TCFD Report

2023

Banca Ifis

Summary

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The Banca Ifis Group and its commitment to sustainability

Banca Ifis is a challenger bank made up of people, experience and technology, developing specialised solutions for the world of small and medium enterprises and private customers, with the aim of creating lasting, sustainable value.

Established in 1983 as a specialised factoring operator and listed on the Milan Stock Exchange (in the Euronext STAR Milan segment) since 2003, Banca Ifis has successfully evolved, quickly and flexibly making the most of new market opportunities in speciality finance as they have arisen.

The Group meets the financial needs of companies offering an increasingly diversified, structured range of commercial and corporate banking services. Supporting SMEs has always been an integral part of the Bank's very DNA, as it operates serving the real economy and assisting businesses with all their financial needs. One of Italy’s first companies to enter the Npl (Non-Performing Loans) market, Banca Ifis operates as primary investor and proprietor of one of the best servicers today operating nationwide, uniquely combining a capacity to acquire and manage Npl portfolios, with an ethical collection model aiming at ensuring the financial re-inclusion of families and businesses.

Banca Ifis has embarked on an important journey to increasingly integrate ESG criteria into its business model, with a clear vision: sustainability, in all its forms, represents a tool for creating value for people, the environment and the community and must be taken into account when defining the Bank’s development strategies.

The 2022-2024 Business Plan sets precise objectives and commitments on the three ESG - Environment, Social and Governance - dimensions, with direct connections on the business and defines lines of action that guide the Bank's work in the period 2022-2024 to contribute to the achievement of the Sustainable Development Goals (SDGs) set by the UN Agenda 2030. The "D.O.E.S.” business plan in fact refers to the four development levers that Banca Ifis has adopted: digital innovation (Digital), an open approach (Open), efficiency (Efficient) and sustainability (Sustainable).

The most important commitments defined in respect of the environment and climate, after having joined the Net Zero Banking Alliance (NZBA) - the United Nations initiative that aims to accelerate the sustainable transition of the banking segment by zeroing the net emissions of the lending portfolio by 2050 - include communication of the reduction targets for its loan portfolio by 2030, which make it possible to cover more than 90% of the financed exposures and emissions considered high-emitting by the NZBA.

The Banca Ifis Group is also committed to supporting the sustainable transition of small and medium-sized enterprises through the offer of dedicated products and services such as subsidised loans, as well as the definition of a “score” assigned to customers' ESG performance. Through its Studies Office, the Bank also promotes a culture of business sustainability amongst SMEs, with dedicated periodic research and analyses.

The Group's commitment is also outlined through a series of services supporting sustainable mobility designed to encourage environmentally friendly behaviour, improve quality of life and reduce CO_2 emissions (e.g. Ifis Leasing Green and e-bike rental).

Finally, also in light of the Bank of Italy's Supervisory Expectations regarding climate-related and environmental risks, driven by the Chair, the Group has launched a project to integrate environmental factors into corporate strategies, governance and control systems, the risk management framework and disclosure. The multi-year plan to align with Supervisory Expectations on climate-related and environmental risks, approved by the Board of Directors and submitted to the Bank of Italy at the beginning of 2023, is divided into project streams that cover all 12 supervisory expectations and involve both business departments and central management. Specifically, with regard to risk identification, the Bank has mapped climate and environmental (C&E) risks to integrate them into its risk management system. Consistent with the supervisor's suggested approaches, the materiality of C&E risks was studied in terms of the impact these risks have on traditional risks. In addition, among the further activities pursued, Banca Ifis strengthened the existing credit framework from an ESG perspective. Finally, it should be noted that in order to integrate environmental and climate considerations into the regulatory framework, the Group has adopted two new policies: the ESG Policy and the Sensitive Segments Policy, which outline the Group's commitments and sustainability considerations in the credit and risk management process.

1. Introduction

1.1 The international context

The global climate emergency of the present times requires the identification of new tools for a better understanding of climate-related risks and opportunities. Due to the growing attention to the topic, the Conference Of Parties (COP) 28, the 28th United Nations Climate Change Conference, was held in November and December 2023 to promote coordinated international action to implement the Paris Agreement and mitigate the underlying causes of climate change. In particular, during COP 28, Heads of State from around the world discussed the proposal to activate a universal agreement to promote decarbonisation, in particular by acting on areas such as the phase-out of coal and support for a just transition that takes into account developing countries, as well as the reduction of natural gas use. In addition, the importance of combating deforestation and taking actions dedicated to the food and agriculture sector, taking into account ecosystems and protecting biodiversity was emphasised during the summit.

The UN recognises the central role of the banking world, which will hopefully have to be the driving force behind the transition process. This is why the same organisation promoted the Net-Zero Banking Alliance (NZBA), an initiative to accelerate the transition to sustainability in the international banking sector, as one of the priority conditions for achieving carbon neutrality by 2050. The NZBA brings together more than 140 banks from across the globe, committed to aligning their loan and investment portfolios to net-zero emissions in the coming decades; it also strengthens, accelerates and supports the implementation of decarbonisation strategies by providing an internationally consistent framework and guidelines.

At a continental level, the European Commission has identified a number of initiatives for the gradual reduction of greenhouse gas emissions into the atmosphere that have converged into the European Green Deal for a Climate Neutral Europe by 2050. It is in this context that the Action Plan for Financing Sustainable Growth falls, launched by the Commission with a view to:

1. redirecting capital flows towards green investments to achieve sustainable and inclusive growth;
2. managing financial risks deriving from climate change, resource depletion, environmental degradation and social issues;
3. promoting transparency and long-term vision in economic and financial activities.

