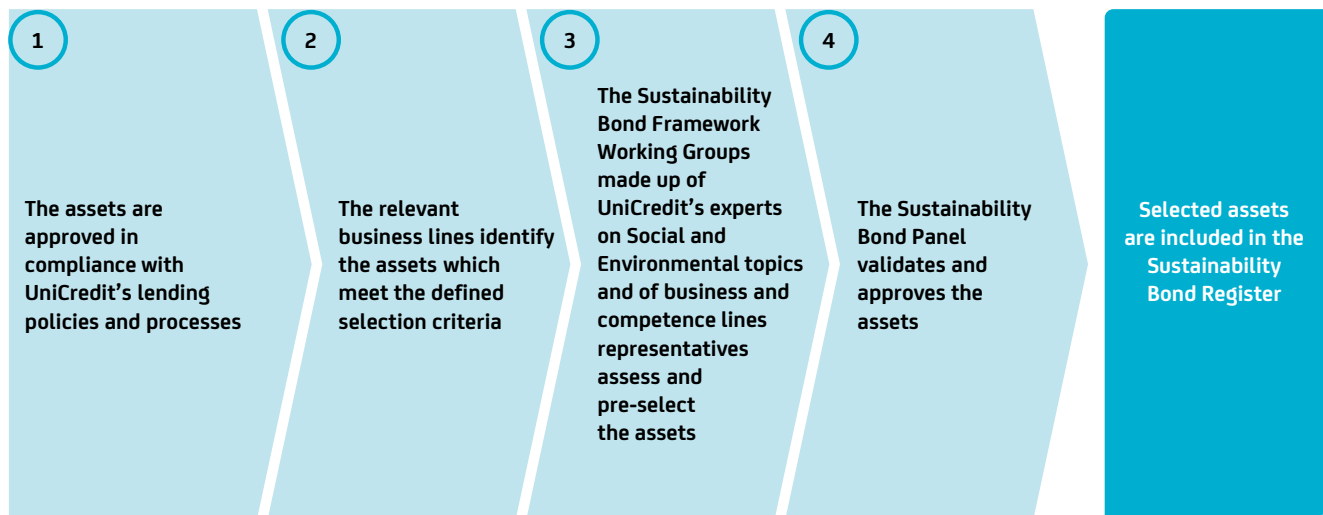
- Ensuring that the Eligible Categories and related specific criteria defined in the Framework are duly applied in any project/loan selected and any local issuing entity
- Reviewing and updating periodically the Framework, to maintain the document aligned with best market practices and requirements
- Supervising the reporting activity of the outstanding bonds issued under this Framework
- Validating the project/loans pre-selected for allocation on each issuance by the supporting Sustainability Bond Framework Working Groups (described below)
- Periodically updating the list of the project/loans included in any specific bond of the local issuing entity and maintaining and updating the Sustainability Bond Register (the “Register”)

The SBP is supported by Sustainability Bond Framework Working Groups composed of UniCredit’s experts on Social and Environmental topics and of further business and competence lines representatives assessing and pre-selecting the assets.

The Sustainability Bond Framework Working Groups are responsible for:

- Assessing and pre-selecting the assets to be included in the specific bond of the local issuing entity
- Proposing the allocation of proceeds for specific issuances and monitoring them after issuance

## Key steps in the project evaluation, selection and allocation process





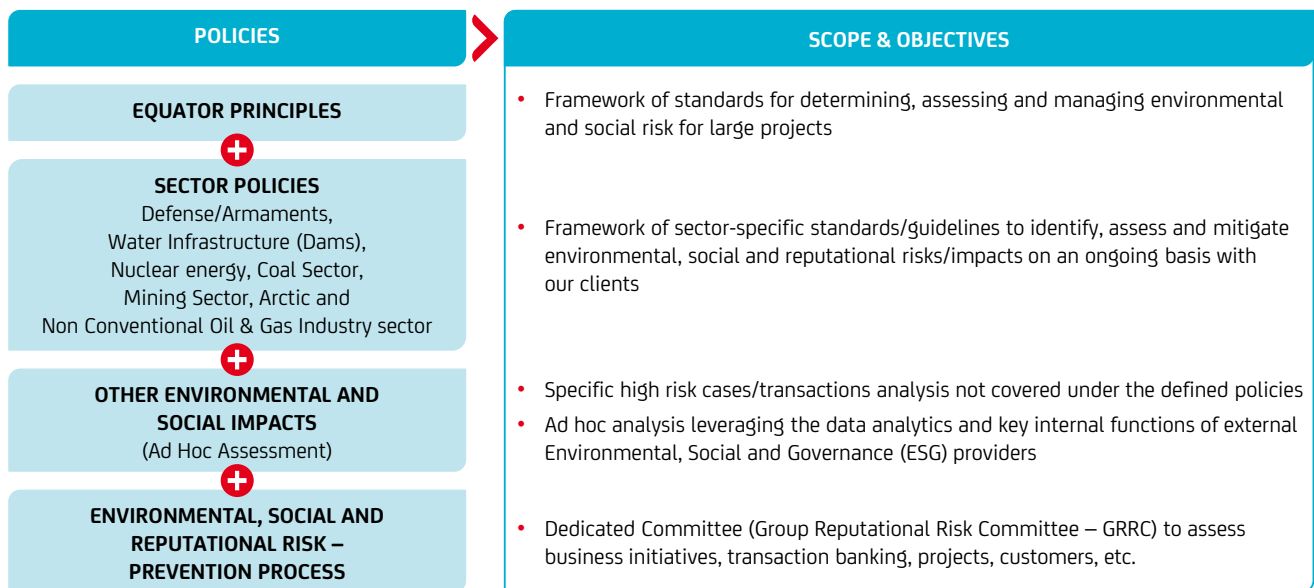
All projects financed by UniCredit must strictly comply with the relevant internal lending procedures.

