ESG policy – Sustainable Finance
KB as a Financial Advisor on Komerční pojišťovna (KP) product.

Sustainable Finance Disclosure Regulation (SFDR) came into effect on March 10th, 2021. The aim of the SFDR is to provide you, as an investor, with the information how Komerční banka, a.s. ("KB"), taking due account of its size, the nature and scale of its activities and the types of financial products it makes available, integrate sustainability risks into its investment decisions and considers principal adverse impacts of investment decisions on sustainability factors and sustainability risks. KB describes in its policies published on **www.kb.cz** how it integrates in its internal processes, the procedures for considering the principal adverse impacts alongside the relevant financial risks and relevant sustainability risks. The statement on principal adverse impacts of investments decisions and of investments and insurance advice on sustainability factors is also, in line with SFDR art.4, published on KB website. The sustainability risks mean an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment, as specified in specific sectoral legislation. Sustainability Risks can either represent a risk on their own or have an impact on other risks and may contribute significantly to such risks, such as (but not limited to) market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks are linked but not limited to climate-related events resulting from climate change (physical risks) or to the society's response to climate change (transition risks), which may result in unanticipated losses that could affect the relevant investments. Social events (e.g., inequality, inclusiveness, labor relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g., recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks. Except the general information required by SFDR and published on KB website, KB will fulfill in the precontractual information for each relevant financial product or service under SFDR the information duty.

I) INTEGRATION OF SUSTAINABILITY RISK IN INVESTMENT DECISION PROCESS (PROSPECTUS)

KB has access to KP ESG methodology to take into account sustainability risks in its investment advice.
KP, as a financial market participant, believe that the integration of factors such as environmental protection, social impacts and corporate governance into the investment process is important to achieve desirable financial returns and social value.

Sustainability risks do not fall on a guaranteed fund where appreciation is guaranteed. For other funds, the materialization of these risks may, in an extreme case, result in lower or negative returns. In the future, they also plan to assess sustainability risks for individual life insurance investment funds through a comprehensive set of questions for fund managers.

A) INCORPORATING SUSTAINABILITY RISKS INTO INVESTMENT DECISIONS AND THEIR IMPACT ON INVESTMENT RETURNS WITHIN INSURANCE PRODUCT

As part of the policies associated with Solvency 2 regulation, investment policy also includes an aspect relating to environmental and social risk management. KP pays particular attention to issues relating to socially responsible investment.

KP applies ESG criteria to guide the selection of securities, their holding in the portfolio or their disposal. With regard to the principle of prudent behavior, KP's investment process places great emphasis on an individual approach to investment selection in cooperation with specialists from Amundi and the Société Générale Group, which also uses the relevant ESG rating of the issuer.

As part of its investments in bonds and direct equity investments, KP applies the recommendations of the SG Group and does not allow investments in the following sectors:

- Tobacco (all issuers that produce tobacco and have at least 10% of their revenues derived from the distribution, supply, and licensing of tobacco-related products).
- Defence: companies engaged in the production of banned or controversial weapons.
- Coal: companies active in coal mining, and energy companies where more than 30% of their electricity generation comes from coal. Companies that have not made a public commitment to phase out thermal coal by 2030 (EU/OECD) or 2040 (rest of the world).
- Oil and Gas: companies for which more than 5% of turnover for new investments or more than 10% of turnover for securities already held is linked to the exploration, drilling, extraction or production of bituminous sands, oil or gas produced in the Arctic, shale oil or gas or in deep waters.
- Biodiversity: Producers and distributors with more than 25% of turnover related to palm oil facing unresolved land disputes; companies (any sector) facing severe controversies related to land use planning and biodiversity.

The portfolio monitoring process and its quality includes not only a regular portfolio assessment review, which consists of regular monitoring of the rating of individual issuers and monitoring of factors that could lead to impairment, but also the quality of the portfolio in terms of ESG criteria (monitoring of the ESG rating of individual issuers).