



ESG

(Environmental, Social and Governance)

Loan Origination Policy

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1. General aspects

Summary of the main topics/amendments

This Policy aims at steering the governance of climate-related, environmental and other ESG-related risks as part of the Banking Group's lending framework, providing general principles and guidance for the assessment of specific risk factors in the BPER Group's loan origination and monitoring processes, with a special focus on:

- raising awareness and encouraging the application of responsible lending principles and processes within the Group;
- reducing risks and indirect impacts associated with core business operations managed by the Group;
- preventing engagement in activities that are inconsistent with the ethics and integrity at the core of the Group's business;
- mitigating the impact that climate and environmental risks may have on the Parent Company's soundness and solvency;
- providing a framework for the analysis of the exposures to climate-related and environmental risks and for the achievement of the Group's ESG strategic goals on the loan portfolio.

To this end, this document defines:

- general limitation and exclusion criteria for counterparty and/or project financeability, consistently with the "ESG Policy" of the BPER Group and its voluntary commitments¹;
- the detailed criteria applicable to individual ESG sensitive sectors;
- strategies to support transition and the increasing "alignment" of counterparties with the principles of the EU Taxonomy, including via dedicated products or services.

The document update concerns the incorporation of sectoral and operational criteria applicable to the following sectors:

- Water supply and waste management;
- Wholesale and retail trade;
- Third Sector and Social Projects.

¹ The BPER Group joined the Net Zero Banking Alliance on 09/03/2022 and the Principles for Responsible Banking on 28/06/2021.

Specific sectoral and operational criteria relating to occupational health and safety are additionally incorporated in the document update, in line with the general Negative and Positive Screening principles already in place.

2. Definitions

2030 Agenda for Sustainable Development: a plan of action for people, the planet and prosperity signed by the governments of 193 UN member countries in September 2015. It comprises 17 goals (Sustainable Development Goals – SDGs) and 169 specific targets that member States are committed to achieving before 2030.

Alliance for Zero Extinction (AZE): established in 2000 and launched globally in 2005, the Alliance for Zero Extinction includes 100 non-governmental biodiversity conservation organisations working to designate, conserve and protect the most important sites in the aim to prevent species extinctions around the world.

Amazon Sacred Headwaters: region spanning Ecuador and Peru that is home to a terrestrial ecosystem rich in biodiversity.

Shared Administration: pursuant to Article 55 of the Third Sector Code (Legislative Decree 117/2017), is a form of collaboration that sees the active involvement of Third Sector Entities by the Public Administration through co-planning, co-design and accreditation processes in the management of interventions and services related to the performance of the activities of general interest identified in Article 5 of the Code itself.

Annual Efficiency Ratio (AER): measure to assess the level of a vessel's carbon emissions as a function of its total annual travelled distance.

Italian competition authority (*Autorità Garante della Concorrenza e del Mercato - AGCM*): The Italian Competition Authority is an independent administrative authority that carries out its activities and makes decisions independently of the executive branch. It was established by Law No. 287 of 10 October 1990, containing "Rules for the protection of competition and the market", with the aim of protecting consumers against unfair commercial practices by companies in their relations with consumers who purchase goods and/or services.

Build out: strategy to support the customer's transition or improvement in terms of ESG, which can also be implemented through special-purpose financial support or the inclusion of covenants on ESG KPIs.

Third Sector Code (Legislative Decree No. 117/2017): the Code regulates the recognition, activities and organisation of Third Sector Entities.

Cold Ironing/Onshore Power Supply/Shore-side electricity/Alternative Maritime Power: solutions for the power supply of ships at berth in a port with their engines switched off.

International Labour Organization (ILO) Conventions: the 8 fundamental ILO conventions cover the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, the elimination of discrimination in respect of employment and occupation, freedom of association and the effective recognition of the right to collective bargaining.

International Convention for the Prevention of Pollution from Ships - MARPOL: 1973 international convention for the prevention of pollution from ships, as modified by the Marpol protocol of 1978.

Corporate Sustainability Reporting Directive (CSRD): European Directive 2022/2464 of 14 December 2022, which amends the sustainability reporting requirements as transposed by the Member states.

Negative screening criteria: criteria based on which counterparties and/or transactions are negatively considered, guiding the lending process through phase-out strategies and exclusion criteria, with the aim of mitigating the risks associated with the ESG factors they are exposed to. Assessments are conducted taking into account the potential impacts in terms of prospective economic and financial solvency linked to physical, transition or other ESG risks which the customer is exposed to, and the Group's reputational and/or legal risk, including in consideration of its commitments and transition target.

Positive screening criteria: Criteria based on which counterparties and/or transactions are positively considered if they show positive elements in terms of mitigating the risks associated with ESG factors (e.g. presence of an official transition plan) in the presence of conditions of financial viability according to traditional economic and financial parameters.

Financed Emissions: emissions generated indirectly by financial products, investments and loans granted by Banks or Financial Institutions. Accounting for these emissions is part of Scope 3 of the GHG Protocol.

Green House Gas (GHG) emissions: emissions of greenhouse gases.

Scope 1 emissions: Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organisation.

Scope 2 emissions: Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Scope 3 emissions: Scope 3 emissions are indirect greenhouse (GHG) emissions associated with activities from assets not owned or controlled by the reporting organisation.

Equator Principles (EP): international guidelines intended to serve as a common framework for financial institutions to identify, assess and manage environmental and social risks when financing large infrastructure and industrial projects (e.g. mines, transportation infrastructure, etc.).

EU Ship Recycling Regulation (EU SRR): regulation aimed at reducing the adverse effects caused by the dismantling of ships, ensuring that specific safe and environmentally sound methods of dismantling are used.

Fit for 55 package (hereinafter also "Fit for 55"): set of proposals by the EU to achieve the goal of reducing emissions by at least 55% by 2030.

Fuel EU Maritime Regulation: EU regulation that obliges vessels of 5000 tonnes and above to reduce their GHG emissions (by defining a yearly emission target level) and, from 2030, to connect to onshore power supply, while at berth, unless they use zero-emission technologies.

Ordinary credit function: for the purposes of this document, it means the Parent Company's Loan Department and the homologous Organisational Units (hereinafter also referred to as "O.U."), if any, at the various Group companies. See attached table for the identification of the organisational unit in which the Function is comprised.

NPE function: for the purposes of this document, it means the Parent Company's Credit Management & Workout Department and the homologous Organisational Units (hereinafter also referred to as "O.U."), if any, at the various Group companies See attached table for the identification of the organisational unit in which the Function is comprised.

Green Deal: EU objective of reaching climate neutrality by 2050.

High Conservation Value Areas (HCVAs): natural ecosystems, whose biological, ecological, social or cultural value is considered to be of outstanding importance at a national, regional or global level and that, therefore, need to be managed in a way that maintains or enhances their value.

Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships: convention to ensure a safe and environmentally sound process of ship recycling

International Cyanide Management Code: voluntary industry programme developed to support and help improve the management practices of global gold and silver mining industries and companies producing and transporting cyanide used in gold and silver mining.

International Finance Corporation (IFC): Global development Institution (Member of World Bank Group) focused on the private sector in developing countries.

International Finance Corporation Environmental and Social Performance Standards: set of standards defined by the International Finance Corporation to describe the clients' responsibilities for managing their environmental and social risks.

International Union for the Conservation of Nature and Natural Resources (IUCN): globally recognised classification of protected areas. In the system, a distinction is made between: Category Ia – Strict nature reserve, Category Ib – Wilderness area, Category II – National Park, Category III – Natural monument or feature, Category IV – Habitat/Species Management Area, Category V – Protected Landscape/Seascape, and Category VI – Protected area with sustainable use of natural resources (<https://www.iucn.org/>).

International Labour Organization (ILO): international organisation whose mandate is to advance social justice, human and labour rights. Sites are selected on the basis of cultural, historical, scientific value or other forms of relevance, and are legally protected by international treaties (<http://whc.unesco.org/en/list>).

International Union for Conservation of Nature and Natural Resources (“IUCN”): Classification of protected areas. This method is globally recognised and is divided into: Category Ia – Strict nature reserve, Category Ib – Wilderness area, Category II – National Park, Category III – Natural monument or feature, Category IV – Habitat/Species Management Area, Category V – Protected Landscape/Seascape, and Category VI – Protected area with sustainable use of natural resources (<https://www.iucn.org/>).

IUCN Environmental and Social Management System (ESMS): Framework defined by the International Union for Conservation of Nature (IUCN) to prevent or minimise the potential adverse environmental and social impacts deriving from projects.

Kimberley Process Certification Scheme (KPCS): process established by the UN in 2003 with the goal of preventing the flow of “conflict diamonds” (rough diamonds used to finance wars around the world).

The United Nations (UN): Global organisation made up of 193 Member States that sets the fundamental principles of international relations with the goal of maintaining peace and security.

Organisation for Economic Cooperation and Development (OECD): Organisation that brings together 38 Member Countries from around the world that collaborate on key global issues.

Paris Memorandum of Understanding on Port State Control - Annual Report: report on the results of inspections carried out by port authorities on the compliance of cargo ships.

UNESCO world heritage list: list of sites officially recognised by the United Nations Educational, Scientific and Cultural Organisation. Sites are selected on the basis of cultural, historical, scientific value or other forms of relevance, and are legally protected by international treaties (<https://whc.unesco.org/en/list/>).

Principle of Subsidiarity: a principle enshrined in Article 118 of the Italian Constitution, whereby *“the State, regions, metropolitan cities, provinces and municipalities shall promote the autonomous initiatives of citizens, both as individuals and as members of associations, relating to activities of general interest, on the basis of the principle of subsidiarity”*. This principle entitles private entities to intervene in the pursuit of collective interests of a non-economic nature.

Principles for Responsible Banking (PRB): programme developed through a partnership between banks from all over the world and the United Nations to foster the development of a banking sector that is sustainable and aligned with the goals of the United Nations 2030 Agenda and the Paris Agreement on climate change.

Council Recommendation on developing social economy framework conditions: this recommendation is part of the Social Economy Action Plan and calls on Member States to adopt and implement measures that promote strategic, regulatory frameworks and support the social economy.

Ramsar Convention: provides the framework for the conservation and use of wetlands and their resources (<https://www.ramsar.org/>)

Legality rating: summary indicator of compliance with high-standard legal compliance by applicant companies. It is issued by the Italian Competition and Market Authority and certifies the legal reliability of the company, its compliance with parameters aimed at reducing and preventing the possibility of organised crime infiltrating the business and cases of corruption, as well as the financial reliability of the company in its relations with public lenders.

Single National Register of the Third Sector (*Registro Unico Nazionale del Terzo Settore, RUNTS*): is an Italian digital registry, introduced by legislative decree No. 117/2017 to harmonise and promote transparency, classification and recognition of Third Sector Entities in Italy. Since 2024, the BPER Group has systematically been entering the information relating to its counterparties' registration with the RUNTS into its Master Database.

Transition risk: as defined by the ECB, transition risk refers to “an institution’s financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy.

Physical risk: as defined by the ECB, physical risk refers to “the financial impact of a changing climate, including: i) more frequent extreme weather events and gradual changes in climate, ii) environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation”.

Tar Sands or Oil Sands: dense mixture of water, sand, clay and bitumen, whose extraction is more dangerous than common extraction methods.

Net Zero Banking Alliance priority sector: sector identified as Priority sector of the Net Zero Banking Alliance, by virtue of their climate and environmental impact, whereby Alliance member banks must declare specific emission reduction targets by 2050, with intermediate targets by 2030.

