Group Reputational Risk Management Global Policy

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Communities to Progress.

UniCredit

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1. Policy Requirement and Purpose

The Group defines as "**Reputational Risk**" **the current or prospective risk** of earnings or capital decrease arising from the **adverse perception of the image** of the financial institution on the part of customers, counterparties (also including debtholders, market analysts, other relevant parties, such as civil society, NGOs, media, etc.), shareholders / investors, regulators or employees (stakeholders).

Since 2010 UniCredit Group has ruled the reputational risk and the policy currently in place is the Group Reputational Risk management policy which aims at defining a general set of principles and rules for assessing and controlling reputational risk. On top of this policy, a set of sensitive sectors policies has been issued during the years, to mitigate specific reputational risks that arise from having relationships with counterparties operating in these sectors.
Since 2021 Group Non-Financial Risks and Controls Committee (GNFRC) - Reputational Risk dedicated session has been established. According to the regulations in place, it represents the highest approving Body for what concerns reputational risk.

The management of Reputational Risk relies on:

a. Setting clear general rules and guidelines for:
   - defining the profile of a business relationship and initiative (mainly financial support, but also investments and other financial services offered) that the Group can manage and develop
   - defining the profile of what the Group does not consider to be in line with its principles and reputational standards. These rules and guidelines are designed to ensure alignment with laws, internal and external regulations, best practices within the sector and to reflect the sensitivity of the Group
b. Setting additional specific rules and guidelines for sectors considered sensitive
c. Assessing the compliance with rules and guidelines
d. Ensuring respect of the rules mentioned above for each operation and performing a specific Reputational Risk Assessment involving Reputational Risk and other competent functions in cases of potential deviation
e. Setting conditions, controls, or limitation, where deemed necessary, to reduce the material residual Reputational Risk for Group, regardless of the sector connected to the case
f. Taking the right decisions at the right level of authorization in cases of potential reputational risk

In addition to Reputational Risk, ESG-related Liability and Litigation Risk (also called ESG-related LiabLit Risk) is also covered by this policy for specific cases. This risk is identified as source of risk for the financial sector. The ESG-related LiabLit Risk can potentially derive not only from an incident or a misconduct (including inaccurate or misleading disclosures, including greenwashing) in activities performed by UniCredit Group as part of its industrial/characteristic activity, but also from an incident or a

misconduct due to someone else, other than UniCredit Group, in activities connected to a project financed by UniCredit Group. Financing must be assessed properly to avoid the damage deriving directly from the litigation and for avoiding the consequent Reputational Risk.
Whereas any internal or external factor or event could potentially be a source for Reputational Risk, the main ones are identified in:

i. primary risks: materialization of compliance, credit, operational, market, liquidity, business, strategic, legal, ESG-related risks
ii. secondary risks: risks arising as a direct result of implementing a risk response to primary risks.

1.1 Reputational Risk as Primary and Secondary risk

For the purposes of this policy, it will be identified as **Primary Reputational Risk** the set of cases in which the Reputational Risk is generated following normal operations which do not constitute any violation of internal or external regulations, nor do they highlight any type of difficulty of the bank to carry out its tasks, but which nevertheless expose the bank to potential criticism and impacts on its reputation.
For example:

- a loan in favor of an entity that continuously operates in a way that is harmful or in any case disrespectful for the environment or for local communities or for its employees;
- a loan for an entity that operates in a controversial sector, such as that of non-conventional weapons;
- a financing for a project with negative environmental or social impacts.

The primary reputational risk is ruled by the present regulation and into a dedicated set of sensitive sectors regulations. Reputational Risk can also derive from a multitude of events that can arise in practically any area of the Group's business. This is because the occurrence of any negative event that impacts the activity or stability of the bank can always be read by its stakeholders as a sign of the bank's inability to offer control, protection and security.

For the purposes of this policy, it will be identified as **Secondary Reputational Risk** the set of cases in which the Reputational Risk is generated following normal operations which constitute a violation of internal or external regulations or which highlight some type of difficulty of the bank to carry out its duties.
For example:

- a data exfiltration (primary risk: IT security) brings secondary reputational risk of the perception of the inability of the bank to adequately protect the sensitive information of its customers;
- a fraud (primary risk: operational) brings secondary reputational risk of the perception of the inability to protect one's own or one's customers' economic assets;

- a physical accident at one of the branches (primary risk: operational) brings secondary reputational risk of the failure to protect the safety of its employees and third parties working at the bank;
- a violation of AML rules (primary risk: compliance) brings secondary reputational risk of the perception of the inability of the bank to comply with basic banking regulations;
- an inadequate liquidity management (primary risk: market and liquidity) brings secondary reputational risk of the perception of the inability of the bank to correctly plan the use of its own financial resources.

