



# Sustainability Bond Report 2022



**UniCredit Bank AG**

26.09.2022

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# ESG Strategy

UniCredit is a pan-European Bank with a unique service offering in Italy, Germany and Central and Eastern Europe. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders and unlocking the potential of our clients and people across Europe.

## SUSTAINABILITY AT UNICREDIT

In 2020 we embarked on a journey to further integrate all ESG factors in the bank's strategy, core business and processes, looking at both risks and market opportunities and with a clear multi-stakeholder approach.

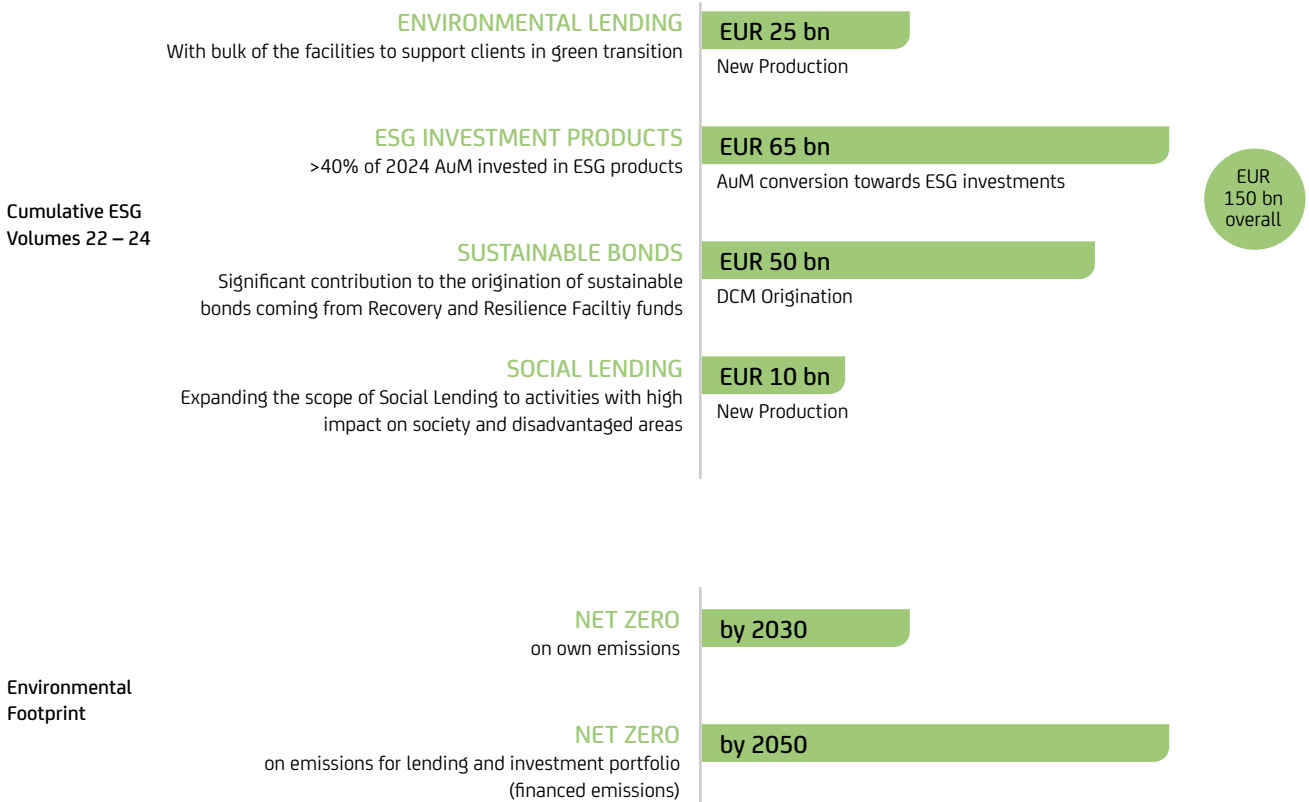
ESG considerations are fundamental to every decision we make and every action we execute. They are a central part of how we do business. Fulfilling our purpose of empowering communities to progress would not be possible without the highest ESG standards across our bank.

Embedding sustainability in all that we do is one of the five strategic imperatives of our 2022 – 2024 Strategic Plan, UniCredit Unlocked approved on 9th Dec 2021, which includes a new financial ambition to deliver sustainable performance and profitable growth over the cycle.

