

Disclosure under Article 10 of the SFDR Regulation

Allianz Care Programs (Allianz Gondoskodás Programok)

European Bond (EKA) Asset Fund

A) Summary

Under Article 10 of Regulation (EU) No 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter: SFDR Regulation) and Delegated Regulation EU 2022/1288 of 6 April 2022 supplementing Regulation EU 2019/2088), Allianz Hungária Zrt.(hereafter referred to as the "insurer") shall present the following information and publish and maintain it on its website as part of the pre-contractual disclosure, if the product promotes environmental or social characteristics or a combination of these in terms of sustainability risks as defined in the SFDR Regulation, or if the companies selected for investment purposes follow good corporate governance practices or the product has the objective of sustainable investment:

- a) a description of the environmental or social characteristics or the sustainable investment objective;
- b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product;
- c) the information referred to in Articles 8 and 9 of the SFDR Regulation;
- d) the information referred to in Article 11 of the SFDR Regulation.

This Disclosure describes the European Bond Asset Fund (EKA) investments that promote environmental and social characteristics and sustainable investment objectives.

As stated in the investment policy of the European Bond Asset Fund (EKA), the objective of the European Bond Asset Fund is: to achieve a return above the euro bond market average by investing primarily in euro-denominated bonds.

The Fund invests primarily in euro-denominated government bonds issued by European countries, as well as corporate bonds, bonds issued by credit institutions and mortgage bonds. The Manager may also invest in euro-denominated corporate bonds issued by the European subsidiaries of non-European companies and may hold part of the assets in euro bank deposits in order to achieve its objective.

The portfolio of the asset fund may also include bank account money, bank deposits and short-term Hungarian government bonds. The Fund Manager may also implement the investment strategy by purchasing, using all or part of the assets of the Asset Fund, securities of collective investment schemes managed by fund managers with a sound background, whose investment strategy is identical in all material respects to the strategy of the Asset Fund.

The EKA is considered a low-risk investment over the long term. However, due to the longer average maturity of the EIF, the risk of the asset fund is higher than that of asset funds investing in shorter-dated securities, and the price of the units of the EIF may fall in the short term. The assets of the EKA are partly or fully invested in foreign currencies (mainly the euro), so the exchange rate of the units is also affected by movements in the forint against foreign currencies.

This document summarises the methods for assessing and applying the environmental and social aspects and the information to be disclosed on investments under the legislation.¹

Information under Article 11 of the SFDR Regulation:

The European Bond Asset Fund (EKA) is a product within the meaning of Article 8(1) of the SFDR Regulation and is therefore included in the periodic reports of the insurer

- a) the extent to which environmental or social characteristics are met in the case of a financial product;
- b) if the financial product falls within the scope of Article 6 of Regulation (EU) 2020/852, the following information:

The "do no significant harm" principle applies only to investments underlying a financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

The insurer shall disclose that information annually in writing in the official language of the Member State of the commitment, in accordance with Article 185(6) of Directive 2009/138/EC.

The information required under Article 8 of the SFDR Regulation is set out in Annex 4 to the General and Special Terms and Conditions of the insurance product.

B) No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The product promotes environmental, social, human rights, governance, and business behaviour factors (this domain does not apply for sovereigns issued by a Sovereign Entity) through integration a best-in-class approach into the investment process. When investing the portfolio of the asset fund, it will take into account the SRI rating of issuers.

The insurer applies a minimum exclusion and asset-specific exclusion criteria for the sustainability screening of investments

Indicators for adverse impacts

PAI indicators are considered either as part of the application of the exclusion criteria or through thresholds on a sectorial or absolute basis. Significance thresholds have been defined and they refer to qualitative or quantitative criteria.

Recognizing the lack of data coverage for some of the PAI indicators equivalent data points are used to assess PAI indicators when applying the DNSH assessment, when relevant, for the following indicators for corporates: share of non-renewable energy consumption and production, activities negatively affecting biodiversity-sensitive areas, emissions to water, lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises; for sovereigns: GHG Intensity and investee countries subject to social violations. In case of securities which finance specific projects contributing to environmental or social objectives equivalent data at project level might be used to ensure that Sustainable Investments do not significantly harm any other environmental and/or social objective. The Investment Manager of the underlying fund will strive to increase data coverage for PAI indicators with low data coverage by engaging with issuers and data providers. The Investment Manager will regularly evaluate whether the availability of data has increased sufficiently to potentially include assessment of such data in the investment process.

¹REGULATION (EU) No 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability disclosures in the financial services sector

COMMISSION DELEGATED REGULATION (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

Aligning with international standards

The underlying fund's Investment Manager's sustainable minimum exclusion list screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Securities issued by companies having a severe violation of these frameworks will be restricted from the investment universe.

C) Environmental or social characteristics of the financial product

Sustainable investments contribute to environmental and/or social objectives, for which the underlying fund's Investment Managers uses as reference frameworks, among others, the UN Sustainable Development Goals (SDGs), as well as the objectives of the EU Taxonomy:

1. Climate Change Mitigation
2. Climate Change Adaptation
3. Sustainable Use and Protection of Water and Marine Resources
4. Transition to a Circular Economy
5. Pollution Prevention and Control
6. Protection and Restoration of Biodiversity and Ecosystems

D) Investment strategy

I) Investment strategy to meet environmental or social characteristics

The investment strategy of the underlying investment fund of the fund is to seek a return above the average return of the euro bond market by investing primarily in euro-denominated bonds.

