ESG Credit Policy

Date	**08/10/2024**

INDEX

1. Introduction

1.1 Objectives

Banca Popolare di Sondrio Group (hereafter also "the Group"), which has always been close to the territories where it operates, is committed to promoting sustainable economic development of the Community through attentive and personalized support to its clients.

In line with the requirements of the Supervisory Authority and in compliance with the core relevant regulations, the Group, has long been moving forward to the integration of climate and environmental risks (hereafter also "C&E risks") and, in general, environmental, social and governance factors (hereafter also "ESG factors," i.e., Environmental, Social and Governance) into its processes and related internal regulatory framework.

To this end, the Group has adopted this ESG Credit Policy (hereafter also "the Policy"), with the aim of identifying the approach and general principles the Group adopts in integrating C&E risks and ESG factors into its loan origination and monitoring activities.

As evidenced by the objectives defined in the Business Plan, the Group has identified specific lines of action in the sustainability area in order to pursue the integration of ESG factors into all major lending processes and procedures.

Therefore, this Policy aims to address the governance of C&E risks and ESG factors within the Group's lending activities by providing general principles and guidelines for integrating the assessment of these factors into the broader creditworthiness assessment framework, with a particular reference to:

- the promotion of the knowledge and application of these principles within the Group, contributing positively to the achievement of the strategic objectives set from time to time, including in terms of the composition of its loan portfolio;
- the reduction of risks and the mitigation of indirect impacts associated with the activities managed by the Group;
- the exclusion of the Group's involvement in activities inconsistent with the principles of ethics and integrity that form the foundation of the Group’s way of operating and acting for the benefit of the Community.

1.2 Application Scope

The Policy applies to all companies of the Group, taking into account the applicable regulations and the specifics of the business activities operated by each of the companies.

The Policy implementation and updates are the responsibility of the Parent Company, which provides the necessary guidelines to ensure the Policy dissemination, Group Companies’ disclosure and compliance with the Policy, supervising its implementation.

The contents of this document, as well as any subsequent amendments to it, shall be implemented by the Subsidiaries through a resolution of their Board of Directors.

2. Definitions and Acronyms

Paris Agreement on Climate Change (2015)	The Paris Agreement sets the long-term goal of avoiding dangerous consequences of climate change by limiting global warming well below 2ºC and pursuing the efforts to limit it to 1.5ºC. Besides, it also aims to strengthen the capacity of the Signatory Countries (195) to address the impacts of the climate change and support them in their attempts. The Paris Agreement is the first universal and legally binding agreement on climate change, adopted at the Paris Climate Conference (COP21) in December 2015.
ATECO	Type of a classification of economic activities adopted by the Italian National Institute of Statistics (ISTAT) as part of national economic statistics surveys.
***Negative screening* criteria**	Criteria on the basis of which counterparties and/or transactions are negatively targeted, guiding loan origination through exit strategies and/or exclusion criteria, with the aim of mitigating impacts arising from ESG factors to which they are exposed.
***Build out* criteria**	Criteria on the basis of which counterparties to which *negative screening* criteria should be applied are positively evaluated by virtue of the individual transaction's contribution to the mitigation of impacts arising from ESG factors to which they are exposed and to the exit from controversial activities.
***Positive screening* criteria**	Criteria on the basis of which counterparties and/or transactions are positively evaluated if they present favorable elements in terms of mitigating impacts from ESG factors to which they are exposed (e.g., presence of an official transition plan).
Corporate Sustainability Reporting Directive (CSRD)	The European Directive 2022/2464 of December 14, 2022 amending corporate sustainability reporting requirements, as implemented by Member States.
ESG data	Quantitative and qualitative information collected by the Group through: • direct interactions with counterparties; • the definition of proxies and adoption of proprietary methodologies; • the analysis of public and certified sources (financial statements and sustainability reporting); • the recourse to external info-providers.
GHG emissions	Emissions of gases in the atmosphere that cause the phenomenon known as the *greenhouse gases*. They allow solar radiation to reach the Earth but retain, to a substantial degree, the infrared radiation emitted by the planet. The increasing amount of the greenhouse gases produced by humans is, according to the scientific community, the cause of the current phenomenon of global warming. The key greenhouse gases are CO2, CH4, N2O and fluorinated gases such as CFCs.

