

FINANCIAL MARKET PARTICIPANT PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS STATEMENT

Scope

This document describes the general sustainability policy ČSOB Poistovňa, a.s. applies in its investment making decision process for the investments made for its own account. These investments are the covering assets both the life and non-life insurance liabilities, except for the unit linked insurance products („IŽP“).

For IŽP contracts, we refer to the policies for conventional and SRI (Socially Responsible Investment) funds managed by management companies from the KBC Group (KBC Asset Management NV, Belgium; KBC Asset Management SA, Luxembourg; KBC Fund Management Limited, Ireland, and ČSOB Asset Management, a.s., Investment Company, Czech Republic; hereinafter “KBC AM”). Since the funds underlying the assets for IŽP are managed by KBC AM, ČSOB Poistovňa, a.s. has decided to fully accept the sustainability policy applied by KBC AM for their conventional and SRI funds.

Sustainability Risks

ČSOB Poistovňa, a.s. understands sustainability risk as the risk that the return of investments may be negatively affected by environmental, social or governance risks (ESG).

Environmental risk is defined as the risk that the return of investments may be negatively affected by environmental factors, including factors resulting from climate change and factors resulting from other environmental degradation. Social risk is defined as the risk that the return of investments may be negatively affected by social factors (e.g., labour disputes). Governance risk is defined as the risk that the return of investments may be negatively affected by governance factors (e.g., transparent corporate structure).

The nature of these risks varies along a time scale:

- In the short term, sustainability risk is typically event risk. Such risks typically only affect return if the event occurs. Examples of such events include an accident (resulting in litigation for example to compensate damage to the environment); court cases and penalties (for example for failing to respect social legislation); scandals (for example when a company gets bad publicity because human rights are not upheld throughout its supply chain or because a company’s products do not uphold the ESG standards it promises). These types of sustainability risks are deemed higher, when an issuer is less strict on ESG standards; and
- In the longer term, sustainability risk refers to risks that may develop over the long term, such as: exposure to business activities that may come under pressure due to climate change (for example parts of the automotive industry); changing product preferences from customers (for example an increased preference for more sustainable products); difficulties in recruiting; increased costs (for example insurance companies that face claims due to changing weather conditions). As this risk develops over the long term, companies can take steps to mitigate it e.g. by changing their product offer, improving their supply chains, etc.

In its decision related to investments, ČSOB Poist'ovňa, a.s. takes these sustainability risks into account by:

- (i) committing to the General exclusion policies of KBC Group:

In its [KBC Group Investment Policy](#) KBC Group determines it does not invest for its own account nor advise its clients to invest in financial instruments (shares, bonds and any other financial instrument) issued by “excluded counterparties”.

Excluded counterparties are counterparties which either:

- are listed on the KBC Blacklist: KBC group has been applying stringent ethical restrictions related to companies involved in controversial weapon systems and companies considered “worst offenders of UN Global Compact Principles (UNGC). ČSOB Poist'ovňa, a.s. does not invest in any company on the KBC Blacklist, described in the [KBC Group policy on blacklisted companies](#);
 - are listed on the KBC Human Rights Offenders List: companies seriously violating Human Rights are excluded. More information can be found in the [KBC Group Policy on Human Rights](#);
 - are government entities, public authorities, central and state-owned banks or state-owned companies within a country that is listed on the KBC Controversial Regimes List;
 - have activities related to tobacco;
 - banning soft commodities: KBC Group does not want to be involved in the speculation on food prices. In line with the [KBC Group Soft Commodity Policy](#), KBC Group will not invest in financial instruments linked to livestock and food prices.
- (ii) a new sustainable and responsible investing (“SRI”) policy, with stricter ESG standards and hence lower sustainability risk, was approved at the end of 2020 and is applied as from 2021 onwards. As ČSOB Asset Management, a.s., investiční společnost, Česká republika (ČSOB AM) already manages the bond and equity portfolio of ČSOB Poist'ovňa, a.s., their expertise on SRI investments is used and included in the new investment policy. This means that the exclusion criteria as defined for the SRI funds also apply to the investments of ČSOB Poist'ovňa, a.s. More information on these exclusion criteria is available on the website www.csob.sk.

Following exclusion criteria are in scope:

- **Controversial and conventional weapons:** in addition to the already KBC blacklisted companies based on controversial weapons, companies active in military contracting or the production or retail of small arms are excluded from investment,
- **Tobacco:** companies that manufacture tobacco products are excluded, as well as all companies deriving 10 % or more of their revenues from the distribution or retail sales of tobacco products (including wholesale trading),
- **Fossil fuels:** all companies in the energy sector are excluded from the investment universe of ČSOB Poistovňa, a.s., as well as companies that mine thermal coal. In addition, only utilities that strive to achieve reliable, safe and low-carbon energy efficiency electricity are eligible for investment by ČSOB Poistovňa, a.s.,
- **Gambling:** any company that derives 25% or more of its revenue from gambling is excluded,
- **Adult entertainment:** the policy excludes any company that obtains at least 5% of its revenue from the production or distribution of adult entertainment,
- **Fur and specialty leather:** companies deriving at least 5% of their revenues from the production or 10% of their revenues from the sale of fur or special leather are excluded,
- **In addition to the controversial regimes,** which are already excluded based on the general KBC Group Policy (see above), also **companies with activities in countries with controversial regimes** are excluded: any company that does not have a sound bribery and anti-corruption policy and/or is active in the energy or mining sector and that has such a strong presence in countries with controversial regimes that involvement with these regimes is likely, is excluded.

KBC Group works closely with an external panel of independent experts called the SRI Advisory Board. This Board advises on the sustainability policy. KBC sits down with them each quarter, challenging one another and exchanging different expert opinions. In this way, it is assured that the highest possible standards are met for sustainable investments.

From 2021 the new policy is applied to all new investments of ČSOB Poistovňa, a. s. (e.g. bonds) for the own account of the insurance company. Existing investments will be assessed according to the previous policy.

Shareholder Engagement

The investment policy of ČSOB Poistovňa, a.s. does not allow investment in individual shares. For this reason, ČSOB Poistovňa, a.s. does not directly exercise shareholder rights.

Ethical Standards

The KBC Group, to which ČSOB Poistovňa, a.s. belongs, is committed to the international business codes listed below, and ČSOB Poistovňa, a.s. aligned its investment policy and processes with them:

- United Nations Environmental Programme Finance Initiative (UNEP FI) Principles for Responsible Banking;
- The Collective Commitment to Climate Action, by which the KBC Group committed itself to stimulate the greening of the economy as much as possible and thus to limit global warming to well-below 2°C, striving for 1.5°C, in line with the Paris climate agreement;
- Tobacco-Free Finance Pledge which encourages financial institutions to divest from the tobacco industry; and
- United Nations Principles of Responsible Investments.

Sustainability is not part of a separate strategy but is fully integrated into the KBC Group corporate strategy. For more information, we refer to the KBC website and the annual Sustainability Report of KBC Group.