In line with its sustainable and responsible investment strategy (SRI strategy), the Fund focuses on companies operating in global equity markets. The Fund follows an SRI strategy and promotes investments that take into account environmental, social and corporate governance objectives, including through the application of exclusion criteria for investments.

In addition to its long-term climate protection strategy, the Facility follows a holistic sustainability approach, consistently applying the United Nations (www.unpri.org) Principles for Responsible Investment (PRI) throughout the investment process.

II) Policy on the assessment of good corporate governance practices of investee companies

Good governance principles are considered by screening out companies based on their involvement in controversies around international norms corresponding to the four good governance practices:

- a) sound management structures,
- b) employee relations,
- c) remuneration of staff and
- d) tax compliance.

Companies having a severe violation in either of those areas will not be investible. For certain cases, flagged issuers shall be on a watch list. These companies will appear on this watch list when the underlying fund's Investment Manager believes that engagement may lead to improvements or when the company is assessed to take remedial actions. Companies on the watch list remain investible unless the underlying fund's Investment Manager believes that the engagement or the remedial actions of the company does not lead to the desired remedy of the severe controversy.

In addition, the underlying fund's Investment Manager is committed to actively encourage open dialogues with investee companies on corporate governance, proxy voting and broader sustainability issues in advance of shareholder meetings (regularly for direct investments in shares).

E) Proportion of investments

The current minimum rate of environmentally sustainable investment is 0.10%. We are currently unable to further disaggregate the minimum rate of environmentally sustainable investment into transition and supporting activities

due to limited data availability. Until full, actual published data on taxonomy-adjusted activities of companies is available from public disclosure, we use third-party data and data directly from asset managers for the underlying investment funds.

More detailed information on environmental or social characteristics is available in Annex 4 of the General and Special Terms and Conditions of the insurance product.

F) Monitoring of environmental or social characteristics

The underlying fund's Investment Manager's sustainable minimum exclusion list screens out companies based on their involvement in controversial practices against international norms.

In addition to the above, when necessary, Allianz SE will initiate targeted dialogue with certain companies (engagement process). The Allianz Group aims to achieve meaningful economic change and support the transformation of companies. In the case of failed engagement, issuers will be restricted from the portfolio.

G) Methodologies

The product promotes environmental, social, human rights, governance, and business behaviour factors (this domain does not apply for sovereigns issued by a Sovereign Entity) through integration a best-in-class approach into the investment process. When investing the portfolio of the asset fund, it will take into account the SRI rating of issuers.

The minimum exclusion and asset-specific exclusion criteria applied are as set out above.

H) Data sources and data processing

1. Data sources used to achieve the environmental or social characteristics promoted by the financial product:
The information in this document, including the exclusion criteria, is based on information from an external data provider.

Due to the limited information available on the principle adverse impact, they are assessed using equivalent data when assessing the avoidance of significant harm

2. Measures taken to ensure data quality:

Environmentally sustainable investments are a sub-category of sustainable investments under the EU taxonomy regulation. So far, only a small proportion of the investment universe has been covered by the EU definition of environmentally sustainable activities, and companies will only start reporting on taxonomy-aligned activities in 2023.

Taxonomy-adjusted investments include debt and/or equity investments. Taxonomy-aligned data is only in rare cases data reported by companies in accordance with the EU Taxonomy. The data provider has derived Taxonomy-aligned data from other available equivalent public data.

Taxonomy data are obtained from an external data provider. The quality of the data is assessed by the manager of the underlying investment fund of the asset fund and is not verified by an auditor or third party. The data exclude government bond data as there is currently no appropriate methodology to determine the share of taxonomy aligned activities for government bonds.

3. The method of data processing:

The insurer uses information obtained from the underlying fund's Investment Manager.

4. The proportion of estimated data:

The insurer is currently working with estimated data due to lack of data.

I) Limitations to methodologies and data

1. Potential limitations of the methodology and data sources

Environmentally sustainable investments under the EU Taxonomy Regulation are a subcategory of sustainable investments. To date only a small share of our investment universe is covered in the EU definition of environmentally sustainable activities and companies will only report on taxonomy-aligned starting 2023.

One reason for the small share is the current lack of actual data. Nonetheless, please note that Allianz pursue best effort when it comes to data collection. Until full actual reported data on taxonomy-aligned activities of companies is available from public disclosure, data from third party providers and data obtained directly from asset managers is used.

2. Examining why the above constraints do not affect the environmental or social characteristics promoted by the financial product.

The external data provider examines the fulfilment of the environmental or social characteristics of the financial product.

J) Due diligence

The underlying investment fund's Investment Manager performs due diligence activities and controls on the assets of the underlying financial products. Thus, due diligence of the assets in the underlying fund is carried out.

K) Engagement policies

The insurer has an engagement policy, which also applies to this product. Information on our engagement policy can be found on our homepage:

https://www.allianz.hu/hu_HU/lakossagi/rolunk/allianz-hungaria-zrt/szerepvallalasi-politika.html

L) Designated reference benchmark

At present, no specific index benchmark has been identified to determine whether the unit-linked fund is aligned with the environmental characteristics it promotes.

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