

# BPER:

Banca

## 2022 TCFD Report

The present document is the English translation of the Italian TCFD Report, prepared for and used in Italy, and has been translated only for the convenience of international readers.







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# Methodological note

Through its parent company BPER Banca, the BPER Banca Group (hereinafter also 'BPER Group' or 'Group'), joined the Task Force on Climate-related Financial Disclosure (TCFD) in 2021 on a voluntary basis in order to disclose its climate-related commitments to all its stakeholders with greater transparency.

The TCFD is an initiative established in 2015 by the Financial Stability Board (FSB) to address and quantify the risks generated by climate change on the stability of the global financial system. In 2017, the TCFD developed 11 recommendations set out within the 'Recommendations of the Task Force on Climate-related Financial Disclosures - Final Report' (hereinafter 'TCFD Recommendations') and the subsequent Annex 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' (hereinafter 'TCFD Annex') published in 2021, aimed at promoting greater transparency on climate-related financial risks and guiding companies in reporting the information that investors and financial markets need in order to assess climate-related risks and opportunities.

Membership of the TCFD confirms and reinforces the Group's national and international climate commitments and is part of a broader framework of initiatives including adherence with United Nations frameworks such as the Principles for Responsible Banking (PRB) and the Net-Zero Banking Alliance (NZBA), for which the Group has embarked on a path to align its lending and investment portfolio with the 2030 and 2050 decarbonisation targets enshrined in the Paris Climate Agreement.

This TCFD Report (hereinafter also the 'Report') includes the Group's climate-related information prepared referring to the scopes of the 11 TCFD Recommendations: Governance, Strategy, Risk Management and Metrics and Targets. In particular, the Report was prepared on the basis of the following criteria:

- Governance:
  - disclosure a) Description of the board's oversight of climate-related risks and opportunities description of the processes by which the Board oversees climate-related issues, the roles of the Board of Directors and its Internal Board Committees, and the monitoring frequency of climate-related activities. Description of how the Board addresses climate-related issues in the definition of corporate strategy and the monitoring process in relation to progress in the defined objectives;
  - disclosure b) Description of management's role in assessing and managing climate-related risks and opportunities: description of the operational roles in managing climate-related issues at management level and how management and the Board communicate about them.

- Strategy:
  - disclosure a) Description of the climate-related risks and opportunities the organization has identified over the short, medium, and long term: description of risks and opportunities by sector and geographical area, taking into account Tables A1.1 and A1.2 of the TCFD Annex. Description of how short, medium and long term time horizons are taken into account. Description of significant exposures of the loan portfolio and other financial assets in relation to physical and transition risks;
  - disclosure b) Description of the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning: description of the areas on which the Group directs its strategic planning and of the scenario analyses carried out by the Group as a starting point for integrating climate factors into its credit policies and business strategies;
  - disclosure c) Description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario: description of the scenario analyses carried out by the Group considering scenarios consistent with a transition to a low-carbon economy, taking into account Section D of the TCFD Recommendations.
- Risk management:
  - disclosure a) Description of the organization's processes for identifying and assessing climate-related risks: description of the risk identification and management process adopted by the organisation. Description of climate risk factors in relation to traditional banking risks (credit risk, market risk, operational risk, reputational risk, liquidity risk and strategic risk);
  - disclosure b) Description of the organization's processes for managing climate-related risks: description of the risk management process, taking into account Tables A1.1 and A1.2 of the TCFD Annex;
  - disclosure c) Description of how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management: description of the identification process for identifying, assessing and managing climate-related risks and integration into the Group's risk management framework.
- Metrics and targets:
  - disclosure a) Disclosure of the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process: description of the metrics selected to measure climate-related risks and opportunities associated with energy use, direct and indirect emissions, and the Group's level of exposure to physical and transition risks by sector and geographic area, taking into account Table A2.1 of the TCFD Annex;

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- disclosure b) Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks: reporting of direct Scope 1 and indirect Scope 2 and Scope 3 emissions, including emissions related to the credit and securities portfolio, in line with the GHG Protocol methodology and the PCAF Standard;
  - disclosure c) Description of the targets used by the organization to manage climate-related risks and opportunities and performance against targets: description of the climate-related objectives defined by the Group as part of its Business Plan, in the medium and long term.

The disclosures included in the TCFD Report were subject to a limited assurance engagement according to the criteria set forth in the ISAE 3000 Revised principle by Deloitte & Touche, on a voluntary basis.

# Contents 1

## Introduction

- 1.1 The Current Context
- 1.2 The Group's Role
  - 1.2.1 Commitments and Memberships
  - 1.2.2 Results Obtained
  - 1.2.3 Climate Action
- 1.3 Executive Summary

## 2

### Governance

- 2.1 Presentation of Group Governance
- 2.2 Governance of Top Management on Climate
  - 2.2.1 Roles and Responsibilities of the Board of Directors
  - 2.2.2 Roles and Responsibilities of the Internal Board Committees
  - 2.2.3 The Board's Self-Assessment
- 2.3 The ESG Management Committee
- 2.4 The ESG Strategy Office
- 2.5 Remuneration Policies
- 2.6 Climate-Related Trainings

## 3

### 6 Strategy

- 6 3.1 The Group's Sustainability Framework 20
- 7 3.2 Climate-related Risks and Opportunities 21
  - 7 3.2.1 Climate-related Risks 21
  - 8 3.2.2 Climate-related Opportunities 22
- 9 3.3 Group Strategy 23
  - 10 3.3.1 Enhancing the Green Offer 23
  - 3.3.2 Redesigning the Data Governance Model 27
  - 3.3.3 Engaging the Value Chain 27
  - 3.3.4 Reducing Direct Impacts 28
- 14 3.4 The Evolution of Strategic Planning from an ESG Perspective 29
- 14 3.5 Architecture of the Scenario Analysis 30
  - 15 3.5.1 Physical Risk 30
  - 15 3.5.2 Transition Risk 32
- 16 3.6 Calculating the Carbon Footprint of the Portfolio 34
- 17 3.7 Alignment with Supervisory Expectations 35

# 4

## Risk Management

4.1 ESG Infusion and Risk Management	
4.2 Risk Identification, Assessment and Measurement	
4.3 Management and Mitigation	
4.3.1 Risk Governance Processes	
4.3.2 Risk Appetite Framework	
4.3.3 ICAAP and ILAAP	
4.3.4 Recovery Plan	
4.3.5 Internal Risk Forecasting and Stress Testing Programme	
4.4 Monitoring and Reporting	
4.5 Credit Policies	
4.6 The Business Continuity Plan	

# 5

## 37 Metrics and Targets

37	5.1 Climate Risk Indicators	45
38	5.1.1 Physical Risks	45
40	5.1.2 Climate Transition Risks	49
40	5.1.3 Economic Impacts of Climate Risks	51
41	5.2 Emissions	53
41	5.2.1 Scope 1 and 2	53
41	5.2.2 Scope 3	53
41	5.3 Targets and Commitments for the Future	57
42	5.3.1 2022-2030 Energy Plan	57
42	5.3.2 Financing the Transition	58
44	5.3.3 Net-Zero Banking Alliance	59
	5.3.4 Principles for Responsible Banking	59
	<b>Annex 1 - KPI Conversion Table</b>	<b>60</b>
	<b>Annex 2 - GICS Sectors In Depth</b>	<b>63</b>
	<b>Independent Auditor's Report</b>	<b>64</b>

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## 2022-2025 BPER e-volution Business Plan

*'Sustainability issues are already widely integrated in our business model: we have identified concrete actions to focus on within all intervention lines in a cross-cutting manner, with precise targets in terms of reducing environmental impacts, supporting customers in the ecological transition, and lastly attention to inclusion, managing diversity and the weaker fringes of society, with the aim of creating shared value. Therefore, the new Plan will allow us to evolve towards a business model that is more focused on core activities, making the most of our product factories, with increased efficiency and a strong drive for digitisation guided by a logic of sustainability for the benefit of all stakeholders.'*

**Piero Luigi Montani**  
**Chief Executive Officer**

*'ESG issues are an important axis of the Plan. We have invested in governance, environmental and social issues. (...). We feel it is imperative to be close to our territories, businesses and families. In these difficult times and in this uncertain economic environment, we will continue to be close to them. The idea of continuing to invest in the energy transition is in line with the goals we set ourselves by joining the Paris Agreement and the relative alliances formed at European and international level. To do this, the energy transition must be seen from two perspectives: firstly on the ability of individual realities, such as banking, to meet the challenges of the new scenarios, establishing a series of plans and activities that can make it possible to achieve significant objectives in terms of energy savings. Secondly, there is the commitment by which our customers directly benefit. The NRRP guides us and will enable us to continue investing in projects that will support companies towards energy saving and the energy transition.'*

**Flavia Mazzarella**  
**Chairperson**

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# Introduction

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## 1.1 The Current Context

### The Global Risk Scenario

It is essential to define global actions to limit climate change in order to protect ecosystems and ensure sustainable intra-generational growth. Climate and environmental issues are increasingly at the centre of policy makers' agendas and will pose the main challenges of the next decade, also considering their strong correlation with macroeconomic, geopolitical and social variables. This is the snapshot portrayed in the World Economic Forum's 'Global Risk Report 2023', which identifies a marked predominance of climate- and environment-related risks in the short and long term, exacerbated by the failure to evolve large-scale management and monitoring systems.

### COP27, COP15 and the Paris Agreement

Recognising the urgency of the climate crisis, national governments renewed their commitment to limit the global temperature increase to within 1.5°C compared to pre-industrial levels, as also enshrined in the Paris Agreement, at the 27th annual meeting of the Conference of Parties (COP) organised by the United Nations (UN). The Conference also included a proposal to activate universal cooperation on decarbonisation initiatives, including phasing out coal, reducing the use of methane gas, combating deforestation, and specific actions for the food and agriculture sector, including for the protection of biodiversity. In addition, the 15th Conference of Parties focused on Biodiversity (COP15) was held in Montreal, Canada at the end of 2022. On this occasion, delegates from the 196 participating countries adopted the Kunming-Montreal Global Biodiversity Framework pledging to restore globally degraded ecosystems and enhance the degree of conservation and management of marine and terrestrial protected areas in order to protect the Earth's remaining biodiversity.

### UNEPFI Initiatives

The financial community will play a pivotal role in this respect, thanks to its ability to direct capital flows towards an economy with a lower environmental impact. This is why the United Nations Organisation established the Environment Programme Finance Initiative (UNEPFI), a network of banks, insurers and investors created to accelerate sustainable development and catalyse actions to support the transition to more sustainable and inclusive economic paradigms. Prominent UNEPFI initiatives include the Principles for Responsible Banking (PRB), a framework for identifying and defining targets for reducing the main economic, social and

environmental impacts associated with banking business, and the Net-Zero Banking Alliance (NZBA), an alliance of the world's most virtuous banking institutions ready to set an example in defining decarbonisation targets for their credit and investment portfolios in the medium to long term.

### European Policies and Regulations

The policy promoted by the European Green Deal aims to support sustainable development as the growth strategy of the European Union and to achieve the goal of becoming the first continent to achieve climate neutrality by 2050, fostering the creation of new jobs and boosting innovation, thereby contributing to a fair and inclusive transition. This is the background to the Action Plan for Financing Sustainable Growth aimed at financial sector actors, with the objective of driving a fair and orderly transition to a financial sector more resilient to climate risk and on the other hand incentivising sustainable investments. Therefore, a key role is also played by the Supervisory Authorities such as the European Central Bank (hereinafter also 'ECB'), the European Banking Authority (hereinafter also 'EBA') and the national ones, such as the Bank of Italy. With particular reference to climate and environmental risks, in 2020 the ECB published the Guide on climate-related and environmental risks, with which it initiated an engagement process with banking sector stakeholders using different methods, including an initial self-assessment and definition of action plans and a subsequent 'Thematic review on climate and environmental risks' held between January and August 2022.

The work carried out by the European Parliament related to the enactment of two new directives should be highlighted, namely the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDD). The CSRD will significantly broaden the range of companies subject to sustainability reporting and introduce new obligations to ensure greater completeness, comparability, reliability and consistency of sustainability information in relation to the themes of Environment, Social and Governance (ESG), also with respect to the broader sustainable finance framework, including the Sustainable Financial Disclosure Regulation (SFDR) and the EU Taxonomy Regulation. The CSDD will instead introduce an obligation for large companies to identify, prevent and mitigate the negative externalities they generate with regard to human rights and environmental impacts, with implications that go beyond the control boundaries of the companies themselves and extend along the entire 'value chain'.



## Open Challenges

Moving from setting climate ambitions to implementing a realistic decarbonisation strategy requires companies allocate significant financial resources to strengthen the climate resilience of their business. Meanwhile, the banking sector will have to evolve its risk management and market reporting systems, on the one hand, and will be called upon to identify and seize the new opportunities associated with the transition to a low-carbon economy and an emerging definition of competitiveness of supply that gives increasing weight to sustainability issues, on the other. There are still many open challenges, all closely linked to the availability, quality and definition of a single data classification system.

# 1.2 The Group's Role

## 1.2.1 Commitments and Memberships

### Commitment to the TCFD Framework

The BPER Group confirms its commitment to take an active part in the fight against climate change by pursuing a series of initiatives, also of a voluntary nature, aimed at improving risk management processes and the ability to seize climate-related opportunities. As evidence of this, in December 2021 the Group decided to adhere to the TCFD framework by highlighting, first in the Consolidated Non-Financial Statement referring to the financial year 2021 and then in this Report, the path undertaken to define an effective governance model, a resilient industrial strategy, state-of-the-art climate risk management processes and short, medium and long-term objectives consistent with the Group's commitments.

### Actions for Climate and Environmental Stability

During 2022, the Group put in place a significant set of actions to support a just transition, such as joining the (NZBA), the launch of the new 2022-2025 BPER e-volution Business Plan which includes all the evolutionary projects in the (ESG Infusion) area, including the Energy Plan, and the adoption of three new policies: the ESG Policy, which defines the governance on sustainability issues, the ESG-linked Loan Origination Policy and the Environmental, Social and Governance (ESG) Investment Policy. In addition, 2022 saw the Bank engaged in ECB-sponsored activities related to the 'Thematic review on climate and environmental risks' and participation in the 'Climate Stress Test' activity, continuing the path initiated in 2020 with the publication of the 'Guide on climate-related and environmental risks' (for more details see Chapter 4).

The Group also continued monitoring the carbon footprint of its credit and investment portfolios, expanding the scope of companies included in the estimate, and confirmed its

adherence to the Principles for Responsible Banking, identifying its areas of commitment, including climate change.

Lastly, aware that the main challenges of the coming years will be played out in the field of ESG data and information, the Group has restructured its data governance architecture, creating the BPER Data Platform: a multi-channel platform for data storage and processing containing company data and which will serve as the basis for the evolution of climate and environmental risk management processes. In fact, BPER has acquired ESG data relating to its corporate customers from info-providers, but it has also launched an initial pilot project for the administration of 350 ESG questionnaires addressed to its customers, aimed at acquiring single name data, which will evolve over the next two years to cover the 'corporate' customer segments which are considered most representative in terms of exposure threshold or sector.

### International Statements and Guidelines to which the Group Refers

These concrete actions fall within a broader perimeter of sustainable development principles set out in the declarations and guidelines that the BPER Group follows, such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the Paris Agreement on Climate Change. These principles provide the value framework which inspires the BPER Group's operations and outlines its policies for the creation of shared long-term value.

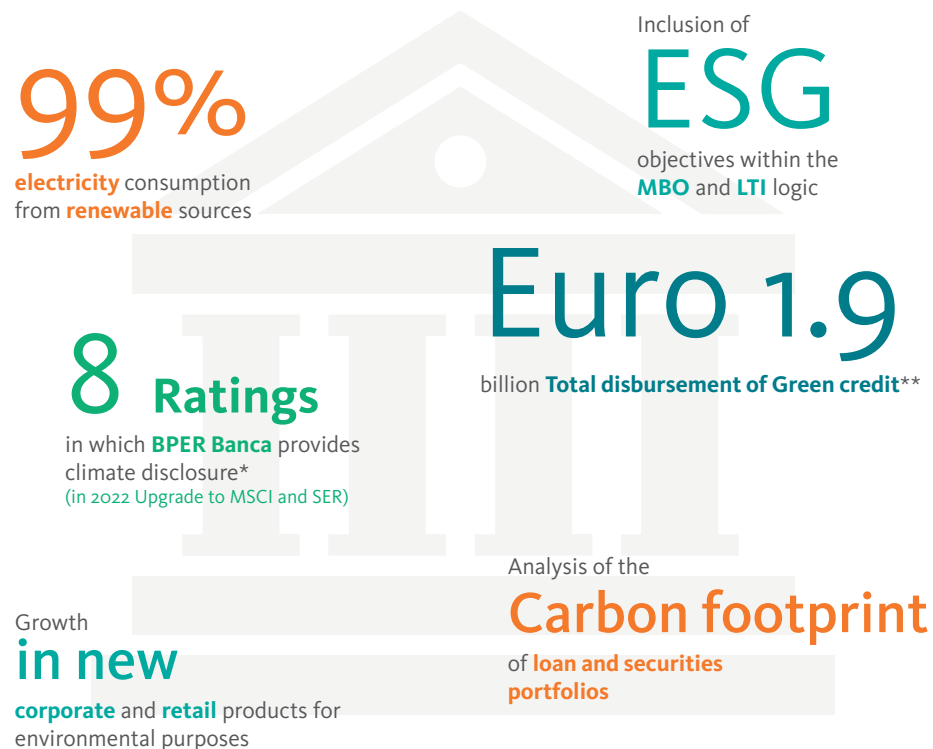
BPER Group membership	
<b>Principles for Responsible Investment (PRI)</b> ARCA Fondi SGR, a BPER Group company, adhered to the Principles for Responsible Investment (PRI) in 2019, the guiding principles on socially responsible investment (SRI) promoted by the United Nations.	<b>United Nations Global Compact (UN GC)</b> In 2019 BPER Banca joined the UN Global Compact (UN GC) to promote its Ten Principles, including those related to respect for the environment.
<b>Task Force on Climate-related Financial Disclosure (TCFD)</b> BPER Banca joined the TCFD in 2021 in order to optimise its reporting on climate-related issues.	<b>Principles for Responsible Banking (PRB)</b> In 2021 BPER Banca subscribed to the PRBs that define the roles and responsibilities of banking institutions in aligning with the UN Sustainable Development Goals (SDGs) and the Paris Agreement.
<b>Net-Zero Banking Alliance (NZBA)</b> BPER Banca joined the NZBA in 2022: the initiative promoted by the United Nations with the aim of accelerating the sustainable transition in the banking sector through the commitment of participating banks to align their lending and investment portfolios to achieve the net-zero target by 2050.	<b>Sustainable Development Goals (SDGs)</b> BPER Banca significantly supports the achievement of the Sustainable Development Goals of the UN 2030 Agenda - with a particular focus on the following SDGs: 1, 4, 5, 7, 8, 9, 11, 12, 13, 15 and 16. (For further information, see the Consolidated Non-Financial Statement).

Figure 1: The BPER Group's adherence to international frameworks for sustainable development, the environment and the climate

## 1.2.2 Results Obtained

The BPER Group's main achievements in 2022 are indicated below.

Further details can be found in the Consolidated Non-Financial Statement 2022.



\* Unsolicited Rating: ISS ESG, S&P CSA, CDP Climate Change Questionnaire 2022, Moody's ESG Solutions, MSCI ESG Research. Solicited Rating: Moody's ESG Solutions, Standard Ethics Rating (SER) and S&P ESG Evaluation.

\*\*Please refer to section 4.6.2 Products and Services with Environmental Purposes of the 2022 CNFS for more details.

Figure 2: The BPER Group's climate results as at 31 December 2022

## 1.2.3 Climate Action

The following infographic shows the main actions implemented by the BPER Group from 2017 to date to combat climate change and reduce environmental impacts.

For further details, please refer to previous editions of the Consolidated Non-Financial Statement.

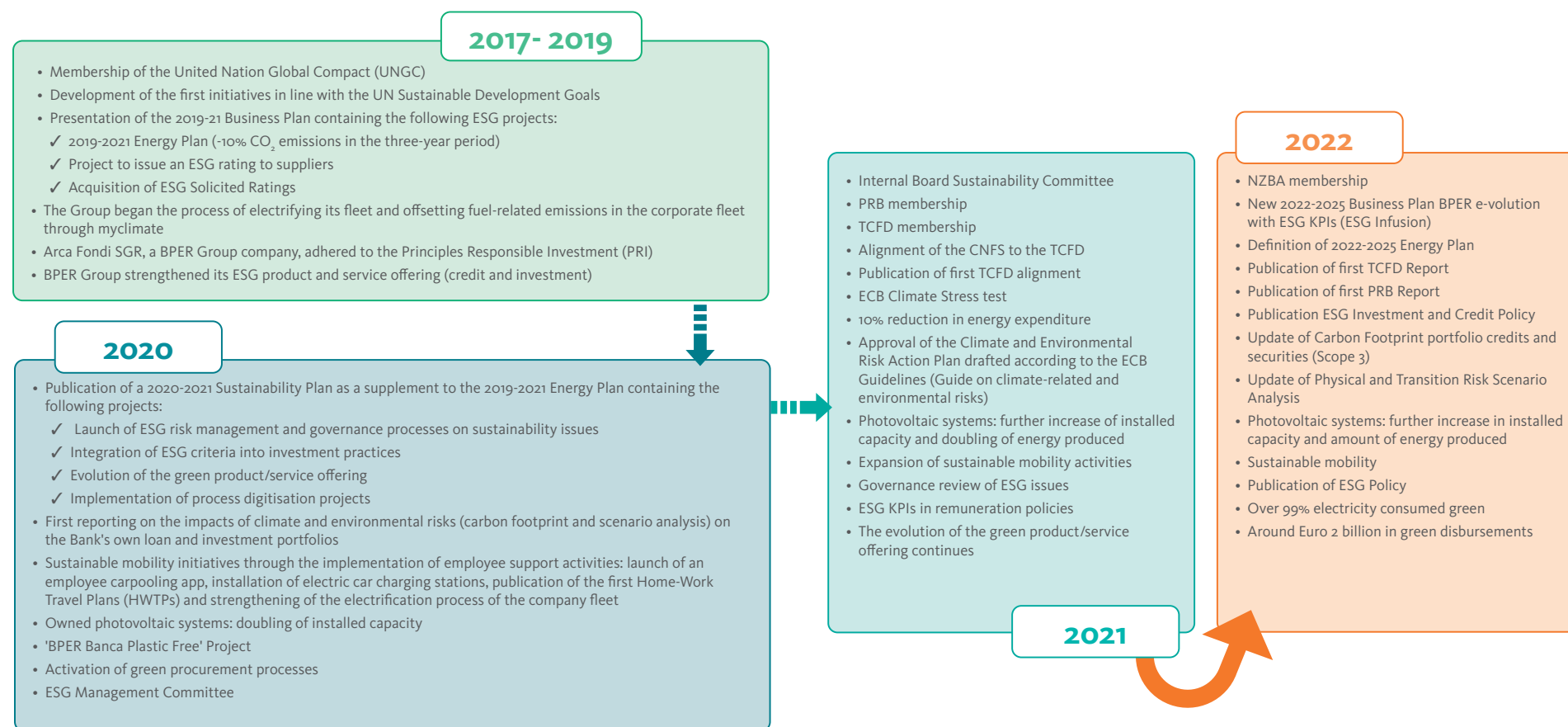


Figure 3: Timeline of climate-related actions

## 1.3 Executive Summary

Table 1: Executive summary of the BPER Group's reporting on the 11 recommendations of the TCFD framework

Areas	Reccomendations	BPER's Reporting	Reference in the 2022 Report
Governance	a) Describe the board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> <li>In November 2022, BPER issued the new ESG Policy. It clearly and precisely identifies the commitments undertaken by the Group and included in the 2022-2025 BPER e-evolution Business Plan in relation to sustainability and climate issues, as well as the roles and responsibilities of the governance bodies. More specifically:               <ul style="list-style-type: none"> <li>the BoD is responsible for defining the Group's strategy with regard to sustainability and climate issues</li> <li>the Internal Board Control and Risk Committee supports the Board of Directors in the oversight of climate risks and in the process of integrating them into the Group's risk map</li> <li>the Internal Board Sustainability Committee supports the Board of Directors on sustainability and climate issues, ensuring the pursuit of sustainable development</li> </ul> </li> <li>The Board of Directors of the Parent Company approved an action plan for the gradual alignment with the expectations of the European Central Bank, which was then fully integrated into the 2022-25 BPER e-evolution Business Plan</li> <li>The Group's sustainability performance is monitored quarterly through specific reporting</li> <li>ESG objectives were defined within the remuneration policies linked to the targets of the Business Plan</li> </ul>	Section 2.1, 2.2, 2.5, 3.6
	b) Describe management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> <li>The new ESG Policy also defines the roles and responsibilities of the BPER Group's departments in relation to sustainability and climate issues</li> <li>The Group has established an ESG Management Committee to facilitate the coordination of corporate and Group functions with regard to sustainability and climate issues, and to support the CEO in the operational management thereof. The Committee meets at least quarterly and each member reports to the Board of Directors for their respective activities</li> <li>The ESG Strategy Office supports the ESG Management Committee in the operational management of sustainability and climate issues in accordance with the provisions of the Business Plan and the Sustainability Plan</li> </ul>	Section 2.1, 2.3, 2.4
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	<ul style="list-style-type: none"> <li>In response to regulatory developments and the demands of regulatory bodies, the Group is committed to integrating climate and environmental risk factors and defining the respective transmission channels within risk management processes</li> <li>Considering the positive externalities it can generate, the Group is committed to identifying climate-related opportunities as part of its sustainability strategy, including acting as a partner to support the transition of its customers</li> </ul>	Section 3.2