In addition, in July 2022 the European Central Bank (ECB) published a Climate Agenda, defined with the aim of giving new tools to the European banking system to manage and mitigate the financial risk associated with climate change, promoting an orderly transition to a low-carbon economy and the sharing of know-how and best practices at a European level.

Finally, within the European regulatory framework, it is also important to highlight the issuance of the Corporate Sustainability Reporting Directive (CSRD), the legislation that introduces new sustainability reporting requirements in which the importance of comprehensive and granular reporting is also highlighted with reference to all climate-related impacts, risks and opportunities.

In this context, Banca Ifis has initiated a process of adaptation to the requirements of the new Directive through the implementation of a wide-ranging strategic oversight involving all corporate functions. The Bank has undertaken an analysis aimed at identifying existing regulatory gaps and defined an adaptation plan subsequently declined into detailed operational plans. Moreover, the identification of impacts, risks and opportunities relevant to the Group informed the Double Materiality analysis. The initiatives, carried out synergistically by the various levels and departments of the company, aim to ensure full compliance with CSRD regulations, while also reinforcing appropriate risk management and the identification of strategic opportunities in the ever-changing regulatory and market environment.

1.2 The national context

In the wake of the changing regulatory environment and sustainability actions, in April 2022 the Bank of Italy published a document entitled "Supervisory Expectations for Climate and Environmental Risks". The document sets out 12 supervisory expectations regarding the integration of climate and environmental risks into the strategy, governance systems and risk management and control processes of the banks under its supervision.

Bank of Italy Supervisory Expectations on climate-related and environmental risks[1]

On 8 April 2022, in line with similar ECB and EBA initiatives, the **Bank of Italy** developed and published **12 supervisory expectations on the integration of climate and environmental (C&E) risks**. The document responds in particular to the ECB's recommendation to reflect the expectations defined in its "Guide on climate-related and environmental risks" in the supervision of less significant institutions, in a manner proportionate to the nature, scale and complexity of the activities of each.

The 12 expectations concern **5 areas of application** in particular:

- 1 expectation regarding governance;
- 1 expectation regarding business model and strategy;
- 1 expectation regarding the organisational system and operational processes;
- 8 expectations regarding risk management;
- 1 expectation regarding market disclosure.

The Less Significant Institutes (LSI) have defined and sent to the Bank of Italy, by 31 January 2023, a multi-year plan of initiatives aimed at defining a path to full alignment with expectations by 2025, approved by the Board of Directors. As of 2023, the LSIs have undertaken actions and initiatives aimed at achieving these plans.

In order to achieve full alignment with expectations, the Bank of Italy required intermediaries to draw up a multi-year Action Plan aimed at defining a path to compliance by 2025. The Plan includes:

- conducting a gap analysis between company expectations and practices;
- the assessment of the intermediary's material exposure to climate and environmental risks based on the principle of proportionality and the specific corporate business model;
- the identification of priorities for action, the measures to be taken to fill the gaps identified and their timing over the next three years.

With the aim of supporting intermediaries in defining the Action Plan, the Bank of Italy has identified the integration of environmental, social and governance (hereinafter "ESG") risks into the organisational and corporate governance model as well as into the business model and risk management system as "good business practice".

[1] Bank of Italy Expectations, April 2022.

2. Governance

2.1 The governance model

Banca Ifis is the Parent Company of Banca Ifis Group and adopts the traditional administration & control model, presently considering it to be the most suited for ensuring the efficiency of operations and effectiveness of controls given its specific characteristics.

Under the model adopted by Banca Ifis:

- strategic supervision is performed by the Board of Directors;
- the CEO is responsible for the company's operations. The CEO implements the resolutions passed by the Board of Directors, with the assistance of the Co-General Managers, the Chief Commercial Officer and the Chief Operating Officer;
- control is performed by the Board of Statutory Auditors.

Pursuant to the Articles of Association, the Board of Directors (hereinafter also the "BoD") has set up three board committees, which, with proposal, investigation and advisory functions, enable the body with strategic supervisory functions to take its decisions in a more informed manner: the Control and Risk Committee; the Appointments Committee; and the Remuneration Committee.

The composition, functioning and responsibilities of the board Committees are governed in the General Regulations and the Regulations of the Board of Directors, the board Committees and the Supervisory Body.

2.2 Corporate governance structure

The corporate bodies are called upon to define the Group's ESG strategies in order to promote the efficient management of sustainability topics, including the management of climate and environmental risks, and their effective integration into the business, as further described below.

The Chairman, Honorary Chairman and Deputy Chair

In defining the Group's sustainability strategy and integrating ESG topics into business processes, the Chairman, Honorary Chairman and Deputy Chair play a central role.

In particular, the Chairman of the Board of Directors of Banca Ifis (i) promotes the culture of corporate social responsibility and the ethical and sustainable development of the Bank and the Group over the long term; (ii) presides over the implementation of social, philanthropic, charitable and cultural initiatives of the Bank and the Group; (iii) oversees the development of patronage, investment and optimisation projects in the artistic and cultural sphere; and (iv) oversees projects inherent to the characteristics and sustainable development of the Bank and the Group.

The Honorary Chairman upholds the Group's founding values, taking into account the characteristics of the Group and the family nature of the Bank's long-term controlling shareholder (on, for example, culture and social responsibility, sustainable and digital development, innovation).

Amongst other tasks, the Deputy Chair supports the Bank in the development of projects in the area of sustainability in all its forms and in the other areas of competence, identifying rules and principles, and coordinating with the Chairman.

