



**Environmental, Social and Governance
(ESG) Investment Policy
for the Management of the Group's
proprietary portfolio**

Modena, 15/12/22

Version for disclosure outside the Banking Group

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1 General aspects

Sustainability risks, in particular the risk of climate change, can adversely affect the soundness of individual intermediaries and the stability of the financial system.

The Parent Company considers the impact of these risks in its analysis and investment strategy. As an investor, it defines its approach to sustainable finance by setting the principles that guide the financial portfolio of the BPER Group (hereinafter also the 'Group') in its investment activities.

The Group considers it appropriate to incorporate environmental, social and governance (ESG) principles into its investments and management standards.

To pursue these objectives, the Group develops and adopts an approach aimed at identifying and assessing potential ESG risks arising from loans to and investments in companies operating in controversial sectors, with a low ESG rating, involved in serious events that have resulted, or may result, in negative environmental, social or governance-related impacts.

The purpose of this Policy is, therefore, to define the general principles and guidelines for investment activities carried out on behalf of the BPER Group, with the assessment of ESG factors forming part of the decision-making process.

In particular, these 'guidelines' (including climate and environmental risks) aim to:

- raise awareness and encourage the application of responsible lending and investment principles and processes within the Group;
- reduce risks and indirect impacts associated with core business activities managed by the Group;
- avoid engaging in activities and investments that are inconsistent with the ethics and integrity at the core of the Group's business;
- mitigate the impact that climate and environmental risks may have on the Parent Company's soundness and solvency;
- define the level of appetite for environmental, social and governance risks;
- provide a framework for analysing exposures to climate and environmental risks, so as to enable the body that has the function of strategic supervision and Board-internal committees to make decisions.

This policy applies to the proprietary portfolios of the BPER Group (including its subsidiaries).

This version is an abstract intended for disclosure outside the Banking Group and is consistent with the Banking Group's internal version, its operational implementations excepted.

Addressees of the document

Italian and abroad banks and Group's financial companies.

2 Definitions

The 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 incorporates the 17 Sustainable Development Goals, SDGs. The Sustainable Development Goals were officially launched at the beginning of 2016, as a tool to guide the world along the path it is expected to follow in the next 15 years: member countries undertook to achieve the goals by 2030.

Climate & Environmental Risk: refers to the risk associated with the possibility that climate change and environmental degradation may give rise to structural changes affecting economic activities and, consequently, the financial system. Climate risk is divided into two categories: physical risk and transition risk; in the Risk Map, the ESG component is not a risk vertical in its own right, but a factor affecting existing risk verticals.

Transition risk: the financial loss that an institution may directly or indirectly incur as a result of the process of adjusting to a low-carbon and more environmentally sustainable economy.

Physical risk: the financial impact of climate change, including: i) more frequent extreme weather events and gradual climate change, ii) environmental degradation, i.e., air, water and soil pollution, water stress, biodiversity loss and deforestation.

The United Nations Global Compact: the largest strategic corporate citizenship initiative in the world. It was founded with the aim of promoting a sustainable global economy, i.e. respectful of human and labour rights, environmental protection and the fight against corruption. It is a voluntary initiative calling on companies to commit to a set of principles that promote long-term sustainability values through political action, company practices, social and civil behaviours that are responsible and take account of future generations; it is also a commitment, signed with the United Nations by the top managers of the participating companies, to contribute to a new phase of globalisation characterised by sustainability, international cooperation and partnership from a multi-stakeholder perspective.

NZBA (Net Zero Banking Alliance): the initiative promoted by the United Nations to accelerate the sustainable transition of the banking sector through the commitment of member banks to align their portfolios, loans and investments with the achievement of the net-zero emissions target by 2050.

PRB (Principles for Responsible Banking): 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.

TCFD (Task force on Climate related Financial Disclosure): is understood as the 11 recommendations published by the Financial Stability Board (FSB) to help the private sector disclose consistent information to their investors, lenders and insurers about the risks and opportunities presented by climate change.

3 Content of regulatory sources

The European System of Central Banks (ESCB), of which the Bank of Italy is a member, supports the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union, without prejudice to the objective of price stability (Article 127 of the Treaty on the Functioning of the European Union). Union policy on the environment shall contribute to the pursuit of the following objectives: 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 change (article 191).

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

For the international agreements and initiatives on which this Policy is based, please refer to sections **3.1.1 and 3.1.2 of the ESG Policy**.

