ESG Policy

Group ESG Principles and Guidelines

February 2024

www.bancaifis.it

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1 Introduction

1.1. Document Objectives

This document sets out the Banca Ifis Group's sustainability guidelines, that have been drafted in line with the principles and values described in the Group Code of Ethics.

On the whole, this Policy aims to foster a culture of sustainability, to encourage responsible behaviour, and to add environmental, social and governance aspects to Group activities. By including these responsibilities, the Group aims to make a positive impact when creating value for all stakeholders, with a view to promoting sustainable success.

1.2. Version history

Version	Date	Brief description of changes	Companies affected by the changes
1	02/2024	First issue	All Group companies

1.3. Scope of Application

This policy applies and is released, as appropriate, to the following Parent Company and Subsidiary Company organisational units.

Scope of application	
☒ Banca Ifis S.p.A.	☒ Cap.Ital.Fin. S.p.A.
☒ Banca Credifarma S.p.A.	☒ Ifis NPL Investing S.p.A.
☒ Ifis Finance IFN SA	☒ Ifis NPL Servicing S.p.A.
☒ Ifis Finance Sp. z o.o.	☒ Ifis Rental Services S.r.l.
☐ Ifis NPL 2021-1 SPV S.r.l.	☒ Revalea S.p.A.
With regard to Banca Credifarma S.p.A., Ifis Finance IFN SA, Ifis Finance Sp. Z o.o, Cap.Ital.Fin. S.p.A., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A., Ifis Rental Services S.r.l., and Revalea S.p.A., section 5 'Adding sustainable themes to banking processes' and section 6 'Reporting & Disclosure' do not apply.	

The Parent Company Process Owners as identified below, with support – where required – from the respective Contact Points appointed for management and administration activities, have liaised with the following persons on behalf of the subsidiaries falling under the scope of application:

- the Process Owners for the corresponding business department (where this is not centralised);
- senior Subsidiary Company management figures, who, when implementing this Procedure, must confirm that there is nothing preventing its implementation.

1.4. Document Management

This Policy has been drafted and approved in accordance with the following process:

Parent Company				Subsidiaries
Drafting	Agreement	Approval	Circulation and Archiving	Implementation
Process Owner: Communications, Marketing, Public Affairs & Sustainability	Sustainability Committee Regulatory Coordinator: Organisation	Board of Directors	Organisation	Board of Directors

This document will be periodically updated to ensure that it is always in line with the Group's values, with best practice and with the context in which it operates.

This Policy has also been agreed with the Compliance department, which assessed whether it is in line with the applicable regulatory framework.

1.5. Definitions

For the purposes of this Policy, the following definitions apply:

ESG: This abbreviation stands for Environmental, Social and Governance. These are three areas of responsibility that the Group takes account of when it operates.

ESG Risk: ESG risk is the possibility that the Group may suffer current and/or future negative financial impacts from environmental, social and governance factors that directly or indirectly affect it, its counterparties or its invested assets. This risk encompasses a number of aspects. These include climate and environmental risks, social risks and governance risks, which may be reflected, through specific transmission channels, in the traditional risks that the Group faces, such as market risk, credit risk, liquidity risk, operational risk and reputational risk.

Non-Financial Report (NFR): This is a report prepared to comply with the requirements set out in Italian Legislative Decree 254/2016 'Implementing Directive 2014/95/EU of the European Parliament and of the Council of 22nd October 2014 amending Directive 2013/34/EU concerning the disclosure of non-financial and diversity information by certain large undertakings and groups'.

Task Force on Climate-related Financial Disclosures (TCFD): These are 11 recommendations published by the Financial Stability Board (FSB), to enable the private sector to voluntarily and reliably report on climate risks and opportunities.

1.6. Regulatory Framework

The list below sets out the relevant internal and external ESG regulatory framework which the Group considers when it carries out its activities and organises its banking operations.

