



FEBRUARY 2024

## Statement of ČSOB Pojišť'ovna, a.s., a member of ČSOB Holding on the main adverse impacts of investment decisions on sustainability factors

### 1. Summary

ČSOB Pojišť'ovna, a.s., a member of ČSOB Holding, with registered office at Masarykovo náměstí 1458 53002, Pardubice - Zelené předměstí (hereinafter referred to as "ČSOB Pojišť'ovna"), takes into account the main adverse impacts of its investment decisions on sustainability factors. ČSOB Pojišť'ovna makes investments on its own account. These investments are cover assets for life and non-life insurance, with the exception of investment life insurance products. The principles described in this document apply to the underlying assets of life insurance products with an investment component managed by ČSOB Pojišť'ovna (the "Guaranteed" investment programme).

For life insurance products with an investment component of ČSOB Pojišť'ovna, whose underlying assets (funds) are managed by KBC Asset Management NV ("KBC AM") or ČSOB Asset Management, a.s., an investment company, we refer to the policies of conventional and responsible funds of these companies, which ČSOB Pojišť'ovna has decided to fully adopt. The same applies to the underlying assets of single premium life insurance products managed by Československá obchodní banka, a.s. or ČSOB Asset Management, a.s., an investment company.

This document describes how ČSOB Pojišť'ovna integrates the key **adverse impact indicators (PAIs)** as described in the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR), as well as the principles for identifying and prioritising adverse sustainability impacts. According to the SFDR, the definition of PAI is as follows: "Adverse, significant or likely significant impacts on sustainability factors that are caused by, compounded by or directly related to investment decisions and advice made by a legal person." The SFDR framework requires consideration of 18 mandatory indicators relating to greenhouse gas emissions, biodiversity, water, waste and social indicators applied to companies, states and multinational companies, as well as real estate. In addition, the SFDR defines 22 additional climate and environmental indicators, as well as 24 additional indicators for social and employment issues, respect for human rights, and the fight against corruption and bribery. ČSOB Pojišť'ovna will report on the selection of additional indicators and integrate them.

The main adverse impacts on sustainability are mostly covered/followed by the implemented KBC AM **exclusion policies**. A number of activities are excluded for all KBC AM investment funds, not only responsible ones, and ČSOB Pojišť'ovna's

own investments. Companies involved in controversial weapons, thermal coal or tobacco products are excluded. The worst violators of the principles of the UN Global Compact and companies that seriously violate human rights are also excluded. Sovereign bonds from countries with the most controversial regimes are excluded and ČSOB Pojišťovna will not invest in financial instruments linked to livestock and food prices.

KBC AM's Responsible Investment Funds take into account all of the indicators of Principal Adverse Impacts of Investment Decisions on Sustainability Factors ("PAIs") listed in Table 1 of Annex 1 of Delegated Regulation (EU) 2022/1288 and the corresponding indicators of Principal Adverse Impacts of Investment Decisions on Sustainability Factors in Tables 2 and 3 of Annex 1 of Delegated Regulation 2022/1288 through the norms-based screening and ESG Risk Rating screening for companies and through the ESG screening for countries as well as through the exclusion of countries not respecting meeting the sustainable principles criteria and controversial regimes.

A number of other activities are excluded from ČSOB Pojišťovna's own investments. Companies that do not meet the most important international norms or standards are excluded. These include, for example, the principles of the UN Global Compact, the International Labour Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals. Also excluded are companies involved in major litigation involving environmental, social or governance issues. Companies involved in military procurement or small arms are also excluded. In addition, restrictions apply to companies involved in gambling, adult entertainment, fur, specialty leather products and companies having a negative impact on biodiversity. Also excluded are countries not meeting the sustainable criteria, controversial regimes and countries ranked in the worst 10% by ESG scoring. Also excluded are companies with high ESG risk scores and all companies based in countries that encourage unfair tax practices. Ad hoc exclusion or reassessment of a particular company is possible based on the recommendation of the Responsible Investment Advisory Committee.

*For more information, see [General exclusion policies for conventional and Responsible Investing funds](#) and [Exclusion policies for Responsible Investing funds](#)*

Compliance with the Exclusion Policy is monitored in KBC Group's internal processes before and after the transaction.