ESG Risk Factors	Negative materializations of ESG factors, assessed from the "double materiality" perspective, according to which the Bank may simultaneously be subject to the negative impact of ESG factors ("*outside-in*" perspective - financial materiality) and have, itself or through the economic and financial activities of its counterparties or investments, a negative impact on ESG factors ("*inside-out*" perspective).
ESG factors	Environmental, social, or governance elements that can have a positive or negative impact on the financial performance or solvency of an institution, a sovereign entity, or an individual.
Sustainable finance	Finance that supports economic growth while reducing pressures on the environment by taking into account social and governance aspects, as defined in the *Action Plan for sustainable growth*, published in 2018 by the European Commission. The Plan contains the recommendations of the *High-Level Expert Group on Sustainable Finance* on strategies and measures to be taken in order to build an economically, socially and environmentally sustainable financial system.
Fit for 55	Set of proposals aimed to review and update EU regulations and implement new initiatives to ensure that EU policies are in line with the climate goals agreed by the Council and the European Parliament. Particularly, the achievement of climate neutrality by 2050 and the interim 2030 emissions reduction target of 55 percent (compared to 1990 levels).
ISIC	International System of Classification of Economic Activities, developed by the United Nations Statistical Division. It is used as the basis for NACE and ATECO classifications.
OECD Guidelines for Multinational Enterprises	Recommendations made by the Signatory Countries of the OECD's "Declaration on International Investment and Multinational Enterprises" of June 27, 2000 to multinational enterprises. The document contains non-binding principles and standards for Responsible Business Conduct in a global context in compliance with applicable laws and internationally recognized standards.
NACE	A type of a classification, by means of a four-digit code, of economic/industrial activities in states that are part of the European Union.
Net Zero Banking Alliance (NZBA)	UN-sponsored initiative that aims to accelerate the sustainable transition of the international banking sector to achieve net-zero emissions by 2050.
ESG Questionnaire	Questionnaire to be addressed to a client to collect information, quantitative and qualitative in nature, regarding activities to integrate ESG factors into its business and operations.
Climate and Environmental Risk	Risk related to the possibility that climate change and environmental degradation will give rise to structural changes affecting economic activity and, consequently, the financial system.
Physical risk	Type of risk related to adverse climatic and environmental events, such as droughts, landslides, or floods, which could negatively

	impact a counterparty, for example by generating adverse effects on creditworthiness and/or the value of a real estate collateral.
Risk of liability	Type of risk related to the possibility of counterparties suffering adverse effects (financial, reputational, etc.) due to their direct responsibility in actions that may negatively impact ESG factors.
Transition risk	Type of environmental risk related to the possibility that, for the counterparty, a transition to a low greenhouse gas-emitting and more environmentally sustainable economy may be necessary.
Sustainable development	Development that can ensure that the needs of the present generation are met without compromising the ability of future generations to realize their own.
ESG Topics	Acronym for Environmental, Social and Governance, or the set of issues that take into consideration environmental, social and good governance aspects.
UNEP FI Principles for Responsible Banking (PRB) (2019)	Programme developed through an innovative partnership between banks worldwide and the *United Nations Environment Programme - Finance Initiative*, which aims to promote interventions to foster the development of a sustainable banking sector, aligning it with the goals of the Agenda 2030 of the United Nations and of the Paris Agreement on Climate Change 2015.
United Nations Global Compact (2000)	Initiative launched in 2000 with the intention to engage the business community and non-governmental organizations in coping with major humanity's challenges in order to provide additional impetus for achieving the millennium development goals. The *Global Compact* encourages enterprises worldwide to create an economic, social and environmental framework aimed at promoting a healthy and sustainable global economy, ensuring that everyone has the opportunity to benefit from it. To this end, the Global Compact requires companies and organizations, which adhere to it, to share, support and enforce within their sphere of influence a set of core principles related to human rights, labor standards, environmental protection and anti-corruption.
United Nations Sustainable Development Goals - SDGs (2015)	UNDP (*United Nations Development Programme*) global initiative to eliminate poverty, protect ecosystem balances, build inclusive societies and promote peace. It consists of 17 goals (SDGs) and 169 specific targets.