With particular reference to climate topics, the Chairman and Deputy Chair, as members of the Sustainability Committee (a management committee on which directors are also members), oversee the progress of activities aimed at integrating climate considerations into the Bank's credit and risk management processes, as well as the monitoring of the emission reduction targets financed by 2030 on the loan portfolio. In addition, they also oversee the various topics of sustainable products to support SMEs, their advancement and areas of development.

The Board of Directors

The Board of Directors, which performs the strategic supervision function, is called upon to, amongst others, decide on the Bank's strategic guidelines and monitor their implementation, ensuring the sound and prudent management of Banca Ifis. In this context, the BoD takes into account the sustainable finance objectives and, in particular, the need to integrate environmental, social and governance (ESG) factors into business decision-making processes.

The BoD is also responsible for the approval, on an annual basis, of the Risk Appetite Framework (hereinafter also the "RAF"), the ICAAP Report and the ILAAP Report, drawn up on the basis of the strategic indications provided by the Board itself, as well as the dimensional objectives and further qualitative and quantitative elements of the Strategic Plan, or referring to climate change .

On the initiative of the Chairman, the Board of Directors has embarked upon a path of increasingly integrating ESG criteria within the Group's business model. To this end, it has approved the business plan for the 2022-2024 two-year period, which sets precise objectives and commitments in the ESG sphere to foster the sustainable development of the Banca Ifis Group's core business.

The BoD defines the organisational set-up and supervises its implementation through quarterly monitoring of the results in the quarterly financial reports and the annual financial statements.

During 2023, the BoD approved the 2022 TCFD Report, supervised the progress of the integration of ESG risks within the Bank's credit and risk management process, and approved the integration of environmental and climate factors within the Group's regulatory framework (specifically approving the issuance of the ESG Policy and Sensitive Segments Policy).

The Board Control and Risk Committee

The Control and Risk Committee has the task of supporting the BoD's assessments and decisions relating to the internal control and risk system, the approval of periodic financial and non-financial reports and supporting the Board in analysing topics relevant to the generation of long-term value with a view to sustainable development and decisions relating to the internal control and risk management system.

The Control and Risk Committee is made up,in compliance with current regulations, of five members chosen from among the non-executive members of the BoD, meeting independence requirements. The members of the Control and Risk Committee have knowledge, skills and experience, primarily in the business segment in which the Bank operates, such that they can fully understand and monitor the Company's strategies and risk orientations. The members of the Control and Risk Committee also have appropriate accounting and financial or risk management experience. The Control and Risk Committee also have specific expertise in the area of sustainability.

Meetings of the Control and Risk Committee
During 2023, the Committee met 23 times, five of which jointly with the Board of Statutory Auditors and one in joint form with the Appointments Committee and the Remuneration Committee, during which **ESG topics** were discussed, such as, for example: the Non-Financial Disclosure pursuant to Italian Legislative Decree No. 254/2016: the 2022 materiality analysis, supervisory expectations on climate and environmental risks: multi-year plan of Banca Ifis's activities for addressing Bank of Italy expectations, the materiality assessment on climate and environmental risks, TCFD Report approval. In addition, in the course of 2023, the Control and Risk Committee was affected by numerous internal regulatory updates (policies, regulations, procedures, manuals, etc.) also arising from ESG topics and/or from provisions contained in the "Multi-year plan of Banca Ifis's activities for addressing the Bank of Italy's expectations on climate and environmental risks".
For the year 2024, 21 meetings of the Control and Risk Committee have been scheduled. As of the date of approval of this document, Committee already met 15 times, four of which jointly with the Board of Statutory Auditors and five of which with the extended participation of directors who are not members of the Committee itself. During the meetings, amongst other matters, the Committee discussed: (i) an update of **Banca Ifis Multi-Year Plan of Activities to Address**

Supervisory Expectations on Climate and Environmental Risks, (ii) the new **materiality analysis process** to identify relevant topics for the preparation of the Group's 2023 Non-Financial Statement, (iii) the **2023 Consolidated Non-Financial Statement** pursuant to Legislative Decree No. 254/2016. In 2023, (iv) the new ESG Policy and the Sensitive Sectors Policy, (v) an update on the project "Climate Change Transformation".

2.3 Managerial committees

The Sustainability Committee

The Sustainability Committee, a managerial committee chaired by the Chairman of the Board of Directors Ernesto Fürstenberg Fassio, supports the Board of Directors in defining and assessing guidelines in the field of sustainability, ensuring the oversight of initiatives and actions with an environmental, social or governance impact, as well as the assessment, management and mitigation of sustainability-related risks to which the Group is exposed.

The Chairman of the Board of Directors, as Chair of the Committee, the Deputy Chair of the Board of Directors, the CEO, the Head of Communications, Marketing, Public Affairs and Sustainability, the General Counsel, the Co-General Manager Chief Commercial Officer, the NPL Manager and the Head of Human Resources are permanent members with voting rights. The Chairman has the authority to invite other corporate officers and managers of the Bank (each for their respective areas and projects) as well as third-party consultants with expertise in ESG topics to meetings to take advantage of their skills.

The Sustainability Committee is a collegial body that passes resolutions, makes recommendations and offers consultancy, with a portfolio, established at Parent Company level and that operates for the entire Group.

the Committee has specific appraisal, propositional and advisory functions within the scope of the assessment and decision-making process of the Bank and the Group concerning ESG topics, in connection with which it works together with the corporate bodies and the competent Bank structures. The Committee also has deliberative functions in relation to initiatives of any nature concerning ESG topics, such as, for example, partnerships and/or collaboration agreements and Group initiatives to support awareness and training on ESG topics.

In addition, during the reporting period, the Sustainability Committee actively supports strategic steering activities on climate change topics, alignment activities with the Bank of Italy's Supervisory - Governance Expectations, and on broader ESG topics, and contributes to the integration of ESG factors in the Business Plan.