Our ESG strategy is built around four fundamentals:

- leading by example, striving for the same high standards that we seek from those we do business with
- setting ambitious ESG goals to support our clients' need for change
- equipping ourselves with tools to assist clients and communities in navigating the environmental and social transition through strategic actions across our building blocks
- embracing and investing the resources needed to deliver and reach medium and long-term commitments (Net Zero, same salary for same role, Financial Health and Inclusion) to enable a more equal and sustainable society.

### OUR ESG GOALS AND TARGETS



# Overview of UniCredit Group's Sustainability Bond Framework

## Rationale for Sustainable Financing

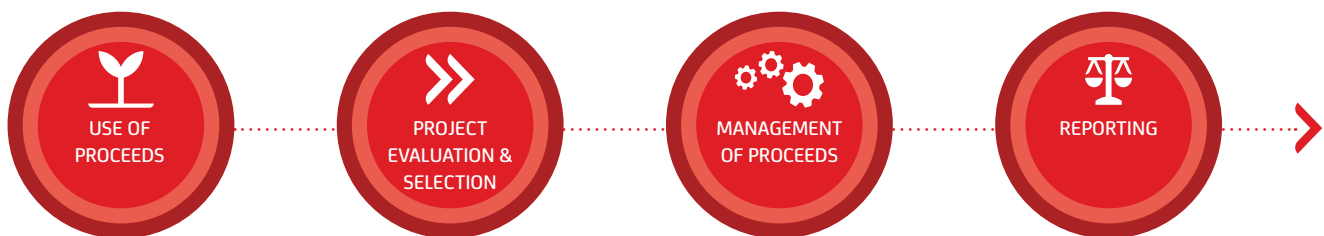
UniCredit strongly believes in the effectiveness of the sustainable finance market and its ability to channel investments to projects and activities with environmental and social benefits.

The Sustainability Bond Framework<sup>1</sup> aims to support our ambition to align our business strategy with the need of individuals and the goals of society as expressed in the United Nations Sustainable Development Goals and the Paris Climate Agreement.

The framework obtained a Second Party Opinion issued by ISS ESG which is the opinion that UniCredit's framework is aligned with ICMA guidelines and principles, is consistent with UniCredit Sustainability Strategy and the overall sustainability quality of the selection criteria is good.

### UNICREDIT SUSTAINABILITY BOND FRAMEWORK: THREE COMPONENTS

The three components of the Sustainability Bond Framework for the Issuance of Green, Social & Sustainability Bonds

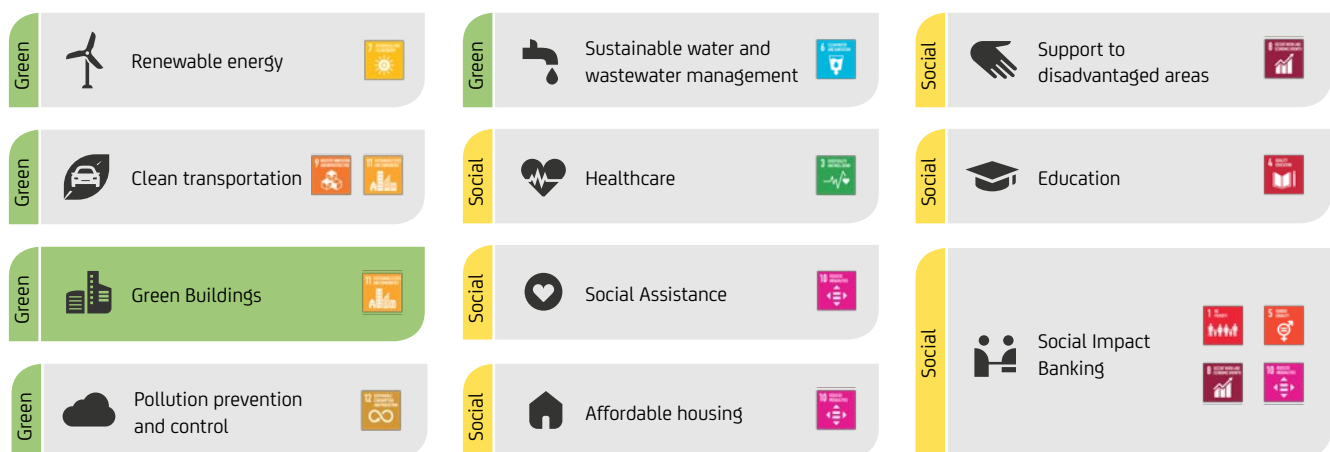


### ALIGNMENT WITH ICMA'S GREEN AND SOCIAL BOND PRINCIPLES

UniCredit bond issuance under the Sustainability Bond Framework is based on principles and guidelines introduced by the Green Bond Principles (GBP) 2021 version, the Social Bond Principles (SBP) 2021 version and the Sustainability Bond Guidelines (SBG) 2021 version as administered by the International Capital Markets Association (ICMA), collectively the Principles.