Under the regular funds, many of the main adverse impacts are explicitly addressed through exclusion policies. For all actively managed funds, companies in worst violation of the UN Global Compact principles and companies involved in controversial arms and energy coal are excluded, and for state-related instruments (sovereign bonds), controversial regimes are excluded. Therefore, PAIs 10 (Violations of the UN Global Compact Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises), 16 (Countries invested in by companies with violations of social principles), 14 (Controversial weapons) and 4 (Exposure to fossil fuel companies) are taken into account. Some specific exclusion criteria apply to passive funds and structured and third party funds managed by KBC Group. Different PAIs are therefore considered depending on the investment strategy of the fund. However, for each of these funds, at least PAI 14 (Controversial Weapons) is taken into account at product launch.

In addition, some of these major adverse impacts are also explicitly addressed through KBC AM's Voting Rights Policy. KBC AM exercises voting rights on shares held in managed funds. Under this Voting Rights Policy, KBC AM speaks at shareholder meetings and engages with companies because KBC AM believes that shareholder engagement can have a positive impact on the companies in which the Managed Funds invest in the medium and long term.

*For more information, please visit:*

[https://multimediafiles.kbcgroup.eu/ng/feed/AM/funds/AF/Proxy\\_Voting\\_Codex/Proxy\\_Voting\\_and\\_Engagement\\_Activity\\_Report\\_EN.pdf](https://multimediafiles.kbcgroup.eu/ng/feed/AM/funds/AF/Proxy_Voting_Codex/Proxy_Voting_and_Engagement_Activity_Report_EN.pdf)

## 2. Description of the main adverse impacts on sustainability factors

In this report, we qualitatively describe how the main adverse sustainability impacts are accounted for in the Exclusion Policies for conventional funds and how they are accounted for in the Positive Selection Methodology. We also provide the quantitative impact of each of the adverse impacts over the past period. Input will be obtained primarily from our data providers, Trucost, Morningstar Sustainalytics and MSCI.

In its sustainability report, KBC Group describes the first assessment of the Greenhouse Gas (GHG) intensity of its investments on behalf of clients at Asset Management level. This report can be found via this link [KBC Group Sustainability Report 2021](#).

### Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact (2022)	Explanation	Actions taken, Actions planned and targets set for the next reference period		
<b>Climate and other environment-related indicators</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1 675 tCO2e	Absolute emission data from Trucost in tonnes of CO2 equivalent are used to calculate this PAI. Please note that for scope 3 GHG emissions this is for more than 90% of covered companies based on some form of estimates.  To assign absolute emission data to an investment the fraction of enterprise value we own is used. All assigned values in this way are summed to report an entity level absolute emission number.	Within the Responsible Investing funds, the greenhouse gas emissions are taken into account through the normative screening and ESG risk score for companies, Within the Responsible funds, targets on GHG emissions (based on GHG intensity of investee companies and investee countries) are set, in relation to a benchmark/target allocation or towards a fixed goal in the future.  All actively managed funds have a zero-tolerance policy on thermal coal. All Responsible Investing funds have a zero tolerance for fossil fuels. An exception is foreseen for investments in green bonds of these companies, facilitating the energy transition.	
		Scope 2 GHG emissions	816 tCO2e			
		Scope 3 GHG emissions	85 926 tCO2e			
		Total GHG emissions	88 417 tCO2e			
	2. Carbon footprint	Carbon footprint	2	Absolute emission data is used from PAI 1 and divided by total assets under management in million euro. Please note that total assets also include non-corporates and corporates not covered by data.		The greenhouse gas ('GHG') emissions are also implicitly captured by engagement policy. KBC AM is part of the collective engagement Climate Action 100+. This is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
	3. GHG intensity of investee companies	GHG intensity of investee companies	71	To calculate GHG intensity absolute emissions at issuer level are divided by company revenues in million euro. A weighted average is calculated to report at entity level.		