Social Economy Action Plan: Action Plan adopted by the European Union to promote a favourable framework for the development of the social economy.

Treaty on the Functioning of the European Union (TFEU): The Treaty on the Functioning of the European Union (TFEU), resulting from the Treaty of Lisbon, was developed starting from the treaty establishing the European Community (ECT or EC Treaty), as implemented by the Maastricht treaty). The TFEU is one of the two main treaties of the European Union, the other being the Treaty on European Union (TEU). It forms the basis of EU law, by setting out the principles and objectives of the EU's purpose and scope of action within its areas of intervention. It also sets the governance and organisational rules of the institutions of the European Union.

3. Content of regulatory sources

The Group's sustainability policy, which is aligned with the Internal Governance Code of the BPER Group, promotes and implements values of ethics, integrity and responsibility towards people, the environment and society as a whole.

In this context, lending falls entirely within the scope of application of these principles and translates, firstly, into the creditworthiness assessment of customers according to the general principles adopted by the BPER Group as a safeguard against credit risk, thus including ESG-related risks, such as sustainability risk, physical risk and transition risk.

The Group develops and adopts an approach aimed at identifying and assessing potential ESG risks (climate-related and environmental, reputational, operational, etc.) arising from loans granted to companies operating in controversial sectors, involved in serious events that have resulted, or may result, in negative impacts on the borrowers assessment, with special attention to impacts on their credit scoring; at the same time, the Group intends to seize the opportunity of steering and supporting the path of transition (by making concrete proposals as part of the Build Out activity), with the objective of improving the profile of its loan portfolio, including in terms of environmentally sustainable exposures in accordance with the EU Taxonomy, that are measured by the Green Asset Ratio (GAR) and Banking Book Taxonomy Alignment Ratio (BTAR) and exposures likely to generate a positive social impact, in line with the EU Social Economy Action Plan and the goals of the UN Agenda 2030 for Sustainable Development (SDGs).

Furthermore, in line with its Antitrust Policy (to which reference should be made for further details), the Group complies with the provisions of Directive (EU) No. 824/2025, with particular focus on misleading sustainability claims (e.g. greenwashing practices)

3.1. Regulatory framework and reference standards

The European System of Central Banks (ESCB), of which the Bank of Italy is a member, supports the general economic policies in the EU with a view to contributing to the achievement of the objectives of the Union, without prejudice to the objective of price stability². The EU objectives include: preserving, protecting and improving the quality of the environment, protecting human health, prudent and rational utilisation of natural resources, promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate

²Article 127 of the Treaty on the Functioning of the European Union (TFUE).

change³, reduction of inequalities through social progress, the fight against exclusion and discrimination, justice and social protection, economic, social and territorial cohesion.

In incorporating sustainable development into its lending strategy, the BPER Group is inspired in particular by the regulatory sources, agreements and principles set out in the following paragraphs.

3.1.1. Main international regulatory sources, agreements and initiatives

The Paris Agreement on climate change

The Paris Agreement sets the long-term goal of preventing dangerous climate change by limiting global warming to well below 2° C compared to pre-industrial levels by 2100 and by continuing efforts to limit it to 1.5° C. The Agreement also aims to strengthen the capacity of signatory countries in addressing the impacts of climate change and to support them in their efforts. The Paris Agreement is the first universal, legally binding treaty on climate change. It was adopted at the UN Climate Change Conference of 2015 (COP 21) in Paris.

Effort Sharing Regulation

Regulation (EU) 2023/857, amending Regulation (EU) 2018/842 that establishes annual binding minimum contributions for Member States to meeting the EU target to reduce their greenhouse gas emissions by 2030, for the period between 2021 and 2030.

European Pillar on Social Rights Action Plan

Action Plan adopted in 2017, which aims to respond to the social challenges facing Europe and provides a framework for promoting better living and working conditions in the European Union. The EU Action Plan revolves around 20 specific principles, divided into three headline targets: (I) “Equal opportunities and access to the labour market, (II) “Fair working conditions” and (III) “Social protection and inclusion”, aimed at identifying concrete and achievable targets for all economic segments by 2030.

Final Report on Social Taxonomy

Technical proposal published by the Platform on Sustainable Finance in 2022, with the aim of working out a first structure for a social taxonomy in the field of sustainable finance, which should, in the future, be a unique and shared classification tool to help investors and businesses identify the economic activities that positively contribute to achieving well-defined social objectives, as laid down in Regulation (EU) 2020/852 for the classification of environmentally sustainable economic activities.

³Article 191 of the Treaty on the Functioning of the European Union (TFUE).

ECB Guide on climate-related and environmental risks

The Guide describes how the European Central Bank (ECB) expects institutions to ensure the safe and prudent management of climate-related and environmental risks and their transparent disclosure to the public. In compliance with the current prudential framework, banks are required to identify, manage and publicly disclose all material risks they are exposed to. The ECB expects banks to take into account climate-related and environmental risks, as they are determining factors for categories of existing prudential risks, with a potential significant impact on the real economy and banks. Moreover, the Guide describes how, according to the ECB, banks should take into account climate-related and environmental risks in preparing and implementing their business strategy, as well as in governance and risk management. It also shows how the ECB expects banks to increase their transparency and improve their disclosure on climate-related and environmental risks.

Network for Greening the Financial System (NGFS)

The NGFS brings together Central Banks and Supervisors, willing, on a voluntary basis, to share best practices for managing climate-related and environmental risks and supporting the transition of the financial system toward a sustainable economy.

Net Zero Banking Alliance (NZBA)

Initiative promoted by the United Nations with the goal of accelerating the sustainable transition of the banking sector through the commitment of the member banks to align their portfolios of loans and investments with the achievement of the net-zero emissions target by 2050. BPER Banca joined the Net Zero Banking Alliance (NZBA) in March 2022, thereby steering its strategy to combat climate change.

EBA Final Guidelines on the management of ESG risks

The Guidelines set out minimum standards and reference methodologies for the identification, measurement, management and monitoring of environmental, social and governance (ESG) risks by institutions. Institutions are specifically required to provide detailed information on the materiality assessment of ESG risks considering all categories of financial risks to which they are exposed, including credit risk, and on risk-measurement methodologies. The following factors are relevant in the loan origination process: i) engagement with counterparties in data collection efforts; ii) diversification of lending and/or reallocation of investment portfolios based on ESG risk concentration; iii) adjustment of financial terms, conditions and/or pricing based on exposure to ESG risks. Furthermore, the Guidelines provide guidance on the content of transition plans that must be prepared by banks in line with EU objectives.

Recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD)

Eleven recommendations published in June 2017 by the TCFD to help the private sector disclose consistent information to investors, lenders and insurers about the risks and opportunities presented by climate change. BPER joined the TCFD in December 2021, in the aim to make an initial alignment of its strategies with the recommendations on climate risks and opportunities and to improve its reporting on climate-related issues.

Social Economy Action Plan and European Council recommendation on developing framework conditions for the social economy

Acts aimed at promoting and fostering the development of social economy as essential factor of EU economic and social policy, by acting on legal, fiscal, financial and credit access levers. More specifically, the European Union integrates regulatory principles by means of specific financing opportunities made available to European entrepreneurs, with the aim to overcome the obstacles that SMEs and micro-enterprises encounter in accessing credit and incentivise businesses with social purposes.

Task Force on Nature-based Financial Disclosures (TNFD)

A market-led, science-based, government-backed global initiative that, through recommendations and guidelines, provides organisations with a risk management and disclosure framework to act on evolving nature-related dependencies, impacts, risks and opportunities.

EU Taxonomy - Regulation (EU) No 2020/852

The EU Taxonomy is a framework for the classification of economic activities that can be considered environmentally sustainable in the European Union. The Taxonomy helps investors understand whether an economic activity can be considered “environmentally sustainable”, as it provides a list of "environmentally sustainable" economic activities.

UNEP FI - Principles for Responsible Banking (PRB)

Developed through an innovative partnership between banks from all over the world and the United Nations Environment Programme – Finance Initiative, the principles are designed to promote actions to foster the development of sustainable banking by aligning it with the goals of the UN 2030 Agenda and the Paris Climate Agreement. BPER Banca became an official signatory of the PRB on 14 July 2021.

United Nations Global Compact (UNGC)

The BPER Group is a signatory of the United Nations Global Compact (UNGC), a United Nations initiative that aims to promote the culture of corporate social responsibility by sharing, implementing

and promoting common principles and values. The initiative has formulated 10 universal principles divided into 4 macro areas:

- Human Rights:
- Labour;
- Environment;
- Fight against corruption.

The BPER Group confirms its support for the principles of the UNGC and its intent to promote them in the company and publicly report them through the “Communication On Progress” (COP).

3.2. ESG Credit Framework

In line with the business strategy and the values that inspire the BPER Group, this Policy incorporates the guidelines already described in the “ESG Policy” of the BPER Group, in that it commits to promoting their application in every phase of the loan origination and monitoring process.

Therefore, the Group is committed to assessing its counterparties in order to verify their compliance with the key principles of:

- integrity and transparency;
- sustainable development of society;
- fair business practices and customer protection;
- protection of workers, diversity and equal opportunities;
- incorporation of sustainability into the value chain and environmental protection.

In line with the objectives set by the Paris Agreement and by the European Commission’s Action Plan on sustainable finance, the BPER Group aims at favouring the ecological transition by orienting capital to sustainable investments, as proven by the Group's membership of the Net Zero Banking Alliance.

In line with the goals of the European Commission Social Economy Action Plan, the BPER Group intends to support actors and processes committed to promoting the general interest in a more equitable, cohesive and inclusive society, without prejudice to the elements for assessing the creditworthiness of counterparties based on their specific characteristics.

In this context, and in compliance with the Group’s Risk Appetite Framework both in general terms and with specific reference to ESG factors, the incorporation of ESG considerations into its loan origination and monitoring process is based on:

- the definition of a Group ESG strategy that includes mitigation initiatives applied to its credit-granting activities, supporting the transition to an economy with low consumption of fossil fuels;
- the incorporation of ESG factors, with special reference to the analysis of physical and transition risk, and to the definition – where applicable – of ESG metrics and KPIs, including through specific lending criteria and sectoral strategies;
- the development and promotion of a culture that supports the protection and prevention of ESG risks across the entire BPER Group, as well as the enhancement of social and environmental impacts generated by the borrowers' actions or intrinsic characteristics.

In line with the complexity of the borrowers and the degree of disclosure they are required to provide (see para. "Scope of application"), the following information sources are considered for an assessment on the matter:

- publicly available information (e.g. communications to the market, documents available online, financial and sustainability reporting);
- information acquired by the Banking Group from external providers⁴;
- other specific reports, including reports from the borrowers, as long as reliable and/or provided by third sources, for the assessment of specific areas of scrutiny (see paragraph "Sector-specific policies").

In particular, ESG ratings issued by leading agencies and ESG scores or ratings that the BPER Group may use for the specific assessment of its counterparties are also taken into account.

In this sense, with regard to the assessment of corporate governance aspects, special focus is placed on the Legality Rating issued by the Italian Competition and Markets Authority ("AGCM"), which certifies high standards of legal and ethical reliability, as well as compliance with parameters aimed at preventing the possibility of infiltration by organised crime, corruption and other criminal activities, including environmental crimes. The legality rating takes on a Positive Screening connotation in certain sectors and/or geographical areas that are particularly exposed to illegal activities.