The UniCredit Sustainability Bond Framework will apply to any Green, Social or Sustainability bond issued by UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria and all subsidiaries of the UniCredit Group (jointly UniCredit) and will remain in force as long as any of those instruments are outstanding.

### GREEN ELIGIBLE CATEGORIES



<sup>1</sup>[https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/ESG-investors/Sustainability-Bonds/UniCredit\\_Sustainability\\_Bond\\_Framework\\_18\\_6\\_21.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/ESG-investors/Sustainability-Bonds/UniCredit_Sustainability_Bond_Framework_18_6_21.pdf)

# UCB AG Inaugural Green Pfandbrief

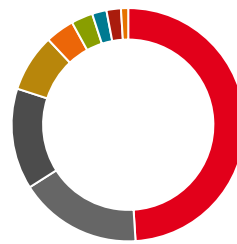
## Transaction Details

Issuer	UniCredit Bank AG
ISIN / WKN	DE000HV2AYN4 / HV2AYN
Status	Green Pfandbrief (Mortgage Covered Bond)
Volume	EUR 500 m
Settlement Date	28/09/2021
Maturity	28/09/2026
Issue Rating	AAA
Coupon	0.01%
Issue Spread	MS -2 bp

### INVESTOR AND GEOGRAPHICAL DISTRIBUTION (ALLOCATED)



- Banks 49%
- Funds 36%
- CB/OIs 15%

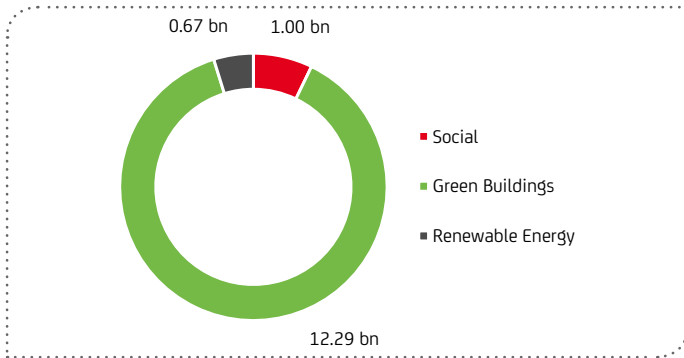


- Germany 49%
- BeNeLux 17%
- France 14%
- Nordics 8%
- UK/IR 4%
- AT/CH 3%
- Italy 2%
- Asia 2%
- CEE 1%

On Monday, 20 September 2021 UniCredit Bank AG (HVB) revisited the covered bond market for the fourth time this year and successfully launched its inaugural Green Pfandbrief, a 5yr EUR 500 m no-grow line issued under UniCredit's Sustainability Bond Framework. Finally, with an order book of 2.5 bn, more than 70 accounts were allocated a slice of the transaction: almost half of it went to banks, funds accounted for 36% and the CB / OIs for 15%. 49% of the investors involved are based in Germany, followed by BeNeLux (17%), and France (14%), the remaining share is distributed across Europe, the UK and CEE. Moreover, Asian investors received 2% of the bond's volume. 72% of the transaction went to dedicated ESG investors. The outstanding result of this inaugural covered bond transaction is testament to UniCredit's strong commitment to sustainable financing and underlines the strategic importance of ESG for the Group.

# UCB AG Allocation Reporting

Starting in 2021 for the issuance of the inaugural green Pfandbrief with an ESG portfolio of EUR 2.18 bn and thereof EUR 900 m green buildings with 19 loans, UCB AG added significant volume to the portfolio by applying the 15% approach to the existing mortgage cover pool. As of 31.03.2022 there is a total ESG portfolio of EUR 13.96 bn of which EUR 12.3 bn are represented by green buildings. As required by the Pfandbrief law all loans for green buildings are already registered in the cover pool and thus a green Pfandbrief is issued solely for refinancing purposes of existing assets.