1.6.1. Internal regulations

- **Code of Ethics:** the Group Code of Ethics provides the set of standards, values, rights, duties and responsibilities assumed and adopted in relation to all stakeholders that Banca Ifis Group companies establish relationships with. This Code of Ethics ensures that the Group can pursue its company objects.
- **Sensitive Sectors Policy**: this document describes the sectors that the Banca Ifis Group has decided not to operate in. They have been excluded because:
  - they are not compatible with the ethical principles and guidelines set out in the Group Code of Ethics;
  - they pose a high level of ESG risk.
- **Materiality Assessment Organisational Procedure:** this procedure describes the process to be used to periodically update the climate risk materiality assessment (physical risk and transition risk) which contains the complete list of very high risk sectors.
- **Lending Policy:** this document defines the principles and guidelines that the Banca Ifis Group intends to follow when lending to customers, ensuring that the Group's global exposure to individual counterparties is in line with the principles and guidelines set out in it.
- **Group Whistleblowing Policy:** this document describes the whistleblowing system available to Banca Ifis Group staff. The policy is one of the organisational instruments required by the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001.
- **Group Policy on Promoting Diversity and Inclusion:** this document identifies and formalises the diversity and inclusion principles that the Group uses to promote a culture that ensures that all of its employees and contract workers are treated without direct or indirect discrimination, whether explicit or otherwise, based on race, colour, gender, sexual identity and orientation, language, religion, belief and political or other opinion, national or social origin, birth, wealth, age or any other personal condition, element or characteristic.

1.6.2. External regulatory framework

The principal regulatory framework is as follows:

- **UN Charter:** Universal Declaration of Human Rights approved by the United Nations General Assembly on 10th December 1948;
- **2030 Agenda for Sustainable Development:** The 2030 Agenda is a plan of action for people, planet and prosperity signed in 2015 by the governments of the 193 Member States of the UN. The agenda includes 17 sustainable development goals (SDGs) concerning all aspects of sustainable development, from poverty and hunger to health and education, from clean energy and social equality to the climate and biodiversity.
- **Task Force on Climate-related Financial Disclosures (TCFD) Recommendations:** In 2017, the TCFD published 11 recommendations with the aim of guiding the private sector to voluntarily and reliably report on climate risks and opportunities.
- **Net Zero Banking Alliance (NZBA):** The Net Zero Banking Alliance is an alliance of global banks that have committed to financing the transition to net zero by 2050. The NZBA's goal is to align banks' loan and investment portfolios with the goals of the Paris Agreement, which aims to limit global warming to 1.5 degrees Celsius above pre-industrial levels.
- **European Banking Authority (EBA) Guidelines on loan origination and monitoring (2020):** The EBA's Guidelines on loan origination and monitoring (2020) are a set of guidelines that set out the requirements for lending and loan monitoring by banks within the EU. The guidelines aim to ensure that banks lend responsibly and that loans are monitored effectively so as to reduce the risk of insolvency.
- **UN Global Compact:** The UN Global Compact is a strategic initiative that invites businesses around the world to take action to promote sustainable development. The initiative is based on ten universal principles concerning human rights, workers, the environment and the fight against corruption.
- **Italian Legislative Decree 254/2016**: this Decree transposes Directive 2014/95/EU into Italian law, amending Directive 2013/34/EU on the disclosure of non-financial and diversity information by certain large undertakings and groups.

This legislation introduced into Italian law the obligation for companies or large groups and public-interest entities to report on environmental, social, personnel, human rights, and active and passive corruption topics that are material to each business in light of its activities and characteristics.