Areas	Reccomendations	BPER's Reporting	Reference in the 2022 Report
Strategy	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning</p>	<ul style="list-style-type: none"> <li>• The Group's sustainability strategy is embodied in the ESG Infusion Programme, an integral and founding part of the new Business Plan</li> <li>• The Group's strategy is based on the following cornerstones:                             <ol style="list-style-type: none"> <li>1) enhancing the green offer</li> <li>2) redesigning the data governance model</li> <li>3) engaging the value chain (customers and suppliers)</li> <li>4) reducing indirect impacts</li> <li>5) reviewing risk management processes</li> </ol> </li> <li>• In addition to these five cornerstones is the continuous evolution of the scenario analysis methodology and monitoring the portfolio's carbon footprint, with the commitment to set decarbonisation targets in the current year that are in line with the commitments undertaken in joining the NZBA</li> <li>• The Group has defined KPIs to measure and monitor the direct and indirect environmental impacts of its operations. Furthermore, a project was launched in the last quarter of 2022 to evolve strategic planning processes to include ESG drivers, through dedicated measures and KPIs (e.g., transition risks and physical risks)</li> </ul>	<p>Section 3.3, 3.4, 3.6</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<ul style="list-style-type: none"> <li>• In order to assess the risk indicators related to climate change, the BPER Group continued a new scenario analysis, assessing both scenarios in line with the Paris Agreement and alternative scenarios such as 'Business As Usual' (BAU), in which a significant increase in temperature is assumed</li> <li>• The scenario analysis was first carried out to provide disclosure consistent with the expectations of the regulatory frameworks, constituting a starting point for the integration of the other strategic analysis processes, especially with regard to credit policies and commercial strategies dedicated to customers most impacted by transition risk. In line with the main regulatory provisions aimed at assessing the long-term financial impacts of rising temperatures, time horizons from the 2020s and 2040s were used for physical risk analyses and up to 2050 for transition risk</li> <li>• Starting in early 2022, the BPER Group was involved in two exercises mandated by the Regulator to assess the Group's overall compliance with climate and environmental risk guidelines, including the Thematic Review and the Regulatory Stress Test, seizing opportunities to further strengthen risk governance practices. In both cases, BPER was well positioned compared to the most important European banks</li> </ul>	<p>Section 3.5, 3.7</p>

Areas	Reccomendations	BPER's Reporting	Reference in the 2022 Report
<b>Risk management</b>	a) Describe the organization's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> <li>The BPER Group continued to strengthen its Risk Identification and Assessment process in 2022 within the Group Risk Map, assessing the impacts of climate and environmental risk factors on existing risks. In fact, the BPER Group considers climate and environmental risk factors as cross-cutting drivers of existing risks.</li> <li>The activities for evolving the Risk Map and its evidence in terms of materiality of environmental climate risk factors are one of the cornerstones of the ESG Risk Management project launched by the Group for 2023 and set to be consolidated by the first quarter of the year</li> </ul>	Section 4.1, 4.2
	b) Describe the organization's processes for managing climate-related risks	<ul style="list-style-type: none"> <li>The progressive analysis of climate and environmental risks complements and reinforces the existing risk management framework and is the result of an organisational process, which is an integral part of business management and helps to determine the Group's strategies and current operations. Following participation in thematic exercises conducted by the ECB, the Group identified areas for improvement to further strengthen the current framework</li> <li>The integration of climate and environmental risks into the Risk Management Framework is being strengthened through the definition of the scope and calculation methodology of dedicated key risk indicators, and will continue with the adaptation of modelling and the design of dedicated projection methodologies</li> <li>The Group plans to strengthen its Credit Risk Management Policy through the development of portfolio metrics developed starting from the exposure of individual companies to climate and environmental risk factors</li> <li>Further initiatives were planned and partly implemented on market, operational and reputational risk, liquidity and business</li> <li>The objective of the Group's Internal Risk Forecasting and Stress Testing Programme is to define the characteristics of the stress testing exercises carried out internally and used within the main risk governance processes</li> </ul>	Section 4.1, 4.3
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<ul style="list-style-type: none"> <li>By March 2023, the BPER Group aims to update the Risk Appetite Framework with key Group metrics for risk materiality assessment, measurement and monitoring purposes</li> <li>On the basis of the definitions and transmission channels identified, the Internal Capital Adequacy Assessment Process (ICAAP) is gradually being incorporated into initiatives in a risk-by-risk perspective, and the incorporation of climate and environmental risks within the assumptions and dynamics of stress testing and risk forecasting under the assumption of one or more adverse scenarios is envisaged. Similar considerations also apply to the Internal Liquidity Adequacy Assessment Process (ILAAP)</li> <li>To supplement this, for the calculation of the Expected Credit Loss as at 31 December 2022, a prudential climate correction (post-model overlay) was applied to the PD (Probability of Default) lifetime parameter, which takes into account the impact on credit risk of an inertial behaviour of the economic system to the energy transition and a rise in temperature well above the limits agreed in Paris (known as the 'Current Policy' scenario).</li> </ul>	Section 4.1, 4.3

Areas	Reccomendations	BPER's Reporting	Reference in the 2022 Report
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> <li>The Group reports and monitors KPIs related to physical and transitional climate risk, energy consumption and Scope 1, 2 and 3 emissions</li> <li>The BPER Group has conducted a climate risk analysis on its loan portfolio, identifying the % of values exposed to high (high to very high) physical and transitional climate risk. The analysis was conducted with reference to:                             <ul style="list-style-type: none"> <li>physical risk at the level of both companies and collateral properties, considering 18 chronic, acute and, in relation to the specific context of Italy, earthquake-related natural climatic hazards</li> <li>transition risk at company level, modelling the economic impact that transition scenarios have on the company in terms of revenues, costs and investments</li> </ul> </li> </ul>	Section 5.1, 5.2
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	<ul style="list-style-type: none"> <li>The BPER Group quantifies and reports direct Scope 1 and indirect Scope 2 and Scope 3 emissions<sup>1</sup></li> <li>Specifically for investment-related emissions, the Group renewed the analysis of the carbon footprint of the loans and securities portfolio, with methodology defined by the PCAF. The emissions estimation was carried out as a preparatory activity for the definition of a decarbonisation strategy for more advanced climate risk management</li> </ul>	Section 5.2
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> <li>The BPER Group has integrated sustainability objectives into its business strategy through cross-cutting ESG Infusion levers. The programme identifies concrete actions and objectives to be achieved in the environmental field, as follows:                             <ul style="list-style-type: none"> <li>external transition: support for the environmental transition of companies and households through the allocation of a ceiling of over Euro 7 billion for green loans (includes sectors/supply chains, NRRP, 110% superbonus, green mortgages, etc.)</li> <li>internal transition: Scope 1 science-based direct emissions reduction target, i.e., in line with the 1.5 °C scenario considered necessary to meet the Paris Agreement targets (-50.2% by 2030) of -23% by 2025. The target refers to total direct Scope 1 emissions, with reference to the 2021 baseline. It should also be noted that as of 1 January 2023, the BPER Group will source 100% of its electricity from renewable sources, thereby reducing its indirect Scope 2 emissions to zero (according to the Market-Based methodology)</li> </ul> </li> <li>In 2022, the BPER Group joined the Net-Zero Banking Alliance (NZBA) through its parent company BPER Banca. The Group will identify and publish the first Scope 3 emission reduction targets on the most relevant sectors by August 2023, and will subsequently identify the targets on the remaining sectors indicated by the NZBA itself</li> </ul>	Section 5.3

<sup>1</sup> With regard to Scope 3, the BPER Group has estimated the emissions defined by the GHG Protocol associated with the following categories i) Category 1 - Purchased goods and services, ii) Category 6 - Business Travel, iii) Category 15 - Investments

# Governance

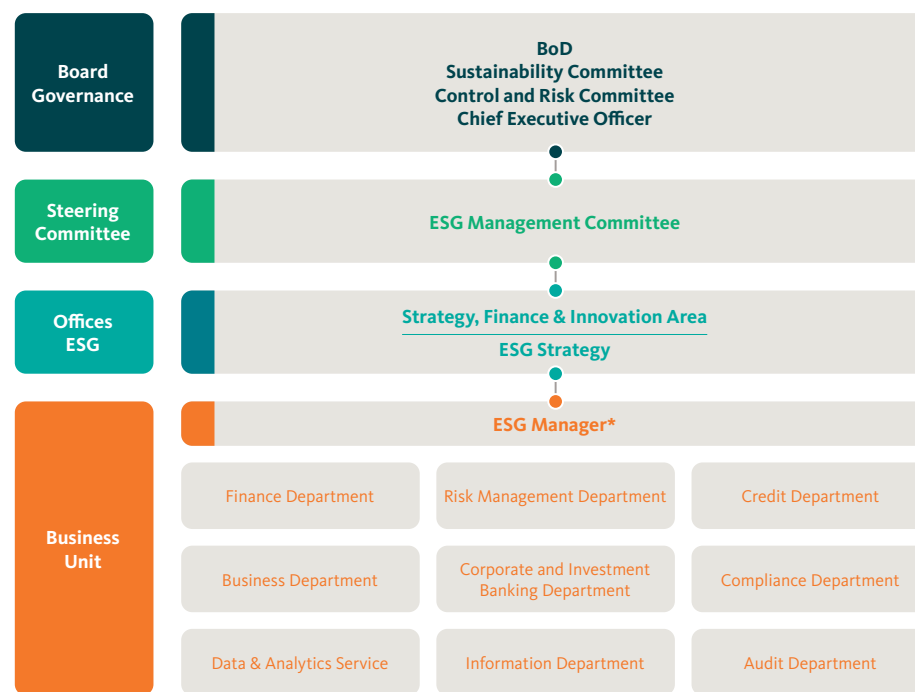
## 2.1 Presentation of Group Governance

### ESG Policy

The BPER Group's governance was strongly reinforced in 2022 with the Board of Directors' approval of the new 'ESG Policy', which clearly and precisely identifies the Group's commitments on sustainability and climate change issues, as well as its management roles and responsibilities. The Policy aims to foster the spread of a culture of sustainability within the Group and to guide the governance, processes, articulations and corporate functions, in order to ensure the pursuit of sustainable growth with particular reference to ESG issues and a focus on combating climate change. The Policy has been defined based on the BPER Group's sustainability ambitions and in line with the principles outlined in the Corporate Governance Code of Borsa Italiana, in the documentation of competent international bodies, as well as in the directives issued by the supervisory authorities and regulatory bodies of the European banking sector, first and foremost including the EBA and the ECB.

### The Governance Structure

The new governance structure is shown below, defining roles and responsibilities according to the new ESG Policy.



\* Present within BPER Banca's Finance Department, Risk Department, Credit Department, Business Department, Corporate & Investment Banking and in the subsidiaries Banco di Sardegna, Bibanca, Finitalia, Optima Sim, Sardaleasing. The Data & Analytics Service and the Information Department support all activities and Audit and Compliance, as control functions, monitor all processes.

Figure 4: The BPER Group's sustainability governance

For more details on the roles and responsibilities of the Board of Directors, Committees and Business Units, please refer to the ESG Policy published on the corporate website <https://istituzionale.bper.it/en/sustainability/our-commitment/policy>.



## 2.2 Governance of Top Management on Climate

The BPER Group's Board Governance over climate issues is assigned to three corporate bodies: the Board of Directors (BoD), the Internal Board Sustainability Committee and the Control and Risk Committee.

### 2.2.1 Roles and Responsibilities of the Board of Directors

The BoD Defines Group guidelines and strategies relating to sustainability and climate issues. The Board is responsible for approving the Consolidated Non-Financial Statement (or Sustainability Report), the Business Plan, the Risk Appetite Framework and the risk governance policies, integrating ESG and climate elements over time. The Board of Directors includes figures with strong ESG expertise, including a board member of the ESG Working Group for Climate Change of the World Economic Forum. The body meets to discuss sustainability and climate issues at least quarterly.

For further details, please refer to the Corporate Governance Report published on the institutional website <https://istituzionale.bper.it/en/governance/documents>.

### 2.2.2 Roles and Responsibilities of the Internal Board Committees

In order to strengthen the oversight of sustainability and climate issues, the ESG Policy has also assigned roles and responsibilities to the Internal Board Control and Risk and Sustainability Committees.

#### Internal Board Control and Risk Committee

The Internal Board Control and Risk Committee supports the Board of Directors in assessing the ESG elements emphasised in the internal control system, risk objectives ('risk appetite'), tolerance thresholds ('risk tolerance') and strategies for capital and liquidity management, as well as for all relevant risks of the Bank and the BPER Group. In addition, the Control and Risk Committee periodically evaluates a number of possible scenarios, including stress scenarios, in order to determine how the ESG risk profile of the Bank and the BPER Group would react to external and internal events. The body meets to discuss sustainability and climate issues at least quarterly.

#### Internal Board Sustainability Committee

The Sustainability Committee supports the Board of Directors' activities in the field of sustainability, with an impact on all the processes, articulations and corporate controls through which the Bank ensures the pursuit of sustainable development, with particular reference to environmental, social and governance issues. In particular, at least once a year the Committee examines and evaluates:

- the contents of the Group's ESG Policy as well as its ability to ensure, through constant dialogue with all stakeholders, the achievement of sustainable development objectives
- regulatory documents on ESG issues, final reports and other reports, including the Consolidated Non-Financial Statement
- any reports by the Chief Executive Officer of problems and critical issues concerning sustainability that have arisen in the course of his work or of which he has otherwise become aware.

The Sustainability Committee also has a strategic role with regard to ESG and climate issues, and is responsible for assessing the Bank's positioning within sustainability metrics, indices and market benchmarks, and initiatives and programmes aimed at spreading a culture of sustainability and awareness of the need to pursue sustainable development throughout the Bank's organisational structures. As at today's date, the Sustainability Committee consists of the Chairperson of BPER Banca, Flavia Mazzarella, who acts as Chair of the Committee, and the directors Riccardo Barbieri (non-executive director) and Elisa Valeriani (non-executive and independent director). The Committee meets at least bimonthly.

## MONITORING SUSTAINABILITY PERFORMANCE

As part of the new **2022-2025 BPER e-volution** Business Plan, the BPER Group has integrated sustainability through a cross-sectoral lever called **ESG Infusion**. The projects with ESG impact integrated in the Business Plan are monitored quarterly and submitted to the Sustainability Committee. The actions and objectives related to environmental issues include:

- external transition: support for the environmental transition of companies and households through the allocation of a ceiling of over Euro 7 billion for green loans (includes sectors/supply chains, NRRP, 110% superbonus, green mortgages)
- internal transition: Scope 1 science-based direct emissions reduction target, i.e., in line with the 1.5 °C scenario considered necessary to meet the Paris Agreement targets (-50.2% by 2030) of -23% by 2025. The target refers to total direct Scope 1 emissions, with a baseline of 2021; energy efficiency activities are contained in the Energy Plan with a baseline of 2021 and planned closure in 2025. It should also be noted that as of 1 January 2023, the BPER Group reached its goal of sourcing 100% of its electricity from renewable sources, thereby reducing its indirect Scope 2 emissions to zero (according to the Market-Based methodology).
- include ESG targets in the long-term incentive system of Management with KPIs accounting for 15% of the total
- redesign the internal Organisation Model to define roles and responsibilities in the ESG area
- dissemination of the ESG culture and specific training activities: awareness-raising and involvement of the entire corporate workforce in sustainability issues as well as upskilling and reskilling actions for over 50% of employees
- integration of ESG factors in risk management processes, loan and investment policies
- 25% expansion of the range of ESG investment products and 25% increase in ESG assets under management .... compared to 31/12/21 (Euro 12.7 billion).
- integration of ESG criteria in the Bank's procurement choices (through the ESG assessment of suppliers).

## 2.2.3 The Board's Self-Assessment

The BPER Group has reviewed the self-assessment questionnaires of the Board of Directors and the Internal Board Committees in order to facilitate the expression of an opinion on the Group's work and on the processes of supervision and definition of strategic guidelines on sustainability and climate by top management.

More specifically, during 2023 and with reference to the financial year 2022, each board member will be called upon to express a self-assessment on questions concerning the adequacy and greater attention spent on implementing the business strategy and on various aspects of the internal debate concerning sustainability, including the environment.

A similar self-assessment questionnaire will be administered to the Internal Board Control and Risk and Sustainability Committees in order to verify the clarity of the tasks, available resources and rules of operation as well as specific questions concerning the Committees' work and responsibilities.

This initiative is part of a broader framework of actions planned and implemented by the BPER Group and aimed at strengthening its governance on sustainability issues.

## 2.3 The ESG Management Committee

In addition to the above-mentioned Sustainability Committee, a further Management Committee was established by the previous Board of Directors in 2020, which was renamed the ESG Management Committee in 2022. This Committee, whose Regulations were updated in 2022, consists of the Deputy General Manager of the Strategy, Finance & Innovation Area, all the Chiefs of the Parent Company, the Head of Management and Planning & Control and the Head of the ESG Strategy Office. The latter, together with the Deputy General Manager of the Strategy, Finance & Innovation Area, coordinates the activities and meetings of the Committee, which normally meets quarterly. The ESG Management Committee facilitates the coordination of Corporate and Group Departments with regard to sustainability issues and supports the Chief Executive Officer in the management of ESG and sustainability issues at both Parent Company and Group level. In addition, the Committee monitors the BPER Group's positioning in terms of sustainability and the 17 UN goals (SDGs) and promotes and manages the ESG strategy and sustainability issues, in line with what is defined in the Business Plan and the Sustainability Plan, with the support of the ESG Strategy Office.

## 2.4 The ESG Strategy Office

The ESG Strategy Office created in 2021 (formerly 'Sustainability and ESG Management Office') has, as at 31 December 2022, 12 resources selected for their specific expertise in sustainability and climate matters. The Office supports the ESG Management Committee in the operational management of sustainability and climate issues in accordance with the provisions of the Business Plan and the Sustainability Plan. Furthermore, it acts transversally at Group level on sustainability and climate issues, supporting the relevant corporate structures in achieving sustainable development goals.



Figure 5: The positioning of the ESG Strategy Office

The activities carried out by the ESG Strategy Office are detailed below:

- **sustainability reporting**
  - preparation of the Consolidated Non-Financial Statement and other sustainability reports, such as the TCFD, with the definition of relevant issues and sustainability indicators to be represented
  - training and consultancy for Group companies on sustainability issues and sustainability reporting
  - management of the stakeholder engagement process for activities related to the materiality analysis and preparation of the Consolidated Non-Financial Statement

- **strategic business and sustainability planning**
  - monitoring the progress of activities with an ESG impact in the Business Plan to achieve the defined objectives
  - preparation of the Sustainability Plan
  - management of relevant sustainability projects and identification of strategic ESG targets
- **monitoring data and ESG regulations**
  - assessing ESG impacts of Group initiatives and supporting Group structures
  - monitoring and management of direct and indirect environmental impacts
  - regulatory monitoring and impact analysis with identification of ESG targets and verification of the progress of activities to achieve them
- **management of external relations**
  - managing relations with the ECB on climate and environmental risk issues and coordinating cross-sectoral ESG exercises initiated by supervisory bodies (e.g., ECB Climate and Environmental Risk questionnaires)
  - managing relations and communications with international bodies for adherence to sustainability frameworks (such as PRB and NZBA) and ESG ratings, in cooperation with the Investor Relator
  - retrieval of relevant data and information for clear, transparent and consistent communication of Group policies and actions
- **supports Committees and other corporate functions**
  - supporting the Internal Board Sustainability Committee in promoting and managing the strategy on sustainability and climate issues
  - supporting the ESG Management Committee in the operational management of sustainability issues in line with business plan objectives
  - collaboration with all Group structures on ESG issues also through the identification and delivery of training and consultancy services on sustainability issues and reporting
- **energy & mobility management**
  - energy management activities with the identification of initiatives to reduce direct environmental impacts such as procurement of renewable energy sources and energy savings
  - mobility management activities with the identification of initiatives to reduce environmental impacts due to business mobility and employees' home-to-work mobility
  - coordination and implementation of actions envisaged by the Business Plan.

For more details on the roles and responsibilities of the Board of Directors, Committees and Business Units, please refer to the ESG Policy published on the corporate website <https://istituzionale.bper.it/en/sustainability/our-commitment/policy>.

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## 2.5 Remuneration Policies

The Group's remuneration policy is aligned with the short- and long-term strategic objectives aimed at creating value for shareholders, employees, customers and all Group stakeholders. The remuneration policy was defined with the aim of ensuring, as always, the correlation and consistency between remuneration, the results achieved, the development guidelines, the sustainability of the initiatives undertaken and sound and prudent risk management, as well as compliance with regulatory requirements.

In line with the objectives of the 2022-2025 Business Plan, the 'Pay for Sustainable Performance' link was strengthened, introducing some improvements and considering the analysis of previous years' results. Furthermore, the enhancement of people and the creation of value for the entire ecosystem in which the BPER Group operates are at the heart of the Group's ESG strategy and, therefore, of the systems designed to incentivise the achievement of short-term and long-term results in a sustainable manner. This is possible through:

- the introduction of the 2022-2025 LTI Plan (Long Term Incentive Plan), based on BPER Banca shares and linked to the Business Plan targets, in order to support the alignment of the interests of key figures with those of shareholders and all stakeholders
- the adoption of an MBO (Management By Objectives) system aimed at incentivising the achievement of 2022 objectives consistent with the strategic guidelines detailed in the Plan.

As far as the LTI Plan is concerned, the following four ESG objectives have been integrated (weight 15%):

- Sustainable Finance: Green Financing - Energy Transition Ceiling: Reducing CO<sub>2</sub> Emissions - Diversity and Inclusion: Gender Gap: less represented gender among Middle Managers and Executives - 'Future' Project: increase of financial education programmes and definition of a youth inclusion project.



As far as MBOs are concerned, in the 2022 Strategy Sheet on the remuneration policy, qualitative ESG objectives weigh 15%. The metrics consist of six targets deemed strategic in the short term as enablers for achieving the particularly challenging ESG targets as outlined in the multi-year business plan:

- loans and finance: definition of ESG policies on credit granting and own investments
- ESG offer to customers: definition and inclusion of the 'Green Loan' in the product catalogue intended for corporate customers
- governance: revision of the organisational model according to the ESG criteria defined in the Group strategy
- reduction in climate-changing emissions: complete the transition towards the use of electricity from renewable sources as part of strategies aimed at reducing greenhouse gas emissions
- value for society (culture): redevelopment and enhancement of the artistic and real estate assets owned by the Group
- value for society (social): implementation of planned initiatives aimed at younger generations regarding higher education, financial education and youth empowerment.

At 31 December 2022, all ESG targets contained in the MBO had been met. For further details, please refer to chapter '1.5.2 Remuneration Policies' of the BPER Group's Consolidated Non-Financial Statement for the financial year 2022.

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## 2.6 Climate-Related Trainings

Internal training is one of the cornerstones of the Group's approach to sustainability. In 2022, 119,292 hours of training were provided on ESG issues. The definition of an appropriate learning strategy for staff training is delegated to the Talent & Internal Communication Service, which also has the task of integrating the Group's internal communication strategy with elements of sustainability.

As part of compliance with the professionalism requirements of the BoD on climate-related issues and within the framework of the 2021-2024 Training Plan, an ad-hoc training session entitled 'Climate Change and Corporate Finance: impacts on the measurement and communication of business risks' was carried out. Given by opinion leaders in finance and academia, the training session aimed to increase knowledge about environmental challenges, the types of climate change-related risks for investors and financiers, and the principles of measuring and managing these risks.

# Strategy

## 3.1 The Group's Sustainability Framework

Drafted on the basis of the Group's inspiring principles, this TCFD Report provides an overview of the activities put in place to manage risks and identify climate-related opportunities and integrate them into strategic and operational business decisions. The Group's guiding principles described in the 'ESG Policy' are:

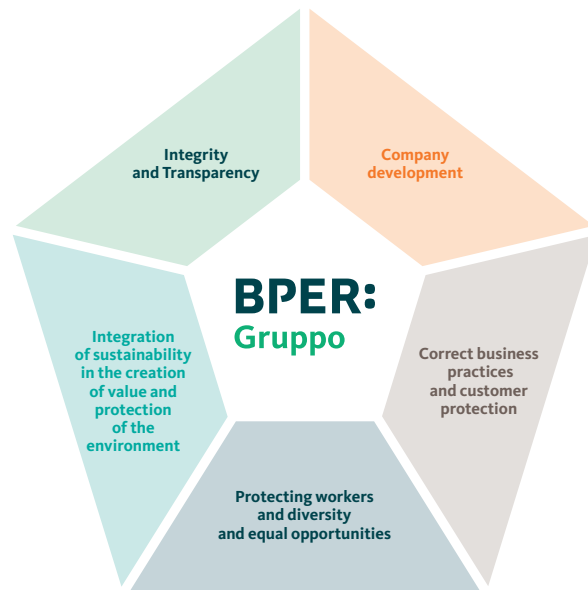


Figure 6: The BPER Group's five guiding principles

With particular reference to climate issues, the BPER Group recognises the importance of integrating environmental sustainability into business processes to create shared value, not only to meet global challenges but also to create long-term opportunities and contribute to a just transition.