## GREEN BUILDINGS

Number of Loans	#32,169
Avg EUR m / Loan	0.38 m
Avg Time to Maturity	18.4 ys
Share in Cover Pool in EUR	9.9 bn

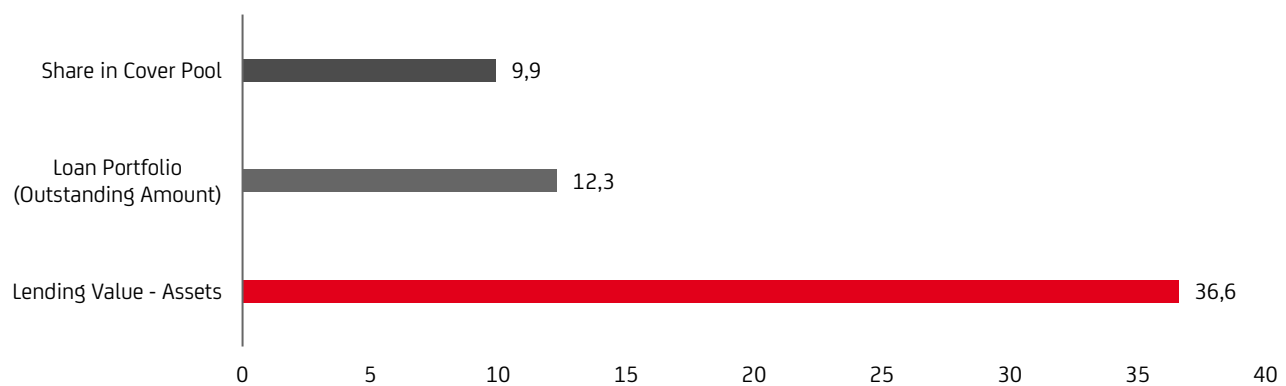
Total Cover Pool currently amounts to ca. EUR 29 bn with over 140 k registered loans.

## GREEN BUILDINGS<sup>1</sup>

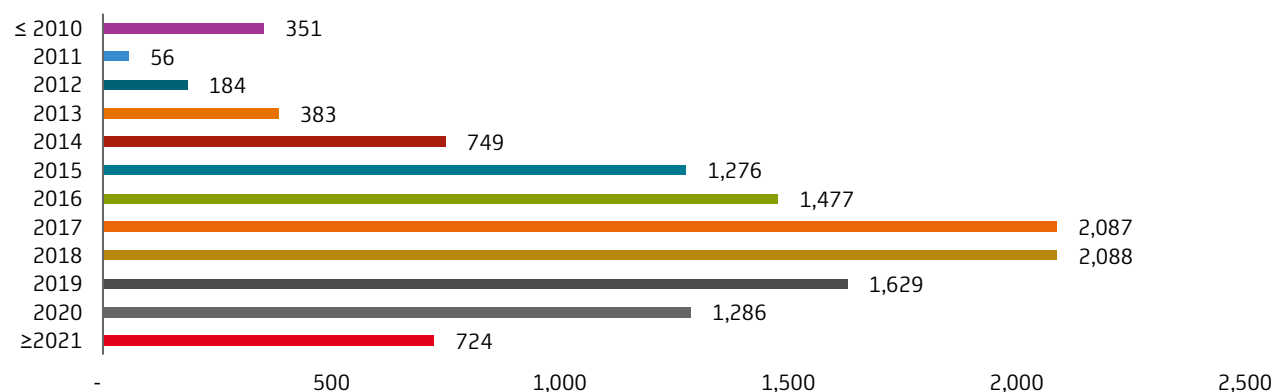
UCB AG has mandated Drees & Sommer to analyse the portfolio for eligible green assets to provide a transparent impact and allocation reporting to covered bond investors. The following charts refer to the loan portfolio (outstanding amount) of green buildings.

### PORTFOLIO VALUES (IN EUR BN)

Cover Pool with strong overcollateralization provides a significant buffer for Pfandbrief investors.