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0,09 %	<p>The reported number indicates the percentage of total AuM that are invested in financial instruments of the following companies:</p> <ul style="list-style-type: none"> <li>- All companies of the Energy sector (MSCI classification) and companies from the metals and mining sector that mine and sell fossil fuels (coal, oil and gas) are included in this exposure calculation.</li> <li>- Power generation companies that are involved in the transportation of gas are also included.</li> <li>- Finally, companies from all other sectors are included that derive over 5% of their turnover from related products and/or services.</li> </ul> <p>Data sources used are Morningstar Sustainalytics and Bloomberg.</p>	<p>Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies, All actively managed funds have a zero tolerance policy on coal, excluding mining and the use of coal for steel production.</p> <p>Responsible Investing funds extend this to all fossil fuels, additionally excluding all companies in the energy sector (zero tolerance) and all utility companies that produce electricity based on fossil fuels (zero tolerance).</p> <p>An exception is made for both exclusions for investments in green bonds of companies that promote the energy transition.</p>
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	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	69 % consumption 27 % production	Data from Trucost on energy consumption and generation data from non-renewable and renewable sources are used to calculate this share of non-renewable energy consumption and production. The reported number at entity level is a weighted average of companies covered. Please note that for energy production this is only covered for approximately 1% of our total AuM.	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies, the zero tolerance policy for fossil fuels & nuclear energy also ensures that Responsible Investing funds only invest in the production of renewable energy.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0,000 – NACE A 0,000 – NACE B 0,000 – NACE C 0,000 – NACE D 0,000 – NACE E 0,000 – NACE F 0,000 – NACE G 0,006 – NACE H 0,000 – NACE L	For every company of these high impact climate sectors the energy consumption in GWh is divided by revenues in million euro. The average is each time calculated for companies covered in that NACE code. Please note that each of these high impact climate sectors represent significantly less than 5% of total AuM except for NACE code C.	Within the Responsible funds, this indicator is taken into account through the normative screening and ESG risk score for companies,
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0,07 %	We use data from Trucost to identify which companies have operations located in or near to biodiversity-sensitive areas negatively affecting those areas. The reported number is the relative exposure of investments in these companies relative to total AuM.	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies - Furthermore, all companies with a high or severe controversy score related to Land Use and Biodiversity, for subindustries in which the topic is considered a high or severe risk as well as companies with a severe controversy score related to Land Use and Biodiversity for all other subindustries are excluded. In addition, all companies with a severe controversy score

				Please note that it is very difficult to obtain data inputs for this PAI. The reported is based on a coverage of only around 2% of AuM.	related to Land Use and Biodiversity in their supply chain are excluded. Next to that, all companies with activities that have a negative impact on Biodiversity and do not take sufficient measures to reduce their impact are excluded.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	<p>Data from Trucost is used to determine emissions to water in tonnes. This is a sum of nutrients and organic pollutants, pesticides and fertilizers and acid and metal emissions to water.</p> <p>To assign absolute emission data to an investment the fraction of enterprise value we own is used. All assigned values in this way are summed to calculate an entity level absolute emission number.</p> <p>The calculated absolute number is then divided by total assets under management in million euro. Please note that total assets also include non-corporates and corporates not covered by data.</p>	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0,05	<p>Data from Trucost is used to determine hazardous waste in tonnes.</p> <p>To assign absolute emission data to an investment the fraction of</p>	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.

				<p>enterprise value we own is used. All assigned values in this way are summed to calculate an entity level absolute emission number.</p> <p>The calculated absolute number is then divided by total assets under management in million euro. Please note that total assets also include non-corporates and corporates not covered by data.</p>	
Social and employee, respect for human rights, anti-corruption and anti-bribery matters					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0 %	<p>Data from Sustainalytics is used to determine the list of companies that are non-compliant with the UN Global Compact Principles and OECD guidelines.</p> <p>The reported number indicates the percentage of total AuM that are invested in financial instruments of these companies.</p>	For all actively managed funds: worst offenders of the UN Global Compact Principles (based on an internal assessment) are excluded.
	11. Lack of processes and compliance mechanisms to monitor	Share of investments in investee companies without policies to monitor compliance with the UNGC	0.02 %	Data from Sustainalytics is used to assess companies' policies on Environment, Freedom of Association, Discrimination, Bribery & corruption and Human	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.



	compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises		<p>Rights.</p> <p>A company is deemed to lack processes and compliance mechanisms if there is no evidence for any of these assessed policies.</p> <p>The reported number indicates the percentage of total AuM that are invested in financial instruments of these companies.</p>	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	28 %	<p>Data from Trucost is used to determine the unadjusted gender pay gap of investee companies.</p> <p>The reported number at entity level is a weighted average of companies covered.</p>	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.
	13. Board gender diversity	Average ratio of female to male board members in investee companies	37 %	<p>Data from Trucost is used to determine the ratio of female to total board members of investee companies.</p> <p>The reported number at entity level is a weighted average of companies covered.</p>	<p>Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies, KBC Asset Management encourages board gender diversity via proxy voting.</p> <p>KBC AM policy: Proxy Voting and Engagement Policy: (kbcgroup.eu) ISS policy: <a href="https://www.issgovernance.com">https://www.issgovernance.com</a>.</p>
	14. controversial weapons (anti-	Share of investments in investee companies involved in the	0.01 %	The screening of KBC Group on controversial weapons is used to determine companies involved	Any company that is involved in controversial weapon systems is excluded from all funds. The exclusion list contains companies involved in the development, testing, storage or

	personnel mines, cluster munitions, chemical weapons and biological weapons)	manufacture or selling of controversial weapons		<p>in these activities. More information can be found here: <a href="#">CSD KBCGroupPolicyonBlacklistedCompanies.pdf</a></p> <p>The reported number indicates the percentage of total AuM that are invested in financial instruments of these companies.</p>	<p>manufacture of (essential components of) controversial weapons systems.</p> <p>Additionally for Responsible Investing funds: no exposure to weapons. Any company active in military contracting or the production or retail of small arms is excluded from the Responsible Investing funds. For sectors other than 'Aerospace and Defence' a threshold of 5% holds for non-weapon related military contracting as well as for retail of small arms.</p> <p>Within the Responsible Investing funds, this indicator is also taken into account through the normative screening and ESG risk score for companies,</p>
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#### Indicators applicable to investments in sovereigns and supnationals

Adverse sustainability indicator	Metric	Impact (2022)	Explanation	Actions taken, Actions planned and targets set for the next reference period	
Environmental	15. GHG intensity	GHG intensity of investee countries	441	<p>Data from Trucost is used to report this figure. In the nominator territorial emissions and emissions related to imports are used in tonnes of CO<sub>2</sub> equivalent. Territorial emissions of a country consider all economic activities within a country, including land use, land use change and forestry, as reported by PRIMAP. The PRIMAP dataset combines several published datasets to create a comprehensive set of greenhouse gas emission data.</p>	<p>Within the Responsible Investing funds, this indicator is taken into account through the ESG score of countries and through exclusion of countries not meeting the sustainable criteria as well as controversial regimes. In Responsible Investing funds countries that did not sign the Paris Agreement are excluded.</p> <p>Within our Responsible funds, targets are set on GHG emissions (based on GHG intensity of investee companies and investee countries), in relation to a benchmark or towards a fixed goal in the future.</p>

				<p>We add to these territorial emissions direct and indirect imports also based on the PRIMAP dataset. The total emissions are then normalized by the Gross Domestic Product expressed in million euro based on data from the International Monetary Fund (IMF).</p> <p>A weighted average is calculated to report at entity level.</p>	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	2 (absolute) 0,02 % (relative)	<p>Based on the input of well-recognised external sources, internal research ranks countries based on measures like civil liberties, political rights, political stability and corruption. Regimes that score the worst on this ranking are considered countries subject to social violations for reporting this indicator.</p> <p>We report on the absolute number of these countries invested in and the percentage of these versus all countries invested in.</p>	<p>All actively managed funds are prohibited to invest in sovereign bonds of the most controversial regimes. Countries subject to international sanctions are excluded as well.</p> <p>Within the Responsible Investing funds, this indicator is taken into account through the ESG score of countries and through exclusion of countries not meeting the sustainable criteria as well as controversial regimes.</p> <p>Responsible Investing funds are not allowed to have any exposure to government bonds of countries not meeting the sustainable criteria. Also government bonds of countries belonging to the 50% countries having the most controversial regimes are excluded. These are regimes with a high level of corruption, that fundamentally violate human rights, do not respect laws and lack good governance and political freedom.</p>