With this Report, the Group intends to demonstrate its awareness of sustainability issues, with particular reference to the climate, and its active commitment to integrating the principles to which it refers in its own operations and in the objectives it has already set and will set for itself, demonstrating its will to strengthen and implement the values of responsibility, loyalty and concreteness and respect for people, the environment and society as a whole.

## 3.2 Climate-related risks and opportunities

### 3.2.1 Climate-related Risks

In accordance with the relevant literature, including the ECB<sup>2</sup> guide on climate-related and environmental risks and discussion papers<sup>3</sup> of the EBA, the analysis of climate-related risks identifies two risk categories:

- transition risk: risks arising from the transition to a low-carbon future, involving impacts caused by changes in policies and regulations, adoption of low-impact technologies, changes in markets and consumer trends

- physical risk: risk arising from extreme weather events (acute) and gradual changes in climate as well as environmental degradation (chronic).

For each of the two categories, the risk factors (or drivers) that could impact traditional banking risks through specific transmission channels must be identified and described.

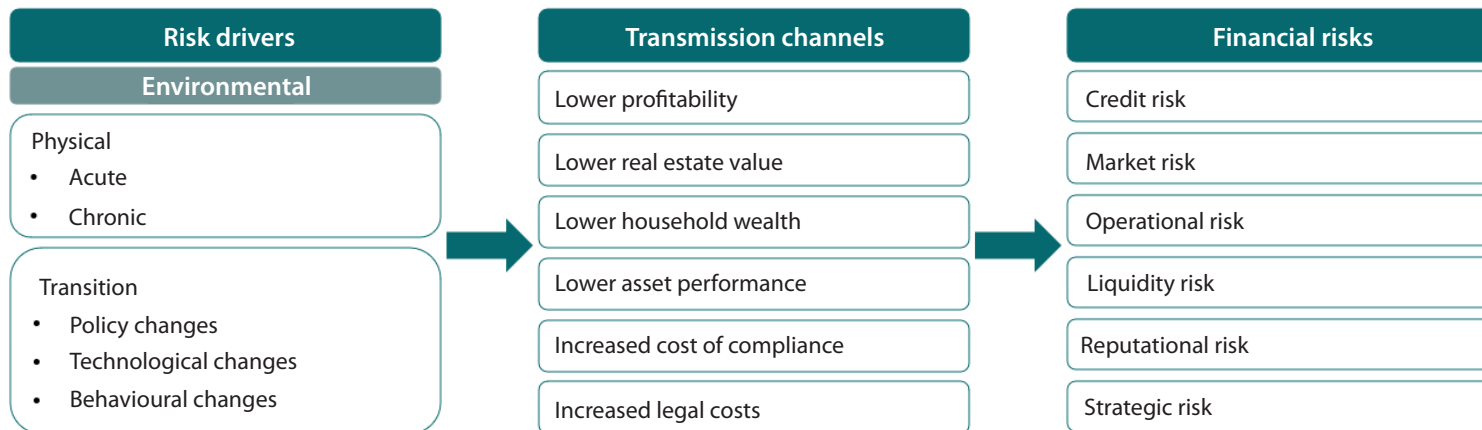


Figure 7: Example of the transmission of climate factors in traditional banking risks (adapted from EBA discussion paper)

In response to regulatory developments and the demands of regulatory bodies, the Group is committed to integrating climate and environmental risk factors and defining the respective transmission channels within risk management processes. For a detailed view of the progress of the risk analysis, please refer to section 4.2 of this document.

<sup>2</sup> 'Guide on climate-related and environmental risks', available at the following link

<sup>3</sup> Discussion paper 'The role of environmental risks in the prudential framework', available at the following link

## 3.2.2 Climate-related Opportunities

The BPER Group is committed, within the scope of its sustainability strategy, to identifying climate-related opportunities, focusing on the positive externalities that the Group can generate on the economy, the environment and people, also in support of national and EU policy objectives for a just transition, and on the positive financial implications determined by contextual evolutions, such as the National Recovery and Resilience Plan (NRRP) that the Group can and must seize, in line with its own reference principles.

The BPER Group thus aims to become a credible partner in supporting the transition path of its customers, consistent with the challenges that each economic sector will have to face in terms of climate and the Group's current business model.

Below are the main climate opportunities identified by the Group over a short-to-medium-term time horizon (one to three years) consistent with the 2022-2025 BPER e-volution Business Plan, more details of which can be found in section 3.3 of this Report.

Opportunities	Description
<b>Energy transition</b>	Financing sustainable investments to support companies in the ecological transition, for the implementation of projects in pursuit of environmental objectives as defined by the Green New Deal and the construction of sustainable energy generation facilities
<b>Sustainable construction</b>	Financing companies and individuals for the construction of new energy-efficient buildings and for the renovation of existing buildings to support sustainability and energy savings
<b>Other areas related to NRRP opportunities</b>	Sustainable and customised funding compared to Italian national NRRP calls of the main industry concerning tourism, agriculture, trade, logistics, research and energy

*Table 2: Climate-related opportunities identified by the BPER Group*

## 3.3 Group Strategy

In order to implement an effective climate strategy capable on the one hand of managing risks and on the other of multiplying the opportunities identified, the BPER Group has defined five cornerstones in its approach:

- enhancing the green offer
- redesigning the data governance model
- engaging the value chain (customers and suppliers)
- reducing indirect impacts
- reviewing risk management processes.

In addition to these five cornerstones is the continuous evolution of the scenario analysis methodology and monitoring the portfolio's carbon footprint, with the commitment to define decarbonisation targets in the current year towards alignment with the Paris Agreement (NZBA targets). Moreover, these analyses are an important support in the definition of credit policies (thanks to the assessment of exposure in relation to the different sectors in the portfolio) and commercial evaluations, especially with regard to the analysis of short- and long-term transition risk.

The Group's climate strategy took concrete form in the cross-cutting ESG Infusion lever, an integral and founding part of the new Business Plan designed with the aim of creating long-term shared value by strengthening sustainability issues within the corporate business model.

The BPER Group intends to improve its leadership in the management of sustainability issues to become more efficient, competitive and to be a credible and reliable partner for its customers in the development of a more sustainable, fair and inclusive society. The transversal ESG Infusion lever includes concrete actions to be pursued on transversal lines of action on issues related to the environment, society and governance. The activities are monitored quarterly by the Sustainability Committee.



Figure 8: ESG Infusion

KPIs have been defined specifically for climate-related matters in order to monitor direct and indirect environmental impacts and the support provided to customers for a just transition, with a focus on financial inclusion, diversity management and support for the weaker fringes of society.

### 3.3.1 Enhancing the Green Offer

The enhancement of the green offer is a central element of the strategy outlined in the cross-cutting ESG Infusion lever of the Business Plan, and is identified as an enabling factor for the achievement of the sustainability objectives the Group intends to set itself in the next three years, and broader in the medium and long term.

Of the 12 KPIs defined and monitored, four relate to the enhancement of products and services offered to customers with particular reference to credit and wealth management activities, which are characteristic of the banking Group's business. In particular, of the four KPIs related to products and services, three have a specific ESG sustainability bearing and in particular on the environment:

- ceiling on the provision of green credit
- increase in the commercial catalogue of sustainable funds and Sicavs
- sustainable Asset Under Management growth.

Below is an overview of the three identified KPIs with a specific bearing on society and the environment, broken down by credit and wealth management activity.

### Credit

To give new impetus to its sustainability lending strategy within its business plan, the BPER Group has set a ceiling on green lending, identifying challenging targets that at the same time reflect the Group's clear commitment to mitigating the phenomenon of climate change, through the gradual decarbonisation of its portfolio.

The ceiling on the provision of green lending is calculated as the sum of contributions from the five business strands below.

### Tax Credit

The BPER Group has set up a business line dedicated to the purchase of tax credits provided under the 'Superbonus 110%' tax relief. This benefit introduced by the Relaunch Decree (Italian Decree Law 34/2020, converted by Italian Law 77/2020), allows a 110% deduction of the expenses incurred for energy efficiency measures in buildings, installation of sustainable energy infrastructures (photovoltaic systems, electric vehicle charging stations, etc.) and/or reduction of buildings' vulnerability to seismic risk. In continuity with what it had already done in previous years, the BPER Group again supported the modernisation of national housing in 2022 by purchasing tax credits and providing high-profile financial advice to its customers.

The volume of tax credits processed by BPER as at 31 December 2022 amounted to Euro 310 million on more than 4,700 credit lines.

### Corporate Investment Banking (CIB)

In 2022, BPER contributed to financing transactions with ESG characteristics divided between project finance, shipping/structured finance and corporate key client pools for a total disbursed amount of more than Euro 900 million. Project finance is part of the ethical products with environmental purposes and refers to the financing of projects aimed at the creation of systems for the production of energy from renewable sources (wind, photovoltaic, hydroelectric, biomass, etc.) or for infrastructural initiatives under concession (ports, hospitals, parking lots, various infrastructures, gas distribution systems, etc.).

The distinctive element of project finance is to allow the implementation of projects of typically collective interest by bearing a large part of the cost thanks to medium-long term financing formulas, based essentially on the assessment of the individual projects' ability to support themselves.

In addition, the Bank has been the exclusive recipient since 2016 of the project finance instrument called Private Finance For Energy Efficiency (PF4EE) conceived by the European Commission. The instrument is aimed at providing incentives for investment in energy efficiency projects, facilitating access to sources of dedicated financing for companies thanks to information initiatives of European financial institutions and to the increase in resources available to the system to encourage investments. As part of this tool commercially known as BPER LIFE4ENERGY, BPER Banca provides specialised consultancy services on the main public subsidies available at territorial level and supports the implementation of energy diagnoses for the identification of efficiency enhancement measures.

As at 31 December 2022, the BPER Group held an outstanding portfolio of project finance relating to projects with environmental purposes amounting to approximately Euro 513 million comprising 52 transactions, and projects with social purposes amounting to approx. Euro 77.4 million related to seven transactions.

### Companies

BPER Banca is also the 'financing bank' of the Green New Deal Company Revolving Fund, an instrument that envisages granting contributions aimed at achieving environmental sustainability and energy efficiency for Italian companies. The measure was activated by the Department for Business and Made in Italy with a budget of Euro 750 million and is aimed at transposing European legislation focused on tackling climate and environmental problems.

In addition, in the wake of the opportunities arising from the National Recovery and Resilience Plan 'NRRP', the Group has taken steps to support companies wishing to embark on an energy transition path through the provision of sustainable and customised financing solutions associated with the NRRP's 'Green' calls. BPER Banca focuses on the 'Green' calls involving investments that contribute substantially to climate change mitigation and are selected by BPER Banca on a sectoral basis. The Group has distinguished itself in sectors such as tourism and agriculture.

These opportunities generated for the corporate world are complemented by various types of privileged financing granted by the BPER Group to mitigate the effects of climate change, such as:

- Fin Helios Aziende: financing dedicated to the installation of photovoltaic systems
- Fin Energy: financing dedicated to companies wishing to invest in the installation of plants for producing electricity from renewable sources
- Fin PMI Crisis Green: financing with a direct guarantee from the Central Guarantee Fund for SMEs structured to support companies on investments pursuing objectives related to energy efficiency or the diversification of energy production or consumption
- SACE Green Loan: financing disbursed following an agreement signed with SACE that envisages financing, for a minimum amount of Euro 50 thousand up to a maximum amount of Euro 15 million, green projects in line with the EU Taxonomy
- Regional Multipurpose Energy Fund Financing: financing for companies in Emilia-Romagna, aimed at the promotion of energy efficiency and the development of the use of renewable energy in companies of the craft sector.



## Retail

The BPER Group has joined the European pilot project for energy efficiency interventions, and has created new lines of green financing for private individuals. The objective is to create a standardised “green mortgage” that encourages private individuals to carry out energy efficiency works on owned properties or to purchase properties with already high efficiency performance.

The Bank's offer consists of two types of loans: mortgages and personal loans. The mortgage is reserved for customers who purchase eco-friendly properties in energy classes A and B, while the personal loans are instead for those who want to install renewable energy systems, thermohydraulic systems or thermal insulation, or buy electric or hybrid cars, scooters and electric bikes or latest-generation appliances.

In this vein, the offer of Green Residential Mortgage products has been implemented since 2022, which benefit from more favourable pricing compared to traditional products mainly thanks to the actions taken by the Bank to reduce the cost of dedicated collection. The process is aimed at incentivising and making green products more attractive, which will see the implementation of an even wider range of such products offered to customers in the near future.

## Wealth Management

As part of the business sustainability strategy and parallel with the credit business, the Group has defined quantitative KPIs for its wealth management activities, focused on increasing sustainable funds and Sicavs in the commercial catalogue and growing the sustainable Assets Under Management.

The BPER Group continued its activities during the year to comply with the SFDR and MiFID II regulations (effective since 2 August 2022). The Group has developed its advisory model in order to understand customer preferences on ESG issues, with the aim of making appropriate use of this information in the investment advisory process and related assessment of the suitability of client proposals and portfolios. In addition, specific webinars were organised to illustrate the introduction of the profiling questionnaire, which includes questions to understand customers' sustainability preferences.

Following the selection of info providers, the Group also adopted its own sustainability scoring methodology in 2022. With the aim of spreading the culture of sustainability, a plan was drawn up for ten editorials on ESG topics with different focuses, to train and involve all distribution networks. Also in the area of training, several in-depth meetings on sustainable investment strategies were organised with the support of selected asset managers, including Arca Fondi SGR. Four video snippets about the ESG scoring methodologies were also produced. The catalogue of UCITS (Undertakings for Collective Investment in Transferable Securities) has seen a significant increase in the number of financial products promoting ESG characteristics, or having sustainable investment objectives, classified under Articles 8 and 9 of the SFDR. Arca Fondi SGR's ESG range has been updated and enriched with impact products (Art. 9) that invest in the blue economy (Arca Blue Leaders) and contribute to climate change mitigation

(‘Oxygen Plus’ balanced funds and ‘Climate Impact’ geographic equities).

In addition, the BPER International Sicav sub-funds under management mandate were reclassified to Art. 8 SFDR, thereby labelling more than 30% of the ‘branded’ range as sustainable. As at 31 December 2022, the BPER Group had 916 sustainable funds with assets of more than Euro 15 billion.

## Arca Funds

Arca Fondi SGR (BPER Group company) has adhered to the United Nations Principles for Responsible Investment (UN PRI) since 2019. All the portfolios managed by the SGR integrate ESG risk factors into the Investment Processes through the use of a proprietary rating model which, based on data from the info provider MSCI, allows an ESG rating to be assigned to almost all of the financial instruments being invested in. In addition to the ESG aggregate, ratings are also available for the three ‘pillars’ E (Environmental), S (Social) and G (Governance). The ratings in the model pass from CCC and AAA with a scale that assumes the same granularity as for credit ratings (e.g., the A rating is divided into A-, A and A+). The rating model used by Arca allows monitoring the sustainability characteristics of individual financial instruments and aggregated funds daily. Arca also has a product range dedicated to the topic of sustainability, called Sistema ESG Leaders, to which only UCITS (Undertakings for Collective Investment in Transferable Securities) Art. 8 or Art. 9 within the meaning of 2088/2019 belong.

The funds in the ESG Leaders range are characterised by their rigorous approach and high sustainability profiles. The proposed investment solutions include the Arca Oxygen Plus funds, which invest in financial instruments of issuers committed to reducing greenhouse gas emissions in line with the objectives of the Paris Agreement, and the Arca Blue Leaders fund, a UCITS that invests in companies that make sustainable and efficient use of water and marine resources. The placement of the Arca Oxygen Plus funds is associated with a national reforestation initiative involving a commitment to plant 12,000 new trees over the three-year period 2021-2023 as part of the Mosaico Verde project promoted by AzzerCO<sub>2</sub> and Lega Ambiente. The launch of the Arca Blue Leaders fund was accompanied by the start of a three-year clean-up campaign of beaches and the banks of rivers and lakes, carried out in cooperation with MareVivo. The development of the ESG range will continue in 2023 with the launch of new funds focusing on social sustainability and a bond fund investing mainly in Green Bonds.

As at 31 December 2022, the assets of the products classified under Art. 8 and Art. 9 pursuant to Regulation (EU) 2019/2088 (Euro 7.28 billion) amounted to approximately 21% of the assets managed by Arca.

Below are some specifics on the above categories:

- Art. 9 Arca Oxygen Plus 30: AUM 55,252,308 euro
- Art. 9 Arca Oxygen Plus 50: AUM 290,027,543 euro
- Art. 9 Arca Oxygen Plus 60: AUM 24,147,380 euro
- Art. 9 America Climate Impact Actions: AUM 452,172,907 euro
- Art. 9 Europa Climate Impact Actions: AUM 589,066,823 euro
- Art. 8 Arca Blue Leaders: AUM 14,184,400 (the fund became Art. 9 as of 1/1/2023)

For further details, please refer to section '4.6 ESG Products and Sustainable Finance' of the BPER Group's 2022 CNFS.

### Etica Sgr Funds

BPER Banca is a shareholder of Banca Etica and, with a 10% stake, of Etica Sgr, top placement agent of Etica Sgr funds in the country. Since its creation in 2000, it has been committed to promoting a model of responsible and ethical growth and development, based on the assumption that the world of finance can play a fundamental role in directing capital towards sustainable activities. Etica Sgr's investment solutions have always been based on its proprietary stock selection methodology (ESG EticApproach®), which selects the companies and countries that pay the most attention to sustainability and collective well-being according to environmental, social and governance parameters (ESG analysis). In addition, through its engagement activities, the management company is committed to raising the awareness of the companies in which the funds invest towards greater corporate social responsibility.

Through its economic and financial activities, Etica Sgr aims to create economic value that can generate impact for the environment and society. Each year, the environmental, social and governance performance of the investment funds is measured and the results are compiled in a document called the Impact Report, which can be found on the company website. In 2022, the BPER Group's inflows into the Etica System funds of Etica Sgr amounted to over Euro 200 million, bringing the total assets under management to over Euro 2 billion.

With particular reference to climate issues, one of the funds managed by Etica Sgr is Etica Impatto Clima, a global balanced fund that promotes a low-carbon economy by focusing on issuers that show particular attention to climate change aspects. The fund is classified under Art. 9 of the SFDR, as it has sustainable investments as its objective. With inflows of more than Euro 100 million, in 2022 Etica Impatto Clima was particularly appreciated by advisors and clients, and at the end of the year the fund already accounted for 18.5% of the BPER Group's total assets allocated to the Etica System funds.

Beyond credit and wealth management activities, which are also monitored as part of business planning, the BPER Group consistently reflects its commitment to sustainability both in its investment activities and in setting rules for the issuance of Green, Social and Sustainability bonds.

### INVESTMENT

The BPER Group has changed the way it manages its financial investments, attributing greater weight to factors that favour sustainable growth attentive to society and the environment by adopting a specific 'Environmental, Social and Governance (ESG) Investments Policy'.

The Group is committed to contributing to sustainable economic development by giving preference, in its investment choices and in general in the management of its financial portfolio, to companies that adopt virtuous practices centred on the use of environmentally-friendly production methods, on the guarantee of inclusive working conditions that respect human rights, and on the adoption of the best standards of corporate governance.

As at 31.12.2022, the Group held a financial portfolio with ESG scores of about Euro 1,600 million, of which more than half (Euro 876 million) related to green bonds.

### GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

The BPER Group is formally committed to driving the transition of companies towards a low-carbon economy, in line with the objectives of the Paris Agreement, and promoting social and financial inclusion. BPER published the 'Green, Social and Sustainability Bond Framework' as a confirmation of its commitment. This Framework will be updated in 2023, and aims to become the reference document for the issuance of Green, Social and Sustainability Bonds ('Sustainable Debt Instruments') by BPER Group entities.

The rationale of the BPER Group's Framework is to attract dedicated funding for loans and investments that bring positive environmental or social impacts and support the Group's commitment to building an innovative, inclusive and sustainable economy. The BPER Group's Framework complies with the International Capital Market Association's ('ICMA') 2022 Guidelines, Green Bond Principles ('GBP'), Social Bond Principles ('SBP') and Sustainability Bond Guidelines ('SBG').

The BPER Group aims to update its framework over time to remain in line with best market practices, policies and legislation on sustainable finance. More generally, this Framework may be subsequently updated as the BPER Group's sustainable financing needs change, new products are launched for customers and/or the sustainable financing market evolves.

For further details, please refer to section '4.6 ESG Products and Sustainable Finance' of the BPER Group's 2022 CNFS.

## 3.3.2 Redesigning the Data Governance Model

In 2022, the BPER Group kicked off its first data project to support the company's path towards implementing ESG-related actions. The project was mainly developed along four lines:

- supporting the preparation of the Consolidated Non-Financial Statement in terms of assessing the eligibility of assets, quantifying the carbon footprint of the loan portfolio and scenario analysis
- defining a common Bank-wide nomenclature consistent with the European taxonomy for the classification of companies, assets and project purposes
- assessing the data world for the identification and provision of information necessary to meet regulatory (EBA/ECB) and non-regulatory requirements
- designing and initialising the ESG database for use by all the Bank's structures.

Activities focused on gradually enriching the data of the BPER Data Platform and their use by the various functions of the bank will continue in 2023.

For further details, please refer to section '4.6 ESG Products and Sustainable Finance' of the BPER Group's 2022 CNFS.

## 3.3.3 Engaging the Value Chain

### SUPPLIER ENGAGEMENT

In order to strengthen the responsible approach in the supply chain, in cooperation with the ABC Consortium, from 2019 to 2021 the BPER Group implemented a supplier engagement project in order to assign a Sustainability Rating to the Group's top 200 suppliers. The pilot project included an evaluation system carried out through a documentary audit, after which the individual supplier received an ESG rating free of charge.

After the pilot engagement phase (2019-2021 Business Plan) was completed, the entire procurement process was revised in 2022 from an ESG perspective, with the aim of selecting both suppliers and purchased products. The Green Procurement project included in the 2022-2025 Business Plan, concerning the integration of ESG criteria in the procurement and supplier management processes, was developed starting from the need to realign corporate purchasing and consumption. To fulfil this objective, the BPER Group aims to carefully select its purchases according to Italian and European Minimum Environmental Criteria.

This project is designed to identify and collaborate with suppliers who share the same values

as the Group, in order to generate a significant impact both for the business and for the achievement of sustainability goals throughout the value chain.

For further details, please refer to section '1.7 Relations with Suppliers' of the BPER Group's 2022 CNFS.

### CUSTOMER ENGAGEMENT

#### SME Project

In cooperation with the Cattolica University of Piacenza and local trade associations (such as Chambers of Commerce and Confindustria), the BPER Group has planned ten events (two in 2022 and eight planned for 2023) of a national roadshow aimed at informing and educating SMEs on the topic of sustainability reporting and ecological transition. This initiative is designed to highlight the opportunities, in terms of competitiveness, arising from embarking on a virtuous path related to sustainability issues and clear, transparent reporting on ESG performance. In fact, the BPER Group recognises the strategic and priority role of the banking system also with regard to the dissemination of useful information to start virtuous paths among SMEs and confirms its commitment to assisting its customers in the transition path with this initiative.

For further details, please refer to section '4.6 ESG Products and Sustainable Finance' of the BPER Group's 2022 CNFS.

#### ESG Assessment of Companies

BPER Banca began collaborating with CRIF S.p.A. in 2022 for the purpose of administering ESG questionnaires to its customers through the Synesgy platform. With this collaboration, the Group has equipped itself with an innovative tool in the market with which to carry out ESG data collection campaigns to acquire single name information on companies. This will allow a gradual reduction in the use of sectoral proxies for the definition of ESG data useful for risk management and credit granting processes, also in accordance with the requirements of banking supervisory authorities.

The questionnaire was first sent to a cluster of about 400 customers, and the gradual extension of the perimeter over time will be evaluated.

## 3.3.4 Reducing Direct Impacts

### 2022-2030 ENERGY PLAN

In line with its commitment to aligning its business model with the objectives of the Paris Agreement, the BPER Group has defined energy saving and efficiency measures to be implemented over a time horizon extending to 2030, with an intermediate focus on 2025. While considering that over 99% of the electricity purchased from the grid was from renewable sources in 2022, it emerged that the greatest incidence of emissions is linked to Scope 1 and, specifically, to the consumption of natural gas for heating buildings and fugitive emissions of refrigerant gases for air-conditioning systems.

Based on this evidence, in 2022 the BPER Group defined and published the 2022-2030 Energy Plan, an integral part of the new 2022-2025 Business Plan, which aims to reduce its direct Scope 1 emissions by 23% by 2025 and halve them by 2030 (compared to the 2021 baseline), and to reach 100% of electricity purchased from renewable sources as of 1 January 2023, which will allow the elimination of indirect Scope 2 emissions (according to the Market-Based methodology).

The Scope 1 and 2 emission reduction strategy defined by the BPER Group is aligned with the international community's calls for limiting the global average temperature increase in 2050 to within 1.5°C compared to pre-industrial levels, and exploits the best practices available in the market for climate change mitigation.

For further details, please refer to section '6.1.2 Energy Efficiency Interventions' of the BPER Group's 2022 CNFS.