- **Bank of Italy's Supervisory expectations on climate-related and environmental risks ('the Expectations')**: On 8th April 2022, the Bank of Italy published its first set of supervisory expectations placed on supervised intermediaries so they add information on climate and environmental risks to business strategies, to risk management, control and governance systems, and to market disclosures.
- **Climate and environmental risks. Bank of Italy's main evidence from investigations carried out on a sample of non-banking financial intermediaries:** the Bank of Italy (BoI) published a communication on 29th December 2022 concerning a sample of non-banking intermediaries. In this document, the BoI asked intermediaries to prepare an Action Plan to fully align themselves with the Expectations referred to above.
- **Directive (EU) 2464/2022 (Corporate Sustainability Reporting Directive – CSRD):** this directive amends Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. The Directive aims to ensure that entities provide adequate and uniform public information on sustainability risks. The CSRD replaces the term 'non-financial reporting', used in pre-existing regulations (Non-Financial Reporting Directive – NFRD, as above), with 'sustainability reporting'.
- **Regulation (EU) 852/2020, as amended** (European Taxonomy of Sustainable Economic Activity) on the establishment of a framework to facilitate sustainable investment.

2 Sustainability Governance

The Parent Company has a decentralised sustainability governance structure. When asked by the President, the Board of Directors and the Sustainability Committee, the Communications, Marketing, Public Affairs & Sustainability department will manage ESG activities and will coordinate the other affected departments to perform specific activities under this remit.

2.1. President of the Board of Directors

The President of the Board of Directors will promote a culture of corporate social responsibility and ethical and sustainable development for the Bank and the Group in the long term and will oversee the realisation of social, philanthropic, welfare and cultural initiatives by the Bank and the Group.

2.2. Honorary President

The Honorary President's duties are set out in the Articles of Association.

The Honorary President is the custodian of the Group's founding values, taking account of the Group's characteristics and the familial nature of the Bank's long-term controlling shareholder (concerning, for example, culture and social responsibility, sustainable development and digital, innovation).

2.3. Vice President

The Vice President's duties are set out in the Articles of Association and in internal regulations in force from time to time. In addition, he or she will carry out additional duties attributed to him or her as a member of Board committees and as a senior manager within the Parent Company. The Vice President, inter alia, helps the Bank to develop sustainability projects, in all interpretations of the phrase, and projects in other areas under his or her jurisdiction. He or she will identify rules and standards, and will liaise with the President on all communications concerning the Board of Directors, where these are presented as Vice President's Communications.

2.3. Board of Directors

The Board of Directors has strategic oversight over the Bank's operations and is responsible for establishing strategic directives and constantly monitoring their implementation to ensure sound and prudent management. When developing strategies for the entire Group, the Board will take account of the Group's sustainability goals and integrate ESG factors into its business decisions.

2.4. Sustainability Committee

The Sustainability Committee is a managerial committee headed by the President of the Board of Directors. It helps the Board of Directors to define and assess sustainability guidelines, ensuring that initiatives and actions with ESG impacts are safeguarded, and it will assess, manage and mitigate material sustainability risks posed to the Group.

2.5. Communications, Marketing, Public Affairs & Sustainability

The Communications, Marketing, Public Affairs & Sustainability department is responsible for managing ESG activities within the Parent Company and within the subsidiaries. This department coordinates the other departments involved in these activities. The department's Brand, Corporate Communication and Sustainability OU has a Sustainability Manager, who will coordinate the implementation of activities that make up the Group's sustainability strategy.

2.6. Sustainability Ambassador

The role of Sustainability Ambassador is to promote sustainability initiatives within the organisation. He or she will have operational oversight over the transformation of business practices in terms of sustainability. Each Division can appoint a Sustainability Ambassador.

The duties and functions of the bodies/roles shown above are described in detail and governed by the relevant internal regulations.

3 Sustainability commitments

The Group promotes the integration of sustainability considerations into its business model. We believe it is fundamental to creating value in the long term for all stakeholders.

In line with this vision, the Parent Company aims to achieve its sustainability goals so as to have positive and tangible impacts on people, the environment and on the community. In doing so, the Group takes account of the UN's 2030 Agenda for Sustainable Development goals concerning Environment, Social and Governance matters.