Eligible assets will be recorded in a Register and tracked for the purposes of allocation of proceeds for each bond. UniCredit has a process in place to identify mitigants to known material risks of negative social and/or environmental impacts.

The environmental and social risk assessments are guided by UniCredit’s environmental, social, operational and reputational risk sector policies as well as by the UniCredit’s human rights commitment. When applicable, the Equator Principles<sup>17</sup> also apply.

UniCredit has also established the Group Reputational Risk Committee (“GRRC”), which is responsible for the assessment of the reputational risks of initiatives, transaction banking, projects, customers and other business activities. The GRRC supports the Group Chief Risk Officer (“CRO”) on governance guidelines for the management of the reputational risk on sensitive sectors and customer relationships, the related mitigation actions and all the other relevant topics submitted by the Reputational Risk function.

## How UniCredit mitigates environmental, social and reputational risks



<sup>17</sup> <https://equator-principles.com/>

# 5. Management of Proceeds

To ensure that proceeds are allocated in accordance with this Sustainability Bond Framework, the Working Group of each issuing legal entity of the bank will track investments in selected eligible assets recorded in the Sustainability Bond Register.

The Register will include on a best effort basis the following information:

1. Bond details: ISIN, issue date, maturity date, etc.
2. Green, Social and Sustainability Bond Portfolio: - Eligible Category utilized - amount of eligible assets outstanding per Eligible Category - Country, nature and maturity of the eligible assets contained in the Portfolio - Expected social and/or environmental benefits

On a quarterly basis, the assets are monitored to ensure the timely replacement of the assets which have matured, were repaid or, for any reason, are no longer meeting the selection criteria.

Pending allocation or reallocation to eligible projects, an amount equal to the net proceeds of the bonds will be held in accordance to UniCredit usual liquidity management policy (including treasury liquidity portfolio, cash, time deposit with banks or other form of available short term (e.g. Commercial Paper Program, Bank Credit Line)). For the avoidance of doubt, UniCredit confirms that any investment of the liquidity will not be linked to the financing of activities which may conflict with the environmental and social objectives of the UniCredit Sustainability Bond Framework.

UniCredit will monitor the investments of the proceeds allocated to eligible assets, through the review of the external auditor. This monitoring of the funds is integrated into the annual reporting and further described in section 7. "External review" below.

# 6. Reporting

UniCredit will make available a Sustainability Bond Allocation Report. Such report will initially be issued the earliest one year after the issuance of the first bond and then annually until maturity. The Sustainability Bond Allocation Report will be made available for each bond under this Framework and will include:

- Total amount of bonds outstanding
- Total amount allocated to Eligible Projects
- Total amount allocated per Eligible Category
- The remaining unallocated total amount
- The amount or the percentage of new financing and refinancing

In addition, an Impact Report will be made publicly available on the expected environmental and/or social impacts of the Eligible Projects on at least an annual basis, subject to the availability of the relevant data<sup>18</sup>.

Qualitative reporting such as project descriptions or case studies might be provided instead of key environmental impact indicators, should these not be available.

Annual Bond Allocation Reports and Bond Impact Reports will be made available to investors through the UniCredit website until maturity.

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<sup>18</sup> Please refer to the Annex 1 for examples of potential key social and environmental impact indicators

# 7. External Review

This Framework obtained a Second Party Opinion (SPO), available on the UniCredit website under:

<https://www.unicreditgroup.eu/en/investors/esg-investors/sustainability-bonds.html>

The SPO provides investors with an independent assessment on the expected environmental benefits of the Bond assets as well as the certification of its compliance with the Principles.

An external verification on the Bond Allocation Report will be provided by a third party ESG agency or financial auditor until maturity of the notes.

The external auditor will verify the consistency of the impact and allocation report until bond maturity.

## ANNEX 1: EXAMPLES OF POTENTIAL KEY SOCIAL AND ENVIRONMENTAL IMPACT INDICATORS

Eligible Sustainable Categories	Examples of Potential Key Environmental Impact Indicators
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>• Annual renewable energy generation in MWh/GWh</li> <li>• Capacity of renewable energy systems installed in MW</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh</li> <li>• Annual GHG emissions reduced/avoided in tonnes of eq. CO2</li> <li>• Gross Building Area</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Number of trains deployed</li> <li>• Number of km of new electric train lines created/maintained</li> <li>• Number of km of new electric bus lines created/maintained</li> <li>• Number of passengers transported per year</li> <li>• Number of electric vehicles purchased/relevant infrastructure deployed</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>• % of waste recycling</li> <li>• Tonnes of waste processed</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• m3 of water transported/processed</li> <li>• Km of water pipeline constructed/renewed</li> <li>• Water savings</li> </ul>
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>• Number of hospital beds</li> <li>• Number of medical examinations</li> </ul>
<b>Social Assistance</b>	<ul style="list-style-type: none"> <li>• Number of beds</li> <li>• Number of beneficiaries</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• Number of students served</li> </ul>
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>• Number of beneficiaries of social infrastructures</li> </ul>
<b>Employment generation</b>	<ul style="list-style-type: none"> <li>• Number of SME financed</li> <li>• Number of employees working in the SME financed</li> </ul>
<b>Social Impact Banking</b>	<ul style="list-style-type: none"> <li>• Number of beneficiaries, Number of organisations supported</li> <li>• Outputs: Number of places available for the service provided</li> <li>• Outcomes: Number of people from disadvantaged and vulnerable groups who improve their material living conditions</li> </ul>



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