### THE ACTIVE ROLE OF EMPLOYEES

#### ESG Snippets

During 2022<sup>11</sup> 'Sustainability Snippets' were produced, discussing the Sustainable Development Goals (SDGs) of the 2030 Agenda for which the Bank has initiated or implemented projects. Within a dedicated section of the corporate intranet called 'Piantiamola', each Snippet presents a Goal of the 2030 Agenda, the initiatives launched by the Bank to contribute to its achievement, practical suggestions to stimulate virtuous actions by employees, links to the Sustainability Report and further exploration of ESG issues.

#### 'Piantiamola di sprecare carta' Project

The Group also launched the 'Piantiamola di sprecare carta!' (Let's stop wasting paper!) project in 2022, aimed at reducing the number of printouts and related paper consumption, thereby promoting dematerialisation within the branches. The first edition completed at the

end of December 2022 involved more than 1,200 branches, resulting in savings of 8,222,883 sheets of paper, equivalent to 28.94 tCO<sub>2</sub>e saved<sup>4</sup>.

In parallel with the 'Piantiamola di sprecare carta!' project, the Group has undertaken several other initiatives to reduce paper consumption<sup>5</sup>, including:

- dematerialisation of F24s with reinternalisation of branch processing
- BPER CARD account statement online
- promoting the use of AES (Authorised Electronic Signature) and QES Qualified Electronic Signature for the digital signature of banking documents
- promotion of the Arca Click initiative aimed at reducing the frequency of sending coupon distribution reporting documents.

All these initiatives made it possible to avoid emissions totalling 274 tCO<sub>2</sub>e. For further details on paper-saving initiatives, please refer to section '6.2.1 Responsible Procurement and Use of Resources' of the BPER Group's 2022 CNFS.

#### 'Piantiamola di inquinare!' – Sustainable Mobility Project (Wecity)

For the second year running, in 2022 the BPER Group again implemented the initiative 'Piantiamola di inquinare!' (Let's stop polluting!), with the aim of reducing the environmental impact linked to employee mobility and promoting the spread of a bicycle culture by encouraging its use for the home-work commute.

The 2022 edition, activated in partnership with Wecity, matched the result achieved in 2021. Over the spring-summer period, colleagues were asked to walk, bike or scooter to work, recording their performance with a special app. The Group's employees in the various branches widely participated in the initiative, avoiding the emission of 12 tCO<sub>2</sub> into the atmosphere.

Although hardly used due to the pandemic, BPER Banca also makes the Jojob car pooling app available to its employees, which in the calendar year 2022 prevented the emission of 4.2 tCO<sub>2</sub> into the atmosphere, for a total of 32,552 km avoided.

#### Paper on the Correct Use of Energy with Guidelines

Guidelines were also produced for employees, which included tips and actions to implement in order to foster the development of a corporate culture of responsibility regarding the use of air conditioning/lighting devices and systems. Through the Guidelines, BPER wishes to raise awareness among its employees on the subject of energy saving, and to promote virtuous behaviour also through the dissemination of information on the impacts of bad habits.

The Group aims to reduce energy waste in headquarters and branches through this employee engagement initiative, with significant effects on the direct environmental impacts it

<sup>4</sup> The emissions saved with regard to the reduction of paper consumption were calculated using the emission factors 'UK Government GHG conversion factors for company reporting 2022' (739,396 kg CO<sub>2</sub>e).

<sup>5</sup> For the calculation of the paper reduction, the paper reduction resulting from the F24 dematerialisation, the paper reduction due to the use of the Advanced Electronic Signature (AES), the savings obtained from the dematerialisation of BPER CARD statements, the Arca Click initiative and the Piantiamola di sprecare carta project were considered.

generates.

For further details, please refer to section '6.2.3 Projects and Initiatives' of the BPER Group's 2022 CNFS.

which the project will be evaluated and the timing of the planned grounding interventions will be assessed based on the evidence found.

## 3.4 The Evolution of Strategic Planning from an ESG Perspective

The BPER Group launched a project in the last quarter of 2022 to evolve strategic planning processes with the objective of including ESG drivers through dedicated measures and KPIs (e.g., transition risks and physical risks). Several Group departments will be involved across the board and will be called upon to contribute to the project by assessing the impact that changes in planning and control processes will have on their operations.

The project is divided into three fields of development:

- **framework & process enhancement** - Design of roles and responsibilities of business functions involved in the Planning and Control processes impacted by the identified ESG measures and KPIs
- **preliminary carbon footprint measurement** - Assessment of the carbon footprint of uses and subsequent simulation of a decarbonisation path and related measurement of impacts on the Group's business strategies
- **information assets** - Identification and formalisation of the information assets needed to ground the identified processes (e.g., calculation of ESG-related KPIs) and in the activities included in the previous fields.

Within the first field, the project has currently identified the main strategic planning processes on which to act and the pivot points at which to evaluate the possibility of including ESG elements; in addition, an initial set of KPIs has been identified that is in line with those envisaged in the Business Plan, on which to articulate the tree of subsequent measurement and monitoring tools.

As part of the second field, a preliminary assessment of the alignment of the Group's uses to a decarbonisation scenario is planned by March 2023, with a fine-tuning of the same expected by July 2023, in line with the target setting timeframe envisaged by the NZBA commitment.

At the same time, analyses have begun on the information assets linked to the two previous fields, which will make it possible to link ESG elements to assessments of the Group's profitability and risk profile.

The activities are scheduled to be completed by the end of the third quarter of 2023, after

## 3.5 Architecture of the Scenario Analysis

Scenario analysis is 'a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. Scenarios provide a way for organizations to consider how the future might look if certain trends continue or certain conditions are met. Scenario analysis can be qualitative, relying on descriptive, written narratives, or quantitative, relying on numerical data and models, or some combination of both'<sup>6</sup>.

In order to assess the risk areas related to climate change, the BPER Group has continued to carry out a new scenario analysis in continuity with what has already been done since 2019. In particular, the Group is committed to assessing both scenarios in line with the Paris Agreement and alternative scenarios such as 'Business As Usual' (BAU), in which a major temperature increase is assumed. In line with the main regulatory provisions aimed at assessing the long-term financial impacts of rising temperatures, time horizons from the 2020s and 2040s were used for physical risk analyses and up to 2050 for transition risk.

The scenario analysis was first carried out to provide disclosure consistent with the expectations of the regulatory frameworks, constituting a starting point for the integration of the other strategic analysis processes as indicated above, especially with regard to credit policies and commercial strategies dedicated to customers most impacted by transition risk, for example the creation of new ad hoc products.

For further details, please refer to section '4.6 ESG Products and Sustainable Finance' of the BPER Group's 2022 CNFS.

The analysis was conducted out with reference to:

- estimation of the physical risk on the loan portfolio at both company and real estate collateral level
- estimation of the transition risk on the loan portfolio at company level.

The macroeconomic and environmental effects were considered over a long-term time horizon, consistent with the TCFD Recommendations, which recommend choosing time horizons that are compatible with the Institute's financial and investment planning, the duration of companies' main assets and activities, and national and international climate policies.

### 3.5.1 Physical Risk

Physical risk expresses the level of exposure to which a company or building is exposed to natural hazards (floods, earthquakes, landslides, extreme wind, drought, etc.) depending on the risk level of the area and the effects of climate change expected in the future.

In particular, the expected future phenomena are estimated based on the Representative Concentration Pathways (RCP4.5) in line with the TCFD recommendations to use a scenario consistent with the Paris Agreement to limit the temperature increase to ~2° in the long term compared to the pre-industrial period.

In fact, the RCP4.5 scenario estimates an expected average temperature increase of ~2.4°C by 2100; the BPER Group has also evaluated the RCP2.6 scenario, which estimates an expected average temperature increase of ~1.6°C by 2100. Since the estimated impacts of the two scenarios are only marginally different in the time horizon considered significant for the purpose of this analysis (2040s), RCP4.5 was deemed the most appropriate because it is more conservative from a risk management perspective and, to date, highly plausible given the current reduction policies and projected GHG emission trends (COP26 - Glasgow November 2021).

As suggested by the TCFD, the BPER Group used high granularity data, assessing the geographical threat on the single address of the production site/facility based on high geographical resolution hazard maps, depending on the scale of each phenomenon analysed (e.g., coastal flood 25m, pluvial and fluvial flood 90m, landslide 30m, other)<sup>7</sup>.

In particular, 18 climate-related and natural hazards are considered, distinguishing between:

- **chronic hazards** referring to climatic phenomena that generate progressive changes and can cause both direct and indirect damage (e.g. increased labour costs, production costs, cooling, etc.)
- **acute hazards** involving extreme phenomena that may cause material damage to assets (e.g., loss of goods in storage, damage to machinery, etc.)

<sup>6</sup> TCFD - Task Force on Climate-related Financial Disclosure-June 2017.

<sup>7</sup> The indicators used in the analysis are the result of processing by CRIF-RED from data and climate models provided by accredited international bodies (e.g., World Resource Institute, Copernicus Climate Change Service (C3S), Joint Research Centre (JRC) of the European Commission, INGV or the Cordex climate projections, for which we thank the Regional Climate Working Group and the Coupled Modelling Working Group of the World Climate Research Programme, coordinators of CORDEX and responsible for the CMIP5 project. We would also like to thank the climate modelling group (CNRM - Centre National de Recherches Météorologiques) for producing and making the model outputs available. We further thank the infrastructure of the Earth System Grid Federation, a global coordination led by the US Department of Energy's Climate Modelling Diagnostics and Comparison Programme, the European Earth System Modelling Network and other partners of GO-ESSP (Global Organisation for Earth System Science Portals). The data licences are available on the relevant sites.

The datasets obtained from these sources were processed by CRIF-RED through the use of algorithms developed ad hoc following the guidelines dictated by the meteorological, hydrological and engineering literature to increase their accuracy and resolution in order to make them suitable for the purpose for which they are used.



- **earthquake risk** which, although not related to meteorological-climatic phenomena, is a risk arising from natural events of extreme importance for the Italian territory and for many European countries. The earthquake risk indicator is similar to the acute risk indicators, in that it concerns extreme phenomena that can cause material damage to assets (e.g., damage to the structure of a warehouse, loss of goods in storage, damage to machinery). The data used by BPER for this analysis are proprietary CRIF-RED data, based on processing

public and accessible data sources. The datasets obtained from these sources were processed by CRIF-RED through the use of algorithms developed ad hoc following the guidelines dictated by the meteorological, hydrological and engineering literature to increase their accuracy and resolution in order to make them suitable for the purpose for which they are used.

For the purposes of the physical risk scenario analysis, the 18 natural hazards considered are listed in the following table and classified according to their nature.

Chronic hazards		Acute hazards	
Indicator	Description	Indicator	Description
Changing temperature	Identifies areas subject to above-average temperature rises expected for Europe	Heat wave	Identifies areas most prone to extreme heat events
Permafrost thawing	Ranks the territory according to the probability of permafrost thawing	Cold wave / frost	Identifies areas most prone to extreme cold events
Heat stress	Identifies areas more or less subject to heat stress, i.e., prolonged periods of high temperatures	Wildfire	Identifies areas most prone to forest fires
Changing wind patterns	Identifies the areas most prone to future variations in wind intensity and direction	Windstorm Cylone, hurricane, thphoon	Identifies the areas most prone to extreme wind gusts
Changing rainfall patterns	Identifies geographic areas that will see marked changes in both average snowfall and rain in the future	Drought	Identifies the areas most prone to extreme droughts
Sea level rise	Identifies coastal areas that will experience the greatest sea level rise	Heavy precipitation	Identifies areas most prone to extreme rain or snowfall and areas prone to heavy hailstorms
Water stress	Identifies areas that may experience crop maintenance water stress, i.e., lack of sufficient water supplies to keep crops alive	Flood (coastal, fluvial, pluvial)	Identifies flood-prone areas, whether riverine, rainfall or coastal
Soil or coastal erosion	Classifies the territory according to the intensity and frequency of soil and coastal erosion phenomena	Landslide	Identifies areas most prone to landslides
Soil degradation	Classifies the territory according to the intensity and frequency of soil degradation caused by erosion, dryness, salinisation, decrease in soil organic matter and decrease in biomass		
Indicator	Description		
Earthquake	Classifies the territory according to the intensity and frequency of earthquakes		

Table 3: The 18 physical hazards considered in the scenario analysis

### Real Estate Collateral

With respect to real estate collateral, the physical risk assessment expresses a measure of the expected potential economic losses caused by natural phenomena, in terms of direct damage and/or reduction in commercial value. This assessment is carried out starting from the precise location of the property (address), which defines the degree of exposure to natural phenomena, and the intended use of the property, which defines the predisposition of the property to be damaged or lose value in the face of a given natural event.

### Companies

With reference to companies with active credit risk with the BPER Group, the physical risk assessment expresses a measure of the expected potential economic losses caused by natural phenomena, in terms of direct damage to buildings, goods or merchandise, and/or reduction/interruption of service. This assessment is carried out taking into account all the company's production sites, and specifically their precise location (address) and the relevant Ateco code. The final assessment of the company is obtained by aggregating the assessments for each production site, with criteria that consider the importance of each one.

Consistent with the TCFD Guidelines that recommend using a methodology that reflects sectoral and sub-sectoral variability in the impacts of physical risk on companies in addition to geographical hazard, the assessment considers two main drivers:

- geographical risk level, which assesses the probability of a natural event occurring at a micro-territorial level
- sectoral vulnerability, which assesses the impact on the company of each of the hazards considered, based on the vulnerability (different for each hazard) of the sector in which it operates.

The joint assessment of these drivers produces an estimate of the overall riskiness of the company for which the expected impact as a whole is assessed. The final assessment is expressed through a synthetic indicator, then aggregated into five risk classes<sup>8</sup>.

## 3.5.2 Transition Risk

Transition risk represents the economic and financial impact suffered by the company as it transitions to an environmentally-sustainable economy (e.g., low-carbon).

Transition risks are estimated based on climate scenarios derived from temperature increase forecasts in the coming years. The indicators used in the analysis are the result of CRIF elaborations based on proprietary data and models, while the approach is based on estimating the economic-financial impact that the transition scenario will have on the company, depending on its current level of emissions, as well as its current economic-financial situation.

The following infographic summarises the transition framework used for the purposes of this analysis:

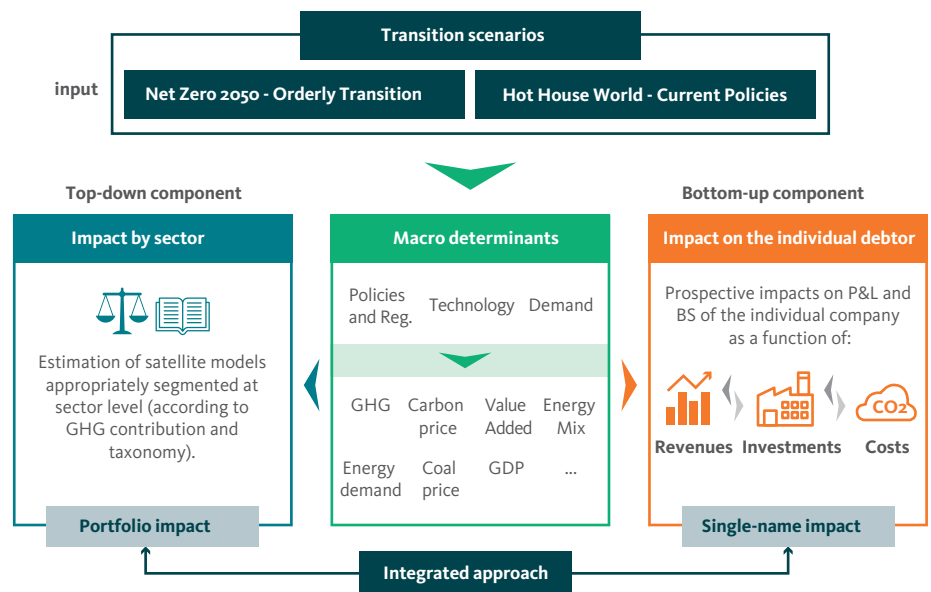


Figure 9: Architecture of the transition risk scenario analysis

<sup>8</sup> Low: Exposure to two or three hazards with no more than moderate risk and all others with low risk  
 Moderate: Exposure to a maximum of one hazard with medium risk and all others with moderate and low risk  
 Medium: Exposure to two or more hazards at risk or altogether one of the analysed hazards at moderate or medium risk  
 High: Exposure to at least one high risk out of those considered  
 Very High: Exposure to two or more high risk hazards than those considered

With particular reference to the transition scenarios, the 'Current policies' scenario was identified as the baseline, and 'Net Zero 2050' as the scenario on which to assess the impact of the transition. The main assumptions underlying the scenarios used are summarised below:

- the 'Current policies' scenario assumes that only policies already implemented are preserved; this scenario was used as an inertia scenario offering a baseline projection on which to derive the impact of the transition. This is a scenario in which climate change is fully manifested to the point of global warming
- the orderly 'Net Zero 2050' transition scenario is the most favourable, in which policies to combat climate change are adopted now and in a credible and coordinated manner. Since the measures are implemented immediately, it is possible to make a more effective but also more gradual transition, with interventions being initially less decisive and gradually becoming more stringent. This implies transition costs, as it is characterised by a larger adjustment period due to adherence to climate policies. Indeed, this context implies a change in regulation, technology and demand in order to limit global warming to 1.5°C, reaching Global Net Zero CO<sub>2</sub> emissions in 2050.

NGFS (Network for Greening the Financial System) integrates the elements described above within a set of macroeconomic variables over a medium- to long-term time horizon. For the implementation of the framework, macroeconomic variables made available by the NGFS were selected and tested in analogy with the most recent exercises proposed by the EBA (European Banking Authority) and ECB (European Central Bank) for the assessment and estimation of transition risk.

The model was developed taking into account the sectoral segmentation proposed by NGFS in terms of the GHG emission reduction targets described below:

- electricity: includes companies producing, distributing and trading in electricity, manufacturing batteries and electric accumulators, manufacturing motors, generators and electric transformers
- chemicals: includes companies manufacturing chemicals, paints, varnishes and enamels, synthetic and man-made fibres
- other energy supply: includes companies involved in the preparation or blending of oil derivatives, production and trade of gas distributed by pipeline
- steel: includes companies manufacturing metal products (excluding machinery and equipment), welded pipes and tubes and the like. It also includes foundries (cast iron, steel, light metals), and steel companies
- other services: includes companies engaged in wholesale trade, retail trade, hotels and similar establishments, food service activities, radio broadcasting, programming activities and television broadcasting
- cement: includes companies involved in the production of cement, manufacturing concrete, cement and plaster products, cutting, shaping and finishing stone

- transportation: includes companies engaged in land and pipeline transport, sea and water transport, postal services and courier activities
- other industry: includes companies involved in the manufacture of paper and cardboard, rubber items, soaps and detergents, cleaning and polishing products, perfumes and cosmetics, and sporting goods. It also includes companies involved in manufacturing glass and glass products, computer and electronic and optical products and electro-medical equipment
- non-ferrous metal: companies producing non-ferrous metals (copper, lead, etc.).

Below are the NGFS projected reduction scenarios for the nine macro-sectors on the 2030 - 2050 horizon:

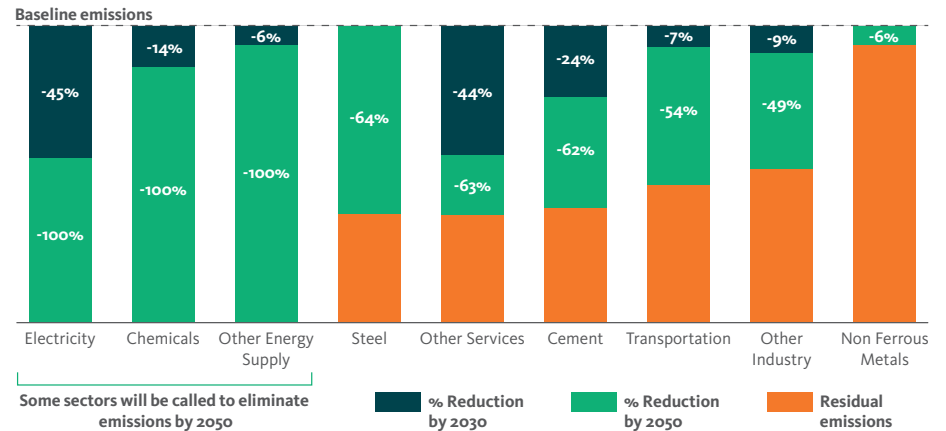


Figure 10: The NGFS projected reduction scenarios for the nine macro-sectors on the 2030 - 2050 horizon

The top-down component of the framework estimates the impact that each economic sector may experience in relation to the ecological transition process. Specifically, this component is defined on a series of macroeconomic models that project the evolution of the sector medians of operating costs, revenues and thus margins based on the relationships with the NGFS macroeconomic variables.

The bottom-up component of the framework makes it possible to quantify the impact of the ecological transition suffered at the individual counterparty level. Starting from the main KPIs in the company's balance sheet, this component estimates the potential impacts in terms of cost and turnover, recalibrating the estimated impacts on the individual company at sector level. Lastly, the investments are defined based on the GHG estimated at the 'single name' level and the objectives delimited by the transition scenarios: this means that the investments

needed to reduce GHG emissions are quantified, considering geo-sectoral coefficients that take the national energy mix and the peculiarities of the sector into account.

In particular, the individual elements developed with the top-down and bottom-up approaches described above are discussed:

- Costs consisting of two components. The first, bottom-up component estimates the level of carbon cost that the company would have to bear if it did not meet the reduction targets of the transition scenario ordered for its sector. This component is estimated at the individual company level, starting from the level of CO<sub>2</sub> emissions (known as GHG) characterising it at the reference date of the analysis. The second, top-down component involves the estimation, through econometric sectoral models<sup>9</sup> (nine NGFS macro-sectors) developed by CRIF using proprietary methodology, of operating costs as a function of the macroeconomic variables envisaged by the transition scenario (macroeconomic variables, consumption variables and energy costs, transition variables<sup>10</sup>, etc.);
- Revenues estimated on the basis of econometric sectoral models<sup>11</sup> (nine NGFS macro-sectors) that predict trends at the sector level as a function of macroeconomic variables provided by the ordered scenario (e.g., GDP, investment, population growth, etc.);
- Investments estimated with bottom-up methodology on the individual company using econometric models<sup>12</sup> which consider the CO<sub>2</sub> emission reduction target for the sector and the actual emissions of the company itself weighted by a conversion factor.

The final evaluation is expressed in risk classes (1: Low, 2: Moderate, 3: Medium, 4: High, 5: Very High).

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## 3.6 Calculating the Carbon Footprint of the Portfolio

The carbon footprint is a measure that expresses the total greenhouse gas emissions associated directly or indirectly with a product, organisation or service in tCO<sub>2</sub> equivalent (tCO<sub>2</sub>e). This year, the BPER Group renewed the carbon footprint monitoring of its credit and securities portfolios, with a commitment to set decarbonisation targets and alignment with the Paris Agreement in 2023.

For the loan portfolio carbon footprint estimation, the methodology for estimating greenhouse gas (GHG) emissions for companies is aligned with the guidelines on emissions accounting in 'The Global GHG Accounting and Reporting Standard' developed by the PCAF (Partnership for Carbon Accounting Financials): the estimates are based on point data provided directly by the company or by certified entities, and where not available, sectoral and dimensional estimation models are used. The methodology used to estimate GHG emissions adopts a bottom-up approach that starts with the estimation of emissions for each local unit, which are then aggregated at the company level.

The estimate for each local unit is made considering its size and the emission characteristics of the sector in which it operates, taken from recognised institutional sources such as the European Environmental Agency and Eurostat). If the local unit in question is included in institutional databases such as the E-PRTR (European Pollutant Release and Transfer Register), the emission data retrieved directly from the source is associated. Once the estimate at the local unit level has been obtained, a subsequent aggregation is carried out to obtain the estimate at the company level.

For companies belonging to a corporate group for which the amount of GHG Scope 1 or Scope 2 emissions have been reported in the Consolidated Non-Financial Statement (CNFS), the estimated emissions of the company are recalibrated in order to obtain an emission estimate consistent with the reported figure.

For the securities portfolio carbon footprint estimation, the MSCI info-provider database was used, which includes GHG Scope 1 and 2 emissions and the Enterprise Value Including Cash (EVIC) of the companies issuing the securities, where the data are available. For each issuer, the financed issues were calculated as a share of GHG Scope 1 and 2 issues equal, in proportion, to the ratio of the value of the security held by the Group on the EVIC.

Further details on the methodology and results of the portfolio carbon footprint estimation can be found in section 5.2.2 of this report

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<sup>9</sup> Multivariate linear regression models estimated on the time series (2016-2019) of observed sectoral medians of revenues of Italian companies.

<sup>10</sup> Source: NGFS <https://www.ngfs.net/ngfs-scenarios-portal/>

<sup>11</sup> Multivariate linear regression models estimated on the time series of observed sectoral medians of revenues of Italian companies.

<sup>12</sup> Multivariate linear regression models estimated on the time series (2010-2019) of observed sectoral medians of revenues of Italian companies.

# 3.7 Alignment with Supervisory Expectations

At the request of the European Central Bank (hereinafter also 'ECB'), the Group conducted a progressive verification process of alignment with supervisory expectations on climate and environmental risks. This section provides evidence of the Group's commitment in this sense.