3. Regulatory Framework

The Policy is aligned with the leading principles of sustainable finance, outlined at the European Union and national levels by regulations and guidelines, including:

- *Testo Unico in materia di intermediazione finanziaria (D. Lgs. 24 febbraio 1998, n. 58)*, also known as Testo Unico della Finanza (TUF), is the main regulatory source in Italy on finance, financial intermediation and the provision of investment services. The TUF consists of six parts: General Provisions, Intermediaries Regulations, Markets Regulations, Issuers Regulations, Sanctions, Transitional and Final Provisions;
- *Guidelines on loan origination and monitoring (Guidelines on loan origination and monitoring - LOM - 2020) of the European Banking Authority*, which specify governance arrangements and credit and counterparty risk safeguards related to the *loan origination* and monitoring process, including the issue of ESG policies, providing precise guidance on their proper application in lending;
- *Guide on climate-related and environmental risks (2020) of the European Central Bank*, sets out the ECB's view on the safe and prudent management of climate and environmental risks within the existing prudential framework, describing its expectations on how institutions should take these risks (as determinants for pre-existing risk categories) into account when formulating and implementing business strategies, governance and risk management systems. Besides, it outlines how, according to the ECB, the institutions should increase their transparency by enhancing disclosure on climate and environmental issues;
- *Regulation (EU) 852/2020* on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (so-called Taxonomy). The Taxonomy is an EU universal classification system of economic activities that can be considered environmentally sustainable. It is designed as a tool to guide the choices of investors and enterprises towards economic growth free of negative impacts on the environment and, in particular, climate;
- *Regulation 2021/1119* or the *European Climate Act*, defines the binding target for the European Union to achieve climate neutrality by 2050 and setting the interim target of a 55 percent emissions reduction by 2030 (compared to the 1990 levels);
- *Good practices for climate-related and environmental risk management (2022) of the European Central Bank*, a compendium of good practices related to the management of climate and environmental risks by banks, demonstrating that rapid progress can be made in this area;
- EIB *eligibility excluded activities and excluded sectors list (2022)* of the European Investment Bank, a consolidated list of criteria for the exclusion from EIB financing, which applies to all operations, direct or intermediated.

The Policy is also inspired by international principles, initiatives and documents, such as:

- *United Nations Global Compact (2000)*, a voluntary initiative which introduces principles that promote long-term sustainability values through responsible policy actions, business practices, social and civil behavior;
- *Sustainable Development Goals (2015) of the United Nations*, defined by the Agenda 2030, representing 17 Sustainable Development Goals to be achieved by 2030, specified in 169 Targets and more than 240 indicators;
- *Paris Agreement on Climate Change (2015)*, reached as part of the 21st meeting of the Conference of the Parties (Cop 21), defines the goal of keeping global temperature rise below 2 degrees and, if possible, below 1.5 degrees compared to the pre-industrial levels;
- *Task Force on Climate-related Financial Disclosures Recommendations (2017)*, issued with the aim of addressing and measuring the risks generated by climate change to the stability of the global financial system;

- *Principles for Responsible Banking (*hereafter also "PRBs"*) (2019)*, established by the UNEP Finance Initiative, are six open-ended commitments that propose to integrate social and environmental issues into the banking sector, incentivizing banks to set sustainable development goals and promoting the measurement of the impacts of banking activities on people and the planet. They fit into the political-institutional framework outlined by the Paris Agreement *on Climate Change (2015)* and the Agenda 2030 for Sustainable Development;
- *Net-Zero Banking Alliance* (hereafter also "NZBA"), the initiative promoted by the United Nations with the goal of accelerating the sustainable transition of major international banking institutions committed to aligning their credit and investment portfolios with the net-zero emission target by 2050, in line with the targets set by the Paris Agreement.

