UniCredit ESG Product Guidelines Summary

Index

1. Sustainability at UniCredit 3
2. Scope of application 4
3. Lending Products 6
   3.1 Green Financing 8
   3.2 Transition financing 12
   3.3 Social Financing 15
   3.4 Sustainability-Linked Products 16
4. Corporate Bonds 17
5. Investment products 18
   5.1 Criteria definition/application 19
6. Governance and Processes 21
7. Marketing & Communication of products, services, initiatives 22
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**.
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.¹

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.

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.

<table>
<thead>
<tr>
<th>Use of Proceeds</th>
<th>Green Financing</th>
<th>Transition Financing</th>
<th>Social Financing</th>
<th>Contingent products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green</strong></td>
<td>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.</td>
<td>Financing supports a business transition to a low-carbon or green economy. It can only be provided to companies committed to reducing their carbon footprint or to net-zero emissions targets and are making the necessary investments to achieve these goals.</td>
<td>Financing, based on the current UniCredit Group Social Taxonomy, aims at providing access to financial services for vulnerable categories and supporting companies to become more socially oriented.</td>
<td>Products are any type of financial instruments and/or contingent facilities which incentivize client’s achievement of ambitious, predetermined sustainability performance objectives.</td>
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</table>
3. Lending Products

3.1 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 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 principles. Currently UniCredit is considering the economic activities substantially contributing to Climate change mitigation and Climate adaptation objectives.

A: 1. Climate change mitigation;
   2. Climate change adaptation;
   3. The sustainable use and protection of water and marine resources;
   4. The transition to a circular economy;
   5. Pollution prevention and control;
   6. The protection and restoration of biodiversity and ecosystems.

B: 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 and associated with the applicable Sustainable Development Goals (SDGs), are the following:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Eligible Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy or other Energy related activities</td>
<td>Loans to corporates financing projects aimed at the construction, acquisition or revamping of facilities generating energy from renewable sources (see following list):</td>
</tr>
</tbody>
</table>

**Electricity generation using renewable sources**
- Electricity generation using solar photovoltaic technology
- Electricity generation using concentrated solar power (CSP) technology
- Electricity generation from wind power
- Electricity generation from ocean energy technologies

**Production/Cogeneration of heat/cool and power from renewable sources**
- Cogeneration of heat/cool and power from solar energy
- Cogeneration of heat/cool and power from geothermal energy
- Cogeneration of heat/cool & power from renewable non-fossil gaseous & liquid fuels
- Cogeneration of heat/cool and power from bioenergy
- Production of heat/cool from solar thermal heating
- Production of heat/cool from geothermal energy
- Production of heat/cool from renewable non-fossil gaseous and liquid fuels
- Production of heat/cool from bioenergy
- Electricity generation from hydropower
- Electricity generation from geothermal energy
- Electricity generation from renewable non-fossil gaseous and liquid fuels
- Electricity generation from bioenergy

Loans towards companies aimed at financing the following economic activities, respecting the criteria listed:
- Transmission and distribution of electricity
- Storage of electricity
- Storage of thermal energy
- Storage of hydrogen
- Manufacture of biogas and biofuels for use in transport and of bioliquids
- Transmission and distribution networks for renewable and low-carbon gases
- District heating/cooling distribution
- Installation and operation of electric heat pumps
3. Lending Products

## 3.1 Green Financing

<table>
<thead>
<tr>
<th>Sector</th>
<th>Eligible Activities</th>
</tr>
</thead>
</table>
| Energy Efficiency programs (Corporate) and other Construction related activities + EU/National programs | Loans to companies aimed at financing the following economic activities, respecting the criteria listed:  
• New Buildings construction  
• Acquisition and ownership of buildings  
Loans to companies aimed at financing the following economic activities, respecting the criteria listed:  
• Installation, maintenance, and repair of energy efficiency equipment  
• Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)  
• Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings  
• Installation, maintenance and repair of renewable energy technologies  
Loans issued under environmental programs aligned with EU/National authorities (e.g., Sace Green in Italy, KfW and LfA programs in Germany) and designed to support overall energy efficiency in general, including industrial facilities, processes, technologies, environmental improvement of vehicles |