## The European Central Bank Questionnaires

In January 2021, the ECB sent out an initial positioning questionnaire with respect to the expectations outlined in the normative document 'ECB Guide on climate-related and environmental risks', and subsequently a second questionnaire in order to identify a set of initiatives (action plan) to be activated to close the gaps that had emerged. In this circumstance, the Group initiated cross-cutting work plans with the aim of identifying areas of intervention such as:

- risk materiality analysis
- strategy and business model
- governance and risk appetite
- risk management
- regulatory disclosure.

To this end, an Action Plan was defined and approved by the Parent Company's Board of Directors (on 20/5/21) and sent to the European Central Bank.

The aforementioned Action Plan was fully incorporated into the 2022-25 BPER e-volution Business Plan, the implementation of which is monitored quarterly (see section 2.2.2).

## Thematic Review and Climate Stress Test

Starting in early 2022, the BPER Group was involved in two further exercises carried out by the Regulator. Firstly, the Thematic Review initiated by the ECB, which was completed in the second half of the year and aimed at assessing the Group's overall compliance with ECB guidelines, highlighted the Group's excellent positioning against market peers. Following this, the BPER Group participated in the Regulatory Stress Test on climate and environmental risks, whereby the opportunity was taken to further strengthen climate-environmental governance practices.

The ECB stress test was structured on three modules to assess exposure to climate and environmental risks.

In detail:

- a qualitative questionnaire on the stress testing framework on climate and environmental risks divided into 11 subject areas
- the use of two climate metrics aimed at assessing the Group's level of exposure and sensitivity to the risk of transition to an economy with a lower impact on the environment through the analysis of revenues and exposures to companies belonging to carbon-intensive sectors
- bottom-up projections to quantify the economic impacts of climate and environmental risks resulting from the adjustment process towards a more sustainable economy and from extreme weather events, focusing on credit, market and operational risk.

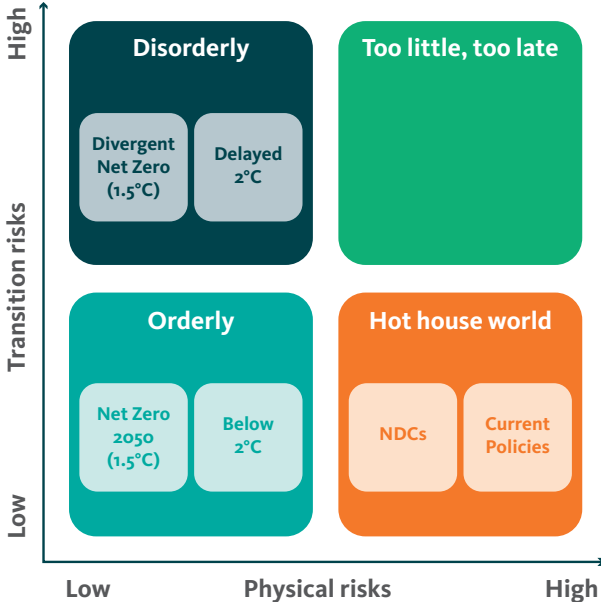


Figure 11: Exemplifying medium- to long-term climate transition scenarios. Source: NGFS 2022, NGFS Scenarios for Central Banks and Supervisors

## Strategy

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The exercise made use of different short and medium-long term scenarios. The short-term scenarios reflect the risks of an immediate disorderly transition, with sharp increases in carbon prices and the materialisation of acute physical risks such as extreme floods and prolonged heat waves, while the medium- to long-term scenarios consider different implications in terms of transition risk and physical risk.

Most of those who participated in the exercise (about 65%) scored an overall score of three or worse (one being the best score and four the worst). Although progress is evident in the system's provision of useful information for the regulatory exercise, most banks have ample room for improvement in preparing a stress test framework in the ESG area, especially on: (i) governance; (ii) data availability; (iii) modelling.

The BPER Group was aligned with the best national and European players, with only one bank in the panel of the Single Supervisory Mechanism (SSM) involved achieving a higher overall rating.



# Risk management

## 4.1 ESG Infusion and Risk Management

The integration and management of ESG risks into the regulatory and prudential supervisory framework is an issue of considerable relevance for the European supervisory authorities. As also indicated in the ECB 'Guide on climate-related and environmental risks', the ECB considers the process leading towards ecological transition as involving both risks and opportunities for the entire economic system and financial institutions, while the physical damage induced by climate change and environmental degradation can have a very significant impact on the real economy and the financial sector.

This is underscored by the fact that for the fourth year running, the ECB has identified climate-related and environmental risks as key risk factors to be prioritised in the Single Supervisory Mechanism (SSM) risk map for the banking sector over the period 2023-2025. This is why supervised institutions must integrate climate-related and environmental risks into their overall risk management system in a proactive, strategic and forward-looking manner, so as to mitigate and communicate them in accordance with relevant regulatory requirements.

In this regard, the BPER Group has defined a progressive, multi-year adaptation plan with project milestones in line with prudential expectations and such as to ensure internal consistency with other actions defined in the ESG area, in order to support the construction of a coherent framework at Group level.

The multi-year plan related to risk management is based on the initiatives currently underway to enrich the information databases and define an internal nomenclature, and defines integration measures on the basis of criteria of sequentiality, prerequisites and sound and prudent risk management. In this context, some of the main initiatives with expected completion by March 2023 are listed below:

- analysis of climate and environmental risk factor transmission channels on the Group's risk identification and assessment system
- integration of the Group Risk Map
- integration of the Group Risk Appetite Framework and key metrics for materiality assessment, measurement and Group risk monitoring
- adjustment of Risk Governance processes
- integration of internal capital adequacy and liquidity assessment processes.

These initiatives form an initial set of dedicated interventions that will be progressively developed synergistically and coherently with the initiatives defined in the 'ESG Infusion' plan. Consistent with the Group's business model, the strategies pursued and its risk appetite framework, climate and environmental risk management underpins the development of the 2022-2025 Business Plan. In fact, the BPER Group has defined a risk-taking and management strategy with the aim of ensuring, under business-as-usual and stress conditions, a risk profile that is sustainable and consistent with its business model and the market context. Therefore, the strategy also considers activities aimed at achieving sustainability goals, with the understanding that the implications of ESG-related risks on individuals and corporate performance require careful and responsible corporate management. These factors are integrated while taking into account market requirements, regulatory changes, the expectations of the Supervisor and the various stakeholders in order to identify those short- and medium- to long-term management actions that can mitigate the risks arising from the pursuit of the defined sustainability objectives.

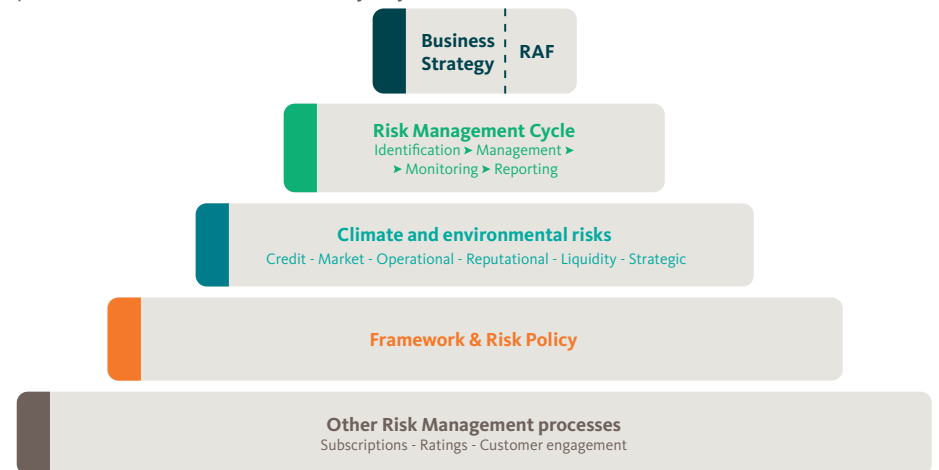


Figure 12: The BPER Group risk pyramid

The BPER Group has integrated climate and environmental risks into its risk management and monitoring structure. More specifically, the Risk Management cycle is divided into the following four phases:

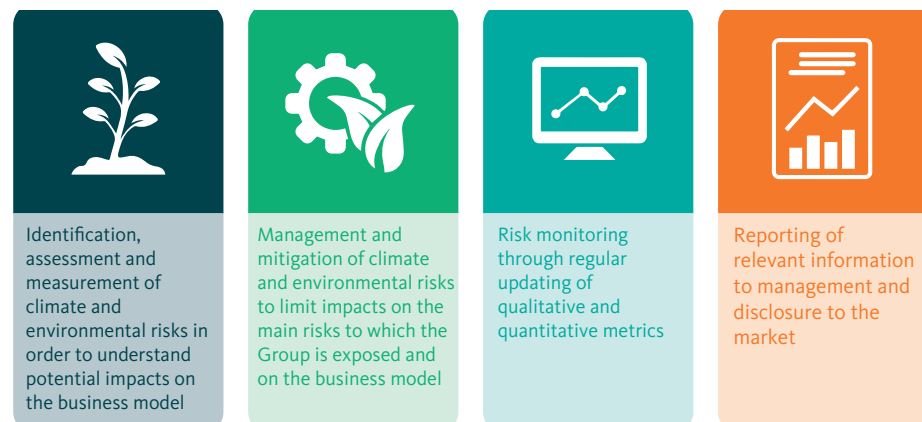


Figure 13: The Risk Management cycle

The management of climate and environmental risks within the multi-year plan in terms of Risk Management envisages impacts, including (i) in the risk appetite framework, (ii) in the individual risk governance processes, (iii) in risk measurement models, (iv) in second-level controls and reporting, (v) in risk governance processes such as ICAAP, ILAAP, Recovery Plan, (vi) in the risk forecasting and stress testing programme.

The Consolidated Non-Financial Statement for the financial year 2022 describes all the actions implemented by the Risk Management Department to evolve its processes with a view to better managing sustainability and climate-related risks. This chapter delves into the content of the multi-year plan designed by the BPER Group to ensure gradual alignment with the supervisory expectations issued by the competent bodies on climate risk.

## 4.2 Risk Identification, Assessment and Measurement

Recognising all the possible risks to which the Group is or could be exposed starts from the analysis of prudential supervisory regulations and the assessments made by the Supervisory Bodies on the subject of risk control and management. The process of identifying relevant risks is the starting point and junction of all the Group's main strategic corporate processes, and is carried out through a structured process involving the other corporate Structures.

The BPER Group, in line with the prudential supervisory regulations, periodically carries out an accurate identification of the risks to which it is or could be exposed, taking into account its operations and reference markets. The risk identification process results in the periodic updating of the 'Group Risk Map', which illustrates the relative position of the individual Group companies with respect to Pillar I and Pillar II risks, both current and prospective. This activity is carried out centrally by the Parent Company, and the Risk Map is recognised as the base for risk management and governance, making it the cornerstone of the Internal Control System.

Continuing the activities carried out in 2021, the BPER Group proceeded to strengthen its Risk Identification and Assessment process within the Group Risk Map through the assessment of how climatic and environmental risk factors may affect the main risk categories and the related sub-risks. The BPER Group considers climate and environmental risk factors as cross-cutting drivers to the existing risks: in fact, the possible consequences of climate and environmental changes are incorporated into the risk drivers assessed in the risk identification and assessment processes at Group and Legal Entity level.

Macro Categories	Definition
<b>Credit Risk</b>	The possibility that an unexpected change in the creditworthiness of a counterparty, to which an exposure exists, will generate a corresponding unexpected change in the value of the credit position
<b>Market Risk</b>	Risk of losses caused by unfavourable developments in market elements
<b>Operational Risk</b>	Risk of incurring losses due to inadequate or failed internal processes, human resources and systems, or from exogenous events, including legal risk
<b>Reputational Risk</b>	Current or prospective risk of a decline in earnings or capital arising from a negative perception of the Group's image on the part of customers, employees, companies, shareholders, investors or supervisory authorities
<b>Liquidity Risk</b>	Risk of default on payment commitments (expected and unexpected)
<b>Strategic Risk</b>	Risk that changes in the competitive environment and economic conditions of the company's business or choices of competitive/strategic positioning in the market will not produce the expected results

Table 4: Overview of the main risk categories to which the Group is exposed

The process of identifying climate-related and environmental risk factors within the Group Risk Map makes it possible to identify and classify major risk categories and their sub-risks. The Group adopts a comprehensive approach in this regard, taking into account the business, the exposures and the companies that comprise it.

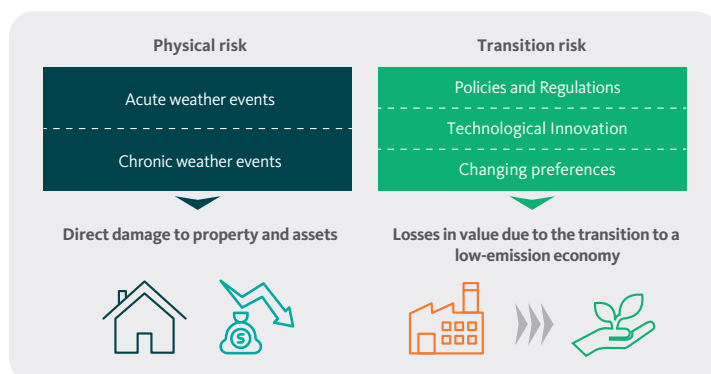


Figure 15: Description of impacts produced by climate-related and environmental risk factors

Compared to what was stated in the 2021 Sustainability Report, the classification of credit risk arising from climate-related and environmental factors as sub-risk is confirmed. The approach of considering ESG risk as a whole within the range of operational and reputational risks was also confirmed, integrating the definition to better delimit its scope of reference.

With reference to the update of the Group's 2023 Risk Map process, assessments of the market context, operational specificities and the Group's business model are underway in order to strengthen the assessment of the potential impact of climate-related and environmental risk factors within the Risk Management framework. By way of example, the following is a synoptic view of the main expected impacts from a risk-by-risk perspective.

Macro Categories	Impact of climate-related and environmental factors
<b>Credit Risk</b>	Risk parameters could be directly impacted by the probability of extreme weather events occurring and/or the effectiveness of energy transition policies implemented by portfolio companies. As a complement, collateral valuations could also be revised in light of physical risk exposure based on geographical location
<b>Market Risk</b>	Serious physical events at national and EU level could lead to changes in market expectations and higher expected volatility
<b>Operational Risk</b>	Group operations may be disrupted due to physical damage to properties, branches and data centres as a result of extreme weather events. Furthermore, with regard to 'conduct risk', the sale of products defined as 'Green' that do not meet the declared level of sustainability may generate legal risks.
<b>Reputational Risk</b>	Negative impact on the Group's operations as a result of negative perceptions by customers, investors, suppliers, the public or the Group's companies as a result of possible decisions and/or statements contrary to a supportive climate or environment policy
<b>Liquidity Risk</b>	Liquidity risk may be affected if customers decide to withdraw money from their accounts to finance damage repairs
<b>Strategic Risk</b>	In a context of strong transition policies, non-compliance with diversification processes and/or adaptation to the new directives could jeopardise viability and lead to increased strategic risk for certain business models

Table 5: Example of possible impacts expected from a risk-by-risk perspective

The activities for evolving the Risk Map and its evidence in terms of risk materiality are one of the cornerstones of the ESG Risk Management project launched by the Group for 2023 and set to be consolidated by the first quarter of the year. The relevant evidence will therefore be an integral part of the 2023 reporting.

## 4.3 Management and Mitigation

The management and mitigation phase is instrumental in managing the risks impacting the Group's capital adequacy and liquidity, in a current and/or prospective perspective.

The Group's capital adequacy and liquidity processes (ICAAP and ILAAP) are strongly integrated in the corporate governance processes related to strategic planning and the Risk Appetite Framework, as well as the overall internal control system. The planning of strategic objectives in terms of volume and profitability is related to their financial and capital sustainability, as well as the associated risk profiles. The Risk Appetite is defined in line with the strategic planning process, where the risk levels originated by the Business Plan are consistent with the Risk Appetite levels in both the short and medium term that the Group intends to pursue. Through quantitative and qualitative techniques in stress testing exercises, the Group also assesses its vulnerability to exceptional but plausible events. These are aimed at assessing the potential negative effects of significant changes in one or more risk factors, taken individually or of joint movements of a set of risk factors under the assumption of adverse scenarios. The Group uses risk forecasting simulations and stress testing to define the risk limits of the RAF and measures the ability of the identified management manoeuvres to restore a business-as-usual condition within the Recovery Plan.

The progressive analysis of climate and environmental risks complements the framework and is the result of a complex organisational process, which is an integral part of business management and helps to determine the Group's strategies and current operations. Following participation in thematic exercises conducted by the ECB, the Group identified areas for improvement to further strengthen the current framework.

The integration of climate and environmental risks into the Risk Management Framework is being strengthened through the definition of the scope and calculation methodology of dedicated key risk indicators, and will continue with the adaptation of modelling and the design of dedicated projection methodologies. In this context, project activities have been initiated in order to identify the transmission channels of climate-related and environmental risk factors within the existing risk categories. By way of example, the figure below represents a synoptic view of the main transmission channels.

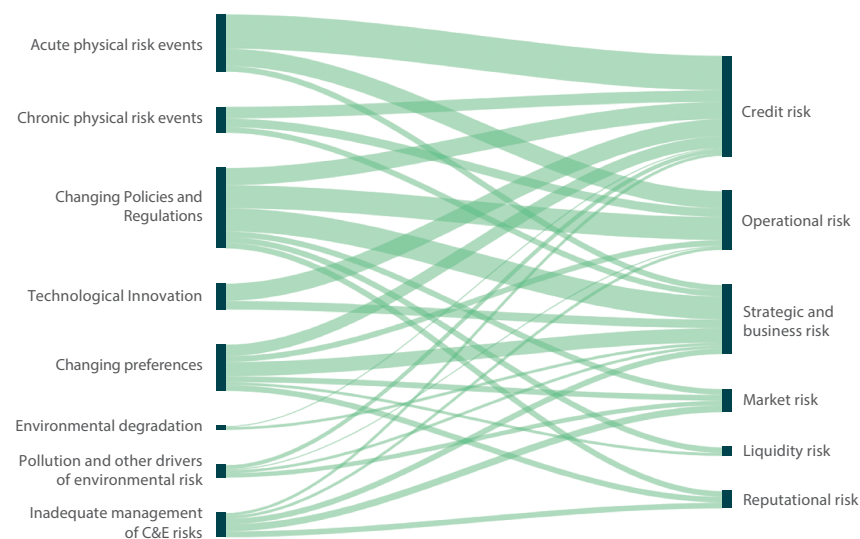


Figure 15: Exemplification of transmission channels of climatic and environmental risk factors

### 4.3.1 Risk Governance Processes

Relative to what was reported in the 2022 Sustainability Report, the Group plans to strengthen its Credit Risk Management Policy through the development of portfolio metrics developed starting from the exposure of individual companies to climate and environmental risk factors. In line with current practice, the indicators are subject to impact analysis and supported by sensitivity analyses on potential capital absorption related to key regulatory metrics. At the same time, the system of second-level credit controls will be strengthened in line with the inherent adjustments in the stages of the credit granting and management process. To supplement this, for the calculation of the Expected Credit Loss as at 31 December 2022, a prudential climate correction (post-model overlay) was applied to the PD (Probability of Default) lifetime parameter, which takes into account the impact on credit risk of an inertial behaviour of the economic system to the energy transition and a rise in temperature well above the limits agreed in Paris (known as the 'Current Policy' scenario).

In relation to market risk, a dedicated approach is being developed to incorporate the impact of climate and environmental risk factors into the relevant risk management and mitigation framework, through the use of appropriate IT tools. This will make it possible to start defining a primary set of risk indicators that are also potentially useful for property portfolio management purposes.

In the area of operational and reputational risk, the Group's 'Operational Risk Map' was supplemented with additional types of operational risk related to ESG factors, including the reputational risks related to the direct or indirect exposure of the Group or its companies within the Group's 'Catalogue of Reputational Scenarios'. With regard to the assessment/quantification and monitoring of operational and reputational risks, preparatory activities are underway to identify the approaches, metrics and data for estimating the impacts of ESG factors.

Finally, with respect to liquidity risk, the Group has begun the process of consolidating the current framework by defining specific criteria to quantify the impact of climatic and environmental risk factors on liquidity risk.

As for business risk, the Group is conducting dedicated assessments to design and select metrics that reflect the impact of climate and environmental risk factors on the Group's profitability. To complement this, evaluations with respect to strategic risk are underway in order to revise the measurement metrics to incorporate ESG profiles into both qualitative and quantitative assessment aspects.

## 4.3.2 Risk Appetite Framework

The BPER Group identifies the Risk Appetite Framework as a tool for overseeing the risk that the Group intends to take in the implementation of its business strategies, considering it as an essential element to ensure that the governance policy and the process by which risks are handled comply with the principles of sound and prudent business management. The principles of the RAF are formalised and approved by the Parent Company, which revises them periodically, assuring their alignment with strategic guidelines, with the business model and with the regulatory requirements in force from time to time. Based on the definitions and transmission channels identified, activities are underway to strengthen the Risk Appetite Framework through the reinforcement of risk metrics that take into account transition and physical risk.

## 4.3.3 ICAAP and ILAAP

The ICAAP and ILAAP processes are strongly integrated in the corporate governance processes related to strategic planning and the Risk Appetite Framework, as well as in the

overall internal control system, also taking into account the evolution of the internal and external conditions in which the Group operates. In particular, the methodologies used ensure consistency between the various processes.

These processes are based on appropriate corporate risk management systems and presuppose adequate corporate governance mechanisms, an organisational structure with well-defined lines of responsibility, and effective internal control systems.

On the basis of the definitions and transmission channels identified, the ICAAP is gradually being incorporated into initiatives in a risk-by-risk perspective, and the incorporation of climate and environmental risks within the assumptions and dynamics of stress testing and risk forecasting under the assumption of one or more adverse scenarios is envisaged. Similar considerations apply to the ILAAP process.

## 4.3.4 Recovery Plan

The Recovery Plan process governs the measures and processes aimed at restoring the Group's equity, economic and financial situation following a significant deterioration thereof.

The process of updating the Recovery Plan requires monitoring the validity of the assumptions contained therein by all the corporate Structures involved, which, depending on the reasons for the update, are called upon to implement the necessary activities to ensure its effectiveness over time. The Recovery Plan is reviewed annually, taking into account the findings of the ICAAP process, the ILAAP process and the Risk Appetite Framework management process.

On the basis of the definitions and transmission channels identified, this assessment process is gradually being incorporated into the Risk Management initiatives, and the incorporation of climate-related and environmental risk factors into the stress testing and risk forecasting assumptions and dynamics under the assumption of one or more 'near-to-default' adverse scenarios is expected to be further strengthened.

## 4.3.5 Internal Risk Forecasting and Stress Testing Programme

The objective of the Group's Internal Risk Forecasting and Stress Testing Programme is to define the characteristics of the stress testing exercises carried out internally and used within the main risk governance processes, verifying the relative degree of effectiveness through a specific self-assessment process and identifying possible areas for improvement.

The Internal Risk Forecasting and Stress Testing programme plays a key role within the Risk Management framework in order to assess the adequacy of the Group's capital or liquidity

position and the specific vulnerable areas in the exposure to individual risks.

In this context, the BPER Group has begun the process of reinforcing the integration of climate risk factors in its Internal Risk Forecasting and Stress Testing Programme, also making use of the experience gained in the context of its participation in the ECB's 2022 stress test exercise (particularly with regard to the challenges related to the inclusion of different long-term time horizons).

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## 4.4 Monitoring and Reporting

The monitoring and reporting phases constitute the framework that supports the management of key governance processes, consistent with the Risk Appetite Framework and the business model underlying the Business Plan.

The Group periodically monitors the RAF metrics in order to monitor on a timely basis any overruns of the risk tolerance thresholds identified and/or assigned risk limits included in the individual risk management policies and, if appropriate, direct the necessary communication processes to the Corporate Bodies and for subsequent remedial actions. These metrics are selected in line with the choices made within the ICAAP, ILAAP and Recovery Plan and share consistent calibration methodologies and escalation processes.

The Group has also initiated activities aimed at integrating indicators dedicated to climate and environmental risks into the second-level credit control framework with particular reference to the methodologies for selecting and evaluating companies and guarantees acquired to support any credit lines granted.

This approach guarantees organic monitoring of the company's evolution, enabling the Group to proactively manage any critical situations such as to lead to the activation of existing protective measures.

In order to make the Board and connected bodies aware of the exposure to ESG risks, including climate and environmental risks, the Group is strengthening activities aimed at integrating quarterly management reporting with climate and environmental risk indicators identified in the respective policies.

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## 4.5 Credit Policies

The BPER Group's credit policies are developed in line with the Risk Appetite Framework, which has provided new third-level metrics since 2021 aimed at monitoring the physical and transition risk of the loan portfolio. The Credit Policy Guidelines for 2022 have considered these limits and directed credit granting activities by integrating the analysis of macroeconomic

projections with the transition risk exposure factors on the most sensitive economic sectors, identifying strategies for the recomposition of the loan portfolio at macro and micro-sector level with the aim, on the one hand, of identifying companies and credit exposures that are not aligned with the BPER Group's risk appetite, and on the other, of providing support to the path towards a sustainable economy.

The entire framework for defining the Group's capital allocation therefore identifies 'attention' areas on sectors, or geographical areas, that are highly critical from the viewpoint of both economic and environmental sustainability; at the same time, it identifies economic sectors and provinces on which, in the presence of favourable economic fundamentals, the 'transitional' characteristic generates opportunities (also in consideration of the support provided by public policies to the transition towards a sustainable economy, with particular reference to the NRRP).