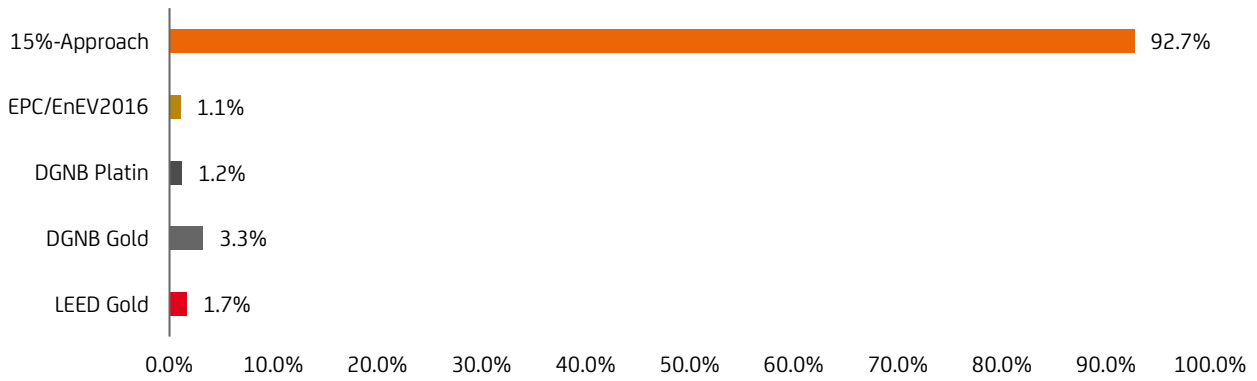


### LOAN CONTRACT DATE (IN EUR M)



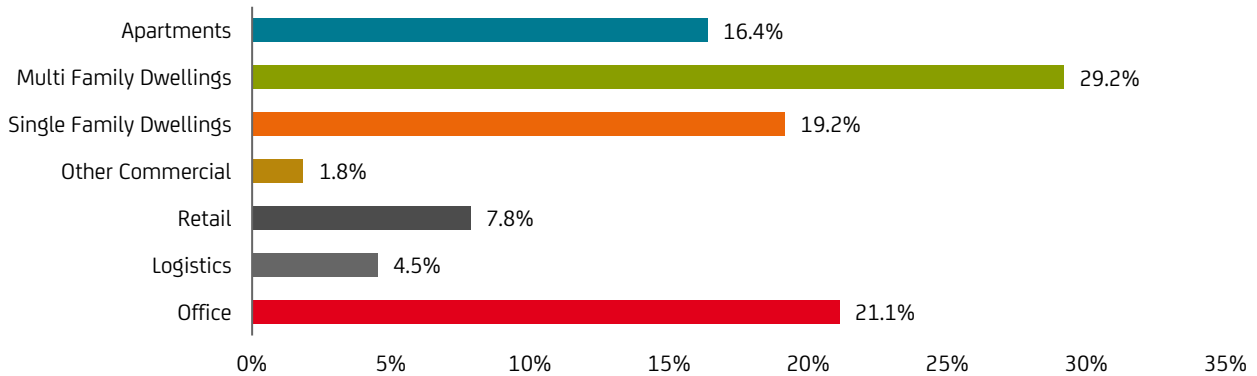
<sup>1</sup>As defined in the SBF: [https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/ESG-investors/Sustainability-Bonds/UniCredit\\_Sustainability\\_Bond\\_Framework\\_18\\_6\\_21.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/ESG-investors/Sustainability-Bonds/UniCredit_Sustainability_Bond_Framework_18_6_21.pdf)

### CERTIFICATES



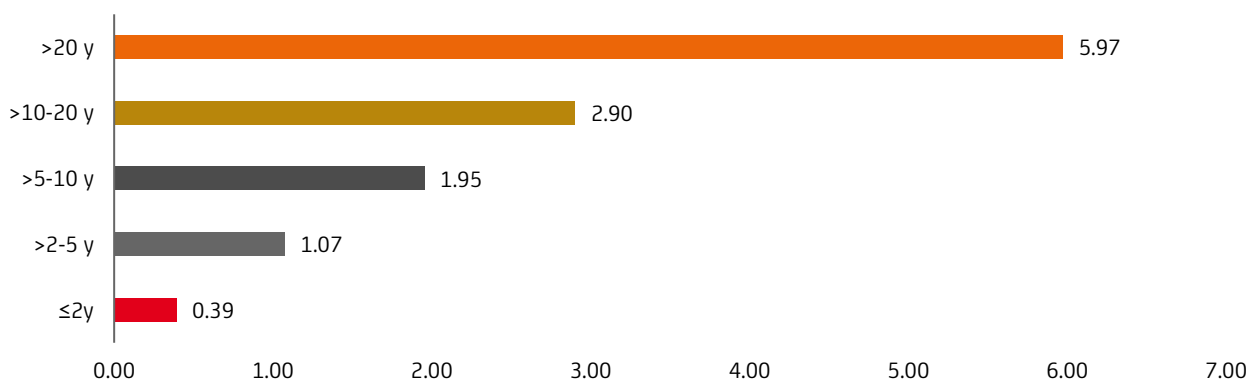
### BY TYPE OF MAIN USE

Due to the significant part of residential loans in the cover pool also the part within the green portfolio is dominated by 65% residential loans.



