

CBA Sustainable Finance Memorandum

Banks as financial institutions act in accordance with the principles of functioning of market economy as well as in accordance with shareholders' assignments. In their business, banks also respect, as much as possible, the requirements for environmental protection and the principles of social responsibility. Environmental protection and maximum care in the treatment of all its components (i.e. inanimate and animate nature, including humans) is an important part of their operations and business, in the same way as corporate social responsibility has become a natural long-standing part of the daily activities of banks.

Therefore, the undersigned banks publicly declare their commitment to principles that are, and will continue to be, applied in the management of their business activities, and will be continuously included in their relations with clients and suppliers, shareholders, and other stakeholders. The continuous enhancing of the system of impact assessment of the areas stated below in the field of sustainable development has become a priority for banks, which requires intensive and continuous cooperation with the government and regulators but also with the private sector.

The undersigned banks undertake:

1. To assess their activities also in the light of the requirements for environmentally and socially responsible business, and to align their objectives with the objectives stated in the relevant UN global agreements, EU programmes and policies as well as with national sustainable policy frameworks. The banks pledge to contribute as much as possible to the fulfilment of EU environmental commitments in the field of environmental protection and social conditions as these are referred to in the EU programming period for the years 2021-2027.
2. To cooperate with public authorities in co-financing of projects implemented with the support of EU funds, or in the framework of public-private partnership (PPP) in the way that will ensure their most effective use.
3. To apply sustainability principles not only in the management of their business activities but also in relation to clients, suppliers and other stakeholders.
4. To cooperate at the international and national level, through the Czech Banking Association with the European Banking Federation in particular, to participate in expert discussions with the European Parliament, the European Commission and its specialized units (possibly also through parent companies and their banking associations at the European level) as well as with Czech government representatives, representatives of legislature and regulators on the reasonable consideration of

sustainable finance in European and national legislative activities and financial and banking regulation in general.

5. To review transparently and regularly the impacts of their business activities in the field of *ESG - Environmental, Social and Corporate Governance*, whenever positive or negative, and at the same time, report them in compliance with currently applicable rules.

What banks are already doing in this context, and will continue to promote in their activities:

a) In relation to clients

- The banks shall continue to offer modern and easily accessible financial services of the highest possible quality, and also offer clients long-term sustainable solutions and support and motivate clients to behave in a socially responsible manner.
- Whenever possible, the banks shall offer services (e.g. advisory) and green finance products, such as green obligations, mortgages or loans contributing to sustainability so that sustainable financing is available to clients.
- The banks shall continue to assess the relation between loan portfolio and contribution of projects or businesses financed to national and European sustainability and social responsibility objectives.
- The banks shall continue to take measures to increase transparency regarding the impact of their loan portfolio through voluntary sustainability reports and shall continue to publish non-financial information.
- The banks shall preserve equal access to and social accessibility of the activities financed.

In this context, the banks shall continuously monitor the possibility and relevance of making commitments in the following areas:

- Manage their loan portfolio in accordance with the objectives of the Paris Agreement (https://www.mzp.cz/cz/parizska_dohoda).
- Exit loan portfolios associated with production that is excessively harmful for the environment or human health.
- Respect the adopted national strategies in the field of sustainable development, the need for a minimum transition period and social aspects.

b) In relation to their suppliers

- The banks shall continue to adapt the way they purchase goods and services so that the whole cycle of the purchased services and goods is more circular and sustainable.

c) In relation to relevant authorities and institutions

- **The banks shall continue to cooperate with public authorities in resolving the specific situation in the Czech Republic** (a EU member country eligible to use funds from the *Just Transition Fund*) in co-financing projects implemented with the support of EU funds, using the available and relevant financial instruments, and are ready to finance projects selected as eligible for public-private partnership (PPP) – and when appropriate, they will do so using the newly established National Development Fund.
- When cooperating with the public sector, they shall actively cooperate with financial institutions, such as national or supranational development banks (the Czech-Moravian Guarantee and Development Bank, or the European Investment Bank in particular at the European level) whose mission is to complement the offer of private sector financial products in a way to help overcome potential market failure.

d) In relation to the environment

- They shall continue to implement, and enhance, the already established processes in the field of environmental protection, and assess all corporate procedures in the light of the requirements for environmentally and socially responsible business
- They shall continue to minimize the impacts of their operations on the environment, and continue to digitize and transit to paperless procedures, as well as to implement activities that reduce carbon footprint in line the low carbon economy of the future – green electricity transition, more sustainable practices in branches, etc.

This document is a follow-up to the *UN Principles for Responsible Banking*, which the parent companies of some Czech banks had signed. The domestic banks have thus committed themselves within their Groups to complying with the obligations arising therefrom (<https://www.unepfi.org/banking/bankingprinciples/>).