The main internal regulations[1] related to this Policy include:

- Code of Ethics;
- Sustainability Policy;
- Environmental Policy;
- Armaments Production and Trade Financing Policy;
- Credit Process Guidelines;
- Regulation on the loan origination and monitoring process;
- Regulation on the definition and monitoring of credit policies;
- General Environmental Climate Risk Regulation.

4. ESG Framework

In line with the values that the Group is inspired by and with the objectives defined by the business strategy, the Policy embraces and recognizes the guidelines expressed in the Sustainability Policy.

The manifestation of this commitment is the path undertaken by the Group in integrating risks related to ESG factors into strategic mechanisms, risk management systems, and critical processes that characterize its business model, including loan origination and monitoring processes.

Specifically, the Parent Company has defined the ESG Framework for managing the impacts arising from ESG factors, in line with the objectives set forth in the Paris Agreement and the European Commission's Action Plan on Sustainable Finance, aiming to promote the “green” transition through the orientation of capital toward sustainable investments, also in line with the adherence to the Net-Zero Banking Alliance.

This framework, in line with the Regulator's guidance, aims to include in the lending process assessments of its credit counterparties' exposure to impacts arising from ESG factors, incorporating the principles of proportionality and graduality.

A key element of the ESG Framework is the Parent Company's proprietary model for assigning individual clients with a counterparty ESG score, which is used to measure the vulnerability of the counterparties to ESG risk factors, allowing the potential financial impacts associated with the counterparty's exposure to transitional, physical and ESG risks to be estimated prospectively through the assignment of a score associated with a risk class.

[1] References to internal regulations refer to the latest version in force.

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 integration of ESG considerations within its loan origination and monitoring processes is based on:

- the establishment of the Group ESG strategy, that includes mitigation initiatives applied to its lending activities to support the transition to an economy with low consumption of fossil fuels and, more generally, of non-renewable natural resources with a negative impact on the environment;
- the integration of ESG factors into the lending process, with particular reference to the use of a proprietary ESG scoring model, the development and updating of which is the responsibility of the CRO Area;
- the definition of ESG metrics, also through specific allocation criteria and sector strategies;
- the development and promotion of a culture to encourage protection from ESG risks and their prevention within the Group.

In accordance with the Group's values and commitments to integrate ESG factors into its business and operations, the Parent Company, also in line with the market *best practices* and regulatory developments, has identified a list of ESG-sensitive sectors:

- Coal;
- Oil & Gas;
- Electric energy;
- Manufacture and trade of weapons;
- Gambling;
- Tobacco;
- Mining sector (non-fossil);
- Agriculture;
- Real estate;
- Iron and steel;
- Aluminum;
- Cement;
- Transportation.

With the aim of enabling the ESG assessment of counterparties, the Group has adopted a three-tiered framework that considers, on the one hand, the ethical and integrity principles that form the foundation of its way of operating and acting and, on the other hand, the peculiarities of the context in which the counterparties operate.

Specifically, the following criteria were defined:

- General criteria, to be applied across all sectors and counterparties;
- Sectoral criteria, including *Positive Screening*, *Build out* or *Negative Screening* based on the sector the counterparties belong to and the characteristics of the counterparty;
- Operation Criteria, which includes *Positive Screening*, *Build out* or *Negative Screening* based on the ESG assessment of the operation, in particular, whether it is aligned with the criteria defined by the EU Taxonomy.