Guide on climate-related and environmental risks

The Guide describes how the European Central Bank 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. According to the ECB, institutions should consider climate-related and environmental risks when formulating and implementing their business strategy and governance and risk management frameworks and should become more transparent by enhancing their climate-related and environmental disclosures.

Network for Greening the Financial System (NGFS)

The NGFS brings together central banks and supervisors, willing, on a voluntary basis, to share best practices and support the transition of the financial system toward a sustainable economy

Regulations and Conventions on Armaments and Non-Proliferation of Unconventional Weapons

- i. Nuclear Non-Proliferation Treaty,
- ii. Biological Weapons Convention,
- iii. Chemical Weapons Convention,
- iv. Anti-Personnel Mine Ban Convention
- v. Convention on Cluster Munitions,
- vi. Protocols I, III and IV of the Convention on Certain Conventional Weapons, concerning, respectively, weapons designed to injure by fragments which are not detectable in the body by X-rays, incendiary weapons and blinding lasers,
- vii. Law 185/1990 'New regulations on controlling the export, import and transit of military goods'.

Climate and environmental risks include physical risk and transition risk. The former refers to the economic-financial impact of climate change and extreme weather/environmental events, while the latter refers to the economic-financial loss caused by the adjustment process towards a low-carbon and more environmentally sustainable economy.

The BPER Group believes that fair, transparent and responsible behaviour enhances and protects reputation, trust and consensus in the long run. These aspects are a prerequisite for sustainable business development, aimed at creating and protecting value for all stakeholders.

The BPER Group shares and promotes ESG practices in its activities, seeking to implement sustainable business and management strategies.

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

Assessment of ESG parameters

In compliance with the mandatory requirements, ESG parameters are assessed as part of the investment process.

Depending on the activity, the assessment process may also be supported by external research.

The BPER Group values sustainability in the management of its financial investments.

The BPER Group changed its method of managing its financial investments, by giving greater weight to the factors that favour sustainable growth, attentive to society and the environment. The resources allocated to investments in companies with the best social, environmental and governance practices will, therefore, increase (the ESG factors, acronym of Environmental, Social and Governance).

This decision is dictated by the goal of enhancing the value of corporate social responsibility and improving the management of financial and reputational risk. Multiple initiatives have been implemented at a global, European and national level. Among these, the 2030 Agenda for Sustainable Development (the Sustainable Development Goals, SDG) of the United Nations, the Paris Agreement (COP21) on climate change and the "Action Plan on Sustainable Finance" of the European Commission. Several national central banks have also launched initiatives to incorporate ESG criteria into the parameters used to manage their investments through different approaches, including: the adoption of the UN corporate sustainability principles (UN Global Compact), investment in "green bonds" or securities issued by Development Banks, use of external fund managers that are signatories of the UN Principles for Responsible Investment (UN PRI).

In this context, the BPER Group pledges to contribute, firstly, to a sustainable economic development by giving priority, in its investment choices and in the management of its financial portfolio, to businesses that adopt virtuous practices focused on the use of environmentally friendly production methods, on the guarantee of inclusive working conditions that are respectful of human rights and on the implementation of the best corporate governance standards. Inappropriate business conduct can generate costs and risks not only for the individual businesses, but for the whole economic system, impacting financial stability and economic growth, sometimes even in the short term. Conversely, as confirmed by extensive literature and empirical studies, businesses that are attentive to ESG factors are usually less exposed to operational, legal and reputational risks and are more oriented towards innovation and efficiency in allocating their resources; for this reason, they are considered to be more interesting by investors and benefit from a lower capital cost.

In light of the above, the BPER Group has introduced criteria aimed at implementing the ESG dimension in its investment policies on the financial markets, combining them with the principles of diversification, market neutrality and prudence, which guide its investment choices.

4 BPER guiding principles

These rules were drawn up in accordance with the corporate strategy and values which the Group is inspired by, and represent the programmatic tool used to encourage the spread of the ESG culture and the incorporation of the guiding principles (described below) into the value chain through the definition of an *ESG Proposition*.

This document contributes to reinforcing and implementing the values of responsibility, loyalty and substantiality in the respect for persons, the environment and society as a whole, as already specified in the

Code of Ethics and the Internal Governance Code that applies to representatives, employees, external partners and financial consultants of the Group.

Specifically, the Policy describes the BPER Group's five ESG guiding principles:

1. integrity and transparency,
2. development of society,
3. fair business practices and customer protection,
4. protection of workers, diversity and equal opportunities,
5. Integration of sustainability into the creation of value and environmental protection

Reported in detail below are the 5 guiding principles of the BPER Group.