The Group's pricing model is consistent with this approach, as it incorporates specific add-ons based on the capital allocation strategy identified, for the economic sectors entailing greater risk. The Group also adopts specific commercial practices aimed at promoting green products, including through the application of pricing policies that are more favourable than those of traditional products (e.g., Green Mortgages). As part of their commitment to reducing environmental impacts, the Group's banks offer a series of specific financing products for investments, households and businesses, in the use of renewable energy, energy saving, circular economy and sustainability choices in general. The Group also applies specific pricing add-ons on trade finance transactions, where the bank takes on interbank risk in countries with a high level of physical and environmental risk, impacting the economic resilience of the country.

Consistent with the commitment made in joining the NZBA, in December 2022 the Group adopted a specific 'ESG-linked Loan Origination Policy', which specifies the principles adopted by the Group in its credit assessment. The global sustainability policy is aligned with the BPER Group's Internal Governance Code and promotes and implements the values of ethics, integrity and responsibility vis-a-vis people, the environment and society as a whole. In this context, the lending activity falls fully within the scope of application of these principles and translates, first and foremost, into the assessment of the creditworthiness of customers in accordance with the general principles adopted by the BPER Group to monitor credit risk and, therefore, also the risks related to ESG factors.

The Group develops and adopts an approach aimed at identifying and assessing potential climate and environmental, reputational, operational, and other ESG risks arising from financing in companies operating in controversial sectors, involved in serious events that have led or may lead to negative impacts on counterparty valuation, with particular attention to the impact on creditworthiness analysis; at the same time, it intends to take the opportunity to direct and support the transition path, with the aim of improving the profile of its portfolio also in terms of 'eco-sustainable' exposures, i.e., aligned with the European Taxonomy, as measured by the Green Asset Ratio and Banking Book Alignment Ratio indicators.



This document therefore states:

- general limitation and exclusion criteria in terms of financeability at counterparty and/or project level, consistent with the BPER Group's 'ESG Policy' and voluntary commitments (Net-Zero Banking Alliance, PRB)
- the detailed criteria applicable to companies belonging to individual 'sensitive' sectors
- strategies to support the transition and the increasing 'alignment' of companies to the principles of the EU Taxonomy, including through dedicated products or services.

The Policy requires that the BPER Group does not provide financial products or services to companies for which violations of human rights, health and safety regulations have been judicially ascertained in relation to both workers and local communities; fundamental labour rights and child and forced labour regulations; or fraud in financial and non-financial reporting, money laundering, corruption, terrorism financing. In addition, companies/activities whose operations are conducted at the expense of environmentally protected areas, as identified by major international standards, are not eligible for financing<sup>13</sup>.

In anticipation of the broader objectives that will be declared in relation to the path envisaged following accession to the NZBA, the Group has clarified the exclusion policies adopted on specific business sectors which, for various reasons, are exposed to high sustainability risks in environmental, social or governance terms (in particular, negative screening on coal and on specific unconventional oil & gas activities). The elements taken into account when evaluating companies and investment projects for sectors where exposure to transition may generate significant opportunities (e.g., electricity production and distribution, land transport, shipping) are also clarified in order to address the development of 'green' loans.

The indications of the ESG Policy on credit granting were procedurally integrated, as early as the commercial analysis phase, with evidence in the application in use by corporate counterparty managers of specific 'icons' representative of the sector, and a brief description of the applicable requirements.

The credit granting application was also supplemented with specific alert messages aimed at highlighting the applicability of the ESG Policy on credit granting to the counterparty's sector. A red alert has been issued with regard to 'coal', and a management strategy consistent with the Group's disengagement from this sector was established in 2023.

In summary, the overall evolution of the credit policy framework developed as part of the business plan reinforces the traditional approach of dual top-down and bottom-up analysis that has long been adopted by the Group. The new approach adopted in credit policies will, from 2023 onwards, be accompanied by the identification of a specific strategy determined at the level of individual customers based on economic-financial parameters and, progressively, of additional ESG indicators aimed at measuring the positioning of the counterparty or credit

proposal with respect to the ESG standards pursued by the Group.

The top-down analysis also considers negative screening indications deriving from policies at the sector level (as already indicated, with a 'disengagement' strategy for the 'coal' sector), and macroeconomic analyses, while the bottom-up analysis carried out at the counterparty level is aimed at ensuring the analysis of the specific KPIs pertaining to the individual company, also with a view to supporting the energy transition.

<sup>13</sup> In particular, projects at the expense of UNESCO World Heritage Sites, wetlands covered by the Ramsar Convention and biodiversity-sensitive areas (High Conservation Value Areas, Alliance for Zero Extinction sites or IUCN Category I-VI areas) are not eligible for funding.



## 4.6 The Business Continuity Plan

Considering the acute physical C&E risks, the BPER Group manages the possibility of suffering economic losses deriving from the reduction in the value of property owned due to its geographical location or due to the occurrence of adverse events; to mitigate this risk, the Bank has stipulated insurance coverage (Global Buildings Insurance) that covers against:

- extreme weather events
- flooding
- earthquake
- seaquake
- floods.

For the Campania area, the branches are also covered for the risk of volcanic eruption.

Another impact caused by acute physical risks are losses due to the interruption of business continuity resulting from natural disasters (e.g., floods, heavy snowfall, extreme temperature changes). It has therefore been identified as a risk and the impacts are mitigated, for buildings where so-called 'critical' processes are delivered, through the business continuity management plan. Specifically, every year the Property Management Service informs the Business Continuity office and the Business Continuity Plan Manager of the hydrogeological risk of each property.

High-risk buildings are therefore included in the Business Continuity Plan to keep operations

running should an adverse event occur. In fact, extreme weather events may jeopardise BPER's ability to provide services to customers. In order to prevent this interruption, they are always included among the risks covered, and in the event of a disaster, the business continuity solutions envisaged for the 'delivery site unavailability' scenario are activated.

If the unavailable site is part of the commercial network, the recovery solutions include:

- moving employees and customers to a neighbouring branch (sister branch)
- in the absence of a 'sister branch' or if the distance exceeds 25 km, containers and/or camper vans are brought to the disaster area to help citizens, which remain operational while technicians restore the damaged premises.

If the damaged site is a central office, the recovery solutions instead include:

- immediately activating remote work for all employees at that location
- Business Impact Analyses are carried out to verify the presence of one or more sister units and of remotely competent resources that can intervene to secure operations from different real estate premises (there are many sister functions distributed over different territories in BPER, due to the numerous merger acquisitions in recent years).

If machines or equipment are damaged during the crisis, the data are restored in the desired location (campers or sister unit, as backups are continuously saved). The conversation between the computers in BPER's data centres has a Recovery Point Time (RPO) of zero.

# Metrics and Targets

## 5.1 Climate Risk Indicators

The BPER Group conducted a climate risk assessment on its loan portfolio this year as well, identifying a representative perimeter in terms of exposures<sup>14</sup>, sector distribution and disclosure requirements, of the Non Financial Corporation portfolio referring to four legal entities of the Group (BPER Banca, Banco di Sardegna, Bibanca, Sardaleasing) consisting of about 35,000 companies (companies with active credit risk) equal to about 81% of the gross book value as at 31 December 2022. The analysis excluded intra-group companies, companies not resident in Italy, those with legal natures that can be traced back to partnerships and sole proprietorships, and subsequently companies for which the information was not available for analysis.

The analysis on real estate was conducted considering the collateral underlying the real estate guarantees associated with mortgage loans referring to four legal entities of the Group (BPER Banca, Banco di Sardegna, Bibanca, Sardaleasing) for a total of approximately 330,000 properties.

### 5.1.1 Physical Risk

Scenario analyses related to physical risk at both building and company level, in compliance with the ECB's Guide on climate-related and environmental risks, were conducted by separately highlighting the impacts of climate-related risks (chronic and acute) and, separately, the impact of earthquake risk, which is not climate-related but equally relevant in Italy.

#### Real Estate Collateral

The distribution of the portfolio's real estate collateral shows that over the 'as-is' time horizon (2020s), 12.5% in terms of number and 12% in terms of exposure are exposed to high climate risk (High and Very High).

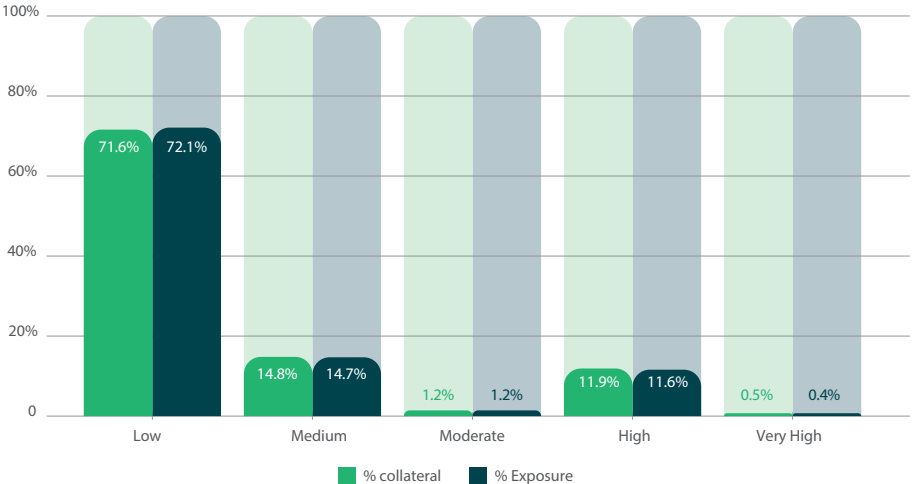


Figure 16: Distribution of climate risks for real estate collateral - 2020s

The tables below show the distributions of the number of buildings and exposure to acute and chronic risks with high risk class. It should be noted that real estate is more vulnerable to acute risk phenomena, as natural phenomena can damage real estate and thus cause more significant impacts. In the case of BPER's property portfolio, the most relevant natural hazards are landslides, floods and heavy rainfall (which includes hailstorms and heavy snowfall).

<sup>14</sup> In the analysis of real estate collateral as exposure, the outstanding debt as at 31 December 2022 was taken into account.

Region	Collateral (no.)	Collateral (%)	Exposure (thousands of Euro)	Exposure (%)
LIGURIA	11,771	32.1	1,156,443	33.7
LOMBARDY	7,573	20.7	705,166	20.6
EMILIA - ROMAGNA	3,113	8.5	306,674	8.9
PIEDMONT	2,467	6.7	229,078	6.7
TUSCANY	1,657	4.5	168,478	4.9
CAMPANIA	1,733	4.7	150,924	4.4
ABRUZZO	1,852	5.1	140,806	4.1
VENETO	994	2.7	116,995	3.4
LAZIO	1,191	3.2	105,497	3.1
MARCHE	1,103	3.0	78,790	2.3
SICILY	644	1.8	52,695	1.5
SARDINIA	448	1.2	43,991	1.3
TRENTINO - ALTO ADIGE	386	1.1	43,128	1.3
CALABRIA	598	1.6	38,128	1.1
VALLE D'AOSTA	383	1.0	37,417	1.1
UMBRIA	230	0.6	18,731	0.5
PUGLIA	250	0.7	18,176	0.5
BASILICATA	167	0.5	10,004	0.3
FRIULI - VENEZIA GIULIA	56	0.2	5,067	0.1
MOLISE	45	0.1	3,781	0.1
	<b>36,661</b>	<b>100</b>	<b>3,429,969</b>	<b>100</b>

Table 6: Distribution of the number of collateral and exposure with high acute risk. The percentages refer to the total portfolio of high acute risk collateral. – 2020s

Region	Collateral (no.)	Collateral (%)	Exposure (thousands of Euro)	Exposure (%)
SARDINIA	695	15.6	99,207	23.5
LIGURIA	765	17.1	67,647	16.0
ABRUZZO	706	15.8	55,537	13.2
LAZIO	441	9.9	38,224	9.1
CALABRIA	546	12.2	35,779	8.5
MARCHE	493	11.0	34,054	8.1
EMILIA - ROMAGNA	121	2.7	26,727	6.3
CAMPANIA	115	2.6	19,821	4.7
TUSCANY	184	4.1	18,807	4.5
SICILY	147	3.3	10,705	2.5
MOLISE	198	4.4	10,506	2.5
PUGLIA	34	0.8	2,373	0.6
FRIULI - VENEZIA GIULIA	4	0.1	1,920	0.5
VENETO	7	0.2	697	0.2
BASILICATA	6	0.1	278	0.1
	<b>4,462</b>	<b>100</b>	<b>422,282</b>	<b>100</b>

Table 7: Distribution of the number of collateral and exposure with high chronic risk. The percentages refer to the total portfolio of high chronic risk collateral. – 2020s

Given the significance of seismic phenomena in Italy, the exposure of the portfolio of collateral properties to significant seismic risk is also reported as 11% of the portfolio (percentage of high-risk properties). The overall portfolio exposure, including acute risks, chronic risks and earthquake risk, is 23% (percentage of value exposed to high risk).

As regards the impact of climate change over the future horizon considered (2040s), the map below shows the riskiness of real estate collateral with reference to exposure falling in the high risk category (High and Very High)<sup>15</sup> for both time horizons considered, 2020s and 2040s. Exposures associated with the high risk class are estimated to increase by 3% due to climate change over the time horizon considered.

<sup>15</sup> The evidence is intended as the result of the analysis of a specific portfolio and therefore cannot be generalised in an absolute sense.

### Real estate collateral, Climate Scenario RCP 4.5 - evolution of riskiness

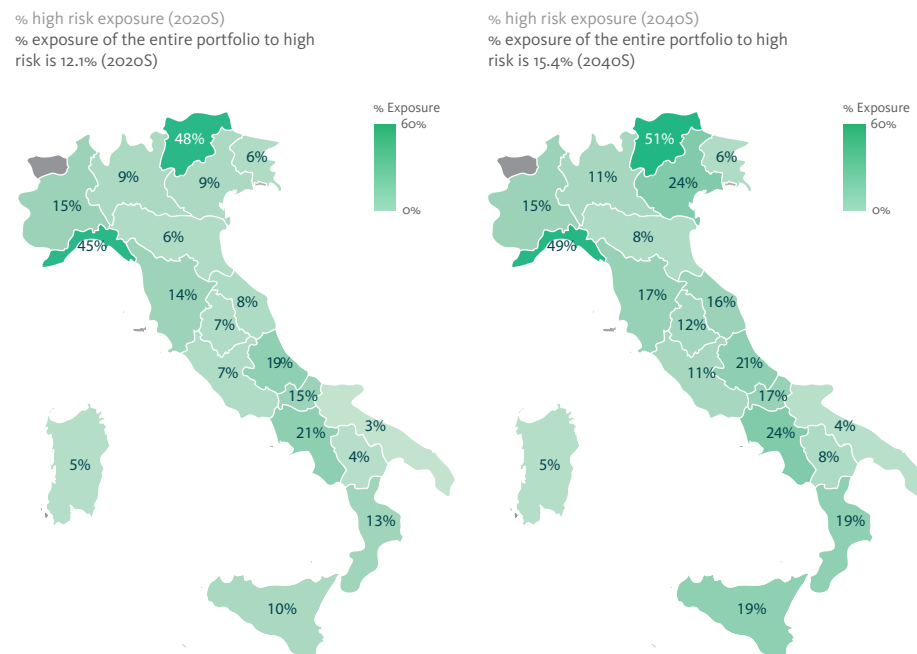


Figure 17: Evolution of riskiness (2020s - 2040s) in terms of % exposure on a regional basis of collateral with an overall high climate risk<sup>16</sup>.

Examining the evolution of riskiness, it is clear that the effect of climate change is limited at the portfolio level and presents rather varied spatial patterns. This is the result of the strong spatial variability of the effects of climate change: while for some meteorological variables, the climate scenarios predict homogeneous trends (e.g., temperature, which is predicted to increase fairly homogeneously throughout the country), for other variables the trends may be conflicting depending on geographical areas, microclimatic characteristics and their interactions with regional and global atmospheric circulation (e.g., extreme rainfall).

### Companies

The percentage of the loan portfolio<sup>17</sup> at high climatic risk (High and Very High) over the 'as-is' time horizon (2020s) stands at 14% in terms of number of companies per risk class and 9.5% in terms of exposure. It should be noted that the distribution diagram below does not take seismic risk into account.

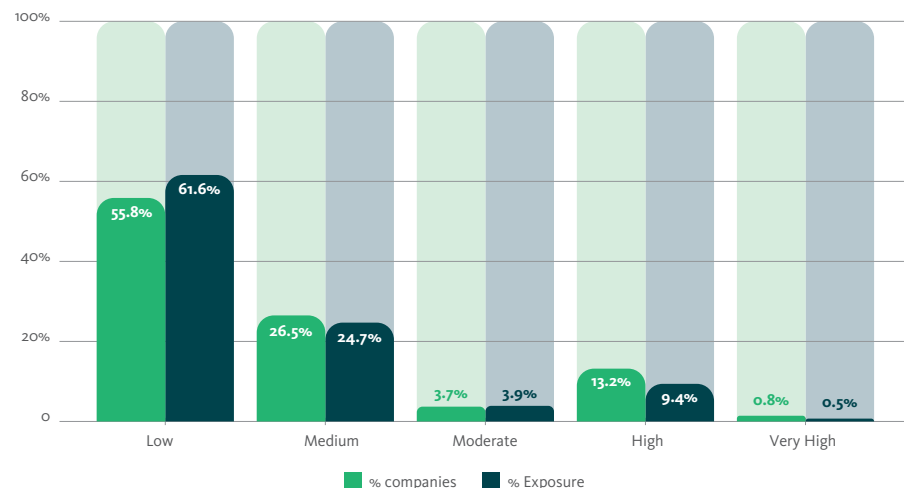


Figure 18: Distribution of climate risks for corporate counterparty properties - 2020s

The table below shows the number of companies with a high acute risk class for each individual region over the 'as-is' time horizon (2020s), where the percentage values refer to the total number of companies within BPER's portfolio with high acute risk. The distribution shows a higher concentration of exposure and counterparts in Emilia-Romagna and Lombardy. In particular, in the former the climate-related and environmental phenomena causing the most significant impacts are floods and heat waves, while in the latter it is landslides and floods. The percentages refer to the total high acute risk portfolio.

<sup>16</sup> The figure for Valle D'Aosta has not been reported, as it is not representative.

<sup>17</sup> The companies for which geolocation information was not available, equal to 3% of companies, and exposure less than 3% were excluded.

Region	Companies (no.)	Companies (%)	Exposure (thousands of Euro)	Exposure (%)
LOMBARDY	781	24.6	582,809	26.1
EMILIA - ROMAGNA	407	12.8	376,277	16.9
CAMPANIA	364	11.5	276,612	12.4
LIGURIA	460	14.5	228,587	10.3
PIEDMONT	211	6.7	137,423	6.2
TUSCANY	200	6.3	132,114	5.9
LAZIO	122	3.8	102,723	4.6
VENETO	163	5.1	100,365	4.5
ABRUZZO	126	4.0	60,590	2.7
TRENTINO - ALTO ADIGE	45	1.4	57,151	2.6
MARCHE	68	2.1	52,823	2.4
CALABRIA	54	1.7	27,428	1.2
SARDINIA	30	0.9	22,701	1.0
VALLE D'AOSTA	20	0.6	20,168	0.9
SICILY	43	1.4	14,329	0.6
UMBRIA	24	0.8	11,568	0.5
PUGLIA	23	0.7	9,785	0.4
MOLISE	13	0.4	5,465	0.2
BASILICATA	12	0.4	5,346	0.2
FRIULI - VENEZIA GIULIA	5	0.2	5,143	0.2
	<b>3,171</b>	<b>100</b>	<b>2,229,407</b>	<b>100</b>

Table 8: Distribution of the number of companies and exposures with high acute risk. The percentages refer to the total portfolio of high acute risk companies. – 2020s

The following table instead shows the number of companies and exposure of BPER's loan portfolio as at the 2020s. It is clear that Sardinia, Sicily and Puglia are the regions most exposed to high chronic risk (High-Very High). In particular, the presence of production sectors sensitive to water stress phenomena in Sardinia amplifies the expected effect of lack

of water supplies for the agricultural sector. The percentages refer to the total high chronic risk portfolio.

Region	Companies (no.)	Companies (%)	Exposure (thousands of Euro)	Exposure (%)
SARDINIA	902	54.9	682,564	58.1
SICILY	232	14.1	148,973	12.7
PUGLIA	160	9.7	97,690	8.3
EMILIA - ROMAGNA	17	1.0	36,378	3.1
MARCHE	66	4.0	34,957	3.0
LIGURIA	34	2.1	25,001	2.1
BASILICATA	36	2.2	23,844	2.0
TUSCANY	42	2.6	22,919	2.0
CALABRIA	53	3.2	22,612	1.9
LOMBARDY	15	0.9	22,570	1.9
LAZIO	15	0.9	22,331	1.9
CAMPANIA	38	2.3	16,613	1.4
ABRUZZO	25	1.5	14,695	1.3
MOLISE	5	0.3	2,265	0.2
PIEDMONT	2	0.1	1,389	0.1
	<b>1,642</b>	<b>100</b>	<b>1,174,801</b>	<b>100</b>

Table 9: Distribution of the number of companies and exposures with high chronic risk. The percentages refer to the total portfolio of high chronic risk companies. – 2020s

Examining the development of riskiness with reference to the 'future' time horizon (2040s) (next figure) on the portfolio of interest shows that the effect of climate change increases from 9% (2020s) to 20% (2040s). The regions reporting an increase in riskiness are Emilia-Romagna, Trentino-Alto Adige, Puglia and Sicily. It can be observed that the development of climate risks has a greater impact on businesses than on buildings, as some phenomena that have a fairly limited economic impact on buildings (e.g., heat waves, water stress) can instead have significant effects on business activities, causing productivity reductions or service interruptions.

Given the significance of seismic phenomena in Italy, the exposure of BPER's portfolio of companies to significant seismic risk is also reported as 12% of the portfolio (percentage of

companies at high risk). The overall portfolio exposure, including acute risks, chronic risks and earthquake risk, is 21% (percentage of value exposed to high risk).

### Companies, Climate Scenario RCP 4.5 - evolution of riskiness

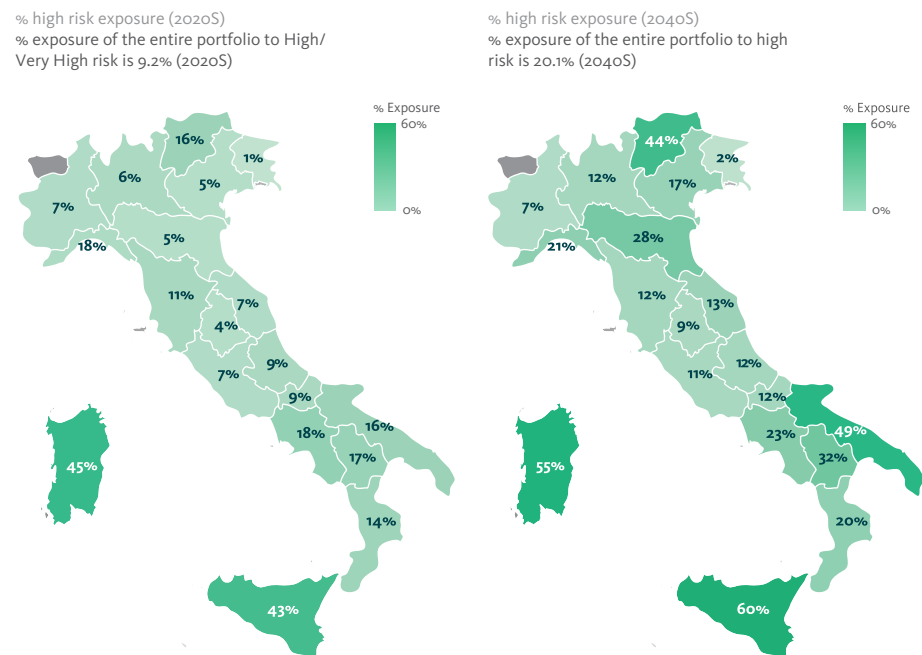


Figure 19: Evolution of riskiness (2020s - 2040s) in terms of % exposure on a regional basis of properties with an overall high climate risk<sup>18</sup>.

## 5.1.2 Climate Transition Risks

Looking at the distribution of BPER's Italian loan portfolio<sup>19</sup> with respect to transition risk (impact of the ordered transition scenario 'Net Zero 2050'), it can be observed that about 6.8% of the exposure is low impact, while 31% has a high transition risk exposure profile (high and very-high) for which, therefore, substantial investments are needed to direct business towards the transition to a low-carbon economy. The graph and table below shows the composition of the customer portfolio in terms of both the number of companies and exposure, broken down by transition risk impact levels.