### RESIDUAL MATURITY (IN EUR BN)

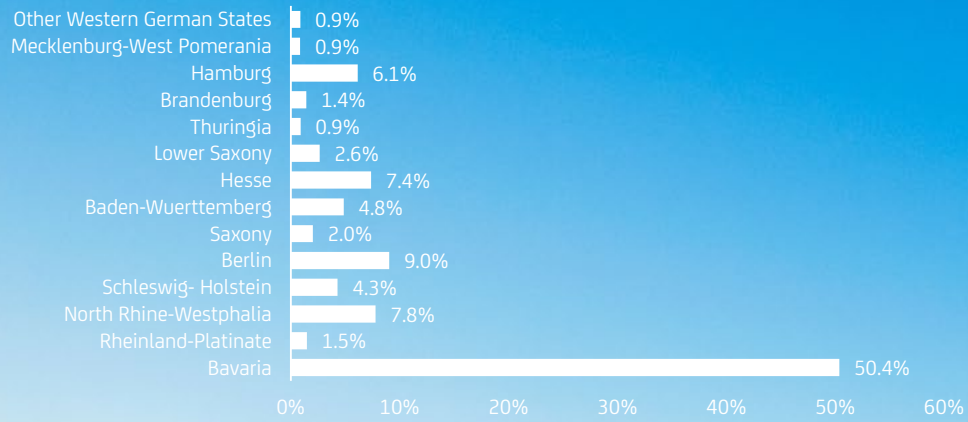
The main part of the green portfolio has a residual maturity of more than 10 years which is quite typical for a German mortgage portfolio.





## GREEN BUILDINGS BY LOCATION

Historically UCB AG's business has been focused on the economically strong Bavarian region since the headquarters and the main part of its branches are located in Munich and Bavaria.







## Example of Eligible Green Assets

### “Welfengarten” – A sustainable city district development

- The project “Welfengarten” in the heart of Munich’s well known area “Nockherberg” has been awarded a Real Estate Green Loan of UniCredit.
- As a 100% brownfield development, the area was fully sealed. The **ecological** quality is reflected by up to **13% Co<sub>2</sub>-reduction** compared to the EnEV 2016<sup>1</sup> through environmentally friendly energy supply.
- With **district heating, energy management system, and thermal insulation facade** – the focus is on optimal value development over the **life cycle** of the property as well as the quality of the **socio-cultural factors** (including 30 units reserved for **low-and-middle-income households**)
- The project “Welfengarten” is part of the urban district, which provides in whole 1,500 units, where among 3,500 people in Munich can also find recovery in the neighboring park of 14,000 m<sup>2</sup>. Several daycare centers, playgrounds as well as new pedestrian and cycle paths complete the modern and sustainable urban district.



<sup>1</sup>Energiesparverordnung 2016: <https://www.bmwb.de/Redaktion/DE/Downloads/Gesetz/zweite-verordnung-zur%20aenderung-der-energieeinsparverordnung.html>

# Carbon Impact Reporting

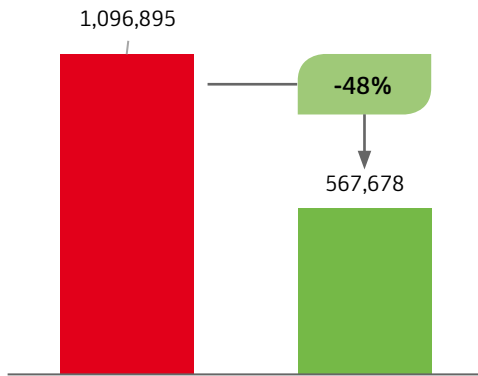
Following you will find the results and methodology of our assessment of avoided energy consumption and carbon emissions related to UCB AG's green buildings portfolio. The calculation of CO<sub>2</sub> savings is based on the energy demand for heating and electricity of green buildings. In order to convert heating energy demand savings into avoided carbon emissions, individual conversion factors are applied based on the buildings' specific heating sources. In the case of green buildings in Germany heated by district heating system, there is also the possibility to account for regional differences. Factors applied for converting electricity energy demand savings into avoided carbon emissions are based on the energy mix in Germany.

UCB AG has mandated the well-known real estate consulting company Drees & Sommer to analyse its mortgage portfolio and to provide a valid assessment of the avoided carbon emissions. The calculations are based on loan data as of 31 March of 2022. Further, the carbon impact is allocated proportionally to UCB AG's current Loan-to-Value.