The Parent Company believes it is fundamental to ensure that its sustainability strategy is constantly updated by having continual dialogue with our stakeholders and by periodically assessing the materiality of ESG factors on its business.

3.1. ESG matters

The Group has defined a series of ESG commitments. These are defined below and are in line with its values and principles as set out in the Code of Ethics.

We also recognise that it is important to behave sustainably along the entire value chain, so we have begun a process to integrate ESG considerations in our counterparty assessments. In accordance with the indications set out in the relevant internal regulations, suppliers must approve the Code of Ethics when stipulating contracts with Group companies and must rigorously adhere to it during their contractual relationships.

3.1.1. Environment

We place particular emphasis on protecting our environment. Therefore our choices are influenced by the extent to which our economic initiatives are compatible with environmental needs.

In terms of our direct environmental impacts, we are always looking to find and implement solutions to improve energy efficiency in our offices and to reduce the environmental impact of our economic activities. More specifically, we are committed to using electricity supplies from renewable sources, to designing solutions to be self-sufficient in terms of renewable energy and, where possible, to take action to improve and renovate our property portfolio by following the highest eco-compatibility standards. We are also taking action in terms of sustainable mobility. This includes gradually replacing our business vehicle fleet with hybrid or electric vehicles, in line with best market practice, supported by an appropriate business network of dedicated e-vehicle charging points. Where we can, we are committed to offsetting our greenhouse gas emissions by using specific offsetting projects. Finally, we are committed to minimising our water consumption and our waste production and disposal impacts. We try to recycle and reuse whatever we can, using circular economy principles.

We also recognise the key role that the financial system plays in the transition to a sustainable future, developing products and services for customers that support ethical lifestyles, sustainable business growth, and projects with high environmental value. In particular, we are committed to reducing our financed portfolio's greenhouse gas emissions. To achieve this we have joined international initiatives and frameworks, and we use a science-based approach to measuring and monitoring emissions.

3.1.2. Social

We consider social matters to be central to our sustainability strategy and we aim to have a positive impact on our people and on the surrounding community and area.
To put this commitment into practice and to obtain tangible positive impacts, we have created Kaleidos, our social impact lab. Through Kaleidos we are promoting projects with high social impact by entering into medium- and long-term partnerships with organisations that operate in three areas: they support an inclusive community and promote diversity; they invest in culture and in the area as a driver for development, and they support personal well-being.
We know we have an important social role to play. In view of this, we are supporting initiatives, in partnership with local and national non-profit organisations and bodies, that promote social inclusion and provide training and research activities. We make charitable donations and/or provide sponsorship in line with our values and with the applicable regulatory framework. Where relevant, we are committed to working with stakeholders to measure the social impact of our initiatives in each area.

We aim to integrate social agenda principles into our business, particularly when we manage non-performing loans, seeking to support financial inclusion.

We recognise that our people are at the heart of our sustainability strategy. We are committed to enhancing and training staff, and we will be inclusive, including all staff so they can grow and improve their well-being.
We are working to provide a calm workplace, guaranteeing that workers are free to join associations and supporting a dialogue with staff representatives. Our regulations are drafted in line with national collective bargaining agreements and we aim to liaise constantly with all stakeholders referred to in the regulatory framework. We have adopted a growth model that values all of the people who work with and for the Group and we aim to share key moments in the life of our business, from revamping our staff assessment and development system, to the multiple organisational changes we are faced with.

Our priority and non-negotiable goals are workplace health and safety, ensuring the health and well-being of all our staff, suppliers, contract workers and customers, as well as of any other people, entities and stakeholders involved in our activities. We are committed to meeting all appropriate safety requirements and to ensure that our workplaces are healthy, safe and inclusive. We are also working to prevent and mitigate psychosocial risks and to promote physical, psychological and social well-being for everyone, without jeopardising individuality. We aim to continually improve our health and safety record, taking account of the different nature and size of all our existing and emerging risks. We are also working to ensure that our staff are working in an environment that promotes corporate wellness and healthy lifestyles. We encourage staff to be invested in their work and to be motivated, while aiming to ensure a better work-life balance.