Meetings of the Sustainability Committee

The Committee normally meets **on a monthly or bi-monthly basis**. **6 meetings** of the Sustainability Committee were held in 2023, during which the Committee deliberated on topics closely related to the environment and climate such as: updating the materiality of climate and environmental risks, the credit process and incorporating ESG considerations - enhanced credit framework (referred to as the "Bank of Italy supervisory expectations") and the setting of emission reduction targets for the Net-Zero Banking Alliance (NZBA).

Since the start of 2024, the Sustainability Committee has met 5 times, discussing, amongst others, the following topics: the advancement of 2023 activities and the planning of activities for 2024 of Banca Ifis's multi-year plan of activities to address regulatory expectations on climate and environmental risks, the approval of the new regulatory framework that integrates ESG considerations into the lending process, an update on the current Ifis Leasing Green range of products, the approval of the 2023 Non-Financial Statement, the update of the NZBA target emission curves as at 31.12.2023 and the activities carried out to fulfil the obligations referred to the 2022/2464 Directive (Corporate Sustainability Reporting Directive .

Communication, Marketing, Public Affairs & Sustainability Department

The Communication, Marketing, Public Affairs & Sustainability Department is responsible for managing ESG activities, both within the Parent Company and in its subsidiaries, and is responsible for coordinating the various functions involved in sustainability activities. Within the Department, the figure of the Sustainability Manager has been created to coordinate the implementation of the activities envisaged by the Group's sustainability strategy.

Banca Ifis has, in fact, defined a decentralised management model for ESG-related activities, where each Bank function identifies specific figures to coordinate and direct activities, as competent to do so.

Sustainability Ambassador

The Sustainability Ambassador is a figure that can be appointed within each Department who is responsible for promoting sustainability initiatives within the organisation, operationally overseeing the transformation of business processes.

2.4 Remuneration policies

The remuneration and incentive policies applied by the Group are defined in accordance with corporate objectives and values, long-term strategies and the Group's sound and prudent risk management policies.

The short-term remuneration system for all key resources establishes Group objectives aimed at promoting the Bank's sustainable success, also on the basis of ESG parameters, to be measured by means of specific KPIs such as, for example, maintenance of the A rating issued by MSCI or gender equality commitments and, in environmental terms, taking the first step towards reconverting the company fleet to hybrid. These KPIs are included within the individual performance scorecards assigned to the systems' beneficiaries for a weight ranging from 10 to 20%.

In the same way, the 2021-2023 Long-Term Incentive Plan (LTI Plan), whose current beneficiaries are the CEO and some members of the Group's Top Management (mainly Key Managers) for a total of 13 recipients, envisages specific ESG objectives, with a weight that, depending on the beneficiary, varies from 15% to 30%. These ESG objectives include, by way of example, setting targets for the reduction of net emissions from portfolio assets to 2030 in compliance with NZBA forecasts, promoting multiculturalism with the inclusion of professionals from other continents, and targets relating to obtaining ESG ratings. All objectives are met, as further explained in the Report on Remuneration Policy and Remuneration Paid.

2.5 Training and corporate culture

Climate-specific BoD training

For the Banca Ifis Group, training represents one of the key tools for the continuous development of staff skills and, thus, supporting the sustainable growth of the business. During 2023, the Group organised several training activities with sustainability as their focus. Indeed, this represents one of the 10 competencies underlying the 5 pillars of the Leadership Model adopted by the Group, understood as the ability to interpret one's role and business with a systematic and constant focus on social, economic and environmental impacts, as well as the ability to seek out new strategic and operational opportunities by projecting their long-term and ecosystem impacts.

ESG topics, with a particular focus on climate, are also at the centre of a number of activities that are currently in the planning stage and will see the light of day in 2024, in particular:

- a specific training project, called Ifis Climate, in which the ways the Bank intends to integrate ESG factors into the credit process will be explained to the relevant corporate populations;
- a dedicated BoD training related to ESG, climate and risk topics focused on the integration of ESG factors, especially climate, into business processes including risk management;
- the introduction of an ESG objective for the entire corporate population, with specific peculiarities based on role and function, and linked to dedicated training activities.

Banca Ifis has also once again joined "**ESG Culture Lab**" Observatory - in collaboration with Eikon Strategic Consulting and AdnKronos - aimed at mapping ESG culture on an individual Bank and National Economic System basis starting from internal listening, with a view to raising awareness and involving employees with respect to sustainable values and behaviours, not only corporate but also individual, promoting training and information events on environmental topics.

3. Strategy

The Banca Ifis Group identifies itself as a digital, open, efficient and sustainable bank, as also defined in the new 2022-2024 Banca Ifis D.O.E.S. Strategic Plan (Digital, Open, Efficient, Sustainable). The Group bases its activities on the principles of integrity, transparency, competence and a constant search for excellence and aims to create value for people and communities, generating a tangible and positive impact to build a more sustainable and inclusive future.

The integration of sustainability into the business model means, for the Bank, acknowledging that sustainability, in all its forms, represents a lever for creating value and a fundamental driver of development, which looks at the tangible impacts on people, the environment and the community. In particular, for environmental protection, the Group aims to ensure compatibility between its business initiatives and environmental requirements.