Consistent with the specifics of each counterparty and the degree of disclosure those must comply to, the Group considers the following sources of information in order to enable ESG evaluations:

- public information (including financial statements and sustainability reports, market communications, documentation available on websites);
- information acquired through external *info-providers*;
- ESG ratings issued by leading agencies;

- other specific data, collected as part of the ordinary client relationship and when evaluating the counterparty and the specific transaction (including via *due diligence*, where applicable).

4.1 General criteria

As established in the Code of Ethics, the Group conducts its business in accordance with the ethical principles of fairness, transparency, integrity and professionalism and the rules of conduct set forth in Article 21 of the TUF.

The Group is committed, through the adoption of the prevention and control measures deemed necessary, to ensure full and unconditional compliance with the laws and regulations in force in every geographic context and sphere of operation, at all decision-making and executive levels.

In particular, in compliance with Regulator's guidance and relevant national and international principles (e.g., United Nations Guiding Principles on Business and Human Rights - UNGPs), the Group does not finance activities that are contrary to its values or violate principles and regulations, exposing it to serious reputational risks.

Therefore, it excludes financing activities towards counterparties regarding which, during the initial credit evaluation phase or during a periodic re-evaluation, emerge one of the following circumstances:

- Sanctions related to significant violations and abuses of human rights as set forth in the Reg. (EU) 2020/1998, as subsequently amended and supplemented;
- Sanctions related to cyber-attacks towards the European Union or Member States, as established by the Reg. (EU) 2019/796, as subsequently amended and supplemented;
- Specific restrictive measures designed to combat terrorism in accordance with the Reg. (EC) 2580/2001, as subsequently amended and supplemented;
- operations in the area of controversial weapons, as defined in the Armaments Production and Trade Financing Policy;
- violation of fundamental labor rights, child and forced labor standards;
- activities/operations conducted at the expense of protected sites, in particular: UNESCO World Heritage Sites, wetlands covered by the Ramsar Convention, and biodiversity-sensitive areas.[2]

In addition, the Group, in the context of its lending activities and the related assessment of the counterparty's creditworthiness, takes into account, with a view on sustainability, any relevant elements which it is or should be aware of, including through publicly available sources of information, contrary to sound business practices and good corporate governance.

With reference to lending strategy and policy guidelines, the Group, using the aforementioned proprietary ESG Scoring for the purpose of determining a credit strategy, incorporates an initial *screening* at the counterparty level, allowing mitigation of exposure to risks arising from ESG factors.

The Group has also established the application of the decision-making body *escalation* processes in making credit and *pricing* decisions in relation to the sustainability profile of the counterparty, as well as conducting enhanced ESG assessments of the counterparties belonging to sensitive sectors, particularly, in order to support clients in their transition to a more sustainable business model.

In the context of the commitment to support the transition, the Group adopts *Positive screening* criteria towards counterparties that present:

[2] High Conservation Value Areas, Alliance for Zero Extinction sites or IUCN Category I-VI areas.

- official transition plans or commitments to GHG emission reductions in line with European targets (Fit for 55) or, in general, to the improvement of the emission profile with respect to their sector, adequately documented, including by means of a sustainability report;
- a sustainability report, including the report prepared on a voluntary basis, or a management report that includes the sustainability report prepared according to the main existing standards, considering the size parameters of the enterprise;
- specific investment projects that demonstrate the alignment with the EU Taxonomy, meeting the relevant requirements for substantial contribution to environmental objectives, respect of technical screening criteria, compliance with minimum safeguard clauses, and in the absence of significant harm to other environmental objectives;
- in sustainability reporting, balance sheet KPIs (Value of production/turnover, CAPEX and/or OPEX) aligned with the EU Taxonomy.

4.2 Sectoral and Operation criteria

The Group acts consistently with the need to reduce greenhouse gas emissions and to support the market towards a transition to sustainable finance.

The criteria outlined in this section are applied, according to the aforementioned principles of proportionality and graduality, to counterparties individually, taking into account the activities carried out by these entities, as well as the overall exposure at the group level.