## TOTAL ENERGY SAVINGS

Total energy consumption  
(MWh / year)

529.217 MWh  
total energy savings per year



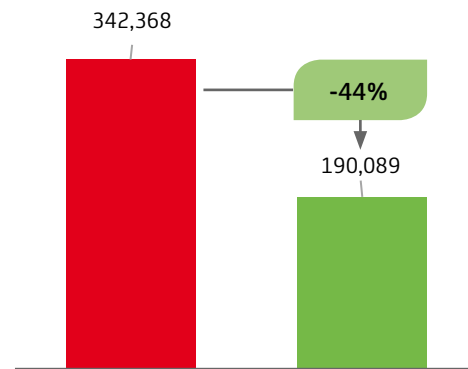
This represents the **total energy saved by UniCredit's green buildings**, by calculating the difference in energy use between UniCredit's green assets and the national building stock reference benchmarks or the calculated notional building (the 'reference portfolio').

Calculations provided by **DREES & SOMMER**

## TOTAL CARBON SAVINGS

Total Carbon Savings  
(tCO<sub>2</sub>e / year)

152.279 tCO<sub>2</sub>  
total carbon savings per year



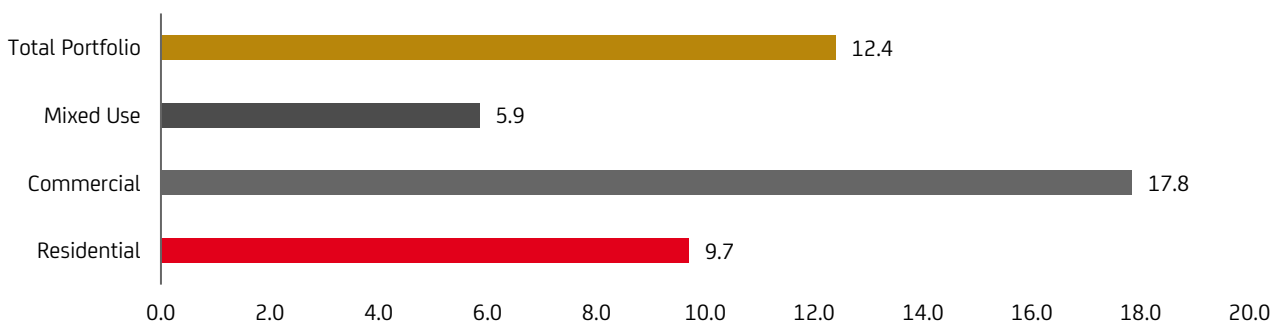
This represents the **total CO<sub>2</sub>e emissions avoided by UniCredit's green buildings**, by calculating the difference in carbon emissions intensity between UniCredit's green assets and the reference portfolio, and then multiplying by the area of the green bond asset.

Calculations provided by **DREES & SOMMER**

## INVESTMENT IMPACT

Estimated GHG savings per million EUR financed (based on current LTV). Given the investment impact of 12.4 tCO<sub>2</sub> / year per EUR m there are savings of 6,200 tCO<sub>2</sub> / year allocated to UCB AG's inaugural Pfandbrief of EUR 500 m.

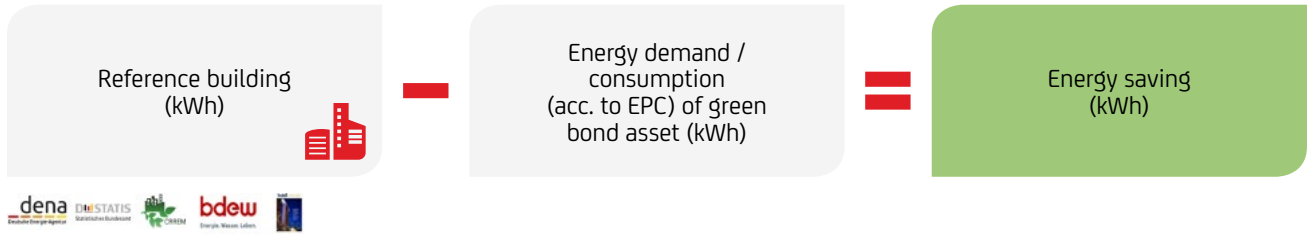
In tCO<sub>2</sub> / year / EUR m



# Methodological Notes

## ENERGY SAVING

To calculate the energy saving for each green asset (kWh):



## CARBON SAVINGS

To calculate carbon savings of each green asset (kgCO<sub>2</sub>):