We are committed to ensuring that the workplace is free from discrimination. Our recruitment, selection, appointment, promotion and remuneration processes will be transparent and inclusive, and we will provide an equal opportunities workplace. Finally, we condemn any kind of harassment, abuse or intimidation, and any form of forced or child labour.

We believe that respect for universally recognised human rights is an indispensable element of our sustainability strategy. This is why we are working to protect and promote these rights when we carry out our activities and as we continue our relationships with our workers and other stakeholders.

3.1.3. Governance

We know that adequate governance safeguards are essential for effectively managing sustainability and for correctly implementing ESG factors in our business activities.
We are constantly committed to promoting within and outside the Group the culture, business values and ethical principles contained in the Code of Ethics. The methods we use to do this include providing staff training. We provide special sustainability training sessions for the Group's governance and control bodies, and for its staff. Acting in a transparent manner and promoting ethical behaviour are key points of the Group's sustainability strategy. In particular, we recognise that we have responsibilities and that we play a key role in the financial system, therefore we will conduct our business with integrity, transparency, excellence and skill, paying particular attention to our relationships with customers.

We condemn any form of active or passive corruption, bribery, extortion and money laundering. We use a preventive approach, publishing internal regulations and guidelines on the matter. We have also implemented a structured whistleblowing system where staff can report breaches of law which damage or may damage the public interest or the

Group's integrity.

We keep customer data and data on our people private and secure. We manage all data and information we hold in a transparent manner and in line with existing legislation. Interactions and communications with customers and all stakeholders are based on clarity and transparency. This applies to all contractual relationships with customers.

3.2. Stakeholder Engagement

Under the guidance of the President, the Parent Company is committed to engaging with key stakeholders so as to understand the needs of our various partners and to develop strategies to meet those requirements that are in line with the Group's goals.

Our relationships and interactions with stakeholders are designed to create shared value and are carried out in line with principles of materiality, inclusivity and transparency. In our relationships with external stakeholders, we place particular value on entering into ethical relationships and being involved in projects with high social impact. These may also be in partnership with third parties who are also committed to sustainable action in line with the principles defined by the Parent Company.

4 Sustainable products

We are aware of the contribution that the products and solutions we offer to our customers may have on our counterparties' transition to sustainability. As part of our ESG goals, we may look at assessing and defining sustainable products. These products may be focused on obtaining positive social and/or environmental impacts.

To ensure that we have a solid and structured approach when defining the characteristics of these products, we take account of the applicable regulatory framework, international standards and sector best practice, based on the focus of the products. Examples include, but are not limited to: the standards and criteria defined under Regulation (EU) 852/2020, as amended (European Taxonomy of Sustainable Economic Activity) concerning green products, or International Capital Market Association (ICMA) standards.

When defining the structure and characteristics of our diverse products, we identify the sustainability objectives that the products will help achieve and, where required, specific performance indicators that must be considered on a case by case basis.

To ensure that the Group's sustainability position and its product line are aligned, the Sustainability Committee will request information on the products and will provide an opinion before they are marketed.

Materiality Assessment

To assess the significance of the climate and environmental risks it is exposed to, the Banca Ifis Group conducts a Materiality Assessment to map and identify the traditional risks that may be affected by these events.

Materiality Assessments are performed annually and are validated by the Chief Executive Officer and approved by the Board of Directors, after first seeking the opinion of the Sustainability Committee and the Risk Management and Internal Control Committee.

For more details on the assessment process, please see the Materiality Assessment Organisational Procedure.

