

Komerční banka, a.s. as a Financial Advisor providing investment advisory in relation to Amundi funds

New 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, considers principal adverse impacts of investment decisions on sustainability factors. 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 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, labour relations, investment in human capital, accident prevention, changing customer behaviour, 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. Although the Regulatory Technical Standards under SFDR are not yet approved by the European institutions, KB is still able to provide you with the high-level information about sustainability factors and risks under SFDR. Following the approval of the RTS, the information related to sustainability published on our website or provided in the pre-contractual documentation will be continuously updated.

1) INTEGRATION OF SUSTAINABILITY RISK IN INVESTMENT DECISION PROCESS

The sustainability risk is for the first time considered when KB selects a partner whose products are subject to investment advisory. KB ensures that the manufacturer of the investment instruments falling under SFDR comply with regulatory obligations but also with the commitments made by the Société Générale Group in terms of sustainability.

Amundi Czech Republic, investiční společnost, a.s., (“Amundi”) which products are subject to investment advisory provided by KB, implemented ESG principles in its internal processes and rules and as a financial market participant performs the best-in-class approach as a scoring methodology to measure the ESG performance of an issuer, e.g. its ability to anticipate and manage the sustainability risks and opportunities inherent to its industry and to its individual circumstances.

This approach is based on two main scoring methodologies:

- **ESG for corporate issuers** – where each issuer is assessed with a quantitative score scaled around the average of their sector, enabling to distinguish best-practices from worst practices at sector level in the field of Environment, Social and governance. The quantitative score is translated into a rating scale ranging from A for best-practices to G, for the worst-ones, to be excluded from actively managed funds.
- **ESG for sovereign issuers** – Amundi ESG sovereign scoring methodology aims at assessing the ESG performance of sovereign issuers. E, S and G factors can have an impact on the issuer’s ability to reimburse its debt in the medium and long-term. They can also reflect on how countries are faring in dealing with major sustainability issues that affect global stability.

KB is aware of its clients’ attraction to sustainable finance and its role as an investment advisor. In order to enable its clients to make all their decisions in an informed manner, KB ensures that they have all the information they need to consider ESG risks before making an investment decision. To do so, KB works in close collaboration with Amundi in order to ensure that the clients receive the precontractual information necessary for the proper information about ESG.

KB is aware that ESG integration can have a significant impact on financial return of the portfolio and as well on diversification, that can cause an impact on the risk. The assessment and integration of ESG criteria, particularly environmental and social criteria, into investment policies and corporate strategies fundamentally changes deeply and in many ways the risk/return trade-off, which remains an essential criterion for any investment decision making.

II) ADVERSE SUSTAINABILITY IMPACT

KB would like to inform the clients that it considers principal adverse impacts of Amundi products on sustainability factors in its investment advisory.

The aim of the present statement is to explain how the information contained in the Principal Adverse Impact Statement provided by Amundi as a Financial Market Participant is used to select the product that KB advise on.

The products currently included in investment advisory were generally developed before the entry into force of the SFDR and were not in all cases designed to take into account sustainability risks under SFDR by their manufacturers. Before taking into account all negative impacts on sustainability, KB, in its roles as financial advisor within investment advice, wishes to ensure that the regulatory texts governing this subject are stabilized and that the data transmitted by the manufacturers is reliable.

KB currently does not assess systematically principal adverse sustainability impact of investment decisions on sustainability factors in the extent required by current draft of Regulatory Technical Standards (“RTS”, not applicable from 10.3.2021) due to the fact that the process of applying of ESG criteria to the entire offer of investment funds has not been completed yet by Amundi. Amundi committed to complete these activities by the end of 2021.

However, we have to point out that KB selects the products for investment advisory and takes into account, among other issues (product risk, performance of the funds, fund focus) also some ESG criteria. The processes of evaluating and taking into account the ESG criteria within investment advisory will be gradually adjusted in order to fulfill all RTS requirements by the end of the year 2021 as required by regulatory authorities and according to the expanding offer of investment funds by Amundi.