The BPER Group has procedures in place to periodically intercept the legality rating assigned, highlighting it in the credit application software, so as to positively take it into consideration in the loan application process, with regard to both approval timing and economic conditions.

In line with the TCFD recommendations, the BPER Group adopts parameters associated with GHG emissions as primary evidence of the impact of the clients' activities on the environment, and therefore of the clients' exposure to the risk of transition to a low-carbon economy, thereby undertaking to reduce financed emissions.

In this regard, specific metrics or KPIs (e.g. Financed Emissions, etc.) can steer the allocation of assets towards a gradual remix of the lending book (with the strategies to achieve negative emissions including low-emission sectors, the most sustainable counterparties in high energy consuming sectors, carbon capture and removal companies).

In its quality as a Signatory of the Principles for Responsible Banking, the BPER Group carries out periodic impact analyses and reports on progress towards identified targets, thereby ensuring the alignment of its overall strategies and practices with the future vision of society as defined by the Sustainable Development Goals and the Paris Agreement.

⁴ Including though specific questionnaires.

At sector level, the Group has mapped the main impact areas defined by the UNEP FI, identifying the most relevant areas. The analysis of corporate customers is thus carried out by examining the most critical aspects, according to an integrated “top-down” - “bottom-up” matrix and by applying the valuation standards defined by the UNEP FI to assess the impact of corporate activities⁵.

The assessment of the overall “ESG impact” is carried out under a “dual materiality” approach and exposure to transition risk, physical risk and/or other factors with high environmental, social or governance impact. These factors can also be considered for the purpose of the determination of the credit strategy applied to customers, and may imply, as a way of example, but not limited to:

- limitation or expansion of commercial appetite, e.g. potential caps to the credit exposure or development of commercial initiatives dedicated to specific clusters of customers;
- restrictions in the offer of products or commercial services, such as a recommended or binding offer of green or sustainable products in order to support and accelerate the transition of the most exposed, but financially worthy customers;
- the acquisition of specific covenants related to the achievement of non-financial targets, etc.

3.2.1. Counterparty exclusion criteria

In particular, in application of the principles of compliance with minimum safeguards on human rights, new or additional financing activities will exclude counterparties - and all businesses within their same scope of consolidation - that, either during the initial assessment or periodic review, are proven to be subject to legal proceedings initiated by competent Authorities⁶, in any jurisdiction, concerning:

- violation of human rights and of health and safety regulations, both in reference to workers and to local communities;
- violation of fundamental rights at work and regulations concerning child and forced labour;
- fraud in financial and sustainability reporting, money laundering, corruption and terrorist financing.

⁵ Including by applying positive screening criteria, e.g. for counterparties that are in alignment with the EU Taxonomy \geq 50%. See Para. "Strategies to support counterparties' transition and gradual “alignment” with the principles of the EU Taxonomy".

⁶ The exclusion principle is applied to counterparties that have been definitively convicted. In addition, the necessary in-depth investigations are initiated as soon as information about the opening of investigations by the authorities becomes available. In this regard, special focus is also placed on the cancellation of the legality rating due to false statements in the application process, or the revocation of the rating for serious infringements ascertained by the Italian Competition Authority.

In addition, the principles provided for by law and relevant internal regulations to address money laundering and the financing of terrorism, as well as the prohibition of financing in any form of companies involved in any way in the production or marketing of anti-personnel mines, munitions and cluster submunitions, apply across the board to all sectors and types of counterparties⁷.

Moreover, the BPER Group does not provide financial products or services to counterparties and/or activities whose operations are carried out at the expense of:

- UNESCO world heritage sites;
- wetlands protected by the Ramsar Convention;
- biodiversity-sensitive areas (High Conservation Value Areas, Alliance for Zero Extinction sites or IUCN Category I-VI areas).

Counterparties operating in specific sectors of economic activities that, to some extent, are exposed to high environmental, social or governance sustainability risks may also be subject to exclusion and/or limitation policies. Details concerning these policies are described in paragraph “Sector-specific Policies”.

3.2.2. General criteria for loan origination

The BPER Group adopts the definition of sustainable development as a model that meets the needs of present generations without compromising the ability of future generations to meet their own needs. The BPER Group aims at supporting this concept in its broadest sense, which includes environmental, social and governance considerations together with economic aspects. In its lending activities, the Group takes ESG factors into careful consideration and, in view of forward-looking financial sustainability, it assesses elements including:

- responsible use of natural resources and responsible impact on the ecosystems;
- adequate conditions of health, safety, fairness, equality and inclusion;
- income and employment generation in line with ethical principles and good corporate governance practices.
- governance capabilities, including the proper management of risks, such as climate and environmental risks.

⁷ With reference to anti-personnel mines, cluster munitions and submunitions, please refer to the “Defence” paragraph for more details.

- the pursuit of objectives of general interest for the community and generation of positive social impact.

In consideration of its footprint area and business model⁸, the BPER Group has developed an ESG approach differentiated by type of counterparty.

In particular, the BPER Group takes into account the need to set a path for gradually increasing SMEs and Microenterprises' awareness⁹ of environmental and social risks, support their transition to a low-carbon economy, and help them become more capable and willing to provide adequate disclosure on the matter.

The segment of SMEs and Microenterprises accounts for a large part of the players in the economic system. The European Union recognises that 99% of EU businesses fall within the SME segment, which is also considered as the largest employer in the private sector. The correct creditworthiness assessment of Microenterprises and SMEs, as a way to also protect social stability, is an essential role of financial operators.

SMEs are currently not required to publish a sustainability report, as it is only produced on a voluntary basis. However, the inclusion of SMEs (and Microenterprises) in the value chain of businesses subject to mandatory reporting will foster an ever-increasing awareness and availability of data on environmental and social issues. The SMEs falling into the value chain of businesses that are subject to sustainability reporting requirements are in fact required to provide evidence of their emissions given that this information, according to the guidelines of the GHG Protocol Standard, is included in the data for Scope 3 emissions of the businesses that are already subject to disclosure. Thanks to this mechanism, the "Champions" in the value chains support and motivate their suppliers to implement ESG improvement measures, with a view to producing reports of more sustainable results.

However, data on emission intensity is usually only available at a sectoral level, and not for each business. Therefore, a counterparty assessment exclusively based on GHG level metrics, could generate distorting and misleading effects.

For this reason, the BPER Groups deems it appropriate to take into consideration specific aspects of SMEs and Microenterprises as part of their creditworthiness assessment, such as the percentage of renewable energy used, investments made in efficiency-increasing measures for the production cycle, general social and governance practices, while at the same time charting a roadmap for

⁸ Almost entirely developed for Italian customers, with a GBV exposure of more than 90% to counterparties that are not subject to sustainability reporting requirements.

⁹ "The category of micro, small and medium enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million" Article 2, Commission Recommendation 2003/361/EC of 6 May 2003.

energy transition that makes it possible to finance individual customers that are financially and economically creditworthy.

Moreover, given the growing importance of environmental risks, which are also influenced by geopolitical events linked to the possible reduction in the availability of natural resources, the Group pays particular attention to the efficient use of resources, especially those related to the companies' production cycle. With regard to circular economy, the BPER Group therefore assesses companies by also taking into account the resilience of their business model and the entire life cycle of their products, from design thinking, planning and production to waste management.

In this regard, information such as the presence of environmental certifications of compliance with national and international best practices is relevant, including by way of example: (I) ISO 14001 on the requirements for an efficient environmental management system (EMS); (II) voluntary EMAS¹⁰ (Eco-Management and Audit Scheme) certification, which sets even stricter requirements in terms of transparency and continuous improvement of environmental performance; (III) EU Ecolabel certification, an ecological quality mark for products and services which, while guaranteeing high performance standards, are characterised by reduced environmental impact throughout their entire life cycle, and take into account factors such as the use of energy, water, chemicals and waste production.

In this regard, if the financeability requirements are met, the BPER Group adopts a strategy aimed at supporting and facilitating SMEs and Microenterprises down the path to environmental transition, towards low-emission business models and the adoption of circular economy systems, including through the proposition of dedicated products and services.

As concerns the companies subject to sustainability reporting, the BPER Group carries out point-in-time assessments on the company profile and/or the group of related companies on the basis of the official disclosure, comparing the consistency of GHG emissions data and decarbonisation plans and/or defined targets with the BPER Group's targets, disclosed as part of the Net Zero Banking Alliance it is a member of.

The creditworthiness assessment is also carried out in compliance with the overall Risk Appetite Framework of the Group, including elements for the assessment of ESG-related risks.

¹⁰EMAS (Eco-Management and Audit Scheme) registration is a voluntary environmental management system that private and public organisations can join if they wish to assess and improve their environmental performance and the related public disclosure.

3.2.3. Strategies to support counterparties' transition and gradual "alignment" with the principles of the EU Taxonomy.

For all counterparties, regardless of their legal status and sector of operation and without prejudice to the financeability assessment based on forward-looking financial solvency parameters, the BPER Group adopts positive screening criteria, if at least one of the following adequately documented requirements is met:

- official transition plans or commitments of the Company to reduce its GHG emissions in line with the European goals (Fit for 55, Green Deal) and, more generally, for the improvement of the Company's emission profile as compared to its sector of operation or to the activities carried out as part of its scope of business;
- disclosure, including on a voluntary basis, of a sustainability report or a report on operations which includes the sustainability report, prepared according to the key applicable standards based on the size of the company, attesting to lower GHG emissions than the sector it operates in or than the activities carried out by the business;
- specific investment projects that show a certain degree of alignment with the EU Taxonomy, in compliance with all the requirements for a substantial contribution to the environmental objectives, fulfilment of technical scrutiny criteria, compliance with minimum safeguard clauses and no material detriment to other environmental objectives¹¹;
- counterparties whose sustainability reporting shows financial statement KPIs (Value of production/turnover, CapEx and/or OpEx) aligned with the EU Taxonomy by at least 50%.

Furthermore, the BPER Group supports the general-purpose investments of Small and Medium Enterprises (SMEs), whose main economic activity corresponds to one of the activities listed in the Taxonomy Climate Delegated Act¹², defined as "taxonomically eligible", i.e. considered suitable for contributing to at least one of the environmental objectives established by the EU Taxonomy, namely:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;

¹¹ Compliance with alignment requirements shall obtain third-party verification in the event of transactions for amounts higher than EUR 10 million; for lower amounts, commitments and certifications produced by the corporate customer are acquired, as long as they comply with the qualitative standard and/or practices adopted by the BPER Group over time.

¹² Delegated Regulation (EU) no. 2021/2139, i.e. the Taxonomy Climate Delegated Act was issued in 2021 by the European Commission with the aim of supporting financial institutions in determining which economic activities contribute most to achieving the environmental objectives set out in the EU Taxonomy.

- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

3.3. Scope of application

The criteria defined in this Policy are applied, in line with the Regulator's guidelines, according to the proportionality and gradual approach, taking into account the characteristics of the counterparty and the activities it carries out, as well as the overall exposure at Group level¹³.

The application of ESG considerations is differentiated¹⁴ into:

- counterparties subject to sustainability reporting requirements¹⁵;
- counterparties that are not subject to sustainability reporting requirements.

The assessment of counterparties subject to sustainability reporting requirements includes the application of exclusion criteria and sector-specific assessment criteria, on the basis of the in-depth analysis of the documentation related to the company and the group it belongs to, including in particular:

- the Sustainability Report, in relation to the financial reports and budgets, as well as the business plans provided and/or disclosed by the counterparty;
- official and recognised ESG ratings;
- official and/or public data, also collected via infoproviders;
- specific questionnaires for counterparties, adopted by the BPER Group for the purposes of an in-depth ESG assessment;
- project and/or specific environmental and social due diligence documents, related to loans being applied for and/or outstanding.