#### Indicators applicable to investments in real estate assets

Fossil fuels	17. Exposure to fossil fuels	Share of investments in real estate assets	0 %	Data from Trucost is used to determine issuers of real estate	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk
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	through real estate assets	involved in the extraction, storage, transport or manufacture of fossil fuels		financial instruments that have exposure to fossil fuels.  The reported number indicates the percentage of total AuM that are invested in financial instruments of these companies. Please note that this number is very low as both the coverage and the percentage of real estate assets versus total AuM are very low.	score for companies.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	no data	KBC was not able to collect data to reliably report on this number. Please note that the percentage of real estate assets versus total AuM is very low.	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.

### Additional climate and other environment-related indicators

Adverse sustainability indicator	Metric	Impact (2022)	Explanation	Actions taken, Actions planned and targets set for the next reference period	
Social and employee, respect for human rights, anti-corruption and anti-bribery matters					
Water, waste and material emissions	19. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	0,171	Data from Trucost is used to determine non-recycled waste in tonnes.  To assign absolute emission data to an investment the fraction of enterprise value we own is used. All assigned values in this way are summed to calculate an entity level absolute emission number.	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.

				The calculated absolute number is then divided by total assets under management in million euro. Please note that total assets also include non-corporates and corporates not covered by data.	
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#### Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator		Metric	Impact (2022)	Explanation	Actions taken, Actions planned and targets set for the next reference period
Anti-corruption and anti-bribery	20 Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	0.02 %	<p>Data from Sustainalytics is used to assess companies' policies on Bribery &amp; corruption.</p> <p>A company is deemed to lack anti-corruption and anti-bribery policies if neither a policy nor a general statement that addresses the issue is the result of the assessment by Sustainalytics.</p> <p>The reported number indicates the percentage of total AuM that are invested in financial instruments of these companies. Please note that total assets also include non-corporates and corporates not covered by data.</p>	Within the Responsible Investing funds, this indicator is taken into account through the normative screening and ESG risk score for companies.

*DISCLAIMER: For all calculations, regulation requires to always use the most recent ESG data available. However, the latest available data could include information that wasn't available at the time of the investment decisions over the past year. For example, it is possible that a fund invested in March 2022 in a company that was not added to the controversial weapons blacklist until January 2023. In the PAI, this exposure in March 2022 will be counted as an exposure to controversial weapons even though the link was not known or did not exist at the time.*

## Description of policies to identify and prioritise major adverse impacts on sustainability factors

### 3. Impact on sustainability factors

Identified major adverse impacts are considered in a rigorous and consistent manner as KBC AM considers environmental, social and corporate governance principles in KBC AM general screening policy.

For Responsible Investment Funds, all indicators of the main adverse impacts of investment decisions on sustainability factors listed in Table 1 of Annex 1 to Delegated Regulation (EU) 2022/1288 and the corresponding indicators of the main adverse impacts of investment decisions on sustainability factors in Tables 2 and 3 of Annex 1 to Delegated Regulation (EU) 2022/1288 are taken into account through the normative screening and ESG risk score for companies, as well as through the ESG score of countries and through exclusion of countries not meeting the sustainable criteria as well as controversial regimes.