## METHODOLOGY

- Assets with a consumption-based EPC were benchmarked against the BBSR<sup>1</sup> 2019 national energy reference benchmarks for HVAC<sup>2</sup> conditioned offices with heating and electricity.
- Assets with a demand, calculation-based energy performance certificate were benchmarked against the object and asset-specific notional reference benchmark for heating and electricity, based on primary energy and converted into site energy demand including energy sources, carrier and conversion factors (site-to-source, CO<sub>2</sub>-equivalents).
- Residential assets with a demand, calculation-based energy performance certificate are benchmarked against the national average reference benchmark for the building stock.
- The CO<sub>2</sub> emissions equivalent factors were based on the following:
  - Gebäudeenergiegesetz GEG 2020
  - DIN V 18599:2018 / BAFA guidelines 2020
  - Covenant of Mayors for Climate & Energy: Default emission factors for local emission inventories – Version 2017
  - CoM Default Emission Factors for the Member States of the European Union
  - City-specific district heating emissions factors were provided by the energy supplier and corresponding valid CO<sub>2</sub>-certificates
- The electricity (green power) mix was calculated on the basis of the annual public net energy use-weighted mix for Germany for the year 2020, based on the CoM<sup>3</sup> emission factors for renewable energies (wind, solar, hydro)

<sup>1</sup>BBSR = Bundesinstitut für Bau-, Stadt- und Raumforschung

<sup>2</sup>HVAC = Heating, ventilation, air conditioning

<sup>3</sup>CoM = Covenant of Mayors

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## INDEPENDENT AUDITOR'S REPORT ON SUSTAINABILITY BOND REPORT

### To the Board of Directors of UniCredit Bank AG

We have been engaged to perform a limited assurance engagement of the section “UCB AG Allocation Reporting” (also the “Allocation Report”), included in the Sustainability Bond Report 2022 (the “Report”). The Report has been prepared by UniCredit Bank AG (the “Bank”), on the basis of the Sustainability Bond Framework (the “Framework”) issued in June 2021 and developed in accordance with the Green Bond Principles 2021 version, the Social Bond Principles 2021 version and the Sustainability Bond Guidelines 2021 version, as published by the International Capital Markets Association (the “Principles”). The Report is related to the Green Bond issued in September 2021.

### Directors' Responsibility

The Directors of UniCredit Bank AG are responsible for the preparation of the Report in accordance with the Framework developed by the Bank in accordance with the Principles. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

### Independence and quality control policies

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Torino Treviso Udine Verona

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PROFESSIONAL SERVICES PARTNER  
OF MILANO CORTINA 2026

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the Allocation Report, included in the Report, based on the procedures performed. We conducted our engagement in accordance with *International Standards on Assurance Engagements - Assurance Engagements other than Audits or Reviews of Historical Information* ("ISAE 3000 revised") issued by International Auditing and Assurance Standards Board for limited assurance engagements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Allocation Report, included in the Report, are free of material misstatement.

The procedures performed have been based on our professional judgment and have included inquiries primarily of Bank personnel responsible for the preparation of information included in the Report, analysis of documents, recalculations, comparisons, reconciliations with the accounting records and other procedures to obtain supporting evidence.

In detail, we have performed the following procedures:

- Analysis of the second party opinion which addresses the compliance with ICMA guidelines and include an assessment of the categories of green, social and sustainability bonds, used in the preparation of the Allocation Report and the environmental impacts;
- Understanding of the reporting process regarding the Allocation Report;
- Interviews with the Bank's management in order to understand criteria and processes underlying the generation, the detection and management of relevant qualitative and quantitative information included in the Report;
- Reconciliation and verification of consistency of quantitative data included in the Allocation Report, with internal reporting prepared by the Bank;
- Sample analysis performed through the internal and external documentation gathering and analysis, in order to verify the coherence of the information included in the Allocation Report of the green bond to the Sustainability Bond Framework;
- Obtain the representation letter, signed by the Bank's legal representative, on the correctness and completeness of the information indicated in the Report and of the information supplied to us for the purposes of our work.

The procedures performed are less in extent than for a reasonable assurance engagement conducted in accordance with *ISAE 3000 revised* and, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

## Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the section “UCB AG Allocation Reporting”, included in the Sustainability Bond Report 2022 of UniCredit Bank AG are not prepared, in all material respects, in accordance with the Sustainability Bond Framework.

DELOITTE & TOUCHE S.p.A.



**Monica Palumbo**  
Partner

Milan, Italy  
September 30, 2022