With regard to businesses that are not subject to sustainability reporting requirements, the approach used is intended to enhance and support the counterparties that have embarked on a virtuous path of ecological transition, subject to prior assessment of the financeability requirements. In this context, requirements for access to green, sustainable and/or taxonomy-aligned products/services specifically developed by the BPER Group are relevant as positive screening elements for these counterparties.

¹³ For the purposes of this document, "exposure" refers to the amount granted by the individual Legal Entity.

¹⁴ This differentiation is especially made necessary by the awareness that, while for businesses subject to reporting requirements timely information is available, in particular with reference to GHG emissions and other non-financial reporting metrics, for business that are not subject to mandatory reporting the observations are sector-based and, therefore, the assessment of individual counterparties based on these metrics would not allow to conduct – even in the same sector – a proper assessment of the individual counterparties' level of awareness and advancement in their transition path (Lucia Alessi, Stefano Battiston, Two sides of the same coin: Green Taxonomy alignment versus transition risk in financial portfolios, International Review of Financial Analysis, 2022, 102319, ISSN 1057-5219)

¹⁵ To date, pursuant to the Non-Financial Regulation Disclosure, implemented in Italy with Legislative Decree no. 254/2016, pending the adoption of the Corporate Sustainability Reporting Directive (2464/2022).

In the case of counterparties that are not subject to sustainability reporting and whose main business activity is in one or more of the sectors covered by this Policy, the Group also collects timely information, including through specific counterparty and/or due diligence questionnaires and project assessments, to enable the application of the principles set out below, subject to the principles of proportionality and relevance of the exposure¹⁶.

More specifically, in support of the ESG assessment, the Group sends the questionnaire to all companies with a counterparty and/or Group turnover exceeding Euro 5 million and facilities granted for more than Euro 1 million.

¹⁶ Also in line with Commission Recommendation (EU) 2023/1425 of 27 June 2023, based on the principle of proportionality in “Facilitating finance for Small and Medium-sized Enterprises”.

3.4. Sector-specific policies

The BPER Group promotes and intends to act in alignment with the global need to efficiently reduce greenhouse gas emissions with a view to achieving climate neutrality. To allow for the transition to sustainable finance, the reduction of energy consumption and a shift towards renewable sources are crucial elements and a major source of interest and concern.

To promote the integration and consideration of environmental, social and governance (ESG) factors within its banking business and management standards, the BPER Group has defined some exclusion criteria and specific assessment processes for counterparties deemed higher risk as they operate in sectors with potentially adverse ESG impacts.

For each sector, assessment rules and/or criteria are defined to promote the protection of natural resources, energy consumption, the environment, health and safety of workers and respect for human rights.

High ESG impact sectors were identified on the basis of general considerations and following analyses of the BPER portfolio. These portfolio analyses are monitored and updated over time. If, following the portfolio monitoring activities, additional high impact sectors or changes compared to the current situation are identified, the Parent Company undertakes to update this Policy.

This Policy also covers sectors in which the Group does not have major exposures; however, in consideration of the high risk of transition and the impacts of their emission profile, the Group considers it appropriate to specifically define which criteria must be adopted during the counterparties' creditworthiness assessment, when the first credit facility is granted and throughout the lending relationship cycle.

In this context, the BPER Group identifies sectors with a relevant socio-environmental profile as "high ESG-impact".

- Coal;
- Electricity;
- Mining (excluding coal extraction);
- Oil & Gas;
- Defence;
- Maritime and land transportation and Infrastructure;
- Gambling;
- Manufacturing;
- Agriculture, forestry and fishing;

- Real estate;
- Wholesale and retail trade;
- Water supply and waste management;
- Third sector.

For these sectors, some exclusion and/or financeability criteria are expected to be applied as part of the assessment of the counterparties and/or financed transactions. The Group's objective is to contribute to sustainable growth and strengthen its financial stability and the quality of its lending.

The Group is committed to supporting businesses that have a documented plan and/or strategy for gradual transition to a low-carbon economy, in compliance with the targets of the Paris Agreement, by promoting greater use of renewable energy sources, and projects with a high positive environmental and/or social impact.

To identify the exclusion and financeability criteria for activities and/or operations in high ESG impact sectors, the BPER Group has taken into account the requirements and best practices set out in the European (e.g. EU Taxonomy, Fit for 55 Package, etc.) and International (UNEP FI) regulatory frameworks.

The following paragraphs define a set of assessment rules and criteria concerning banking products and services provided by the BPER Group with a view to establishing the guidelines for responsibly carrying out banking operations.

This document was prepared and applies comprehensively to all of the Group's Banks and Companies.

3.4.1. Coal

To achieve the objectives set by the Paris Agreement and the Fit for 55 Package targets for an increased use of alternative energy sources by 2030, OECD Countries and Europe are expected to gradually reduce the use of carbon in their production capacity.

In this context, the BPER Group encourages the conversion to a green economy with a reduced level of emissions by supporting its customers in their transition to the use of lower emission-intensive energy sources (e.g. renewable energy, gas), while promoting the phase-out of coal.

In the Coal sector, the most sensitive activities are:

- coal extraction;

- transformation of hard coal into usable products (e.g. coke oven products);
- other activities associated with coal marketing and/or trading.

In line with its broader, national¹⁷ and/or groupwide objectives¹⁸, the BPER Group will phase out its exposure in general purpose financial products and services to companies operating in the “Coal” sector (as defined above). This sector is among those identified as a priority by the Net Zero Banking Alliance, due to the related climate and environmental impact. In particular, the phaseout target years for this sector are 2030 for OECD countries and 2040 for non-OECD countries.

Therefore, the Group will not provide financial products and services¹⁹ to projects for the construction and/or expansion of new coal mines (a.k.a “Greenfield Projects”) or the purchase of businesses operating in the sectors of coal extraction, transformation of hard coal into coke oven products and activities associated with coal marketing and/or trading²⁰.

Potential financing aimed at or associated with the conversion and/or remediation of mining sites, including by purchasing businesses operating in the “coal” sector to remediate, and/or reclaim and redevelop these sites, will therefore be analysed by applying the following considerations, in addition to standard economic-financial assessments:

- quality of the assessments of the environmental and social impacts of the redevelopment projects;
- Pollutants and related management plan;
- Water sources management;
- quality of the mine closure and restoration plan;
- labour rights and working conditions in compliance with the key International Labour Organization (ILO) conventions;
- Impacts on local communities (population migration and economic impacts);
- Impact on cultural heritage.

These projects must be assisted by specific due diligence processes, to enable the assessment of the effectiveness of financed initiatives.

¹⁷In compliance with the Integrated National Plan for Energy and Climate (PNIEC) in force at any given time.

¹⁸ e.g. NZBA.

¹⁹ Any exceptions to these criteria as may be caused by specific needs associated with adverse macroeconomic events will be assessed by the BPER Group via an escalation process with resolutions adopted as a minimum by the relevant Body, according to the authorisation powers in force at the Banking Group level at any given time.

²⁰ The limits on coal marketing and/or trading do not apply to the customers of the Group with regards to coking coal, in view of supporting the phaseout strategy.

For the use of coal for power generation, please refer to paragraph “Electricity”.

3.4.2. Electricity

Power generation from fossil fuels exponentially contributes to climate change, as it releases high CO₂ emissions. The potential negative impacts and main risks associated with the generation of power from fossil fuels include the emission of greenhouse gases, the extensive use of natural resources (water in particular), the contamination of ecosystems and environmental pollution.

Moreover, this sector is among those identified as a priority by the Net Zero Banking Alliance, due to its climate and environmental impact; therefore, specific targets for the reduction of financed emissions are set for 2050, with intermediate targets for 2030.

The activities that are considered to be part of the “Electricity” sector for the purposes of this Policy are:

- power generation;
- projects associated with Coal-Fired Power Plants (CFPP): construction, expansion and/or maintenance of coal-fired power plants;
- distribution and trade of electricity;
- supply of electricity, including by multi-utilities, for the above-mentioned activities.

The BPER Group promotes the new European targets set forth in the directive on renewable energy²¹ contained in the “Fit for 55” package, in the targets set at a national level²² and in the social and strategic importance of the sector, whose transition to a low-emission economy would ensure access to energy sources for individuals and companies and would improve the country’s levels of energy self-sufficiency.

Without prejudice to the creditworthiness assessment principles, the positive screening criteria listed below are applied, alternatively, to the creditworthiness assessment process of counterparties that generate electricity:

- counterparties that have a transition plan in place, declare or undertake commitments²³ which

²¹ RED III Directive (EU) 2023/2413.

²² PNIEC, 2023. In particular, the national plan establishes the “phaseout of coal-powered electricity generation and the promotion of the extensive use of renewable energy sources”, page 76. See also page 389 et seq.

²³ Official commitments, as participants in national or international “Net Zero” initiatives, or commitments to the lender through the use of covenants.

- include at least 55% shares of renewable energy sources in power generation by 2030²⁴;
- counterparties whose financial statement KPIs are in line with the EU Taxonomy by at least 50% in their Sustainability Report (e.g. Turnover, CapEx, OpEx).
- financing of projects for the generation and/or self-generation of renewable electricity (e.g. solar, wind), including revamping and repowering projects, in compliance with the applicable technical and environmental requirements, and with a specific interest for investments with a certain degree of alignment with the EU Taxonomy.

In pursuing its financed emission reduction targets, the BPER Group adopts policies for the phaseout by 2030, of exposures to companies that do not meet positive screening requirements and that, based on their energy mix data as at the latest recording available, show that:

- $\geq 20\%$ of power is generated from coal and oil.

For counterparties or subsidiaries applying for a loan (e.g. special-purpose vehicles) that fall within the phase out criteria:

- general purpose facilities cannot be increased;
- loans can only be granted if they are in line with the EU Taxonomy or supported by a covenant linked to the achievement of the 55% target for the generation of electricity from renewable energy sources by 2030 or a 30% GHG emission intensity reduction.

Furthermore, the BPER Group will not finance any counterparty, including special purpose vehicles, financial companies and/or investment firms, for projects relating to the construction and expansion of Coal Fired Power Plants (CFPP) ²⁵.

3.4.3. Mining

The mining industry plays a key role, as it provides minerals and metals which are essential for production in most economic sectors.

Moreover, the central role of critical raw material for European industrial production has been qualified and highlighted, by pointing out the potential concerns surrounding the availability of supplies, promoting strategies for safer, more sustainable procurement and identifying the opportunities that derive from circular economy.

²⁴ The National Energy Plan in force establishes that overall electricity generation at the national level will derive from renewable sources for at least 72% in 2030 and 80% in 2040, PNIEC page 392.

²⁵ Any exceptions to these criteria as may be caused by specific needs associated with adverse macroeconomic events will be assessed by the BPER Group via an escalation process with resolutions adopted as a minimum by the relevant Body.

The European Commission has also defined the concept of strategic raw materials, i.e. the raw materials needed for industrial productions in the sectors of strategic use identified as renewable energy, electric mobility, digital, aerospace and defence. The mining activities associated with these strategic targets, without prejudice to controlling the risks of mining and quarrying, are considered helpful to achieve the ecological transition targets.

However, the mining industry is in any case exposed to a number of environmental, social and governance risks.