The secondary reputational risk is managed by controlling, in each sector, the respect of the full compliance with any internal or external applicable regulation and by ensuring the prevention of any material incident which could impact the activity or the stability of the bank.

Each function is in charge to ensure the correct activity inside each sector and to detect and manage any potential deviation, incident or event is also in charge to evaluate if the deviation, incident or event can also configure a material Reputational Risk for the bank as secondary effect. In this case, Local Reputational Risk function should be involved.

For managerial purposes, the Group identifies the following areas as main sources of potential Reputational Risk:

- Business / Strategy
- Compliance
- Legal
- Digital
- Credit
- Liquidity
- Operational
- ESG

2. Applicability and Scope

This Policy is addressed to all the Legal Entities (hereinafter LEs) that are in the perimeter of the Group Operational Risk Oversight Model. This model has been defined to ensure that the Reputational Risk framework is consistently applied throughout the Group, guaranteeing that an adequate and proportional oversight mechanism is adopted also with reference to smaller LEs. This Policy must be applied in compliance with local laws and legal requirements. Should any of its contents be less restrictive than the local law and/or legal requirements, the LE will adopt the more restrictive local regulation in force.

Scope of this Policy is to provide minimum governance requirements, define roles and responsibilities, summarize the process, methodologies and systems foreseen by the Group framework for a sound and consistent Reputational Risk management of reputational risk that could originate from business relationship and financial supports. When the case falls within the perimeter of the sensitive sectors or topics regulated by specific instrument, specific provisions provided by the same apply.

3. Minimum Governance Requirements

3.1 Foundation Principles

UniCredit Group is strongly committed to promoting **sustainable solutions** in all its business model, financing and investment decision, with particular attention to reputational implications.
Any relationship and any support to business activities must **minimize reputational risk** that may arise **from environmental, social and governance issues**, as well as must be compliant with applicable laws, internal and external regulations, Group's commitments (e.g., Net Zero), international recognized standards and industry best practices.

3.2 Minimum Requirements for Subjects in relationship with the Group

To minimize the reputational risk, all the **subjects that establish a relationship with a LE belonging to UniCredit Group** must satisfy, in addition to the mandatory requisites already defined in the other regulations in place that precede (e.g., Compliance Function requirements), at least a **set of minimum reputational requisites** listed in this policy (see **Annex A**).
Such minimum requirements are derived from internationally recognized convention, standards, practices and guidelines represented by:

- the **Ten fundamental principles of the United Nations Global Compact** which address fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. As a Group, UniCredit is member of United Nations Global Compact and publicly discloses to stakeholders also on progress made in implementing the Ten Principles promoted by the UN Global Compact in its core business, and in supporting broader UN development goals
- the **Core Labour Standards (CLS) of the International Labour Organization (ILO),** which are a set of four internationally recognized fundamental human rights; they are the minimum 'enabling rights' people need to defend and improve their rights and conditions at work, to work in freedom and dignity, and to develop in life
- the **International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability** designed to avoid, mitigate, and manage risks and impacts throughout the life of an initiative/project, along with the **World Bank Group Environmental, Health and Safety (EHS) Guidelines** as technical

reference documents with general and industry-specific examples of Good International Industry Practice, at the facility or project level. For high-income Organization for Economic Co-operation and Development (OECD) countries[1], local or national law is an acceptable substitute for this standards/practices.
- the **Equator Principles (EP)** intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing infrastructure and industrial projects that can have adverse impacts on people and on the environment.

The compliance of the subject with the RepRisk (Reputational Risk) requisites must be assessed by the Function or by the Person of the Legal Entity responsible, by role, for the relationship with the subject.
The same Function or Person is also responsible to report to the Local RepRisk Function any **material violation to the RepRisk requisites** that should occur during the relationship, providing the evidence collected of the violation.

3.3 Minimum Requirements for Deals supported by the Group

All the **deals for which a LE of the Group is going to provide any financial product or service** must satisfy, in addition to the requisites already defined in the other regulations in place (e.g., AML or Financial sanctions alerts), at **least a set of minimum reputational requisites** listed in this policy (see **Annex B**).