| Energy Efficiency programs – Individuals + EU/National programs | INDIVIDUALS: Loans to individuals/households in the form of GREEN MORTGAGE, respecting the criteria listed (Definition in line with Energy Efficient Mortgage from EEMI and based on UniCredit’s Sustainability Bond Framework - SBF)  
Loans intended to finance the purchase/construction and/or renovation of both residential (single family & multi-family) and commercial buildings  
Loans issued under environmental programs aligned with EU/National authorities (e.g., Super bonus 110% in Italy, KfW and LfA programs in Germany) and designed to support overall energy efficiency in general, including industrial facilities, processes, technologies, environmental improvement of vehicles |

3.1 Green Financing
3. Lending Products

3.1 Green Financing

<table>
<thead>
<tr>
<th>Sector</th>
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</tr>
</thead>
</table>
| Manufacturing                 | Loans to companies aimed at financing the following economic activities, respecting the criteria listed:                                                                                                        • Manufacture of renewable energy technologies  
• Manufacture of batteries (rechargeable batteries, battery packs and accumulators and their respective components), including from secondary raw materials, which result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications. The economic activity recycles end-of-life batteries  
• Manufacture of low carbon technologies for transport  
• Manufacture of energy efficiency equipment for buildings  
• Manufacture of other low carbon technologies  
• Manufacture of equipment for the production and use of hydrogen |
| Transport                     | Loans to companies aimed at financing the economic activities related to the Transport Sector, respecting the criteria listed:                                                                                                       • Operation of personal mobility devices, cycle logistics  
• Infrastructure for personal mobility, cycle logistics  
• Infrastructure for rail transport  
• Infrastructure enabling low-carbon road transport and public transport  
• Infrastructure enabling low-carbon water transport  
• Low carbon airport infrastructure |
| Water supply, sewerage, waste management and remediation | Loans to companies aimed at financing the following economic activities, respecting the criteria listed:                                                                                                                         • Construction, extension and operation of water collection, treatment and supply systems  
• Renewal of water collection, treatment and supply systems  
• Construction, extension and operation of wastewater collection and treatment  
• Renewal of wastewater collection and treatment  
• Collection and transport of non-hazardous waste in source segregated fractions  
• Anaerobic digestion of sewage sludge  
• Anaerobic digestion of bio-waste  
• Composting of bio-waste  
• Material recovery from non-hazardous waste  
• Landfill gas capture and utilization  
• Transport of CO2  
• Underground permanent geological storage of CO2 |
### 3. Lending Products

#### 3.1 Green Financing

<table>
<thead>
<tr>
<th>Sector</th>
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</tr>
</thead>
</table>
| Forestry and environmental protection and restoration activities | Loans to companies aimed at financing the following economic activities, respecting the criteria listed:  
  - Afforestation  
  - Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event  
  - Forest management  
  - Conservation forestry  
  - Restoration of wetlands |
| Information and communication               | Loans to companies aimed at financing the following economic activities, respecting the criteria listed:  
  - Data-driven solutions for GHG emissions reductions |
| Professional, scientific and technical activities | Loans to companies aimed at financing the following economic activities, respecting the criteria listed:  
  - Close to market research, development, and innovation  
  - Research, development, and innovation for direct air capture of CO2  
  - Professional services related to energy performance of buildings |
3. Lending Products

### 3.2 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
- general purpose products measuring the sustainability performance through emission reduction KPIs in alignment to 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 applies to companies operating in specific high carbon intensity sectors (Net Zero Sectors as defined by Net Zero Banking Alliance).