Mining can generate severe adverse impacts on the environment and communities concerned, including the management of waste products, greenhouse gas emissions, impacts on biodiversity, and impacts on human rights (e.g. working conditions, population migration, safety of indigenous peoples, quality of life and social impact in mining areas, etc.).

In the context of the mining sector, the BPER Group applies specific criteria primarily with reference to the following activities:

- mining projects: new mining projects or expansion of existing projects concerning the development and construction of facilities for the extraction and primary processing of solid mineral raw materials and related infrastructure (bridges, roads, railway lines, ports, navigation channels, pipelines, power generation, power lines), the use of resources for the excavation, extraction and processing of solid mineral raw materials, including the management of waste rock and tailings, and all closure and rehabilitation works carried out in relation to decommissioned extractive activities;
- mining industries: companies, groups or joint ventures carrying out mining activities (for more than 90% of their total turnover) and involved in the exploration, development or management of such activities.

The BPER Group does not provide financial products or services to projects or mining industries that:

- extract asbestos;
- extract and trade rough diamonds from war zones or that have not been certified under the Kimberley Process certification scheme.

The BPER Group expects projects and companies operating in the mining industry to comply with applicable local laws as well as international and national conventions ratified by the countries in which they operate.

Financing transactions for the construction or expansion, conversion or remediation of mining sites are subject to Due Diligence reviews by the BPER Group, with the following considerations being applied:

- quality of environmental and social impact assessments and related management plans;
- Pollutants and related management plan;
- Water sources management;
- labour rights and working conditions in compliance with the key International Labour Organization (ILO) conventions;
- Impacts on local communities (population migration and economic impacts);
- Impact on cultural heritage.

The BPER Group promotes and shares the standards set out as part of the Equator Principles, in the Environmental and Social Management System (ESMS) defined by the International Union for Conservation of Nature (IUCN) and the Environmental and Performance Standards defined by the International Finance Corporation (IFC), in order to manage and mitigate potential adverse environmental and social risks arising from project activities.

Positive screening elements also include fulfilling the requirements covered by international best practices in the industry, namely:

- the International Cyanide Management Code for Gold;
- ISTCI for tin minerals;
- Sustaining Global Best Practices in Uranium Mining and Processing.

Positive screening criteria are applied to projects aimed at the promotion of technological innovation, not only in the mining sector, but also in view of circular economy, to strengthen the resilience and sustainability of supply chains for strategic raw materials²⁶,

3.4.4. Oil & Gas

The extraction of oil and gas poses a series of risks mainly from the environmental and social standpoint, resulting in the emission of greenhouse gases, toxic gases and pollutants into the atmosphere, contamination of water sources, pollution of the environment and negative impacts on natural habitats and protected areas.

This sector is among those identified as a priority by the Net Zero Banking Alliance, due to its climate and environmental impact; therefore, specific targets for the reduction of financed emissions are set for 2050, with intermediate targets for 2030.

²⁶ As identified in the "European Critical Raw Materials Act", the list of strategic raw materials is periodically updated by the European Commission. Below is the reference to the latest version: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

In pursuing the decarbonisation targets declared as part of its membership of the Net Zero Banking Alliance, the Group includes a selective counterparty approach, pursued and achieved by committing not to finance:

- operations aimed at the exploration and extraction of new Oil & Gas fields;
- new customers operating in the Oil & Gas sector, with plans for the exploration and extraction of new fields²⁷.

Furthermore, oil and gas reserves are defined as unconventional when they are obtained by means of extraction methods other than conventional ones and, due to their distinctive properties (e.g. hydraulic fracturing or fracking, etc.), are more dangerous for the environment as they generate more emissions and pollution.

Therefore, the BPER Group will not provide financial products and services to projects aimed at the development, construction and expansion of the following unconventional oil and gas extraction and exploration activities:

- Tar Sands or Oil Sands;
- Onshore and/or Offshore Oil and Offshore Gas in the Arctic Region and the Area known as the “Amazon Sacred Headwaters”.

Financing transactions for the reduction of fugitive emissions are subject to Due Diligence reviews by the Group, with the following considerations being applied:

- quality of environmental and social impact assessments and related management plans;
- Pollutants and related management plan;
- Water sources management;
- Labour rights and working conditions in compliance with the key International Labour Organization (ILO) conventions;
- Impacts on local communities (population migration and economic impacts);
- Impact on cultural heritage.

In defining the credit strategy applied to customers belonging to the Oil & Gas sector, the BPER Group incorporates a selective counterparty approach based on the presence of official plans, statements or commitments undertaken for transition and/or exit by 2040.

²⁷ Any exceptions to these criteria as may be caused by specific needs associated with adverse macroeconomic events will be assessed by the BPER Group via an escalation process with resolutions adopted as a minimum by the relevant Body.

The BPER Group also reserves the right to grant loans backed by covenants linked to a 30% reduction in GHG emission intensity.

3.4.5. Defense

The Group has a “Group Policy for the Regulation of relationships of the BPER Group Companies with defence operators, weapons manufacturers and dealers” aimed at regulating relations between BPER Group Companies with defence operators and companies involved in the production of and trade in armament materials and military supplies, to which full reference is made.

It should be noted that, in any case, the Group does not finance companies, in any legal form, based in Italy or in other countries, that, directly or via subsidiaries or affiliates, carry out activities associated with any phase of the production, marketing, storage and use of anti-personnel mines, cluster munitions and submunitions²⁸.

In any case, defence is an industry of utmost strategic importance for its associated aspects of security, technological and economic policy. This manufacturing sector is also generally exposed to the same assessment aspects as other production segments, therefore reference should be made to paragraph 3.4.8 for the assessment of those aspects. "Manufacturing".

3.4.6. Transport and Infrastructure

Land, air and sea transport, including its infrastructure, is a sector that gives a positive contribution to the objectives for the support to economic growth, by creating jobs and allowing the population to access essential services, such as health and education. Investments in solutions such as high-quality public transport, well-connected cities, non-motorized transport options, and cleaner technologies can help achieve development progress and climate targets simultaneously.

Expanding sustainable transport options, especially in low-income or vulnerable communities, is a powerful way for countries to bolster human development and social inclusion²⁹.

Infrastructure investment is a key determinant of performance in the transport sector. Efficient transport infrastructure provides economic and social benefits to the economies by improving market

²⁸ Law 220 of 9 December 2021.

²⁹ World Bank (2022). Transport. <https://www.worldbank.org/en/topic/transport/overview>

accessibility and productivity, ensuring balanced regional economic development, creating employment, promoting labour mobility and connecting communities³⁰.

The transport sector is strongly influenced not only by the need to achieve new low-emission transport solutions, but also by sudden physical risk and geopolitical events, which may cause disruptions, time lengthening and increased costs of transport, with subsequent economic and financial impacts.

Moreover, intervention, especially to support infrastructure, must always take into account potential negative impacts such as loss or degradation of natural ecosystems and the risks associated with current or forward-looking physical risk characteristics.

The specific analyses applicable are detailed below.

3.4.6.1. Maritime transport

Maritime transport of goods is an essential vector for the development of international trade. It provides a lifeline linking the EU's islands and peripheral areas with the mainland and contributes to thriving economic hubs in the coastal areas of major European countries.

Yet at the same time - and despite progress over the years - maritime transport remains an important source of GHG emissions and other pollutant emissions to air and water³¹. Continued action to reduce its environmental footprint is therefore needed for the sector to contribute to environmental sustainability and play its part in turning Europe into a climate-neutral continent by 2050, under the umbrella of the European Green Deal.

The main risks connected to maritime transport are associated with high GHG emissions, incidents and explosions causing oil spills, marine pollution from discharge of waste (e.g. solid waste, batteries, sewage, etc.), occupational safety risks from accidents, exploitation and piracy, management of ship decommissioning and dismantling activities.

The maritime transport activities covered by this Policy include:

- merchant vessel construction, repair and dismantling by customers of the BPER Group;
- acquisition and management of merchant vessels by customers of the BPER Group.

³⁰OECD Data. *Infrastructure Investment*. <https://data.oecd.org/transport/infrastructure-investment.htm>.

³¹ European Maritime Transport Environmental Report 2021 (European Maritime Safety Agency, European Environment Agency)

Loans to counterparties operating in the maritime transport sector are analysed considering the international criteria and/or standards issued by the following organisations, conferences and initiatives:

- The United Nations (UN)
- The Paris Memorandum of Understanding on Port State Control;
- The International Labour Organization (ILO);
- The International Maritime Organization (IMO);
- The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships;
- The EU Ship Recycling Regulation (EU SRR).

When financing transactions involving the acquisition and management of a merchant vessel, the BPER Group considers it essential to comply with international regulations on:

- the safety of marine flora and fauna and environmental regulations for maritime transport;
- working conditions, training and minimum qualifications and marine equipment,
- security measures on ships and in port facilities;
- mandatory reporting and monitoring of GHG emissions and energy efficiency of the ship (by means of a monitoring plan or Annual Efficiency Ratio);
- overall level of pollution;
- other factors deemed of relevance (e.g. possible accidents at sea, violation of notification obligations and/or applicable rules in ships' routing systems and VTS, proof or presumptive evidence of deliberate discharges of oil or other infringements of the MARPOL Convention).

In this regard, the BPER Group obtains documentation or certification of compliance with legal provisions.

When assessing counterparties operating in the maritime sector, the BPER Group also takes into account the considerations of the Paris Memorandum of Understanding on Port State Control and does not grant loans for vessels flying the flag of countries on the Black List³² of the Paris MoU on Port State Control in force at any given time.

In line with international agreements, including the *International Convention for the Prevention of Pollution from Ships* (MARPOL), the BPER Group takes into account carbon intensity indicators

³² <https://parismou.org/Statistics%26Current-Lists/white-grey-and-black-list>.

and/or internationally shared ratings of ships, reserving the right of considering the potential restriction to financing, including in view of the specific purpose of the loan (e.g. operations on ships for the transport of petroleum products).

In this regard, for the purpose of this Policy, the BPER Group commits not to finance operations related to oil tankers of over 200,000 tonnes deadweight.

The BPER Group supports and carries out transactions aimed at financing ship dismantling, if carried out in compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and the European legislation on ship dismantling.

The BPER Group promotes and shares the standards and criteria set out in the EU Taxonomy, the Equator Principles, the Environmental and Social Management System (ESMS) defined by the International Union for Conservation of Nature (IUCN) and the Environmental and Performance Standards defined by the International Finance Corporation (IFC), in order to manage and mitigate potential adverse environmental and social risks arising from project activities.

The BPER Group promotes the Renewable Energy Directive as part of the “Fit for 55 package” of the European Union. More specifically, in maritime transport, the BPER Group supports and shares the objectives of the Fuel EU Maritime Regulation, which defines the yearly GHG intensity reduction levels for ships above a gross tonnage of 5,000 calling at European ports.

To this end, the BPER Group adopts positive screening criteria for counterparties working on projects in the following areas:

- batteries and electrification of ferries;
- hydrogen or other fuel powered vessels significantly reducing air pollution in port and at sea, with emission quotas in line with Fit for 55 targets;
- construction of power supply devices for ships at the quayside in ports, including manufacturing of watertight hydraulic hatches on the hull; the installation of electrical control panels and transformers, modifications to the MV (Medium Voltage) and LV (Low Voltage) electrical control panel, modifications to the vessel's operating software to govern shore connection and disconnection operations.