As part of its sustainability commitments, KBC applies strict ethical restrictions on investments. As a general rule, KBC does not invest for its own account or recommend its clients to invest in financial instruments (shares, bonds and other financial instruments) issued by 'excluded counterparties'. Excluded counterparties are counterparties that either:

- are blacklisted by the KBC: these are companies involved in controversial weapons systems and companies considered "worst violators of the UN Global Compact (UNGC) principles"; please refer to the [KBC Group Policy on Blacklisted Companies](#) for more details;
- are involved in human rights abuses; for further details, please refer to the [KBC Group Human Rights Policy](#);
- are government and other public authorities in a country that is on the KBC's list of controversial regimes; for further details, see the [KBC Group Human Rights Policy](#);
- are in any way involved in thermal coal mining and/or are electricity generating companies that have the capacity to generate electricity from coal; thermal coal is coal used for power generation; an exemption is allowed for metallurgical coal (coal used for steel production); an exemption is also allowed for green bonds of these companies that facilitate the energy transition.
- engage in tobacco-related activities; any company manufacturing tobacco products is excluded, as well as any company that derives 5% or more of its revenue from the distribution or retail sale of tobacco products (including wholesale). Tobacco products include cigarettes, cigars, pipe and snuff tobacco and smokeless tobacco products. Also in scope are companies supplying tobacco products and services, including products that facilitate tobacco consumption (such as pipes and papers), specialised materials, specialised equipment necessary for the manufacture of tobacco products and raw materials that are produced primarily for use in tobacco products.

KBC also does not want to participate in food price speculation. Consequently, and in line with [KBC's Soft Commodities Policy](#), KBC will not invest or advise its clients to invest in financial instruments linked to livestock and food prices.

Other exemptions also apply to investments made by KBC for its own account, including counterparties with significant involvement in activities related to:

- with conventional weapons;
- fossil fuels other than thermal coal;

- gambling;
- biodiversity;
- adult entertainment;
- fur and special leather.

In addition, companies with severe ESG risk scores, companies based in countries with unfair tax practices, countries ranked in the worst 10% of the ESG scoring model and countries that do not meeting the sustainable criteria as well as controversial regimes are excluded. There may be ad hoc exclusions or ratings of companies based on the recommendations of the Advisory Committee on Responsible Investment.

The exclusion policy is monitored in our internal processes by pre- and post-trade compliance rules.

In addition to strict exclusion policies, our own ČSOB Pojišťovna's investments will support the integration of sustainability into issuers' (companies, governments, multinational borrowers and/or government-related agencies) policy decisions by prioritising issuers with better ESG scores, and support climate change mitigation by prioritising issuers with lower GHG intensity in order to meet a predetermined GHG intensity target. Our own investments will also support sustainable development by engaging with companies that contribute to the UN Sustainable Development Goals and by supporting the transition to a more sustainable world through investments in green, social and sustainable bonds that implicitly take into account most of the main adverse impacts mentioned above.

KBC AM's responsible investment research team will be responsible for the methodology. Portfolio managers will be responsible for the correct implementation of the methodology. Pre- and post-trade checks will be carried out by the Risk and Compliance departments.

In the context of funds that do not promote sustainability, some of the main adverse impacts on sustainability are explicitly addressed through exclusion policies. For all actively managed funds, the companies most in breach of the UN Global Compact principles, controversial arms and energy coal companies are excluded, and the most controversial regimes are excluded for sovereign bond-related instruments. Therefore, PAIs 10 (Violations of the UN Global Compact Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises), 16 (Countries with violations of social principles), 14 (Controversial weapons) and 4 (Exposure to fossil fuel companies) are taken into account. For passively managed funds, structured funds and third party funds managed by KBC, some specific exclusion criteria apply. Different PAIs are therefore considered depending on the fund's investment strategy. However, for each of these funds, at least PAI 14 (controversial arms) is taken into account at product launch.



## 4. Engagement policies

The investment policy of ČSOB Pojišť'ovna does not allow investment in individual shares. For this reason, ČSOB Pojišť'ovna does not directly exercise shareholder rights.

KBC Asset Management Group ("KBC AM") exercises voting rights over shares in managed "funds" (i.e. collective investment undertakings in the form of UCITS (undertakings for collective investment in transferable securities) and alternative investment funds (alternative investment funds) and "portfolios" (i.e. for institutional investors as defined in the European Shareholders' Rights Directive 2007/36/EC who entrust the implementation of the engagement policy as defined in Article 3g of this Directive to KBC AM, which invests on behalf of these institutional investors at the direct discretion of individual clients) in accordance with the Proxy Voting and Engagement Policy. As a result, KBC AM makes its voice heard at shareholder meetings and engages with companies.