3.1 Climate-related opportunities and the Group's strategy

Opportunities

The Banca Ifis Group integrates into its strategic and financial planning the prospective opportunities for the future from a climate perspective, in accordance with its business model. The Group mapped climate-related opportunities by grouping them into two areas:

- the ecological transition, which includes projects aimed at generating energy from renewable sources and innovative solutions for the energy transition, as well as support for SMEs in obtaining capital (through the NRRP, EIB, etc.) to meet environmental and/or Industry 4.0 objectives (e.g. through Nuova Sabatini on green investments);
- sustainable mobility, which includes the development of sustainable mobility products and services, the strengthening of the leasing market for green vehicles and the entry into the leasing sector for alternative mobility (e.g. e-bikes).

Moreover, over the years, the Group has implemented several innovative projects to spread awareness of the business culture with the aim of supporting Italian SMEs not only through financial products and services, but also by narrating and highlighting the most virtuous realities, which can act as a guide for those who want to do sustainable business.

Joining the Net-Zero Banking Alliance and sensitive segments policy

Among the most significant commitments made by the Banca Ifis Group with regard to climate is its membership, since October 2021, of the Net-Zero Banking Alliance (NZBA), the initiative promoted by the United Nations to accelerate the sustainable transition of the international banking sector towards a green model. Banca Ifis was the first Italian challenger bank to join NZBA, an operation conceived and finalised in full consistency with the sustainability roadmap defined in the strategic plan.

By joining the NZBA, the Group has set itself the aim of helping speed up the sustainable transition of the sectors in which it operates through lending, committing to achieving zero net emissions from its loan portfolio by 2050, and to set interim targets on priority, emissions-intensive sectors by 2030.

In the course of 2022, the Bank started project activities aimed at defining emission targets on the most relevant segments in terms of materiality and emissions level (Auto Leasing, Truck Leasing, Automotive Manufacturers and Distributors), which account for more than 90% of the exposures and emissions financed in the segments considered high emitting by the NZBA. The Group's objectives in the NZBA area are discussed in more detail in *Section 5.3 NZBA objectives* of this document.

The Group aims to cultivate its competitive advantage by continuing to periodically monitor the evolution of the emissions financed in its portfolio and taking concrete action to meet its commitments, including by developing dedicated products and services to support our companies in their path of innovation and growth towards a transition to a low-emission economy. This new commitment adds to the initiatives already undertaken by Banca Ifis to support sustainable mobility and the environmental transition of SMEs.

In addition, the Bank has identified **segments that are not compatible** with the **level of ESG risk** and **compliance with** the **Code of Ethics** (i.e., Strike Zone and Sensitive Sectors Policy), and therefore **excluded** from any type of **transactions** and **financing**. Some of the most **relevant segments** in terms of **combating climate change** include:

- nuclear energy
- tobacco cultivation and production
- production of controversial weapons (i.e. antipersonnel mines, cluster bombs, chemical, bacteriological or nuclear weapons, weapons of mass destruction banned by international treaties)
- coal mining
- unconventional oil & gas[2]

3.2. The Banca Ifis Group Transition Plan

Aware of its role and of the important contribution it can make in the processes of sustainable development and of the commitments linked to its membership of the NZBA, the **Banca Ifis Group** is making its **commitment** to **climate change** concrete by implementing **numerous activities** with the aim of achieving:

- the **strategic objectives** set out in the **multi-year plan**
- **full alignment** with **Bank of Italy** supervisory **expectations** on **climate** and **environmental** risks and the new **CSRD** regulation
- **Net Zero targets** on **financed emissions** in the most relevant segments for the Group

The targets set and the related regulatory environment are therefore an additional opportunity for the Group to enhance its decarbonisation initiatives and strategy within a dedicated transition plan

Inspired by market best practices, the Bank has drawn up a transition plan to target the defined objectives **on the most relevant sectors**, linking initiatives to specific business opportunities and metrics.

3.2.1 Automotive segment

The **Automotive segment** comprises the **industrial and commercial activities related to the design, production, marketing and maintenance of motor vehicles**, including cars, lorries, motorbikes and other means of transport[3]. This segment is crucial for the global economy, fuelling technological innovation and generating a large number of jobs. In particular, at European level, the **automotive segment** plays an important economic role, with **around 13 million direct and indirect employees**, accounting for 7% of the continent's total workforce, with a growth of 3% over the last three years[4]. However, from an environmental perspective, **private cars and vans contributed significantly** to global **oil consumption** (more than 25%) and **global** energy-related **CO2 emissions** (around 10% in 2022)[5].

In order to address and mitigate the negative impact generated, the automotive segment will need to make major changes and adopt numerous standards and certifications to demonstrate its commitment to sustainability. For this reason, the automotive industry has seen a **growing focus on sustainability topics** in recent years, with a strong drive towards the production of electric and hybrid vehicles, as well as the development of advanced technologies to improve energy efficiency and reduce environmental impact. In this context, government policies and incentives play a central role, encouraging the adoption of environmentally-friendly practices in the segment and the transition to sustainable mobility. Indeed, the new EU emissions regulations, known as "**Fit for 55**", call for a **55% reduction in CO2 emissions by 2030 compared to 1990 levels and a target of zero emissions for new vehicles registered by 2035**.

Given the challenging targets set at EU level, most EU countries offer incentives for the purchase of electric vehicles, thus supporting the transition to battery-powered vehicles (BEVs) and plug-in hybrids (PHEVs), which will lead to **rapid growth of the electric vehicle market in the coming years**, driven by stricter government regulations. More specifically, in the last four years, the market share of electric commercial vehicles in Europe has quadrupled, while that of private

[2] Tar sands, shale/tight oil and gas, onshore/offshore oil and gas in the Arctic region, oil in the Sacred Cape area of the Amazon, unconventionally extracted liquefied natural gas.
[3] For the calculation of the targets, the methodological focus is on the vehicle production segment of the value chain
[4] ACEA Pocket Guide 2023-2024.
[5] More information can be found on the International Energy Agency website.

vehicles has increased sixfold. These changes are pushing manufacturers to develop innovative long-term strategies to adapt and thrive in a changing industrial environment.