5 Integrating sustainability themes into banking processes

So it can create sustainable value for all its stakeholders, the Parent Company has integrated ESG considerations into its banking processes. To do this, it has involved all of the business's departments and has promoted a constant commitment to ESG issues.

With regard to making banking processes more sustainable, looking at ESG themes allows us to be a partner that helps businesses transition to a more sustainable footing, and enhances investor, market and stakeholder confidence. It also helps us to improve our reputation, to combat activities and practices that are not compatible with the Group's principles, and allows us to better manage ESG risks.

The Parent Company is committed to supporting the transition to a more sustainable economy. When making lending decisions, we prefer to work with businesses that behave ethically and focus on the use of environmentally-friendly production methods, ensuring that their staff work in conditions that are inclusive and recognise human rights, and apply the best corporate governance standards.

5.2. ESG effects on the lending process

The Parent Company has added a number of phases and activities to its credit risk assumption and customer credit assessment processes. These new activities include ESG considerations, which are required to assess the level of ESG risk posed by customers.

The main additions can be summarised as follows:

- Origination phase:
    - identifying customers whose sector of economic activities are:
        - not compatible with ethical principles. Consequently, these customers are deemed not commercially appropriate;
        - in a class with high ESG risk. Consequently, these customers will require an enhanced underwriting process;
- Preliminary ESG assessment phase:
    - in this phase we will collect all of the information we need to assess the application and to filter it to the correct underwriting process;
- Credit assessment and decision-making phase:
    - introduction of an enhanced underwriting workflow, where required (with escalation mechanisms)
    - introduction of an ESG assessment based on available information; this assessment will be carried out by a specialist team, so that cases can undergo an enhanced loan application process to take account of ESG issues;
    - the specialist ESG assessment will be included in the overall lending assessment process. We will assess the possibility of introducing mitigations based on the ESG risk and on the type of product requested (short-term vs medium-to-long-term)

For more information on the ESG enhanced underwriting framework, please see the Parent Company's 'Sensitive Sectors Policy'. The main contents of this policy are contained in the sections below.

5.2.1. ESG Enhanced Underwriting Framework

To better assess lending product proposals, we have developed an enhanced assessment model to help us evaluate lending applications by investigating each customer's ESG characteristics.
This Enhanced Underwriting Framework has been defined using a process that assesses a number of variables relating to the customer and to the transaction. These variables are set out below. The aim is to assess the counterparty with particular reference to 'E Environmental' characteristics.

Assessment variables:

- **Code of Ethics**: we will look at the customer's ATECO code to see whether it is admissible based on the contents of the Code of Ethics;

- **ESG Sector Risk Assessment**: we will assess the level of ESG risk associated with the customer's sector of activity;
- **Business size**: we will divide customers into size based on turnover;
- **Transaction Materiality assessment**: we will take account of the level of risk based on the transaction's exposure in relation to the total exposure to the customer;
- **Customer ESG score**: we will assess customers based on their ESG performance; assessments will be given an overall score and a score for each individual ESG component based on data obtained from external providers or from the Parent Company's proprietary methodologies.

Analysing these variables allows us to filter proposals into the correct underwriting process (Standard or Enhanced) which we will use to make sure each case goes to the correct decision maker.

6 Reporting & Disclosure

The Parent Company must make a periodical report, in line with recognised reporting standards, on its ESG performance, the actions it has taken to manage climate and environmental risk, and the strategies it has adopted to support the transition to a sustainable future.

6.1. Reporting

Under its sustainability reporting obligations the Parent Company will follow the requirements provided by the European Banking Authority (EBA) to draft a Non-Financial Report. It will use the templates set out in EU taxonomy regulations to make a sustainability disclosure regarding its portfolio.

6.2. Disclosure

Under its market disclosure obligations, the Parent Company will publish a TCFD report to provide transparency regarding its governance activities, its strategy, and its climate risk assessments and related metrics. It will also publish information on its activities following its membership of the Net Zero Banking Alliance.