Overall TR impact level	Companies (%)	Exposure (%)
Low	12.6	6.8
Moderate	34.5	29.7
Medium	43.0	32.6
High	9.5	27.5
Very High	0.3	3.4

Table 10: Transition risk (TR) by number of companies and exposure – Overall exposure

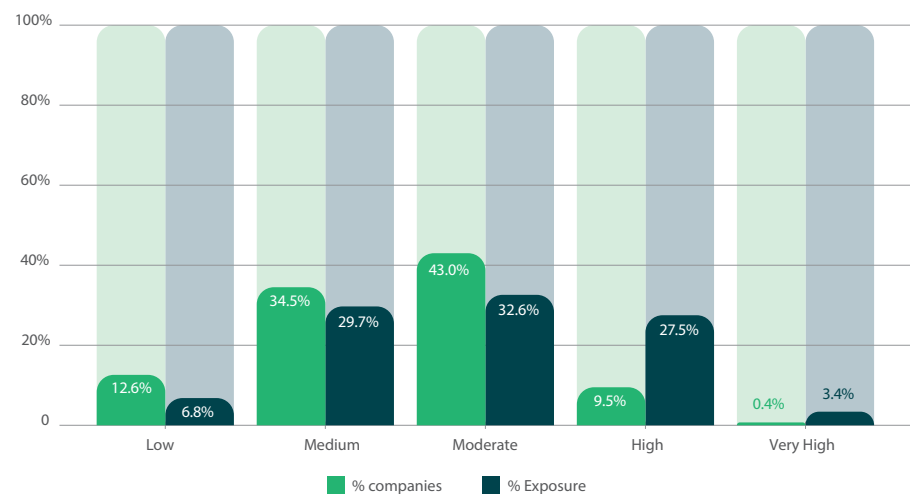


Figure 20: Distribution of transition climate risks by number of companies and exposure - Overall exposure

<sup>18</sup> The figure for Valle D'Aosta has not been reported, as it is not representative.

<sup>19</sup> The companies in the credit perimeter with no, or only a partial, product sector (Ateco code), or those belonging to the holding, 'agriculture', 'real estate' and 'non-profit' categories were excluded from the analysis due to the peculiarities and different ways in which the transition impacts these types of economic activities: 14% of the companies with an exposure, equal to 16% of the selected perimeter, were included in these exclusions

## Metrics and Targets

Below is an overview of the impact of the transition risk for the ten Global Industry Classification Standard (GICS) macro-sectors<sup>20</sup>. In particular, the average exposure-weighted transition score was assessed for each sector.

GICS Sectors <sup>21</sup>	Overall RT	Expected impact in terms of production value	Expected impact in terms of investments	Expected impact in terms of EBITDA	Exposure (%)
Industrials	●	●	●	●	31.9%
Consumer Discretionary	●	●	●	●	19.6%
Consumer Staples	●	●	●	●	14.3%
Materials	●	●	●	●	12.8%
Real Estate	●	●	●	●	5.8%
Utilities	●	●	●	●	3.9%
Health Care	●	●	●	●	3.8%
Communication Services	●	●	●	●	2.6%
Energy	●	●	●	●	2.4%
Information Technology	●	●	●	●	2.1%
Financials	●	●	●	●	0.7%

Table 11: Overall transition risk broken down by revenue, investment and cost components for the BPER Group's loan portfolio companies

With reference to the impact of transition risk on BPER's portfolio by sector aggregation, the following should be noted:

- moderate exposure to high-impact transition risk sectors. In particular, these sectors will have to bear higher than average investments due to high starting emissions. As expected, these sectors mainly belong to the energy and utilities sector, characterised by very stringent GHG reduction curves already from 2030 and high average emission intensities, as well as the manufacturing sector, also characterised by high average emissions
- significant exposure to sectors with medium transition risk impact. These sectors will have a medium impact both in terms of revenues and in terms of EBITDA and investments. In particular, the first two sectors in terms of exposure are industrials and consumer discretionary, which make up about 50% of the portfolio in terms of exposure, show a level of emissions in line with the average
- low exposure to sectors with low transition risk impact. In particular, the real estate and financials sectors will face lower investments than the average due to the low level of

emissions in both intensity and average terms.

Thanks to the analyses carried out, the BPER Group is in a position to pursue a policy that supports companies with growth prospects in seizing the opportunities offered by environmental transition, supporting their investments; at the same time, BPER can support companies in their efforts to mitigate transition risks with the aim of guaranteeing stable margins in the medium to long term

<sup>20</sup> Companies for which it was not possible to identify the GICS sector, amounting to 0.5% of the companies and their exposure amounting to 0.6%, were excluded from the table.

<sup>21</sup> For more details on the translation of the GICS sectors, please refer to Annex 2 of this report or to the Borsa Italiana website <https://www.borsaitaliana.it/borsa/glossario/gics.html>



## 5.1.3 Economic impacts of climate risks

An economic quantification of the expected impacts of physical and transition risk was also carried out on a representative sample of about 6,000 companies<sup>22</sup>. In particular, the following risks were analysed:

- physical risk in terms of expected direct and indirect damage in the decades 2030, 2040, 2050
- transition risk in terms of expected investments in the decades 2030, 2040, 2050
- combined physical and transition risk, in terms of expected profitability in the decades 2030, 2040, 2050.

Starting from the estimation of impacts from physical and transition risk, a budget simulation was conducted over the three-decade time horizon (2030, 2040 and 2050) considering the NGFS Orderly scenario, on the basis of which the following indicators were constructed:

- Normalised exposure at risk (NEAR): an indicator representing the portion of the portfolio at risk where the exposure of each borrower/issuer is weighted by a financial risk ratio (FRR):

$$\text{NEAR} = \text{FRR}_i * \text{Exposure}_i$$

Where:

- $i$  is the individual debtor
- FRR ( $0 \leq \text{FRR} \leq 1$ ) is obtained from the Expected Annual Loss (EAL) of a debtor ' $i$ ' normalised on turnover, defined as  $(\text{Annualised Direct and Indirect Losses}_i / \text{Ultimate Financial Statement Turnover}_i)$ . Direct damage includes damage to property, machinery and goods, while indirect damage relates to business interruption caused by acute weather events such as earthquake, extreme wind, landslide and flood. The estimation of economic loss was conducted by means of authoritative models that assign prospective threats to individual company locations, assign vulnerability and define exposure according to property characteristics.
- Exposure is the Gross Book Value of the individual debtor.
- Extra annual transitional investments, normalised on turnover: an indicator representing the share of turnover that the company might have to invest annually in order to achieve emission reduction targets. The investments were estimated using econometric models that take into account the CO<sub>2</sub> emission reduction target for the sector and the actual emissions of the company itself, weighted by an estimated conversion factor at sector level. The formulation of the indicator is given below:

$$\text{Total Annual Investments}_i / \text{Last Financial Statement Turnover}_i$$

- Where ' $i$ ' indicates the individual debtor.
- Impact on the company's marginality, obtained from the budget projection model factoring in the estimated higher costs from physical and transition risk. The indicator represents the average change in EBITDA MARGIN estimated over the three decades of the Orderly scenario, including the effects of physical and transition risk, compared to an inertial scenario. The formulation of the indicator is given below:

$$\text{Average}_{(2030,2040,2050)} (\text{EBITDA MARGIN}_{(i,orderly)} / \text{EBITDA MARGIN}_{(i,inertia)}) - 1$$

The analysis of the NEAR indicator shows that portfolio companies will face a relatively small annual percentage of physical risk damage, amounting to about 0.03% of their turnover, which represents about Euro 3 million of potential risk exposure for BPER per year. In sectoral terms, the real estate sector is most impacted by physical risks, presenting a higher than average percentage of expected losses in relation to turnover. In fact, the value and vulnerability of the assets (e.g., real estate) of a company operating in the real estate sector are more relevant than in other sectors.

The table below shows the valuation of this indicator for the five sectors classified according to the GICS standards to which BPER has the highest exposure and the average of the sample under analysis.

<sup>22</sup> From the 35,000 companies covered by the scenario analysis, the representative companies were selected by applying the following criteria:

- Companies operating in sectors labelled 'Highly contributing to climate change' by the European Commission
- Assigning priority to companies with greater exposure to reach the cut-off of 6,000 companies for a total exposure of around Euro 11 billion (around 30% of the total BPER portfolio)

Top five GICS sectors <sup>23</sup> by exposure	Exposure (thousands €)	Exposure (% of total)	Average annual damage/ Company Turnover (%)	Normalised Exposure at Risk (thousands €)
Industrials	3,498,481	30.9	0.03	1,023
Materials	2,039,608	18.0	0.03	522
Consumer Discretionary	1,910,664	16.9	0.03	492
Consumer Staples	1,759,673	15.6	0.02	417
Real Estate	888,196	7.9	0.05	426
Other six GICS Sectors	1,211,499	10.7	0.02	250
<b>Total sample</b>	<b>11,308,123</b>	<b>100.0</b>	<b>0.03</b>	<b>2,932</b>

Table 12: Normalised Exposure at Risk for the main GICS sectors

With regard to the extra transition investments indicator, companies may have to bear, on average, about 1% of their turnover per year to reach the transition targets. Industrials (consisting mainly of manufacturing companies) is the most impacted sector, as it is one of the sectors with the most challenging targets.

The table below shows the valuation of this indicator for the five sectors, classified by exposure defined according to the GICS standards, and the average of the sample under analysis.

Top five GICS sectors by exposure	Exposure (thousands €)	Exposure (% of total)	Average Annual Investments / Turnover (%)
Industrials	3,498,481	30.9	2.1
Materials	2,039,608	18.0	0.8
Consumer Discretionary	1,910,664	16.9	0.6
Consumer Staples	1,759,673	15.6	0.1
Real Estate	888,196	7.9	0.2
Other six GICS Sectors	1,211,499	10.7	3.1
<b>Total sample</b>	<b>11,308,123</b>	<b>100.0</b>	<b>1.3</b>

Table 13: Extra annual transition investments for the main GICS sectors

In terms of margins, the climate scenario could lead to a moderate drop in the companies' EBITDA Margin levels compared to an inertia scenario (in the absence of the effects of physical and transition risks), averaging around 5% over the entire period under review. The materials sector is above average, as it is particularly impacted by energy and carbon costs.

The table below shows the valuation of this KPI for the five sectors, classified by exposure defined according to the GICS standards, and the average of the sample under analysis.

Top five GICS sectors by exposure	Exposure (thousands €)	Exposure (% of total)	Impact on EBITDA Margin (vs baseline) (%)
Industrials	3,498,481	30.9	-3.5
Materials	2,039,608	18.0	-13.8
Consumer Discretionary	1,910,664	16.9	-3.0
Consumer Staples	1,759,673	15.6	-6.1
Real Estate	888,196	7.9	-0.7
Other six GICS Sectors	1,211,499	10.7	-6.9
<b>Total sample</b>	<b>11,308,123</b>	<b>100.0</b>	<b>-5.1</b>

Table 14: Impact on margins for the main GICS sectors

<sup>23</sup> For more details on the translation of the GICS sectors, please refer to Annex 2 of this report or to the Borsa Italiana website <https://www.borsaitaliana.it/borsa/glossario/gics.html>

## 5.2 Emissions

### 5.2.1 Scope 1 and 2

Just like every year, in 2022 the BPER Group measured its Scope 1 and 2 emissions, with the aim of monitoring and in time reducing the emissions associated with the Group's operations. This section shows the Scope 1<sup>24</sup> and Scope 2<sup>25</sup> emissions over the last two years, expressed in tonnes of CO<sub>2</sub> equivalent.

	Unit of measure	2021	2022
<b>Total Scope 1<sup>26</sup></b>	<b>tCO<sub>2</sub>e</b>	<b>11,866</b>	<b>11,045</b>

Table 15: Summary table of the BPER Group's Scope 1 emissions in 2022 and 2021

	Energy source	Unit of measure	2021	2022
Scope 2 - Location Based <sup>27</sup>	Electricity purchased	tCO <sub>2</sub> e	25,108	25,793
	Thermal energy purchased	tCO <sub>2</sub> e	333	352
<b>Total</b>		<b>tCO<sub>2</sub>e</b>	<b>25,441</b>	<b>26,145</b>

Table 16: BPER Group Scope 2 Location-Based emissions breakdown table for 2022 and 2021

	Energy source	Unit of measure	2021	2022
Scope 2 - Market Based	Electricity purchased	tCO <sub>2</sub> e	399	349
	Thermal energy purchased	tCO <sub>2</sub> e	0	762
<b>Total</b>		<b>tCO<sub>2</sub>e</b>	<b>399</b>	<b>1,111</b>

Table 17: BPER Group Scope 2 Market-Based emissions breakdown table for 2022 and 2021

For further details, please refer to chapter '6.1.3 Emissions Produced' of the BPER Group's 2022 CNFS.

### 5.2.2 Scope 3<sup>28 29</sup>

The Scope 3 emissions considered emissions from the following categories:

- category 1 - Purchased goods and services
- category 6 - Business travel
- category 15 - Investments.

With particular reference to category 15, the group renewed the analysis of the carbon footprint of the loan and securities portfolio by broadening the scope of companies analysed. This testifies to the Group's commitment to monitoring the emissions associated with its portfolios, which represent the most significant emission items in the total. The estimation of

<sup>24</sup> Scope 1 emissions are accounted for according to the GHG Protocol Standard methodology.

<sup>25</sup> Scope 2 emissions are accounted for according to the GHG Protocol Standard methodology.

<sup>26</sup> Source of emission factors: ISPRA, with transformation into CO<sub>2</sub> equivalent according to the procedure set out in the 'Guidelines on the application in banks of GRI (Global Reporting Initiative) Environmental Standards' published by ABI Lab in December 2022 and December 2021, respectively for the 2022 and 2021 data.

<sup>27</sup> The reporting standard used (GRI Sustainability Reporting Standards) envisages two different Scope 2 emissions calculation approaches: 'Location-based' and 'Market-based'. The 'Location-Based' approach envisages the use of average emission factors relative to the specific national energy mixes for the generation of electricity (emission coefficient used for Italy equal to 260 gCO<sub>2</sub>/kWh for 2022, 278.02 g CO<sub>2</sub>/kWh for 2021). Source of emission factors: ISPRA, with transformation into CO<sub>2</sub> equivalent according to the procedure set out in the 'Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale' published by ABI Lab in December 2022 and December 2021, respectively for the 2022 and 2021 data.

The 'Market-Based' approach involves the use of specific emission factors linked to the purchasing contractual forms adopted by the organisation for its electricity consumption. When purchasing 100% renewable electricity covered by guarantees of origin, an emission factor of 0 is attributed. The remaining part is multiplied by the following coefficient:

Residual mix: representing the mix of electricity generation shares remaining after taking into account the use of specific tracking systems for energy sources used, such as Guarantee of Origin certificates. The emission factor related to the national 'residual mix' was used for this approach, which for Italy is equal to 457 g CO<sub>2</sub>/kWh for 2022 and 459 g CO<sub>2</sub>/kWh for 2021 (Source of emission factors: AIB, European Residual Mixes 2021 and 2020 for 2022 and 2021 data respectively, with transformation into CO<sub>2</sub> equivalent according to the procedure reported in the above-mentioned document).

<sup>28</sup> The other indirect GHG emissions (Scope 3) reported in this document were calculated following the Greenhouse Gas Protocol methodology, as reported in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, available here: [https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

<sup>29</sup> For business travel (by plane and train), BPER Bank Luxembourg S.A. is excluded from the data reporting scope because the booking system is not centrally aligned

## Metrics and Targets

portfolio emissions are activities serving the definition of a decarbonisation strategy for the alignment of portfolios to the Paris Agreement targets and for more advanced climate risk management.

This section shows the Scope 3<sup>30</sup> emissions over the last two years, expressed in tonnes of CO<sub>2</sub> equivalent.

GHG Protocol emission category		Unit of measure	2021	2022
Category 1 - Purchased goods and services	Purchased Paper	tCO <sub>2</sub> e	1,059	966
Category 6 - Business Travel <sup>31</sup>	Trains	tCO <sub>2</sub> e	57	271
	Planes	tCO <sub>2</sub> e	16	89
Category 15 - Investments <sup>32</sup>	Loan Portfolio	tCO <sub>2</sub> e	2,480,538	3,043,000
	Securities Portfolio	tCO <sub>2</sub> e	121,124	116,297
<b>Total</b>			<b>2,602,794</b>	<b>3,160,623</b>

Table 18: BPER Group Scope 3 emissions breakdown table for 2022 and 2021

For further details, please refer to chapter '6.1.3 Emissions Produced' of the BPER Group's 2022 CNFS.

## Loan Portfolio Emissions

The Carbon Footprint analysis<sup>33</sup> related to the loan portfolio<sup>34</sup> was conducted in order to represent Greenhouse Gases (GHG) emissions, financed emissions<sup>35</sup> and the Intensity Scope<sup>36</sup>. The total emissions financed by BPER amount to 3.043 million tCO<sub>2</sub>e, whose Scope 1 Scope 2 components are 67% and 33%, respectively.

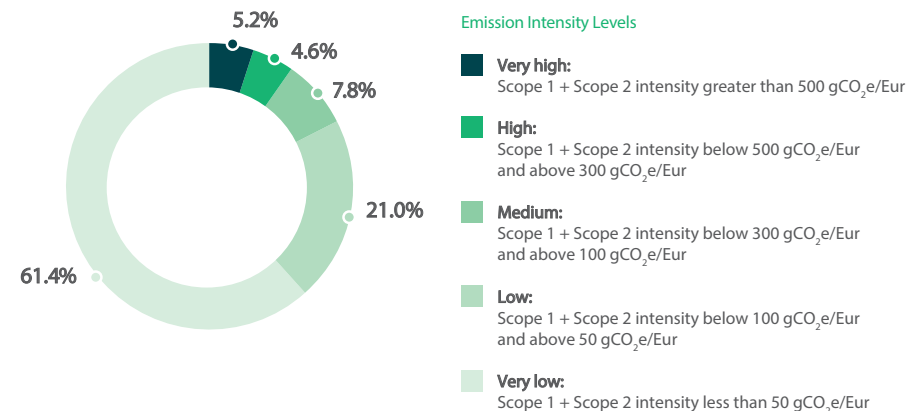


Figure 21: Carbon footprint of the loan portfolio by exposure and intensity class

The analysed loan portfolio is mainly concentrated on Very Low or Low Intensity companies. Exposure to companies with Very High or High Intensity is rather low (5.2% and 4.6%).

The portfolio under analysis, according to the sector classification using the Global Industry Classification Standard (GICS), shows that:

- BPER has 46.9% exposure in the industrials and consumer discretionary sectors, both characterised by low average Intensity Scope
- The Utilities and Materials sectors are characterised by high emission intensity, but there are segments with very different levels of intensity therein. In particular, BPER's assignments in the Utilities sector are aimed at companies with low intensities, while in the Materials sector there is greater exposure to companies with high intensities.

<sup>30</sup> The other indirect GHG emissions (Scope 3) reported in this document were calculated following the Greenhouse Gas Protocol methodology, as reported in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, available here: [https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

<sup>31</sup> For business travel (by plane and train), BPER Bank Luxembourg S.A. is excluded from the data reporting scope because the booking system is not centrally aligned.

<sup>32</sup> It should be noted that the figures for 2021 and 2022 are not comparable, as they refer to a different scope of companies. In particular, in 2022 it was decided to expand the scope of companies (35,026) in the loan portfolio from 58% to 80%.

<sup>33</sup> The indicators used in the analysis are the result of CRIF processing.

<sup>34</sup> The companies for which emissions of 1.12% of companies and an exposure of less than 1% were not available were excluded from the analysis.

<sup>35</sup> In compliance with the PCAF Global GHG Accounting and Reporting Standards, financed emissions are calculated by approximating the methodology for the Business Loans and unlisted equity asset class according to the following formula: Total GHG Emissions (Scope 1 + Scope 2) \* (Exposure / Total Assets). It was not possible to perform the calculation for companies for which no economic financial statement information was available for the financial years

<sup>36</sup> Intensity Scope is calculated as the ratio of Total GHG Emissions to a company's Turnover and therefore represents the amount of emissions measured in grams of CO<sub>2</sub> equivalent of a given company per Euro of Turnover. It is therefore a coefficient that allows the assessment of the degree of pollution that different companies produce for the same turnover. It was not possible to perform the calculation for companies for which no economic financial statement information was available.

Below is the detail of Exposure, Financed Emissions and Emission Intensity according to the GICS sector aggregations<sup>37</sup>.

GICS Sector <sup>38</sup>	Exposure (%)	Financed Emissions (%)	Average intensity (gCO <sub>2</sub> e/Euro)	Average GHG Scope 1 and 2 (tCO <sub>2</sub> e)
Industrials	30.2%	20.8%	68.1	1,213.0
Consumer Discretionary	16.8%	7.6%	48.1	590.0
Real Estate	13.3%	1.2%	31.1	118.3
Consumer Staples	13.1%	12.2%	79.1	1,843.1
Materials	10.8%	33.9%	246.1	9,570.7
Utilities	3.3%	10.8%	1,124.1	15,225.6
Financials	3.2%	0.4%	32.3	38.1
Health Care	3.2%	1.3%	38.0	1,378.6
Communication Services	2.2%	0.3%	50.2	3,059.1
Energy	2.2%	11.0%	154.0	33,225.2
Information Technology	1.8%	0.6%	28.9	596.5
Total Portfolio	100%	100%	91.2	2,312.6

Table 19: Exposure, Financed Emissions and Average Emissions of the loan portfolio according to GICS aggregation

The aggregation view at the GICS Sector level clearly shows how BPER's Loan Portfolio is concentrated on medium- or low-polluting sectors, where highly polluting sectors are residual compared to the whole.

### Securities Portfolio Emissions

Together with the analysis of the emissions associated with the loan portfolio, the BPER Group estimated the emissions from its securities portfolio. This analysis included approximately 2,100 securities in the portfolio, referring to four legal entities of the Group (BPER Banca,

Banco di Sardegna, Bibanca, Sardaleasing)<sup>39</sup>.

The Scope 1 and Scope 2 emissions data on which the analyses are based are generally either those reported by the counterparty companies or, if the counterparty does not report its own emissions, the proprietary benchmark infoprovider (MSCI) estimation methodology was used, a brief summary of which is given below. Within the Scope 1/Scope 2 carbon estimation approach, data disclosed by companies (current and historical) are used to estimate carbon intensity at company and industry segment level. The estimation model for emissions has three distinct models, used in the order of preference below. It should be noted that MSCI estimates Scope 1 and Scope 2 emissions separately, which makes it possible to consider partially disclosed data (e.g., if the company only reports Scope 1 emissions, the estimate will be limited to Scope 2 emissions) and use the best model from the options below after considering the disclosed data available:

- production model: used for electric utilities to estimate direct emissions from power generation, using fuel mix data for power generation to estimate Scope 1 emissions
- company-specific intensity model: the company-specific intensity model is used for companies not involved in power generation, which is based on data previously reported by the company
- industry-specific intensity model: where a company does not report and has never reported its emissions, a segment-specific intensity model is used, which is based on estimated carbon intensities for different industry segments

The total emissions financed by BPER amount to 116,297 tCO<sub>2</sub>e, excluding government securities from the calculation, exposures to supranational issuers and securities for which the information necessary for the application of the adopted methodology is not available, and intragroup companies<sup>40</sup>.

The figure was calculated as:

$$\text{Financed Scope 1 and 2 emissions} = \text{Total GHG emissions (Scope 1 + Scope 2)} * (\text{Exposure} / \text{Enterprise Value Including Cash}^{41})$$

The calculation methodology has been revised from that used for reporting purposes for the year 2021: the use of the Enterprise Value Including Cash (EVIC) figure, also suggested by the TCFD Recommendations<sup>42</sup> and consistent with the most recent European Banking Authority guidelines, is in fact a more appropriate measure of the overall value of the companies in the portfolio<sup>43</sup>.

<sup>37</sup> Companies for which it was not possible to identify the GICS sector, amounting to 0.6% of the companies and their exposure amounting to 0.6%, were excluded from the

<sup>38</sup> For more details on the translation of the GICS sectors, please refer to Annex 2 of this Report or to the Borsa Italiana website <https://www.borsaitaliana.it/borsa/glossario/gics.html>

<sup>39</sup> The countervalue of the exposures included in the analyses amounts to about half of the Group's securities portfolio (excluding government bonds and intra-group exposures from the calculation); for the remaining portion of securities exposures, the information needed to apply the methodology adopted for the calculation of financed emissions is not available. For each ISIN issuer of the securities in the portfolio, a search was carried out within the MSCI Database, thus excluding those securities/companies for which the data necessary for the analyses are not available.

<sup>40</sup> The securities portfolio analysed, net of the exclusions indicated (government securities, supranational issuers and intra-group exposures and companies for which the data necessary for the application of the methodology are not available), consists of approximately 250 issuers, for which the Bank has information and data from the MSCI infoprovider for the purposes of calculating the financed emissions on the basis of the methodology adopted. The companies excluded from the analysis are those for which the information necessary for its application is not available.

<sup>41</sup> Where the EVIC figure was not available, in continuity with the proxies used for FY 2021, the financed emissions were calculated by taking the counterparty turnover figure as the denominator.

<sup>42</sup> TCFD - Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures

<sup>43</sup> It should be noted that the EVIC represents a measure of the market value of companies and is therefore subject to fluctuations based on their performance: this aspect will be taken into account by the Bank when making intra-annual comparisons.