Infrastructure projects to increase the use of alternative fuels are also supported (cold ironing, onshore power supply, shore-side electricity or Alternative Maritime Power). Port infrastructure upgrading and quay electrification enables the supply of the electricity required by docked ships through the power line, typically connected to the national grid. Therefore, when docked, ships connected to this infrastructure can switch off their engines, continuing to provide services on board but significantly reducing the pollutant emissions produced, as emissions from the electric fleet are significantly lower than emissions from marine fuels.

3.4.6.2. Land transport

Land transport accounts for about 15% of total greenhouse gas emissions in Europe³³. The main risks associated with land transport are high CO2 emissions and the risk of incidents and explosions, causing major environmental and social impacts.

In this regard, the European Union, as part of the “Fit for 55” proposal defines the approaches to reduce environmental and sectoral impact and defines 2035 as the deadline for marketing non-zero-emission vehicles.

In the assessment of the purpose and allocation of credit lines by the BPER Group to counterparties operating in the land transport sector, the following elements will be evaluated:

- level of GHG emissions and energy efficiency (where available);
- information on the composition of the company’s vehicle fleet, by type of fuel, age of the vehicle fleet, regular fulfilment of legal obligations with regard to the vehicle technical inspection certificate; respect for labour rights and working conditions, according to the standards set out by the International Labour Organisation (ILO).

The BPER group expects its customers to comply with applicable local laws as well as international and national conventions ratified by the countries in which they operate.

The BPER Group promotes and shares the standards and criteria set out in the Equator Principles, the Environmental and Social Management System (ESMS) defined by the International Union for Conservation of Nature (IUCN) and the Environmental and Performance Standards defined by the International Finance Corporation (IFC), in order to manage and mitigate potential adverse environmental and social risks arising from project activities.

The Group adopts positive screening principles for both professional counterparties operating in the sector and private entities that, in line with the Fit for 55 objectives, apply for credit facilities respectively aimed at:

- supporting the increase in car fleets with GHG emissions below the thresholds in force at any given time as technical screening criteria for the substantive contribution made to the objectives of the EU Taxonomy (provided they are not intended for coal transport);

³³ Source: “Fit for 55: why the EU is toughening CO2 emission standards for cars and vans”, Council of the European Union

- purchasing cars, motorbikes or vehicles with GHG emissions below the emission thresholds in force at any given time as technical screening criteria for the substantive contribution made to the objectives of the EU Taxonomy.

3.4.6.3. Infrastructure

The development, management and use of all types of infrastructure include risks, among which specific risks associated with linear transport infrastructure (e.g. roads, bridges and railways), also used for the mobility of people and, thus, relevant for the security of the communities involved.

Conversion of land for infrastructure development may cause adverse environmental impacts, such as the loss of land for agricultural use, loss and degradation of natural ecosystems, species and habitats, with a potential impact on the reduction of associated ecosystem services, such as regulation of air and climate quality and mitigation of climate change, protection from flooding and erosion from sea and river coasts.

The development, maintenance and recovery of infrastructure³⁴ is planned at a national or regional level and is based on best practices, in line with applicable regulations and with the relevant national plans and programmes³⁵.

Principles of compliance with best practices and checks of consistency with the applicable regulations set forth by the National Operational Programme for transport infrastructure, the National Recovery and Resilience Plan (NRRP) and the National Plan for Adaptation to Climate Change (NPACC) must therefore be applied to financing projects in any way associated with the development of new infrastructure, the management or maintenance, recovery, reconstruction, requalification, modernisation or substitution of obsolete or damaged infrastructure.

3.4.7. Gambling

Although gambling is lawful, it is considered as morally controversial because of the negative implications it may have if it is run by unscrupulous operators or if, for some players, it degenerates into a pathological addiction.

³⁴ See National Plan for Adaptation to Climate Change, 2023.

³⁵ National Operational Programme for transport infrastructure, National Recovery and Resilience Plan (NRRP) and National Plan for Adaptation to Climate Change (NPACC).

In order to take into account the economic and social impacts that gambling can cause, the BPER Group takes a careful and vigilant stance as:

- the sector lends itself easily to being contaminated by organised crime and money laundering;
- in times of great economic crisis, the economically and culturally weaker strata of society may become vulnerable to pathological addiction;
- although gambling is banned for minors, the spread of online gambling hampers the ability to vigilantly monitor these issues;
- operators of public establishments or recreational clubs have an incentive in operating slot machines on their premises, as these gambling devices are a most significant source of revenue;
- persons suffering from pathological gambling engage in behaviour that is risky for themselves, their family and those around them; some of them may go as far as committing fraudulent acts to obtain money.

In this regard, the BPER Group does not finance any new customers significantly³⁶ operating in activities or projects aimed at the:

- purchase, construction, development and expansion of gambling halls;
- purchase and production of machines that promote gambling (e.g. slot machines);
- development, dissemination, printed or digital publication and marketing for the promotion of gambling.

In addition, credit cards issued by the BPER Group inhibit the processing of payment transactions at facilities or internet websites that have been classified as "gambling" by the merchant acquirer. Conversely, prepaid top-up cards and "black" credit cards, reserved for a specific target group of customers, are enabled.

3.4.8. Manufacturing

Manufacturing is a sector of excellence of the Italian economy and provides a positive economic and social contribution in terms of stability, resilience, employment and economic well-being of the population, besides adding to the country's prestige and international relevance.

³⁶ The materiality threshold considered for these operations is when they account for 30% of the turnover.

Manufacturing is exposed, in general terms, to factors that may directly and indirectly threaten its capacity and continuity of production, such as extreme weather or climate change events, or disruptions in global supply chains; moreover, in general terms, manufacturing is affected by the global process of transition towards 'sustainable development'.

In particular, the transition process may be hindered by:

- high emissions of climate-altering gases;
- high energy consumption;
- impacts on the quality and quantity of groundwater and surface water, potentially affecting the quality of life of societies and the habitats of animal and plant species;
- the use or generation, as waste, of contaminating or polluting substances in production processes, and the need for proper waste management;
- the use of limited and non-renewable natural resources (i.e. which cannot be regenerated after exploitation);
- the management of global supply chains, with consequent risks related to respect for human and labour rights.

In particular, for the purposes of impact on climate change, the industrial sectors listed below are identified as manufacturing with high ESG impact³⁷:

- Iron and steel production;
- Non-ferrous metals (including aluminium);
- Non-metallic mineral products (including the production of cement, ceramics, bricks and tiles, glass);
- Automotive;
- Manufacture of paper and paper products;
- Chemical and petrochemical industry;
- Agri-food sector.

³⁷ The impact is assessed using a proprietary methodology developed with reference to the official sources, i.e. UNEP FI's Climate Risks in the Industrials sector of the (April 2023), the ECB Guidelines on climate-related and environmental risks, the Climate Policy Relevant Sectors of the European Commission. No mention is made in the list of the manufacture of coke oven products, for which reference should be made to paragraph 3.4.1 "Coal".

Among them, iron, steel, aluminium, cement and automotive are recognised as a priority by the Net Zero Banking Alliance on the back on their environment and climate-related impact. Specific targets are envisaged for financed emission reduction by 2050 with intermediate targets by 2030.

The BPER Group, in accordance with the companies' economic and financial features, assesses counterparties working in these industries by taking into account their:

- emission mitigation strategy and planned decarbonisation trajectory, according to short-, medium- and long-term objectives;
- efficient use of resources and correct management of waste and manufacturing operations;
- circular economy solutions adopted;
- products and/or services developed according to regulatory changes and/or customers' evolving habits and preferences.

The BPER Group also adopts positive screening criteria on loans for:

- projects in line with the EU taxonomy or supporting the CapEx plan aligned with the EU taxonomy;
- side projects to national or supranational initiatives supporting transition (e.g. NRRP, EIB, EIF)
- Capital Light financing or third-party funds for green and/or sustainability-related initiatives (e.g. SACE Garanzia Futuro and CDP);
- projects to support switching from fossil fuels to renewable fuels;
- projects to support the adoption of electrification of end-use consumption³⁸;
- projects enhancing energy efficiency and resource management;
- projects for water recycling and reuse;
- projects to reduce packaging;
- projects to support the adoption of new circular economy options³⁹.

In this regard, the Group also develops specific products and/or services that are green, sustainable and/or in line with the EU Taxonomy.

³⁸ "Accelerated" electrification of end-use consumption is defined as the increased use of electricity to meet industrial energy demand especially for heating purposes.

³⁹ e.g. Circular production processes, use of secondary raw materials, adoption of industrial symbiosis, re-use of residual waste and/or materials from production

3.4.9. Agriculture, forestry and fishing

Agriculture is fundamental to support life, prevent diseases and promote health by growing environment friendly quality food products.

The primary sector is one of the most exposed to climate change, as both chronic and progressive changes and acute events significantly affect its productivity and profitability.

Therefore, although adapting to climate is an intrinsic feature of the primary sector, the scope, uncertainty and speed of current and expected climate changes make financial support necessary to face ongoing change.

The sector is pointed to as a priority by the Net Zero Banking Alliance, and the Group adopts a dedicated approach by developing loans to support businesses and supply chains, with green transition being facilitated through dedicated green loans.

Subject to the considerations on economic and financial sustainability, the Group encourages its customers (farm businesses in any legal form, agricultural entrepreneurs and independent farmers) in their trajectory towards:

- the adoption of the main standards and criteria set forth by the sector's international organisations⁴⁰;
- European or national certifications (e.g. the EU organic logo; agri-food products with designation of origin and geographical indication recognised by the European Union);
- proper risk management, e.g. through Individual Insurance Plans or the implementation of climate change adaptation measures;
- participation in the Eco-schemes of the Common Agricultural Policy (CAP);
- partnerships with associations or projects of high social interest.

To this end, the Group develops products and services⁴¹, and supports objectives that sustain climate change adaptation and the transition pathway, such as, for example:

- projects for the adoption of precision farming techniques⁴²;

⁴⁰ Forest Stewardship Council; Marine Stewardship Council; Aquaculture Stewardship Council.

⁴¹ Including products aligned with the EU Taxonomy or consistent with the Common Agricultural Policy in force at any given time.

⁴² e.g. by using new technologies to limit energy consumption and emissions, improve production and enhance the qualitative standards of agricultural products.

- projects aimed at incentivising crop addition and/or substitution with resilient and resistant alternatives; assisted evolution technologies (AET);
- projects for the recovery of native crops and/or breeds and/or those of interest for the preservation of the national agricultural heritage;
- afforestation and/or soil restoration projects, including as a measure to mitigate hydrogeological risk;
- projects for the inclusion of crops that promote wider vegetation cover in the crop year (alfalfa, clover, etc.);
- projects for the creation of protective infrastructure (e.g. anti-hail) and/or implementation of fire warning systems.
- projects involving the recovery, processing, use and/or marketing of animal manure and/or other suitable agricultural residues for the production and/or marketing of soil fertilisers.

Moreover, the BPER Group promotes projects for the adoption and/or self-generation of energy from renewable sources, including from production waste, that are ancillary to national or supranational transition-supporting initiatives (e.g. NRRP).

The sector is particularly exposed to adverse social risk impacts, due to the significant number of cases of worker exploitation.

3.4.10. Real estate

The Real Estate sector is usually characterised by high consumption of non-renewable natural resources and high emission intensity, including in consideration of the national real estate context in which the BPER Group operates.

With reference to the real estate assets, supranational bodies agree that the sector needs immediate action, combining investments and policies to promote the achievement of better energy standards in the short and long term.

The "Fit for 55" package of the European Commission's work programme includes the review of the Energy Performance of Buildings Directive, which complements the EU regulatory proposals for the achievement of a zero-emission building stock by 2050. In particular, the attempt is to align the newly-introduced provisions with the overall strategy of the European Green Deal, including through pathways of gradual improvement, to be undertaken at national level.