In detail, UniCredit Group **does not finance / support projects** or activities (considered **forbidden or controversial**) related to:
- operations in **UNESCO World Heritage Sites** unless the activities predate the UNESCO designation. Furthermore, the Group does not encourage, support or participate in boundary modifications of World Heritage sites or other activities that would cause the site to be delisted from the World Heritage list due to water infrastructure activities
- operations in or directly affecting **areas officially protected** for conservation purposes (i.e., **IUCN I-IV protected areas**), or those proposed for such designation
- operations in or directly affecting wetlands on the **Ramsar List** (Register of Wetlands of International Importance of the Ramsar Convention on Wetlands)
- operations in or directly affecting **Primary Tropical Moist Forests, High Conservation Value Forests or Critical Natural Habitats**, where significant degradation or conversion is involved
- operations where there are reliable and verified reports of **human rights violations**
- operations where it is evident that the counterpart has not achieved free, prior and informed consent from affected **Indigenous Peoples** and undertaken free, prior and

[1] Countries member of the OECD (www.oecd.org) and listed as High-Income countries as per the criteria of the World Bank http://data.worldbank.org/about/country-classifications/country-and-lending-groups

informed consultation with the affected communities in order to facilitate their informed participation

Additionally, the **deals subject to Equator Principles evaluation**[2], must respect the requirements of **sustainability and compliance with the Equator Principles,** to minimize the risk that the financing provided by the Group can indirectly produce negative effects on the environment or on the communities that are affected by the financed activities and that could produce a risk of litigation for UniCredit Group with consequent Reputational Risk.

The compliance of the deal with the abovementioned requisites must be assessed by the Function or by the Person of the Legal Entity responsible, by role, for the deal itself.

The same Function or Person is also responsible to report to the Local RepRisk Function any **material violation to the RepRisk requisites** that should occur during the relationship, providing the evidence collected of the violation.

3.4 Specific Reputational Risk Requirements for Sensitive Sectors

UniCredit Group recognizes that there are sectors that, even if compliant with law in force, can envisage a potential reputational risk when supported by a Legal Entity, because of the sensitivity of the sector itself.

For this reason, the Group must issue, and the Legal Entities must implement, specific provisions for each sensitive sector to define at least:

- deals that can be supported and related conditions, restrictions or exclusions (**allowed activities**)
- deals that cannot be supported (**forbidden activities**)
- customers, operating in the sensitive sector, that can be supported and financial products and services that can be offered, beyond the specific deal financing (e.g., by providing General Financing or other kind of financial products or services not directly linked to a project in the specific sensitive sector), and related conditions, restrictions or exclusions (**allowed customers and financial products and services**)
- customers, operating in the sensitive sector, that cannot be supported even outside the financing of the projects in the specific sensitive sector (**phase out customers**).

The **list of the sensitive sectors** for which the Group has defined its specific Reputational Risk appetite, the Foundation Principles and provisions related to each sensitive sector are described in the specific **sensitive sectors regulations.** Such

[2] https://equator-principles.com/

specific provisions must be considered as additional and, in case of overlapping, they override the general provisions described in this policy.
The Group monitors the market for evaluating the opportunity/need to include in the list of the Sensitive Sectors a new sector that should assume a relevance from a reputational perspective.

4. Reputational Risk Management Process

A reputational risk assessment aims to identify, manage, and mitigate potential reputational risk originating from having a relationship with a company and/or supporting its business activity, through the Reputational Risk Clearance process and Single Deal Approval process, respectively.

Each time a LE of the Group is **undertaking a new initiative** (e.g., new relationship with a customer or change of an existing one, with a supplier, with other relevant third party or stakeholder, new deal, new contract, new financial support) that could envisage a reputational risk for the LE or for the entire Group, a **Reputational Risk Evaluation** must be conducted by the Function of the LE responsible for the initiative, with the aim of assessing the presence of reputational risks associated to the initiative and/or to the subject and of triggering a proper Reputational Risk Assessment.

Local Reputational Risk Function could always start a Reputational Risk Assessment proactively in case a potential reputational risk is detected, regardless if related to a Sensitive Sector.
The reputational risk management process is not mandatory where reputational risk is not material and/or the business initiative is in line with this Policy and other provisions ruling sensitive sectors/topics (i.e., the reputational risk appetite is already set by specific regulations and decision is up to the Business Function).