FINANCED EMISSIONS OF BANCA IFIS IN THE AUTOMOTIVE SEGMENT

In this context, Banca Ifis has identified a baseline of **financed emissions of 153 gCO2e/km in the segment, with the goal of reducing them to 85 gCO2e/km by 2030**, thus demonstrating a concrete commitment to environmental sustainability in the automotive segment and broadly in line with the reference target set at EU level (when the NZBA targets are set and published in 2022).

To help achieve these targets, the Group has integrated ESG (Environment, Social, Governance) criteria into the **credit assessment process** through the **ESG-enhanced Credit Framework**, which ranks segments according to the environmental, social and governance risk associated with their activities, as described in the paragraph 4.2 "Climate risk management".
This framework is an integral part of the credit assessment process and allows for an **assessment** of the **sustainability** of **counterparties** (including Automotive) subject to **ESG-enhanced credit steering**, which flows into the **drafting of** a **supplementary appraisal** conducted by the Credit Support & ESG Assessment Team and an approval escalation to a more senior credit decision maker. Within this supplement and in the criteria used to assess the sustainability of counterparties, there are also **analyses** and **assessments** of **potential** outstanding **emission targets**. This **instrument** has proven to be a **key lever** adopted by the Group to **achieve its** objectives and **ensure credit activities** in **line with its targets**.

Banca Ifis's participation in the Forum Automotive and Motus E

Forum Automotive is an event conceived by journalist Pierluigi Bonora that brings together all **major players in the automotive supply chain**, including manufacturers, distributors and media, in one day. Through round table discussions, which are covered by the trade press, the event addresses crucial topics related to mobility and the automotive and road transport segment, which are essential for the country's economy and employment. The Forum is known for its frank and unprejudiced discussion formula, dealing with topics such as freedom of choice in motoring, protecting Italian excellence, and denouncing foreign energy dependencies. In addition to the annual meetings, the project is enriched with "forumautomotive-diary from the world of mobility", a website hosting speeches, interviews and news on the world of mobility.

In 2024, Banca Ifis was the **main sponsor of the Forum Automotive event**, during which Claudio Zirilli, **Head of Leasing & Rental**, spoke during the debate "The automotive industry and the battle for the environment. Unity is strength." Banca Ifis, which has been active in the automotive segment for over 40 years, is a pioneer in the financing of electric cars and firmly believes in ESG values. Therefore, it is at the forefront of the transition towards sustainability, supporting the automotive segment in this complex and uncertain evolution, and identifying specific financial solutions, such as financing and long-term rental, to better involve private customers, the key players in this segment.

In addition, as of July 2024, **Banca Ifis** has **joined** the **Motus E association**, the **first Italian association** made up of **industrial operators** from the automotive and energy segments and the academic world, with the aim of **accelerating** and **promoting** the **energy transition** towards **electric mobility**.

3.2.2 Truck leasing

The truck leasing segment focuses on providing **financial solutions for the acquisition of trucks and heavy vehicles**, allowing companies access to transport equipment without the need for an immediate capital outlay, facilitating fleet upgrades and improving the operational efficiency of financed companies. Truck leasing options support the transition to more sustainable and efficient logistics through the integration of modern technologies and low-emission vehicles.

During 2023, from an external context perspective, the volume of new heavy vehicle leasing transactions grew significantly, **exceeding 2,7 billion Euro in total**. This represents an increase of 8,0% compared to the previous year, when the increase was 3,1%. The average value of the contracts rose from 112,4 thousand Euro in 2022 to 127,5 thousand Euro in 2023[6].

FINANCED EMISSIONS OF BANCA IFIS IN THE TRUCK LEASING SEGMENT

Against this background of growth in the Truck Leasing segment, Banca Ifis aims to **reduce its financed emissions by around 30% to 37 gCO2e/tkm by 2030**, compared to the level of 52 gCO2e/tkm recorded in 2019.

As far as Banca Ifis's main products are concerned, **industrial vehicles and semi-trailers** play an important role in achieving the Group's objectives. In particular, they contribute significantly from an economic point of view, accounting for **30% of the Automotive-related Leasing business volumes**, thus underlining their strategic importance in the Bank's overall business.

In addition, the **truck leasing portfolio** also shows the **entry of natural gas engines** with **lower** overall **emissions** levels than **diesel engines**.

3.2.3 Car leasing

The **Car leasing segment offers**, similarly to the Truck leasing segment, **flexible and financially advantageous solutions for the acquisition of vehicles**. This formula involves the payment of a fixed monthly fee, which may include additional services such as maintenance, insurance and roadside assistance. Car leasing is particularly appreciated for the possibility of periodically upgrading the vehicle, **maintaining a modern and efficient fleet**.

This segment has also seen significant growth: in **2023, the volume of financing for leasing and long-term renting of passenger cars increased by 31,7% to 29,0% of new registrations**. More specifically, **one third of** newly registered **"green" cars** (battery electric, plug-in and hybrid) in Italy were **financed through leasing** or long-term **rental**, covering more than 50% of new leasing and long-term rental transactions[7].

In the **commercial vehicle** segment, the total value of new financial leasing transactions in 2023 reached 1,4 billion Euro, an increase of 24,8% over the previous year. In 2023, 32.744 leased commercial vehicles were financed, an increase of 15,2% over the previous year. Leasing had a **market penetration rate of 19,0%**, in a context of new registrations up 21,2%[8].