Moreover, the construction sector is especially exposed to risks related to the health and safety of workers and to compliance with waste management regulations. The BPER Group expects its

customers to comply with applicable local laws as well as with international and national conventions ratified by the countries in which they operate, applying penalisation, even in view of correlation with the associated risk, to counterparties that are found to have breached⁴³ such regulations.

Moreover, the real estate sector is among those identified as a priority by the Net Zero Banking Alliance, due to its climate and environmental impact; therefore, specific targets for the reduction of financed emissions are set for 2050, with intermediate targets to be reached by 2030.

In light of the above, the BPER Group adopts policies to support the energy transition of the Italian building stock, by taking into account the following elements:

- level of GHG emissions and energy efficiency of buildings;
- application of circular economy best practices;
- information on the possession of certifications typical of the sector and/or the financed property;
- characteristics of the exposure of financed properties to current or forward-looking physical risk.

The BPER Group promotes and shares the standards and criteria established by the international and national organisations of the real estate sector and/or supply chain, such as:

- Leadership in Energy and Environmental Design (LEED);
- The Building Research Establishment Environmental Assessment Method (BREEAM);
- The World Green Building Council;
- Zero Waste Europe.

Real estate products for customers

In assessing the real estate properties financed by the BPER Group, exposure to current and, in the event of climate-related risks⁴⁴, forward-looking physical risk is taken into consideration, leveraging any existing mitigation elements⁴⁵.

⁴³ This refers to final conviction or application of a fine and/or administrative sanction by the competent authorities, in Italy in the case of violation of the rules on "construction site waste management" pursuant to Legislative Decree no. 152/2006 and "workplace health and hygiene" pursuant to Legislative Decree no. 82/2008 and in the absence of completion of the planned remediation and restoration actions.

⁴⁴ For example, seismic and volcanic risks are not climate-related risks.

⁴⁵ e.g. insurance coverage or risk mitigation/adaptation elements.

In its proposition of real estate products to customers, the Group additionally adopts specific assessments and more stringent controls if low-energy-efficiency properties are purchased, in its pursuit of energy-efficient building renovation as a priority⁴⁶. In this regard, the Group reserves the right to limit the financeability of properties in energy class "F" or "G" that are not subject to energy upgrading and/or efficiency increasing measures, especially if particularly relevant physical risk elements emerge⁴⁷.

To pursue the overall improvement of the Group's position in relation to the financed real estate assets, achieve reduction objectives defined in compliance with the commitment to the Net Zero Banking Alliance and improve the related KPIs (Green Asset Ratio), the BPER Group aims at financing lines aligned with the EU Taxonomy, including through products (e.g. green and/or aligned products) dedicated to individuals and businesses. More specifically:

- the purchase of energy-efficient properties⁴⁸;
- energy redevelopment of existing properties, with a 30% improvement target for the levels of primary energy consumption;
- purposes of adaptation to climate change and interventions to mitigate the exposure to current and forward-looking physical risk.

In line with the commitment to strengthen the "Social" dimension within the Group's ESG strategy, BPER promotes and supports projects with a high impact on the territory that include social, senior and student housing, and integrated neighbourhood services throughout the country, particularly in disadvantaged areas.

3.4.11. Wholesale and retail trade

The trade sector, comprehensively understood as wholesale and retail trade, shows high impacts in terms of emission relevance of the financed portfolio, an aspect that is partially associated with some specific activities, such as oil trade, which is highly emission-intensive and already falls within the criteria for the Oil & Gas sector (see Summary table in paragraph 4.4). In addition to these specific requirements, the BPER Group identifies and supports major opportunities to increase the efficiency associated with transition in the commercial sector, such as by reducing energy costs, increasing

⁴⁶ Both at the same time as and following the purchase.

⁴⁷ In particular, following a surveyor's on-site inspection that identifies serious critical elements on properties that are damaged or exposed to extreme physical risks (e.g. active landslides, erosion, etc.).

⁴⁸ In compliance with the "Green bond and sustainable framework" of the BPER Group, in force at any given time.

the efficiency of premises, company fleet vehicles and logistics, in addition to good practices such as those for the selection of suppliers favouring short supply chains.

With the purpose of obtaining the overall improvement of the Group's positioning by delivering on the financed emission reduction targets, the BPER Group pursues, in particular, the financing of the following activities:

- the electrification of the company's fleet, through the acquisition of electric vehicles and/or the set up of charging stations for electric vehicles;
- Implementation and/or improvement of pallet pooling systems to streamline movement and logistics;
- integration and/or improvement of electricity consumption monitoring systems;
- efficiency enhancement, self-generation and purchase of energy from renewable sources.

Moreover, the Group is committed to supporting businesses that have a documented plan and/or a strategy for gradual transition to a low-carbon economy, in compliance with the targets of the Paris Agreement, by promoting greater use of renewable energy sources and projects with high positive environmental and/or social impact.

3.4.12. Water supply and waste treatment

The sectors of water supply and waste treatment are essential for the sustainable management of natural resources and the protection of the environment. Multi-utilities play a crucial role in this context, often operating in both types of activities. The BPER Group pursues the financing of innovation and improvement in these sectors, including through co-financing in public tenders and measures planned for this purpose (among which, the measures of the NRRP).

In order to set the premises for a significant progress of the capability to sustainably manage the wealth of water infrastructure based on the best technologies available and international best practices, and according to the principles and guidelines adopted by the European Union, the BPER Group applies Positive Screening principles on counterparties that apply for loans aimed at, or linked to ESG covenants associated with:

- interventions aimed at reducing losses in drinking water networks;
- increase of water systems' resilience to climate change;
- enhanced digitalisation of networks for optimal management of water resources, reduction of waste and inefficiencies.

Waste management and disposal are among the activities with the highest impact on climate change, and are governed by the European Commission's "Waste Framework Directive"⁴⁹. The commitment of companies that operate in this sector plays a crucial role in the path towards a circular economy with lower emission intensity.

Traditional waste management methods produce high levels of GHG emissions during the processing and disposal stages. Over the last few years, several initiatives have been launched to innovate these management models in order to reduce the levels of GHG released in the atmosphere during the disposal process and to guide the process towards recycling and reusing waste, thus contributing not only to the reduction of global emissions but also to a lower exploitation of resources. The "circular economy" model is also an integral part of the transition path chartered by the European Green Deal towards a zero-emission economy, and involves both individuals and businesses, according to the general principles described in paragraph "3.2. ESG Credit Framework".

However, the sector still reveals some critical issues, with regard not only to environmental but also social and governance aspects, in particular in terms of the health and safety of workers and the affected communities, as well as the level of compliance of companies and their representatives with legal requirements. Therefore, in assessing the companies operating in the sector, specific focus should be placed on environmental, social and governance factors that could affect their financial solvency. For counterparties in the sector, the presence of a legality rating is a positive qualifying element.

In order to mitigate the overall level of ESG risk exposure and capture the market opportunities associated with the best performances ensured by the most innovative business models and the incentives made available by the Regulator, the BPER Group adopts Positive Screening principles for counterparties with a legality rating that apply for loans respectively aimed at supporting:

- research and technological innovation in new methods and technologies for recycling, reusing and disposing of waste;
- construction, refurbishment, optimisation and expansion of waste treatment facilities that use the most innovative techniques and the most technologically advanced systems reasonably available on the market (Best Available Techniques - BAT);
- advisory and support to companies on the disposal of corporate waste with innovative and efficient methods, and on waste management in view of recycling and reusing waste.

⁴⁹ Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste.

Moreover, the BPER Group positively assesses the presence of certifications concerning environmental management systems and the waste management quality of companies operating in the sector, or EMAS certifications for the relevant facilities, to ensure the continuous improvement of the counterparty in the disposal processes.

In consideration of the high levels of frequency and severity of the injuries suffered by workers of this sector every year, the BPER Group welcomes the presence of occupational health and safety certifications, such as ISO 45001 on Occupational Health and Safety Management Systems.

3.4.13. Third sector and financing of Projects with positive social impact

The Third Sector, as a backbone of Social Economy, plays a crucial role in pursuing general interest in a logic of subsidiarity with the public sector. In compliance with the “European Pillar for social rights”, it is recognised that *social economy organisations are able to create and retain quality jobs and contribute to social inclusion, integration of disadvantaged groups in the labour market and equal opportunities for everyone, in line with the framework for an inclusive recovery. Moreover, they can stimulate sustainable economic development and promote the active participation of citizens. They also contribute significantly to the European Union’s social protection systems, by integrating public services, revitalising rural and depopulated areas of the EU and playing an important role in international development policy.*

The meaning of Third Sector adopted by the BPER Group includes:

- the Third Sector understood in a strict sense according to Legislative Decree no. 117/2017 and to the rules of the Single National Register of the Third Sector (RUNTS);
- other organisations and non-profit entities performing activities of general or collective interest;
- amateur sports Associations and Clubs pursuant to Legislative Decree no. 36/2021 and 163/2022;
- religious and ecclesiastical organisations of religions recognised by the Italian State.

The BPER Group supports the development of the Third Sector through specific attention embodied in its commercial and credit targets, the offer of a dedicated value proposition and the promotion of institutional relations with representatives of the Third Sector.

For the assessment of these counterparties, the BPER Group avails itself of qualifying information including consideration of whether they:

- prepare a Social or Mission Report;
- are members of Associations registered with the specific section of the RUNTS;
- have obtained funds for projects in the context of tenders and other lines of action from philanthropic organisations or public Entities in the last three years;
- participate in public-private partnership projects with public Entities;
- measure the social impact generated by their activities.

The BPER Group also adopts Positive Screening criteria, including for counterparties not belonging to the Third Sector as identified above, in relation to loan applications for:

- projects corroborated by activities measuring the social impact generated;
- social projects that have been positively evaluated by philanthropic or public Entities in calls for proposals and other action lines;
- other projects with social objectives consistent with the *Green, Social and Sustainability Bond Framework*⁵⁰.

⁵⁰ *Green, Social and Sustainability Bond Framework* updated in May 2023 and published on the BPER Group website.

3.5. Monitoring

As part of its periodic management reporting framework, the BPER Group has defined a number of monitoring and control activities to verify and assess the trend of its exposure to ESG risks, as well as the broader composition of its portfolio and counterparties classified as higher risk within the sectors described in this Policy, in order to prevent the occurrence of situations that may have a critical impact on the BPER Group's operations, asset quality and/or reputation.



In order to ensure the sustainability of the Group's portfolio, the following factors are periodically monitored:




- specific KRIs and ESG limits set in the Risk Appetite Framework;
- performance of ESG indicators considered as critical when granting and managing credit, so as to assess the possible areas of intervention on specific clusters of customers (e.g. counterparties with "high ESG impact" belonging to high ESG impact sectors);
- performance of Group portfolio exposures to high ESG impact sectors;
- composition of the financed real estate portfolio with reference to the exposure to physical and/or transition risks (energy labelling);



As part of the process for the management and monitoring of counterparties, the BPER Group also adopts management and procedural controls aimed at detecting anomalies and timely classifying exposures, so as to promptly detect any deterioration that may lead to changes in the prospects for repayment by customers.