Through fund and portfolio management, KBC AM invests the capital entrusted to it by its clients in financial instruments. This entails a responsibility to act in the best long-term interests of clients, both retail and institutional, and these interests may differ from those of KBC Group. Failure to take investors' interests into account would be inconsistent with KBC's sustainability principles. With increasing shareholder activism, KBC AM must fulfil its obligations as an asset manager in the interests of investors on a continuous basis. KBC AM believes that shareholder activism can have a positive impact on the companies in which KBC AM invests in the medium and long term. This can have a significant impact on the value creation of companies and indirectly on the returns of funds and portfolios.

Social norms and legislation are moving towards greater shareholder engagement. Therefore, in 2017, the European Union amended Directive 2007/36/EC in terms of promoting long-term shareholder engagement. This Directive highlights the importance of policies regarding the exercise of voting rights. The European Fund and Asset Management Association (EFAMA) also emphasises the importance of engagement and the exercise of voting rights. This proxy voting and engagement policy implements, among other things, the amended Directive, the EFAMA Governance Code and the country-level transposition of the KBC AM Directive.

In this regard, KBC AM (1) monitors the companies in which the funds it manages invest as well as the companies in which the portfolios are invested, (2) intervenes in investee companies (avoiding insider information), (3) participates in appropriate collective engagement initiatives, and (4) exercises voting rights judiciously. These duties are exercised solely in the interest of protecting the interests of the funds' investors and portfolios. In order to achieve these results, KBC AM has established various initiatives, which are described in this document.

Where appropriate, KBC AM will initiate a dialogue with the management of the companies concerned, if necessary before the vote. Dialogue may be triggered by, inter alia, the following elements:

- Lack of transparency on management and strategy, corporate governance or corporate social responsibility;
- poor performance on one or more of the 'sustainable business' criteria compared to their competitors;
- Business and economic measures that threaten the value of the company.

The policy is centred around the KBC AM Proxy Voting and Engagement Committee, which coordinates the various steps of the policy being monitored. This committee consists of eight permanent members, including two external advisors. At least annually, and whenever a specific request is made, the Proxy Voting and Engagement Policy will be reviewed and amended as appropriate. To determine its voting guidelines, KBC AM uses voting recommendations based on a benchmark voting policy developed by Institutional Shareholder Services (ISS), a proxy advisory firm that is a leading provider of corporate governance and responsible investment solutions. The latest version of this voting policy can be found on the ISS website via the following link: <https://www.issgovernance.com/>.

*For more information, see [Proxy Voting and Engagement Policy: \(kbcgroup.eu\)](https://www.kbcgroup.eu)*

## 5. References to international standards

The KBC Group, to which ČSOB Pojišť'ovna belongs, is committed to the following international business codes and ČSOB Pojišť'ovna's investment policies and processes are in line with these commitments:

- Principles of the United Nations Environment Programme Financing Initiative (UNEP FI) for Responsible Banking;
- The KBC Group's collective commitment to climate action, whereby the KBC Group has pledged to stimulate the greening of the economy as much as possible, thereby limiting global warming to well below 2 °C, while aiming for 1.5 °C in line with the Paris Climate Agreement;
- The Tobacco-Free Finance Pledge, which encourages financial institutions to divest from the tobacco industry;
- United Nations Principles for Responsible Investment. These principles were developed by an international group of institutional investors reflecting the growing importance of environmental, social and governance issues to investment practices. The process was convened by the Secretary-General of the United Nations.

*Principle 1:*

*KBC will integrate ESG issues into its investment analysis and decision-making processes.*

*Principle 2:*

*KBC will be an active owner and will integrate ESG issues into our ownership policies and practices.*

*Principle 3:*

*KBC will seek appropriate disclosure of ESG issues by the entities in which we invest.*

*Principle 4:*

*KBC will promote the adoption and implementation of the Investment Principles.*

*Principle 5:*

*At KBC, we will work together to increase our effectiveness in implementing these principles.*

*Principle 6:*

*KBC will report on its activities and progress in implementing these principles on an annual basis.*

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