The incidence of leasing on green fuels was **highest** and **up year-on-year** in all three segments: battery electric vehicles (69,9%, up from 68,4% in 2022), hybrid vehicles (68,7%, up from 65,8% in 2022) and plug-in electric vehicles (60,0%, up from 28,0% in 2022).[9]

FINANCED EMISSIONS OF BANCA IFIS IN THE CAR LEASING SEGMENT

Banca Ifis has taken a proactive approach, setting ambitious targets for the Car Leasing segment to **reduce financed emissions from 130 gCO2e/km to 85 gCO2e/km by 2030**, thus demonstrating its commitment to environmental sustainability.

[6] 2023 ASSILEA Report
[7] 2023 ASSILEA Report
[8] 2023 ASSILEA Report
[9] 2023 ASSILEA Report

The current composition of the Car Leasing portfolio of Banca Ifis shows ~40% vehicles with green fuels (i.e., hybrid or electric), with a percentage increase of hybrids of ~50% compared to 2021 (year before publication of Net Zero targets).

The Bank monitors its counterparties in the Car Leasing portfolio with prospective analyses on the potential evolution of the portfolio and "roll-over" of manufacturers relevant to the Group (both in terms of volumes and particularly virtuous declared targets), in order to verify alignment with Net Zero targets even in the event of a potential portfolio recomposition and regulatory changes or adjustments to the vehicle manufacturers' targets.
Based on the latest available data[10], even in the event of a potential rebalancing of volumes (pro-rata) towards counterparties with targets on average with the overall portfolio, there would be no particular deviations from the stated targets.
Given the Italian context and the above-mentioned trend elements, the market share of leasing on electric vehicles in Italy is 10,7%, where Banca Ifis holds 5,3%[11].

In this respect, the Group has strong partnerships with companies of strategic importance in the segment, including with manufacturers of full-electric vehicles only.

In addition, in order to further consolidate commercial growth in this segment, the Bank has invested in initiatives to raise awareness and enhance the value of these products through advertising campaigns on social media and the bank's website, as well as the launch of dedicated offers for green products.

Specifically, campaigns have been run on customers with an expiring electric car leasing contract, aimed at promoting the stipulation of a new contract, again relating to an electric car, illustrating to the customer the offers the bank has activated thanks to its partnerships and its commitment to sustainable mobility.

Finally, for the sales network, remuneration incentives are foreseen in case of reaching certain volumes of green products (e.g. photovoltaics, recharging systems, full electric cars and e-bikes), as well as dedicated initiatives to increase awareness of ESG topics (e.g. internal conventions).

3.2.4 Other relevant segments

Power generation

Among further relevant segments, Banca Ifis has identified Power Generation, i.e. the process of producing electricity from primary sources such as coal, natural gas, hydroelectric power, solar power, wind power, and other renewable or non-renewable energy sources.

In relation to this, the Nuova Sabatini Green measure is an incentive for SMEs to support investments in new machinery, plant and equipment aimed at reducing the environmental impact of companies, such as the installation of photovoltaic systems.

Through the implementation of this instrument, lease-financed investment bookings have increased significantly in recent years, from 3,9 billion Euro in 2020 to 9,4 billion Euro in 2021. In 2022 and 2023, further investments totalling 7,6 billion Euro and 6,1 billion Euro were financed through this measure and, at the end of December, the available funds represented 5% of the initial allocation, with further refinancing included in the 2024 budget manoeuvre.
Sabatini Green accounts for 0,6% of the total, showing a positive trend in 2023 with a total of 36,8 million leasing bookings, making up 37,5% of the 98,1 million Sabatini Green bookings in 2023[12].

These developments reflect the growing commitment of SMEs to environmental sustainability, supported by the opportunities offered by the Nuova Sabatini Green in the context of ecological and industrial transformation.

As far as green capital leasing is concerned, according to the survey in the 2023 ASSILEA report, the majority of leasing companies already operate or plan to operate in "green" segments in 2024. Among the projected volumes, leasing of plant and machinery for the circular economy (e.g. in agriculture and waste disposal) shows projected growth of 85,3% in 2024, followed by leasing of solar panels on commercial and industrial buildings, with projected growth of 130,5% in 2024. Significant growth is also expected in leasing to manufacturers of green goods and equipment (such as tractors and electrical machinery) and in the leasing of energy-efficient equipment.

[10] Portfolio exposure and composition as at Q4 2023
[11] MTCT Unrae at 31/12/2023
[12] 2023 ASSILEA Report

3.2.5 The approach of the Group towards sustainable mobility

Following the research for the development of new leasing products related to sustainable mobility (i.e. e-bikes), in April 2023 the Group released the new product "**Noleggio e-bike**" to promote **sustainable mobility and active tourism in Italy**.

The new rental and leasing solution dedicated to e-bikes aims to meet the needs of all small and medium-sized enterprises in the tourism and hospitality industry interested in equipping themselves with an e-bike fleet. Thanks to the two methods envisaged (rental and financial leasing), customers have the possibility of deferring the financial commitment through plans of between 12 and 48 months, at the end of which they can choose whether to redeem the product or to activate a new contract. The solution also allows for VAT to be paid in instalments, so that initial costs can be minimised and revenues maximised early on in the project.

The Group aims to **reach 2 million investments** in **2024** and offer **favourable economic conditions** on all these services for its customers.

In addition, in the area of **sustainable mobility**, Banca Ifis also offers the **leasing** and **rental** of **electric quadricycles**. In addition to that, while with a view to fostering the circular economy, a commercial initiative is currently in the development phase aimed a offering **refurbished IT assets** for **rent**.