Annex




Summary of sector-specific policies



ID	Sector	ATECO	Icon	Summary
1	Coal	5; 8.92; 19 (excluding 19.2)		<p>Prohibition of financing of:</p> <ul style="list-style-type: none"> - companies operating in the sector; - projects for the construction or expansion of new coal mines; - projects for the purchase of businesses operating in the coal mining sector ; - projects for the transformation of hard coal into coke oven products; - projects related to activities associated with coal marketing/trading. <p>Selective assessment with compulsory due diligence for:</p> <ul style="list-style-type: none"> - credit lines aimed at or associated with the conversion/remediation of mining sites.
2	Electricity	35.1		<p>Positive Screening for counterparties with:</p> <ul style="list-style-type: none"> - transition plan targeting at least 55% of power generation from renewable energy sources by 2030; - at least 50% of their Turnover, CapEx or OpEx aligned with the EU Taxonomy. <p>Selective assessment in the absence of a plan or with thresholds below 55% of power generation from renewable energy sources by 2030:</p> <ul style="list-style-type: none"> - new finance: only if aligned with the EU Taxonomy; - no increase for general purpose facilities; - acquisition of covenants linked to the achievement of the 55% target of power generation from renewable energy sources or 30% GHG emission intensity reduction by 2030. <p>Prohibition of financing of:</p> <ul style="list-style-type: none"> - counterparties with >20% of power generated from coal and oil and lacking an alignment/transition plan aimed at achieving at least 55% of power generation from renewable energy sources by 2030; - projects for the construction or expansion of Coal Fired Power Plants.

ID	Sector	ATECO	Icon	Summary
3	Mining	7; 8 (excluding 8.92); 9.9		<p>Positive screening in the event of:</p> <ul style="list-style-type: none"> - compliance with the requirements covered by the industry's international best practices; - projects aimed at the promotion of technological innovation in the mining sector and pursuing circular economy, to strengthen the resilience and sustainability of the supply of critical and/or strategic raw materials. <p>Assessment with compulsory due diligence for:</p> <ul style="list-style-type: none"> - transactions for the construction or expansion, conversion or remediation of mining sites. <p>Prohibition of financing for projects or mining industries that:</p> <ul style="list-style-type: none"> - extract asbestos; - extract and trade rough diamonds from war zones or that have not been certified under the Kimberley Process certification scheme.
4	Oil & Gas	6.1; 6.2; 9 (excluding 9.9); 19.2; 35.2; 46.71; 47.3; 49.5		<p>Selective assessment for counterparties that:</p> <ul style="list-style-type: none"> - have adopted official transition and/or exit plans by 2040;- - have officially declared or undertaken commitments for transition and/or exit by 2040. <p>Or alternatively:</p> <ul style="list-style-type: none"> - general purpose facilities cannot be increased - loans can only be granted if backed by covenants associated with a 30% reduction in GHG emission intensity. <p>Prohibition of financing of:</p> <ul style="list-style-type: none"> - projects aimed at the development, construction and expansion of the following unconventional oil and gas extraction and exploration activities, including Tar Sands or Oil Sands and Onshore/Offshore Oil and Offshore Gas in the Arctic Region and the Area known as the "Amazon Sacred Headwaters"; - operations aimed at the exploration and extraction of new Oil & Gas fields; - new customers operating in the Oil & Gas sector, with plans for the exploration and extraction of new fields.
5	Defence (Weapons)	25.4; 30.30.02; 30.4;		<p>Negative screening: pursuant to Italian Law 220/2021, it is strictly forbidden to finance companies directly or indirectly involved in the construction, production, development, assembly, repair, preservation, use, storage, stockpiling, retention, promotion, sale, distribution, import, export, transfer or transportation of anti-personnel mines, cluster munitions and submunitions of any nature or composition, and any part thereof; as well as any technological research or activity that involves the manufacture, sale and transfer, on any basis, export, import and holding of cluster munitions and submunitions, of any nature or composition, or any part thereof.</p> <p>Furthermore, reference should be made to the "GROUP POLICY FOR THE REGULATION OF RELATIONSHIPS BETWEEN THE BPER GROUP COMPANIES AND DEFENCE OPERATORS, WEAPONS MANUFACTURERS AND DEALERS".</p>

ID	Sector	ATECO	Icon	Summary
6.1	Maritime transport - Shipping	30.1; 33.15; 38.31; 50; 52.22; 52.24.2		<p>Positive screening for projects of:</p> <ul style="list-style-type: none"> - hydrogen vessels or alternative fuel infrastructure; - electrification of ferries; - construction of power supply devices for ships at the quayside in ports; - installation of electrical control panels and transformers; - modifications to the operating software. - infrastructure projects to increase the use of alternative fuels - electrification of ports <p>Prohibition of financing of:</p> <ul style="list-style-type: none"> - counterparties who do not comply with the Paris Memorandum of Understanding on Port State Control; - vessels flying the flag of countries on the Black List of the Paris MoU on Port State Control in force at any given time; - projects for ship dismantling, if carried out in compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and the European legislation on ship dismantling; - operations related to oil tankers of over 200,000 tonnes deadweight. <p>Furthermore, possible financing limitations will be assessed in light of:</p> <ul style="list-style-type: none"> - carbon intensity indicators and/or international ratings (e.g. Carbon Intensity Indicator (CII) Rating of the vessel); - specific purpose of the loan (e.g. operations on crude oil tankers - or oil product tankers).
6.2	Land transport	49.3; 49.4; 52.24.4; 52.29; 53; 77.1		<p>Positive screening for projects aimed at:</p> <ul style="list-style-type: none"> - supporting the increase in car fleets and/or - purchasing cars, motorbikes or vehicles with GHG emissions below the emission thresholds in force at any given time as technical screening criteria for the substantive contribution made to the objectives of the EU Taxonomy. <p>Assessment based on the following elements:</p> <ul style="list-style-type: none"> - high levels of GHG emissions; - low energy efficiency; - composition of the company's vehicle fleet; - failure to respect labour rights and working conditions.

ID	Sector	ATECO	Icon	Summary
6.3	Infrastructure	42.1; 42.2; 42.9; 52.21		<p>In-depth assessment for projects:</p> <ul style="list-style-type: none"> - associated with the development of new infrastructure; - for the management or maintenance, recovery, reconstruction, requalification, modernisation or substitution of obsolete or damaged infrastructure; <p>In any case in compliance with the best practices and applicable regulations.</p>
7	Gambling	92 (Excluding 92.00.01)		<p>Prohibition of financing of:</p> <ul style="list-style-type: none"> - purchase, construction, development and expansion of gambling halls; - purchase and production of machines that promote gambling (e.g. slot machines); - development, dissemination, printed or digital publication and marketing for the promotion of gambling; - new customers who encourage and/or promote gambling.
8	Manufacturing	10; 11; 12; 13; 14; 15; 16; 17; 20; 21; 22; 23; 24; 25; 26; 27; 28; 29; 30 (excluding 30.1; 30.30.02 and 30.4); 32; 33.16; 33.17		<p>Positive screening for counterparties who:</p> <ul style="list-style-type: none"> - have at least 50% of Turnover, CapEx or OpEx aligned with the EU Taxonomy; - are subject to reporting requirements and have undertaken official commitments; - are not subject to reporting requirements with access to green / sustainable projects and/or services. <p>Positive screening for projects:</p> <ul style="list-style-type: none"> - aligned with the EU Taxonomy; - for the electrification of end-use consumption or energy efficiency improvement; - that support switching from fossil fuels to renewable fuels, such as hydrogen from non-fossil sources, bioenergies and synthetic fuels; - designed for the reduction / reuse of water or packaging; - related to the capture and storage of carbon dioxide; - that support circular economy; - that are ancillary to national or supranational initiatives supporting transition (e.g. NRRP, EIB, EIF) - capital light financing or third-party funds for green initiatives.

ID	Sector	ATECO	Icon	Summary
9	Agriculture, forestry and fishing	01; 02; 03		<p>Positive screening for counterparties who:</p> <ul style="list-style-type: none"> - adhere to industry standards, European or international certifications; - have Individual Insurance Plans in place; - are in partnership with associations or pursue high social interest projects. <p>Positive screening for projects:</p> <ul style="list-style-type: none"> - aligned with the EU Taxonomy and/or dedicated green products; - consistent with the Eco-schemes of the Common Agricultural Policy (CAP); - dedicated to the adaptation to climate change and emission reduction also financed through green or sustainable products. <p>Negative screening for counterparties who have been definitively convicted for:</p> <ul style="list-style-type: none"> - '<i>caporalato</i>' (illegal recruitment) under current national or international legislation; - undeclared work; - labour exploitation in agriculture; - wage realignment in the agricultural sector.
10	Real estate	41; 43; 68		<p>Positive screening for counterparties who:</p> <ul style="list-style-type: none"> - have at least 50% of their Turnover, CapEx or OpEx aligned with the EU Taxonomy; - adhere to industry standards, European or international certifications. <p>Positive screening for projects:</p> <ul style="list-style-type: none"> - aligned with the EU Taxonomy and/or dedicated green products; - dedicated to adaptation to climate change (mitigation of physical risk). - with a high impact on the territory that include social, senior and student housing, and integrated neighbourhood services throughout the country, particularly in disadvantaged areas. Assessment of possible financing limitations for properties in energy class "F" or "G" that are not subject to energy upgrading and/or energy efficiency measures, especially if particularly relevant physical risk elements emerge.
11	Wholesale and retail trade	46; 47		<p>Positive screening for counterparties who:</p> <ul style="list-style-type: none"> - have a documented plan and/or strategy for gradual transition to a low-carbon economy, in compliance with the targets of the Paris Agreement, by promoting greater use of renewable energy sources, and projects with a high positive environmental and/or social impact. <p>Positive screening for projects:</p> <ul style="list-style-type: none"> - to electrify the company fleet, through the acquisition of electric vehicles and/or the setup of charging stations for electric vehicles; - to implement and/or improve pallet pooling systems to streamline transportation and logistics;

ID	Sector	ATECO	Icon	Summary
				<ul style="list-style-type: none"> - to implement and/or improve electricity consumption monitoring systems; - to enhance energy efficiency, self-generation and purchase of energy from renewable sources.
12	Water supply and waste treatment	36; 37; 38; 39		<p>Positive screening for counterparties with:</p> <ul style="list-style-type: none"> - certifications of their quality management systems, which guarantee their continuous improvement in waste disposal processes; - certifications in occupational health and safety, such as ISO 45001 for OH&S (Occupational Health and Safety) Management Systems; - Legality Rating by AGCM (the Italian Competition Authority) which certifies high standards of legal and ethical reliability, as well as compliance with parameters aimed at preventing the possibility of infiltration by organised crime, corruption and other criminal activities, including environmental crimes. <p>Positive screening for projects legality rated counterparties in the area of:</p> <ul style="list-style-type: none"> - research and technological innovation concerning new methods and technologies for waste recycling, reuse and disposal; - construction, refurbishment, optimisation and expansion of waste treatment facilities that use the most innovative techniques and the most technologically advanced systems reasonably available on the market; - advisory and support to companies on the disposal of corporate waste with innovative and efficient methods, and on waste management in view of recycling and reusing waste.
13	Third sector	90; 93.1; 94 or listed in the National Single Register of the Third Sector (RUNTS) yes or listed in the National Register of Sports Activities (RASD) yes or Legal Status: Religious organisations; Foundations.		<p>Positive screening for projects:</p> <ul style="list-style-type: none"> - corroborated by activities measuring the social impact generated (or); - positively evaluated by philanthropic or public Entities in calls for proposals and other action lines; - other projects featuring social objectives consistent with the Green, Social and Sustainability Bond Framework (updated in May 2023 and published on the BPER Group website).