Integrity and transparency

The BPER Group and its stakeholders consider integrity to be of fundamental importance in corporate behaviour; the BPER Group undertakes to carry out its activities in accordance with the highest ethical standards and will not tolerate active or passive acts of corruption. The Group operates in compliance with all applicable laws and regulations. The main companies of the BPER Group have an organisation, management and control model and procedures designed to prevent the perpetration of crimes and offences in their operations. Specific training is guaranteed to all the Group employees in order to raise awareness of the culture of legality and prevent fraudulent behaviour or episodes of corruption or money-laundering. Procedures are also in place for the internal reporting of actual or alleged unlawful actions or breaches of laws and standards to the relevant company bodies.

Development of society

For the BPER Group, supporting the development of society means focusing its commitment on the main goal of improving the quality of life, proposing solutions for the protection, support and implementation of projects and acting as a partner of enterprises, institutions and communities with a view to supporting development and promoting well-being.

It also means offering support to the local community, in partnership with the other social players, to experiment with and consolidate innovation with high social and environmental value.

The BPER Group undertakes to be the driver of sustainable growth to promote a development model that encourages collective, widespread well-being.

Honest business practices and customer protection

The BPER Group bases its success on the relationship of trust it has established with its customers, characterised as it is by fairness, transparency and the desire to propose the best solutions to customers for their requirements and development. In the company's philosophy, the customer is first and foremost a person with their own projects and difficult situations. The process is based on a bond of trust that goes beyond the mere regulations governing the relationship between the Parent Company and its customers. Dialogue and listening are at the basis of the relationship that the Group's companies wish to instil with people to support them in a path of sustainable growth.

Protection of workers, diversity and equal opportunities

The BPER Group considers people to be at the centre of its business project: in addition to the mandatory respect for human rights and equal dignity, the Group promotes values of fairness and objectivity and undertakes to protect the maximum expression of the potential of the individual as an element of distinctiveness. Great attention has always been paid to Human Resources. The focus is placed in particular

on the implementation of career paths aimed at enhancing the value and development of professional and personal skills. Employees are a crucial resource for the growth of the Group as they are the first to bear witness to its values, providing customers with excellent services and products and maintaining relationships of mutual trust.

The BPER Group recognises the value of diversity in terms of gender, age, persons with disabilities, state of health, ethnicity, sexual orientation or identity and political ideology, as a key resource for innovation, productivity and growth of the organisation and the country. Special attention is paid to aspects linked to gender diversity with the commitment to ensure equal opportunities and treatment to all employees in order to encourage the full and effective participation of women at all levels of company activity, promoting excellence.

Integration of sustainability into the creation of value and environmental protection

The BPER Group pays attention to the protection of the environment as a primary resource for the well-being of man and directs its choices so as to ensure compatibility between economic initiatives and environmental requirements in accordance with the law. The Group has identified the main environmental impacts around which to organise its commitment through suitable planning and the identification of specific goals. They are divided into direct and indirect environmental impacts.

With regard to direct impacts (a.k.a. direct transition), the Group promotes the efficient use of energy resources and the reduction of greenhouse gas emissions through the implementation of highly energy-efficient technologies and the promotion of renewable sources. With regard to the indirect impacts of its operations, i.e. in connection with financing or investment activities (a.k.a. indirect transition), the Group incorporates sustainability into the value chain and improves its processes and behaviour to reduce the environmental and social impacts associated thereto.

The objective is twofold: the Group intends, on the one hand, to mitigate connected risks; on the other, it wishes to seize any possible business opportunities.

The fight against climate change specifically involves new risks, but also offers important new opportunities to create shared value in the Group's footprint areas. For this reason, the BPER Group intends all the more to be a partner for its customers by providing solutions and expertise capable of supporting families and businesses in designing and implementing growth and improvement projects with a view to environmental and social sustainability.

General principles of investment sustainability

The Parent Company adopts the definition of sustainable development as a development model that meets the needs of present generations without compromising the ability of future generations to meet their own needs. The Parent Company adopts the concept of sustainable development in its broadest sense, which incorporates environmental, social and economic considerations. In its investment activities, the Parent Company pays special attention to ESG factors and positively evaluates companies that: (a) take into account the responsible use of natural resources and their impact on ecosystems; (b) maintain appropriate conditions of safety, health, fairness, equity and inclusion; and (c) generate income and employment in line with ethical principles and good corporate governance practices.