In particular it applies to those companies operating in those Net Zero Sectors for which UniCredit has publicly disclosed specific financed emission reduction targets (https://www.UniCreditgroup.eu/en/esg-and-sustainability/net-zero.html).
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.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Eligible Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>• Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle</td>
</tr>
<tr>
<td></td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td>• Electricity generation from nuclear energy in existing installations</td>
</tr>
<tr>
<td></td>
<td>• Electricity generation from fossil gaseous fuels</td>
</tr>
<tr>
<td></td>
<td>• High-efficiency co-generation of heat/cool and power from fossil gaseous fuels</td>
</tr>
<tr>
<td></td>
<td>Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system</td>
</tr>
</tbody>
</table>
3.2 Transition financing

Manufacturing
- Manufacture of cement
- Manufacture of aluminum
- Manufacture of iron and steel
- Manufacture of carbon black
- Manufacture of soda ash
- Manufacture of chlorine
- Manufacture of organic basic chemicals
- Manufacture of nitric acid
- Manufacture of plastics in primary form

Transport
- Passenger interurban rail transport
- Freight rail transport
- Urban and suburban transport, road passenger transport
- Transport by motorbikes, passenger cars and light commercial vehicles
- Freight transport services by road
- Inland passenger water transport
- Inland freight water transport
- Retrofitting of inland water passenger and freight transport
- Sea and coastal freight water transport, vessels for port operations and auxiliary activities
- Sea and coastal passenger water transport
- Retrofitting of sea and coastal freight and passenger water transport

Construction & Real Estate
- Renovation of existing buildings

Information and communication
- Data processing, hosting and related activities
3. Lending Products

3.3 Social Financing

Social Financing aims at providing access to financial services for vulnerable categories and supporting companies to become more socially oriented.

Social financing products within the current UniCredit Group Social Framework supports individuals and micro enterprises with sustainable business projects that could potentially be excluded from the traditional banking offer, as well as companies and organizations promoting projects and initiatives that, in addition to generating an economic return, have objectives of positive, tangible and measurable social impact.

Social Financing perimeter consists of 4 categories:

- **Inclusive Financing**: It aims at including those at risk of economic and social exclusion. It supports through Microcredit micro enterprises with sustainable business projects, but potentially excluded from the traditional banking offer. Inclusive finance is also targeted at start-ups, female entrepreneurship (with companies either of small or medium size), fragile people (e.g. students, women victims of violence, disabled, elderly, minorities), young people.

- **Impact Financing**: It supports Projects and Initiatives that, in addition to generating economic returns, have objectives of positive, tangible, and measurable social impacts. Also, it supports transformational investments of companies to become more ESG oriented and the transformation of society vs Sustainable Development Goals (SDGs).

- **Social Housing**: It supports real estate and urban interventions that aims to help low-income people to access decent housing at affordable prices. Social Housing projects should combine Real Estate assets together with social factors, such as housing emergency, access to energy-efficient housing, shared spaces open to citizenship to facilitate social integration.

- **Loans with high impact on society**: Other Medium Long-Term Loans with high impact on society and vs United Nation’s Sustainable Development Goals, such as loans to Not for profit organizations, loans to religious bodies, loans supporting the realization of health and social infrastructures.

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A Less than 10 employees and turnover less than €2mln. / B Companies set up 3 years or less from the date of the disbursement of the loan. / C UN Sustainable Development Goals.
3. Lending Products

3.4 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 (malus)/step-down (bonus) mechanism is applied at the achievement/non achievement of one or more of the pre-selected SPTs.

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 (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 (the so-called **art. 9 SFDR** products).

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3 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

### Mandatory exclusions
(based on revenues %)

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

### Additional exclusions
(based on stricter revenues %)

1. Thermal coal production or production of energy from thermal coal
2. Hydrocarbon 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).

For investment products distributed via advice, a grace period can be agreed with ESG central function for aligning processes to the provisions of the Guidelines.

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.
6. 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*: 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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* 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.
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 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 are also evaluated.

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