In order to provide specific guidelines for counterparties operating in the sectors particularly exposed to the impacts deriving from ESG factors, sectoral and operation evaluation criteria have been defined to promote:

- the preservation of natural resources and the environment;
- the health and safety of workers and respect for human rights;
- the publication of official transition plans or commitments by the company to reduce GHG emissions in line with European targets (Fit for 55) or, in general, to improve its emission profile compared to its sector, adequately documented, including by means of the sustainability report.

The identification of high-impact sectors from an ESG perspective was based on general considerations as well as following portfolio analysis.

In this context, the Group has identified sector and operation criteria for the following sectors:

- Coal;
- Oil & Gas;
- Electric energy;
- Manufacture and trade of weapons;
- Gambling;
- Tobacco;
- Mining sector (non-fossil).

It should be noted that the Policy also applies to sectors in which the Group does not show significant exposures, but for which, considering the high exposure to transition risk and the impacts in terms of climate-environmental and social profile, it is deemed appropriate to specifically outline the criteria to be adopted in the clients evaluation.

The details are provided below:

Coal	*The sector is among the priority sectors according to the NZBA, based on proven climate and environmental impact assessments shared by the scientific community. The Group recognizes the key role of the*

	financial sector in promoting the transition process by setting quantitative targets for the reduction of financed emissions and supporting clients in converting their operations to less emissions-intensive activities, promoting the phasing out of fossil fuels. ***Build out*** *The Group analyzes financing requests aimed at the reconversion and/or remediation of mining sites.* ***Negative screening*** *The Group undertakes not to finance coal (excluding peat), anthracite and lignite mining activities and, in particular, projects aimed at the construction of new mines and/or expansion of existing mines.*
Oil & Gas	*The sector is among the priority sectors according to the NZBA, based on proven climate and environmental impact assessments shared by the scientific community. The Group recognizes the key role of the financial sector in promoting the transition process by setting quantitative targets for the reduction of financed emissions and supporting clients in converting their operations to less emissions-intensive activities, promoting the phasing out of fossil fuels.* ***Positive screening*** *The Group is committed to accompanying and supporting its clients on the transition path, providing a selective approach based on the application of Positive screening criteria in respect to the counterparties with official plans and/or commitments to phase out of the fossil fuels use.* ***Negative screening*** *The Group does not provide financing designed to support fossil fuel extraction projects and, in particular, is committed to not financing projects aimed at extracting crude oil and natural gas.* *It also excludes the financing of projects aimed, not only at extraction, but also at exploration, construction, and expansion of deposits of:* • *unconventional crude oil and natural gas;* • *tar sands;* • *crude oil located in the Arctic Region.*
Electric energy	*The sector is among the priority sectors according to the NZBA, based on proven climate and environmental impact assessments shared by the scientific community. The Group recognizes the key role of the financial sector in promoting the transition process by setting quantitative targets for the reduction of financed emissions and supporting clients in converting their operations to less emissions-intensive activities, promoting the phasing out of fossil fuels.* ***Positive screening*** *As an attestation of the counterparts' commitment to implementing a transition pathway, the elements of Positive screening include the analysis of:* • *official statements and/or commitments[3] to expand the share of*

[3] Where available, including by means of non-financial disclosures and the sustainability report.