4.1 Reputational Risk Clearance (Annual or Review on event)

Reputational Risk Clearance process **must be conducted** for assessing the risk and opportunity **to maintain or to establish a relationship with a subject** (e.g., customer, third party service provider):

- **Review on event, for all existing customers/ third Party service providers**, regardless if operating in a sensitive sector, in case of:
  - **violation of Minimum requirements** for subjects (see Annex A) and/or
  - **bad news/rumors** and/or
  - **legal proceedings**, in case of:
    1) **offences** from which **legal liability of the client** company could arise because committed for its benefit and/or advantage by subjects, including de facto persons, who hold positions of representation, administration,

management of the company itself, as well as by persons subject to the management or supervision of one of the aforementioned persons AND
        2) presence of **first-degree convictions** in relation to the matters set out in point 1
    - **sanctions**, fines, bans or any other event that trigger legal proceedings as described above;
    - **NGOs or activists' relevant initiatives**;
- In addition to the review on event requested for all customers, specifically **for existing customers operating in the ruled sensitive sectors**, a Clearance is needed:
    - **Once a year** for the client classification ("Annual Clearance") OR
    - **whenever one or more conditions** of parameters considered in the customer classification **show a change** ("Review on event" as described above)
- **new customers/third Party service providers**, to be on-boarded, before the on-boarding procedure is completed, taking into account the above elements

For all the abovementioned cases, **the Reputational Risk analysis is a pre-requisite for any credit risk taking**.

4.2 Reputational Risk on Single Deal

Reputational Single Deal process must be conductedfor assessing the risk and opportunity **to provide a financial support** (e.g., project financing) to a specific **project or initiative** requested by a customer:
- For **all the cases** where the specific project or initiative is **related to a sensitive sector**, according to what is ruled in the specific regulation;
- For **all the cases**, **regardless if related to a sensitive sector:**
    - in case of **bad news** (e.g. negative media coverage, NGOs' claims campaigns, …) AND/OR
    - **not compliant** with the **Minimum requirements** for deals AND/ OR
    - **subject to Equator Principles evaluation** According to the Minimum requirements, UniCredit Group does not provide any support to deals considered as **forbidden or controversial**, in case of support an exception process should be started.

For all the abovementioned cases, **the Reputational Risk analysis is a pre-requisite for any credit risk taking**.

Additional cases, not listed above, can require a specific, ad hoc analysis and assessment. The responsible function, or person, of the Legal Entity for the management of the case will have to evaluate the opportunity of a proper Reputational Risk Assessment and in case to trigger the process.

ANNEX A

Any **companies** that establish business **relationships with UniCredit** or are engaged in initiative/project/transaction with UniCredit Group support **must ensure** (minimum set of environmental and social criteria) that:

- the company acts in **compliance with all locally effective host country social and environmental laws, regulations and permits**
- the company is committed to respect the **Ten fundamental principles of the United Nations Global Compact.**
  Further information at this link: https://www.unglobalcompact.org/what-is-gc/mission/principles
- the company acts in compliance with the **Core Labour Standards (CLS) of the International Labour Organization (ILO)**.
  Further information at these links: https://www.ilo.org/global/standards/introduction-to-international-labour-standards/lang--en/index.htm; Conventions and protocols (ilo.org)
- the company acts in compliance with internationally recognized environmental and social standards, namely the **International Finance Corporation (IFC) Performance Standards (PS)**.
  Further information at this link: https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards

ANNEX B

UniCredit Group applies minimum requirements for supporting single deals. Any deals for which a Legal Entity of the Group is going to provide any financial product or service **must not involve or affect** any of the following:

- **UNESCO World Heritage Sites**
    - https://whc.unesco.org/en/list/
- **IUCN I-IV protected areas**
    - https://www.iucn.org/
    - https://www.iucn.org/resources
    - https://www.iucn.org/content/protected-area-categories
- **Ramsar Convention on Wetlands**
    - https://www.ramsar.org/
    - https://www.ramsar.org/sites/default/files/2023-08/sitelist.pdf
- **Critical Natural Habitat**
    - https://thedocs.worldbank.org/en/doc/2d2c6d80b4b5c06d5e519c2ac32de0c6-0290012023/original/OP-4-04-Annex-A-Definitions-Natural-Habitats.pdf
    - https://documents1.worldbank.org/curated/en/924371530217086973/ESF-Guidance-Note-6-Biodiversity-Conservation-English.pdf
- **Primary Tropical Moist Forests**
    - https://wwf.panda.org/discover/our_focus/forests_practice/importance_forests/tropical_rainforest/
- **High Conservation Value Forests**
    - https://wwfeu.awsassets.panda.org/downloads/hcvffinal.pdf

UniCredit Group **does not provide any financial support** or service for activities not compliant with:

- **UniCredit's Human Rights Commitment** which includes the principles and systems adopted by UniCredit for its operations pertaining to human rights
    - https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/our-vision-of-a-sustainable-bank/policies-and-guidelines/2024-Human-Rights-Commitment.pdf
- **UN Declaration on the Rights of Indigenous Peoples**
    - www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf

Additionally, UniCredit Group applies **Equator Principles framework**.
Further information at this link: https://equator-principles.com/about-the-equator-principles/