## Metrics and Targets

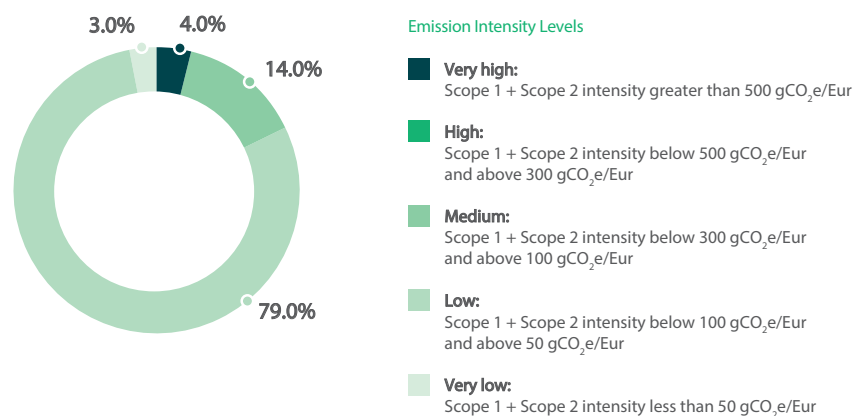


Figure 22: Carbon footprint of the investment portfolio by exposure and intensity class

### Main sectors by of emission intensity<sup>44</sup>:

- very high: mining support service activities, shipping and water transport, crude oil and natural gas collection and extraction, waste treatment and disposal, supply of electricity, gas, steam and air conditioning
- medium: land transport, real estate activities, manufacture of pharmaceuticals, manufacturing, professional, scientific and technical activities
- low: financial services activities (excluding insurance and pension funds)
- very low: information and telecommunication activities.

The intensity clusters were identified as follows:

- very high intensity: emission intensity of Scope 1 + Scope 2 greater than 500 gCO<sub>2</sub>e/Euro
- high intensity: emission intensity of Scope 1 + Scope 2 less than 500 gCO<sub>2</sub>e/Euro and greater than 300 gCO<sub>2</sub>e/Euro
- average intensity: emission intensity of Scope 1 + Scope 2 less than 300 gCO<sub>2</sub>e/Euro and greater than 100 gCO<sub>2</sub>e/Euro
- low intensity: emission intensity of Scope 1 + Scope 2 less than 100 gCO<sub>2</sub>e/Euro and greater than 50 gCO<sub>2</sub>e/Euro
- very low intensity: Emission intensity of Scope 1 + Scope 2 less than gCO<sub>2</sub>e/Euro.

The securities portfolio analysed is mainly concentrated in Low or Very Low Intensity sectors (79% and 3% of total exposures, respectively). Exposure to Very High Intensity sectors is rather low (4%), while there are no High Intensity exposures. Analysing the loan portfolio in a more aggregated manner, by macro-sector (i.e., GICS Section<sup>45</sup> such as: companies belonging to the energy sector, companies belonging to the Real Estate sector, companies belonging to the pharmaceutical and biotechnology sector) it can be seen that:

- the exposure to issuers with high emission intensity is minimal compared to the Bank's total securities portfolio
- the financial corporations sector, which accounts for over 77% of BPER's gross exposure, has an associated low emission intensity.

Below is the detail of the intensity of Emissions, Exposure and Financed Emissions for the different GICS sectors.

GICS Sector <sup>46</sup>	Exposure (%)	Financed Emissions (%)	Average intensity (gCO <sub>2</sub> e/Euro)
Financials	77.27	21.73	180.11
Industrials	12.55	25.92	188.43
Utilities	3.07	37.73	936.17
Information Technology	1.89	0.42	17.44
Consumers Discretionary	1.39	0.68	47.86
Health Care	1.18	1.06	84.01
Communication Services	1.01	1.25	35.07
Consumer Staples	0.87	1.31	80.6
Energy	0.43	9.38	433.16
Real Estate	0.24	0.07	272.11
Materials	0.08	0.44	800.03
<b>Total Portfolio</b>	<b>100</b>	<b>100</b>	

Table 20: Exposure, Financed Emissions and Emission Intensity of the Securities Portfolio according to GICS aggregation

<sup>44</sup> It should be noted that, based on the emission intensity thresholds defined in FY2021 and held constant in relation to FY2022, there are no sectors in the 'High' intensity cluster.

<sup>45</sup> for FY 2022 carbon footprint reporting purposes, the Bank clusters companies using the GICS classification, not used for FY 2021 disclosure purposes. This revision was dictated not only by the need to conform to market best practice, but was also deemed necessary following the use of data provided by the info provider MSCI. The GICS classification was in fact developed by MSCI in collaboration with S&P, and the Bank therefore deemed it appropriate to revise the clustering logic based on the methodology developed by the same entity that provides the data needed to compile the information. As requested in the Carbon Disclosure Project's 'CDP Climate Change Questionnaire 2022', the Bank also calculated the breakdown of portfolio emission intensity at industry level, shown in the annex.

<sup>46</sup> For more details on the translation of the GICS sectors, please refer to Annex 2 of this Report or to the Borsa Italiana website <https://www.borsaitaliana.it/borsa/glossario/gics.html>

The analysis of the sectors to which the BPER Group's securities portfolio is exposed and the definition of their emission intensity is a fundamental prerequisite for steering the portfolio towards environmentally performing sectors and companies, i.e., those with a low carbon footprint or with an emission reduction strategy. The Bank's ultimate goal, through its analysis, is to build a robust database to support setting decarbonisation targets due as a result of NZBA membership, prioritising sectors with the greatest climate impact, as well as to support the required annual emissions reporting obligations.

## 5.3 Targets and Commitments for the Future

### 5.3.1 2022-2030 Energy Plan

As mentioned in the Strategy section, in 2022 the BPER Group published its new 2022-2025 Business Plan, within which CO<sub>2</sub> emission reduction targets were defined. These reduction targets were defined in the 2022-2030 Energy Plan. The reductions will primarily impact the BPER Group's Scope 1 emissions.

The 50.2 % reduction in direct Scope 1 emissions by 2030 is a commitment to bring CO<sub>2</sub> emissions to 7,143.9 tCO<sub>2</sub>e in 2030, compared to 14,345 tCO<sub>2</sub>e in 2021, through several strategic actions which will be implemented in three Business Plans:

- 2023-2025 Energy Plan – 23% tCO<sub>2</sub>e
- 2026-2028 Energy Plan – 14.9% tCO<sub>2</sub>e
- 2029-2030 Energy Plan – 12.3% tCO<sub>2</sub>e

The actions contained in the 2023-2025 Energy Plan specifically concern the following:

- conversion of gas-fired generators to heat pumps - Action involving the conversion of natural gas combustion heat generators to heat pumps. Gas-fired generators are the BPER Group's main cause of climate-changing emissions, and this process of gradual replacement has begun over the past few years, but to date many buildings, including many medium and large assets, still have generators powered by methane gas
- car fleet electrification - Gradual process of converting the company car fleet of 'endothermic' cars to hybrid-plug-in and/or electric cars
- gas leakage research platform - Leaks of highly damaging and environmentally polluting climate-altering gases can occur in the operating cycle of refrigeration circuits. To deal with this risk, a computer platform will be set up that uses a predictive algorithm to identify the most dangerous refrigerant circuits, prioritising maintenance interventions before gas leaks occur
- optimisation of the use of functional office space - Rationalisation of a number of office buildings in order to optimise space, centralising employees in a small number of buildings, with the aim of reducing both operating costs and CO<sub>2</sub> emissions
- centralised BEMS management platform with AI algorithms - Development of a centralised



## Metrics and Targets

platform for the management of BEMS installed in locations/agencies, with the aim of optimising their operation by reducing CO<sub>2</sub> emissions, saving energy and reducing operating costs

- implementation of BEMS (Building Energy Monitoring System) control and monitoring systems - Installation of new BEMS equipment in offices/agencies with the aim of reducing waste and CO<sub>2</sub> emissions
- implementation of BEMS control and monitoring systems (Management Centres) - Implementation of BEMS equipment in large management centres with the aim of reducing waste and CO<sub>2</sub> emissions.

This first step of the BPER Group's decarbonisation strategy, which will lead to the reduction of direct emissions, will be complemented during 2023 by the definition of one or more reduction targets derived from its own value chain (GHG Scope 3 emissions). In particular, after having joined the NZBA in 2022, during 2023 the BPER Group is committed to setting one or more intermediate reduction targets (to 2030) for Scope 3 emissions related to its credit and investment portfolio, with the aim of accelerating the sustainable transition of its portfolios and reaching the net-zero target by 2050.

### 5.3.2 Financing the Transition

As described in the 2022-2025 Business Plan (section 3.3 of this document), the BPER Group has integrated sustainability in its strategy through a cross-cutting lever called ESG Infusion.

To this end, the Plan identifies concrete actions and objectives to be achieved in the environmental field, as described below:

- external transition: support for the environmental transition of companies and households through the allocation of a ceiling of over Euro 7 billion for green loans (includes sectors/ supply chains, NRRP, 110% superbonus, green mortgages, etc.)
- internal transition: Scope 1 science-based direct emissions reduction target, i.e., in line with the 1.5 °C scenario considered necessary to meet the Paris Agreement targets (-50% by 2030) of -23% by 2025. Furthermore, since 1 January 2023 the BPER Group has sourced 100% of its electricity from renewable sources, thereby reducing its indirect Scope 2 emissions to zero (according to the Market-Based methodology).

In addition to the above-mentioned environmental targets, ESG targets are also described which include the environmental aspect. One such example is the target related to upskilling and reskilling the BPER Group's employees, which is extremely important for the achievement of all targets.

Therefore, the main ESG targets of the 2022-25 Business Plan are set out in full below.



1 Increase in catalogue ESG products and ESG AUM

2 Target Science Based: emission reductions to 2025 by 23% and to 2030 by 50% (as required by NZBA)

3 Already by the end of 2022, 100% of purchased electricity will come from renewable sources

4 The target calculation does not include Arca Fondi Sgr

5 Valid for 2022

6 S&P ESG Evaluation, Moody's ESG Solutions, Standard Ethics Rating

7 Included in the LTI; an evaluation of the positive impact generated will be carried out for the major social projects

Figure 23: Objectives of the ESG Infusion programme

As at 31/12/2022, the BPER Group had disbursed Euro 1.9 billion in green financing; for more details on the degree of progress of the projects included in the Business Plan and the level of achievement of the various targets, please refer to the 2022 CNFS, and with regard to the subject of transition financing, to chapter '4.6 ESG Products and Sustainable Finance' of the BPER Group's 2022 CNFS or to chapter 3 of this document.

### 5.3.3 Net-Zero Banking Alliance

In 2022, the BPER Group, through its parent company BPER Banca, joined the Net-Zero Banking Alliance (NZBA). The initiative is promoted by the United Nations with the aim of accelerating the sustainable transition of the banking sector through the latter's commitment to align their credit and investment portfolios to the achievement of the net-zero target by 2050.

More specifically, the initiative sets targets to reduce environmental impact in five-year intermediate steps starting in 2030 with reference to both the loan portfolio and the investment portfolio in financial assets. In doing so, and in line with the 2015 Paris Climate Agreement, the NZBA member bank will engage in investment and financing activities with a direct pathway to net-zero by 2050.

Having joined the NZBA in March 2022, BPER Banca will identify and publish the first Scope 3 emission reduction targets on the most relevant sectors by August 2023 (within 18 months of membership), and within the 36 months following membership, the targets on the remaining sectors indicated by the NZBA. In terms of disclosure, BPER Banca itself will undertake to report absolute emissions and emission intensity annually, within the next 12 months after the target publication.

The latter reporting activity will allow BPER Banca to provide a general view to shareholders, investors and other interested parties on the composition of the portfolio of commitments, with particular reference to corporate companies belonging to carbon-intensive sectors in terms of tonnes of carbon dioxide and total portfolio exposures.

### 5.3.4 Principles for Responsible Banking

As part of the ongoing activities relating to the SMART TARGET definition process in compliance with the Principles for Responsible Banking, the BPER Group has launched an analysis of its corporate portfolio<sup>47</sup> which has provided an overview of the positive and negative impacts<sup>48</sup> related to the Group's exposures. In particular, it shows the relevance of the impacts generated by financing activities not only with respect to climate stability but also to other environmental issues, including the circular economy and biodiversity. This evidence, in addition to confirming the commitment already made by the BPER Group with its membership in the NZBA, constitutes a further area of investigation on which specific commitments, objectives, actions and targets will be assessed in 2023, in addition to what has already been put in place during 2022. In fact, in light of the growing importance of safeguarding biodiversity, in line with the actions for climate and environmental stability undertaken by the BPER Group, companies/assets whose operations are conducted at the expense of sensitive areas in terms of biodiversity (High Conservation Value Areas, Alliance for Zero Extinction sites or IUCN Category I-VI areas) have been excluded from the ESG Policy for credit granting.

<sup>47</sup> The analysis refers to 31/12/2021 on about 29,600 companies (companies with active credit risk), representing about 58% of the total exposure

<sup>48</sup> These analyses make use of the tools provided by UNEP-FI

# Annex 1 - KPI Conversion Table

Area	No.	Key Performance Indicator	Unit of measure	2022 TCFD Report	FY2022 CNFS	Methodology	Footnotes
Scenario analysis	1	% of real estate collateral exposed to high overall physical risk (high to very high)	-	Section 5.1.1	-	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>Proprietary overall physical risk score on five risk classes defined by CRIF-RED on 18 natural hazards from data and climate models made available by accredited international bodies (e.g., World Resource Institute, Copernicus Climate Change Service (C3S), Joint Research Centre (JRC) of the European Commission, INGV or Cordex climate projections). The Metric identifies the % of outstanding mortgages with real estate collateral with a high synthetic climatic risk score, i.e., High and Very High risk class</li> </ul>	<p>As stated in the CDP questionnaire in sections:</p> <ul style="list-style-type: none"> <li>2 - CDP Risks &amp; Opportunities</li> <li>3 - Business Strategy</li> </ul>
	2	% of real estate value of corporate companies exposed to high overall physical risk (high to very high)	-	Section 5.1.1	-	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>Proprietary overall physical risk score on five risk classes defined by CRIF-RED on 18 natural hazards from data and climate models made available by accredited international bodies (e.g., World Resource Institute, Copernicus Climate Change Service (C3S), Joint Research Centre (JRC) of the European Commission, INGV or Cordex climate projections). The Metric identifies the % exposure of companies with synthetically high climate risk, i.e., High and Very High risk class</li> </ul>	<p>As stated in the CDP questionnaire in sections:</p> <ul style="list-style-type: none"> <li>2 - CDP Risks &amp; Opportunities</li> <li>3 - Business Strategy</li> </ul>
	3	% exposure to companies with high (high to very high) transition risk	-	Section 5.1.2	-	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>NGFS climate scenarios and macro-economic variables</li> <li>Counterparty and sector data - Financial Statements, Surveys and BI, GHG (Scope 1 and 2)</li> <li>CRIF proprietary methodology that estimates impacts on costs, revenues and investments in line with methodology proposed by the ECB in the Occasional Paper Series ECB economy-wide climate stress test</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>2 - CDP Risks &amp; Opportunities</li> </ul>
	4	Normalised exposure at risk (NEAR)	thousands of €	Section 5.1.3	-	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>NGFS climate scenarios and macro-economic variables</li> <li>Counterparty and sector data - Financial Statements, Surveys and BI, GHG (Scope 1 and 2)</li> <li>CRIF's proprietary methodology that estimates expected impacts from physical and transition risk through a balance sheet simulation over the time horizon to 2050 considering NGFS climate scenarios.</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>2 - CDP Risks &amp; Opportunities</li> </ul>
	5	Annual investments on last financial statement turnover	-	Section 5.1.3	-	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>NGFS climate scenarios and macro-economic variables</li> <li>Counterparty and sector data - Financial Statements, Surveys and BI, GHG (Scope 1 and 2)</li> <li>CRIF's proprietary methodology that estimates expected impacts from physical and transition risk through a balance sheet simulation over the time horizon to 2050 considering NGFS climate scenarios.</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>2 - CDP Risks &amp; Opportunities</li> </ul>

Area	No.	Key Performance Indicator	Unit of measure	2022 TCFD Report	FY2022 CNFS	Methodology	Footnotes
Scenario analysis	6	Average change in estimated EBITDA margin over the three decades in the Orderly scenario compared to the Inertia scenario	-	Section 5.1.3	-	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>NGFS climate scenarios and macro-economic variables</li> <li>Counterparty and sector data - Financial Statements, Surveys and BI, GHG (Scope 1 and 2)</li> <li>CRIF's proprietary methodology that estimates expected impacts from physical and transition risk through a balance sheet simulation over the time horizon to 2050 considering NGFS climate scenarios.</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>2 - CDP Risks &amp; Opportunities</li> </ul>
Direct environmental impacts	1	Scope 1 emissions	tCO <sub>2</sub> e	Section 5.2.1	Section 6.1.3	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>GRI 305</li> <li>GHG Protocol</li> <li>Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale, published by ABI Lab in December 2022</li> <li>UK Government GHG conversion factors for company reporting 2022</li> </ul>	<p>Decarbonisation targets in the 2022-2030 Energy Plan.</p> <p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>4 - Targets &amp; Performance</li> <li>5 - Emission Methodology</li> <li>6 - Emission Data</li> <li>10 - Verification</li> </ul>
	2	Scope 2 emissions	tCO <sub>2</sub> e	Section 5.2.1	Section 6.1.3	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>GRI 305</li> <li>GHG Protocol</li> <li>Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale, published by ABI Lab in December 2022</li> <li>AlB European Residual Mixes 2021 by Market-based emission factor</li> </ul>	<p>Decarbonisation target in the 2022-2030 Energy Plan and achieved in 2022 with 100% renewable energy supply.</p> <p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>4 - Targets &amp; Performance</li> <li>5 - Emission Methodology</li> <li>6 - Emission Data</li> <li>10 - Verification</li> </ul>
	3	Emission intensity	tCO <sub>2</sub> e/man and tCO <sub>2</sub> e/m <sup>2</sup>	-	Section 6.1.3	Section 6.1.3	<ul style="list-style-type: none"> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>GRI 305-5</li> </ul>
Energy	1	Energy consumption	GJ	-	Section 6.1.1	<ul style="list-style-type: none"> <li>GRI 302-1</li> <li>Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale, published by ABI Lab in December 2022</li> </ul>	KPIs reported in CNFS in accordance with GRI Standards.
	2	Energy consumption	MWh	-	Section 6.1.1 and 6.1.3	<ul style="list-style-type: none"> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>GRI 302-1</li> <li>Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale, published by ABI Lab in December 2022</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>4 (Targets &amp; Performance)</li> <li>7 (Emission Breakdown)</li> <li>8 (Energy)</li> </ul>
	3	Energy savings	MWh	-	Section 6.1.2 and 6.1.3	<ul style="list-style-type: none"> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>GRI 302-4</li> <li>Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale, published by ABI Lab in December 2022</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>4 (Targets &amp; Performance)</li> <li>7 (Emission Breakdown)</li> </ul>
	4	Energy intensity	GJ/man and GJ/m <sup>2</sup>	-	Section 6.1.1	<ul style="list-style-type: none"> <li>GRI 302-3</li> <li>Linee guida sull'applicazione in banca degli Standards GRI (Global Reporting Initiative) in materia ambientale, published by ABI Lab in December 2022</li> </ul>	KPI reported in CNFS according to GRI Standards, equivalent to emission intensity KPI [tCO <sub>2</sub> e/man and/or tCO <sub>2</sub> e/m <sup>2</sup> ]

Area	No.	Key Performance Indicator	Unit of measure	2022 TCFD Report	FY2022 CNFS	Methodology	Footnotes
Indirect environmental impacts	1	Scope 3 emissions Carbon footprint of the loan portfolio	tCO <sub>2</sub> e	Section 5.2.2, 5.3.2	Section 6.1.3	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>PCAF</li> <li>GHG Protocol</li> <li>European Environmental Agency</li> <li>Eurostat</li> <li>E-PRTR</li> </ul>	<p>Decarbonisation targets being set as part of the Net-Zero Banking Alliance membership.</p> <p>Ceiling green credit volume targets in the ESG Infusion Programme, part of the 2022-2025 BPER e-volution Business Plan.</p> <p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>14 – Portfolio impact with unit of measure:               <ol style="list-style-type: none"> <li>Total emissions [tCO<sub>2</sub>e]</li> <li>Intensity [tCO<sub>2</sub>e / Revenue]</li> </ol> </li> </ul>
	2	Scope 3 emissions Carbon footprint of the Securities portfolio	tCO <sub>2</sub> e	Section 5.2.2, 5.3.2	Section 6.1.3	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>ESG Research database of the info provider MSCI, GICS sector classification</li> </ul>	<p>Decarbonisation targets being set as part of the Net-Zero Banking Alliance membership.</p> <p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>14 – Portfolio impact with unit of measure:               <ol style="list-style-type: none"> <li>Total emissions [tCO<sub>2</sub>e]</li> <li>Intensity [tCO<sub>2</sub>e / Revenue]</li> </ol> </li> </ul>
	3	Scope 3 emissions Employee mobility and resource utilisation	tCO <sub>2</sub> e	Section 5.2.2	Section 6.1.3	<ul style="list-style-type: none"> <li>TCFD Metrics and Targets</li> <li>Carbon Disclosure Project (CDP) Climate Change Questionnaire</li> <li>GRI 305</li> <li>GHG Protocol</li> <li>UK Government GHG conversion factors for company reporting 2022</li> </ul>	<p>As stated in the CDP questionnaire in section:</p> <ul style="list-style-type: none"> <li>4 – Targets &amp; Performance</li> <li>5 - Emission Methodology</li> <li>6 – Emission Data</li> <li>10 – Verification</li> </ul>

Table 21: Conversion table of the KPIs reported in the TCFD Report and the CNFS

# Annex 2 - GICS Sectors In Depth

The GICS (Global Industry Classification Standard) was introduced in 1999 by MSCI in collaboration with Standard & Poor's to establish a globally accepted criterion for the sectoral classification of industries, in order to give greater comparability to research and analysis carried out in different parts of the world.

The logic of GICS is that each company is classified into a sector according to its core business (as measured by its revenue accounting items).

The sectors thus identified are:

- Energy Sector (companies belonging to the energy sector)
- Materials Sector (companies belonging to the manufacturing sector)
- Industrials Sector
- Consumer Discretionary Sector (companies that are more sensitive to economic cycles)
- Consumer Staples Sector (companies less sensitive to economic cycles)
- Health Care Sector (pharmaceutical and biotechnology companies)
- Financials Sector
- Information Technology sector (hardware, software and semiconductor companies)
- Telecommunications Services Sector
- Utilities Sector (companies belonging to the public goods sector such as gas, electricity, water, etc.)
- Real Estate Sector

The GICS 'Consumer Discretionary Sector' and 'Consumer Staples Sector' included, in particular, the following industries:

- The Consumer Staples Sector includes the GICS industries:
  - 3010 - Food & Staples Retailing: food and staples retailing
  - 3020 - Food, Beverage & Tobacco: beverage production, food production (including agricultural products, packaged food and meat), tobacco companies
  - 3030 - Household & Personal Products: manufacture of goods for personal and commercial consumption (e.g., cosmetics, household and industrial cleaning products, soaps and detergents, kitchen utensils)
- The Consumer Discretionary Sector includes the GICS industries:
  - 2510 - Automobiles & Components: manufacture of automotive components (e.g. automotive equipment, tyres and rubber)
  - 2520 - Consumer Durables & Apparel: production of household durables (e.g., furniture, household appliances), production of leisure goods, production of textiles, clothing and luxury goods
  - 2530 - Consumer Services: hotel, restaurant, cruise line services
  - 2550 - Retailing: direct and internet retailing (e.g., shopping centres, computer and electronics retailing)

# Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT ON THE TCFD REPORT

### To the Board of Directors of BPER Banca S.p.A.

We have carried out a limited assurance engagement on the TCFD Report of BPER Banca S.p.A. and its subsidiaries (hereinafter "BPER Banca Group" or "Group") for the period ending December 31, 2022 (hereinafter "TCFD Report"). The TCFD Report has been prepared on the basis of the criteria established in the "Methodological note" of the document itself, with reference to the "Recommendations of the Task Force on Climate-related Financial Disclosures" (hereinafter "TCFD Recommendations") defined by the Financial Stability Board.

### Responsibility of the Directors for the TCFD Report

The Directors of BPER Banca S.p.A. are responsible for the preparation of the TCFD Report in accordance with the criteria established in the "Methodological note" of the document itself, with reference to the TCFD Recommendations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the TCFD Report that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the climate-related objectives of BPER Banca Group.

### Auditor's Independence and quality control

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 behaviour.

Our auditing 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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**Auditor's responsibility**

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the TCFD Report with the criteria established in the "Methodological note" of the TCFD Report. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements.

The standard requires that we plan and perform the engagement to obtain limited assurance whether the TCFD Report is free from material misstatement.

Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on the TCFD Report are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the TCFD Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

1. analysis of the policies, procedures and other company documentation in order to understand the governance structure and the processes relating to climate-related strategy and risk management of the BPER Banca Group;
2. comparison between the data and information included in the TCFD Report with climate-related data and information included in the consolidated non-financial Statement and in the consolidated financial statements of the BPER Banca Group;
3. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the TCFD Report.

In particular, we carried out interviews and discussions with the management of BPER Banca S.p.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of climate-related disclosures to the department responsible for the preparation of the TCFD Report.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- a) with regards to qualitative information included in the TCFD Report, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
- b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

**Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the TCFD Report of BPER Banca Group as of December 31, 2022 is not prepared, in all material aspects, in accordance with the criteria established in the "Methodological note" of the TCFD Report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Marco Benini**  
Partner

Bologna, Italy  
March 31, 2023

*This report has been translated into the English language solely for the convenience of international readers.*



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**We would like to thank** our colleagues who collaborated to this Sustainability Report, produced by the ESG Strategy Office

**Technical support:** SCS Consulting