	electricity generation from renewable sources; • *official statements and/or commitments to phasing out fossil fuel power generation (on official websites or, if available, in the sustainability report);* • *electricity production from renewable sources for a majority share, in line with the national goals defined and promoted by the Integrated National Energy and Climate Plan in force.* ***Build out*** *In line with its goals and commitments, the Group supports its clients on the path of gradually reducing the use of fossil fuels for energy production in favor of alternative sources.* *This reflects the Group's efforts in expanding its commercial offerings through dedicated products that encourage and support clients to adopt sustainable energy policies.* *Consistent with its commitment to build out from fossil fuels, the Group is committed to not granting new financing for projects to build or expand fossil-fired power plants.* ***Negative screening*** *Negative screening criteria constitute evidence of significant shares of the fossil fuel power generation.* *For counterparties evidencing these characteristics, and in the absence of positive screening criteria, the Group provides only targeted financing or verifies the presence of official commitments made by the counterpart to undertake a transition path.*
Manufacture and trade of weapons	***Negative screening*** *The Group has adopted the Armaments Production and Trade Financing Policy, which is referred to in full for the regulation of the relationship with parties involved in the controversial and conventional arms sector.*
Gambling	***Negative screening*** *The Group, in order to take into account the economic and social impacts that gambling can cause, takes a careful and vigilant attitude toward counterparties and/or operations related to the industry, providing for intensified controls.*
Tobacco	***Negative screening*** *The Group, due to the controversial nature of the industry, both in terms of climate-environmental impact and harmful effects on human health, provides for intensified controls when financing counterparties engaged in the manufacture of tobacco or tobacco products.*
Mining sector (non-fossil)	***Positive screening*** *The European Authorities have recognized the importance of critical raw materials, specifically, of the raw materials necessary for industrial production in strategic sectors such as the transportation of the*

	electricity, renewable energy and digital development[4]. The Group, due to the importance of these materials in achieving ecological transition goals, provides positive screening criteria towards projects aimed at developing the sustainability of critical raw material procurement. ***Negative screening*** *Considering that companies in the sector operate in full compliance with applicable laws and observe any relevant national and/or international conventions for the sector, the Group, due to the controversial nature of the (non-fossil) extractive sector from an environmental point of view, applies intensified controls when analyzing financing requests.* *The Group, in line with its commitments, does not finance mining projects or companies that:* • *Carry out asbestos mining activities;* • *mine and/or trade in rough diamonds from war zones or that have not been certified in accordance with the Kimberley Process.[5]*

In addition to the sectors identified above, the Bank, in line with the adherence to the NZBA, recognizes the following sectors as having high climate-environmental impact:

- Agriculture;
- Real estate;
- Iron and steel;
- Aluminum;
- Cement;
- Transportation.

Regarding the financing of a counterparty and/or operations within the sectors mentioned above, the Bank evaluates the definition of specific strategies which aim to identify targets for the reduction of emissions and reserves the right to conduct in-depth ESG assessments, including *due diligence,* during the evaluation prior to loan origination.

Besides, regarding the financing of counterparties belonging to those sectors, the Group's commitment to support its clients in their transition to a more sustainable business includes the prioritization of:

- targeted loans which, by way of example, are aimed at financing projects related to transition, energy efficiency and/or mitigation of adverse effects resulting from extreme climate events;
- projects related to activities aligned with the EU Taxonomy;
- *green* products that are part of the Bank's commercial offerings.

[4] Regulation (EU) 2024/1252 - European Critical Raw Materials Act. The list of critical raw materials is periodically updated by the European Authorities.

[5] Kimberley Process Certification Scheme (KPCS) - 2003 UN National Assembly protocol to prevent the movement of diamonds from war zones.

5. Development of ESG credit products

In line with the aforementioned, the Group is actively developing and offering appropriate products to support its clients.

Expanding the business offering from an ESG perspective is key to:

- meet the needs of clients, who are increasingly attentive to the environmental and social impact of the products and services they acquire;
- support companies that invest in innovative business models, increasing their competitiveness in the market and anticipating, to a possible extent, European regulations to protect the environment and/or the community;
- boost its *ESG-related* credit portfolio, which is necessary for the issuance of sustainable finance instruments (such as *Green* or *Social Bonds*);
- increase the percentage of eco-sustainable assets within the Parent Company's balance sheet, represented by the so-called *Green Asset Ratio* required by the EU Taxonomy;
- facilitate the collection of ESG data related to our clients' investments, which are increasingly relevant from the perspective of financial and non-financial reporting (i.e., Sustainability *Report* and *Green Bond Report*).