

# Tobacco Sector

Commitment

*The financial sector plays an important role in the economy with a responsibility to ensure stable markets and support for the real economy. Banks carry a crucial responsibility here, enabling the future by financing a fair and just transition and empowering our communities to progress.*

## **Our environmental and social commitment**

ESG considerations are fundamental to every decision we make and every action we execute. They are a central part of how we do business. Fulfilling our purpose of empowering communities to progress would not be possible without the highest ESG standards across our bank.

Steering our behaviour with clear commitments and evolving our risk and lending approach are among the building blocks to deliver sustainable value. We work in partnership with our clients to identify, assess and manage social and environmental risks and impacts in a structured way on an ongoing basis.

UniCredit acknowledges that preserving our ecosystems is key to sustainable economic development. Climate change and the extreme weather events it has generated, as well as loss of biodiversity, soil degradation and water scarcity are undermining human activities and increasing related costs. In recent years, we have engaged in a series of initiatives aimed at reducing the direct and indirect impacts of our operations. In October 2021, UniCredit joined the Net-Zero Banking Alliance (NZBA), an industry-led, UN-convened alliance of banks worldwide, committed to aligning their lending and investment portfolios with net-zero emissions by 2050 or sooner, in line with the most ambitious targets set by the Paris Climate Agreement<sup>1</sup>. UniCredit is committed to reaching net-zero emissions across our operations by 2030 and across our financed activities by 2050. UniCredit is also the first Italian bank among 15 financial institutions to sign up to the Finance for Biodiversity Pledge and a Member of the Ellen McArthur Foundation international charity network in support of our efforts to accelerate the circular economy transition across our countries.

In recognition of the crucial importance of human rights, (e.g., forced/child labour, the health and safety of workers and communities, the rights of indigenous peoples, etc.), we believe that negative impacts of specific projects on ecosystems, communities and the climate must be avoided. As stated in our [Human Rights Commitment](#), we take into consideration the major accepted international standards, conventions, principles, guidelines and recommendations on the matter, such as The Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework and all Enterprises (2011 edition) – the UN Global Compact principles.

Our Group is fully committed to supporting our clients and communities through a fair and just transition, which takes into consideration all relevant social aspects.

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<sup>1</sup> The NZBA is convened by the United Nations Environment Programme Finance Initiative and is the banking element of the Glasgow Financial Alliance for Net Zero.

# Our position on tobacco

The consumption of tobacco products is widely known to be detrimental to one's health. In addition to causing death, disease, and disability, the tobacco sector can also have negative environmental and human rights impacts<sup>2</sup>. Cigarette filters are the number 1 plastic found in the oceans and tobacco accounts for 5% of global deforestation. Furthermore, tobacco's annual contribution to climate change, in terms of greenhouse gas emissions, is equivalent to Peru or Israel.<sup>3</sup>

UniCredit has signed the [Tobacco Free Finance Pledge](#)<sup>4</sup> with the aim to have an active role in addressing global environmental and social priorities, as outlined in the United Nations' Sustainable Development Goals (SDGs), including SDG 3 - Health and Well-Being and SDG 17 - Partnerships for the Goals, and recognised by the World Health Organization Framework Convention on Tobacco Control. This is further highlighted in the Tobacco Free Portfolio Toolkit<sup>5</sup>, which outlines all the impacts of tobacco on the achievement of the SDGs.

**UniCredit will exit the tobacco industry by the end of 2025.** This refers to our exposure to manufacturers and producers of tobacco products.<sup>6</sup>

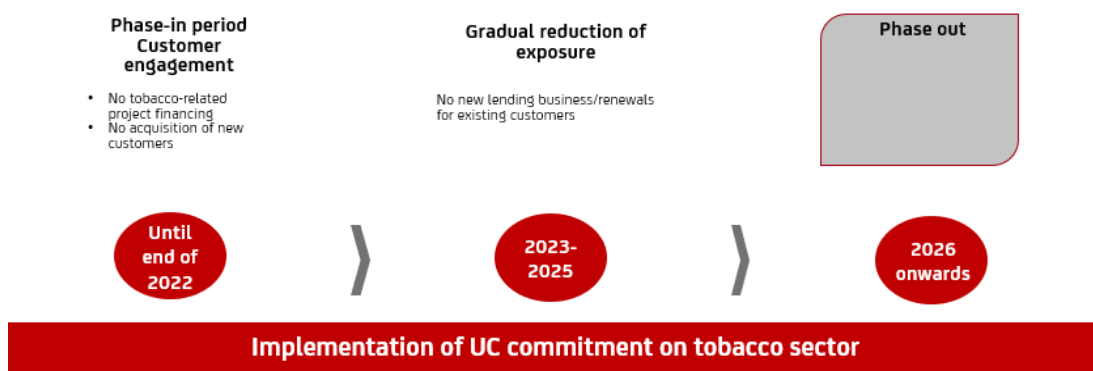
The Tobacco-Free Finance Pledge builds on key global finance initiatives such as the Investor Statement in Support of World No Tobacco Day, produced in 2017 by the UN-supported Principles for Responsible Investment (PRI), UN Environment Programme Principles for Sustainable Insurance (PSI) and Tobacco Free Portfolios. Together with the other institutions who joined the Pledge, we aim to raise awareness among financial institutions of the essential role the finance sector must play to assist effective tobacco control and to encourage the transition towards tobacco-free finance policies.

**2022 represented a 1-year phase-in period to start our customer engagement.** We are engaging with our current clients explaining the above reasons and introducing the application of our commitment. **In this period, UniCredit did not acquire new customers in the tobacco sector and at the same time did not allow any tobacco-related project financing.**

Starting from 2023 also any new lending business as well as any renewals for existing customers in the tobacco sector will not be supported.<sup>7</sup>

**From 2026 we will phase out** the relationships with all manufacturers and producers of tobacco products.<sup>8</sup>

Our commitment is applied to all countries where we operate and to all UniCredit business lines.



<sup>2</sup> In a report issued in March 2017, the International Labor Organization stated that "in tobacco growing communities, child labor is rampant".

Source: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_545944.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_545944.pdf)

<sup>3</sup> Source: The Tobacco Industry and the Environment Report dated June 2021 by Stop., a partnership between the Tobacco Control Research Group at the University of Bath, the Global Center for Good Governance in Tobacco Control, the International Union Against Tuberculosis and Lung Disease and Vital Strategies, with US \$20 million in funding to launch the partnership from Bloomberg Philanthropies

<sup>4</sup> The Tobacco-Free Finance Pledge is founded by international organisation Tobacco Free Portfolios, which has been calling on financial institutions worldwide since 2018 to divest from the tobacco industry. It was developed in partnership with the United Nations (more specifically the UN-supported Principles for Responsible Investment, the UN Environment's Principles for Sustainable Insurance and the UN Environment Programme Finance Initiative) and four founding institutions.

<sup>5</sup> <https://www.unepfi.org/psi/wp-content/uploads/2020/07/TFP-Toolkit-12th-Edition-June-2020-Digital.pdf>

<sup>6</sup> Distributors of tobacco products and producers of package for tobacco products are not in scope

<sup>7</sup> Except for renewal/extension of guarantees and derivative business (FX and Interest Rate) with existing customers.

<sup>8</sup> Existing guarantees and derivative business will go to their planned expiration.