Banca Ifis's sustainable mobility initiatives	
STELLANTIS	Consistent with the products and services offered as part of the Ifis Leasing Green initiative, the Group signed an agreement with **Stellantis** aimed at **renewing the entire corporate fleet** with the goal of adopting **more than 50% hybrid/electric vehicles** by **2025**.

3.2.6 Other initiatives to support decarbonisation and to support SMEs

In order to support the energy transition of small and medium-sized enterprises, the Banca Ifis Group has prepared a series of dedicated products and services (including scoring services on the ESG performance of customers), also by launching a process to strengthen the Bank's data governance processes.

On the one hand, with regard to products, the Group has strengthened **financing programmes for Italian SMEs interested in reducing their environmental impact through the implementation of green projects**. In 2021, the Group signed an agreement with the European Investment Bank (EIB) to make available a ceiling of **100 million Euro** in financing to support green projects by SMEs.

As part of this agreement, the Banca Ifis Group made financing and leasing available to SMEs at favourable interest rates in 2022. In detail: a first credit facility worth 50 million Euro will be dedicated to the promotion between SMEs of initiatives and projects aimed at fighting climate change, which mainly concern the **leasing of hybrid and "full electric" vehicles**. A second credit facility worth 50 million Euro has instead been reserved 60% for leasing finance for investments in **innovation** or projects promoted by innovative companies under the **Business Plan 4.0** and, for the remaining 40%, in continuation of previous operations with the EIB, for **commercial lending** to SMEs to support new investments or working capital.

The first 50 million Euro line was converted into **15 million Euro** for **climate** change projects and **35 million Euro** for investments under the 4.0 Business Plan.

The two lines totalling **100 million** were fully disbursed **in 2023**.

Furthermore, in the course of 2022, by means of an agreement with **Cassa Depositi e Prestiti** (CDP), **loans** were obtained to support **SMEs** for working capital requirements or investments was taken over, thanks to **new loans for 50 million Euro in 2022 and 100 million Euro in 2023**.

In early **2024**, Banca Ifis signed an agreement with the **European Investment Bank (EIB)** to provide **300 million Euro of new finance to support innovative investments** for the growth and development of Italian SMEs. The agreement is the first signed by the EIB with an Italian bank entirely dedicated to promoting innovation initiatives under the “National 4.0 Transition Plan”.

On the other hand, with regard to scoring services on customers' ESG performance, Banca Ifis finalised and grounded a new ESG-enhanced credit framework defining the key elements of perimeter (e.g. segment, counterparty and transaction) and process (e.g. credit policies, credit granting process).

In addition, the Banca Ifis Group promotes a culture of business sustainability amongst SMEs, with dedicated periodic research and analyses. To this end, the Group has created an ad hoc index to measure the intensity of SMEs' investment in sustainability through the Kaleidos Impact Watch tool, a half-yearly observatory on trends enabling the sustainable transition of SMEs. Finally, the Group is finalising several agreements with external partners to offer SME customers specific ESG services within the 'Myifis' platform, which aim to accompany SMEs on their path to sustainable transition and raise their awareness in this area.

In this context, the Banca Ifis Group has developed a wide range of services and products. In particular, the Bank HAS introduced two types of financial products to support SMEs. One of them is MCC Mortgages and Leasing with Sabatini Green facilitation, which allows for the financing of brand new machinery, plant and equipment with low environmental impact. To access this funding, companies must have specific environmental certifications, as set out in the Interministerial Decree of 22/04/2022.
The other option is SACE Green-guaranteed mortgages, which support investment projects for companies with revenues of up to 500 million Euro, promoting environmental objectives aligned with the European Taxonomy. These loans can also be used for investments that have already been made, provided they are in line with the established criteria and have related active operating costs.

In the leasing segment, special attention was paid to the leasing of photovoltaic systems and charging stations. These solutions aim to support the energy transition and promote environmental sustainability by targeting companies interested in improving energy efficiency through removable capital goods.

4. Risk Management

4.1 Climate risk mapping

The process of identifying climate and environmental (C&E) risks is integrated **into the Group's risk management system** according to an approach aimed at assessing their **materiality in terms of impact compared to traditional risks**.

The study of the materiality of **climate and environmental risks** (see Materiality Assessment) is an exercise that is carried out annually in order to update its risk management system on the basis of portfolio developments or to identify new risks related to climate events.

In the course of 2023, the Bank extended this assessment to all the Group's subsidiaries, further refining the way physical and transitional risks are mapped. In particular, some details of the identified risk drivers are given below:

- with regard to **physical risks**, the drivers identified relate to adverse weather events of a chronic or acute nature that are most relevant to the context in which Banca Ifis operates. The relevance of physical risks has been assessed according to their **potential effects on traditional risks**. These effects, in turn, were analysed on the basis of various elements such as, for example, the georeferencing of the portfolio, the company's operations and, more generally, the main assets relevant to business continuity. Information on the likelihood of occurrence of the different risks considered was obtained through a public provider and analysed from the bottom-up.

- With regard to **transition risks**, the drivers identified can be grouped into three categories:
  - technological innovation, depending on the costs required to upgrade facilities and production sites, potentially impacting the business model and the ability of financed counterparties to generate revenues;
  - current and emerging regulation, depending on the restrictions and sanctions to which counterparties that are active in segments that hinder the environmental and climate objectives defined by the regulator (e.g. Paris Agreement);
  - consumer preferences, dictated by an evolution towards climate-friendly consumption and a focus on ESG topics, which could also impact companies from a reputational point of view.

Transition risk materiality information was analysed by economic segment, according to a top-down approach that considers the counterparty's segment.

Materiality of climate risks

After the preliminary mapping of climate and environmental risks, the **materiality assessment** also includes a detailed examination of the channels of transmission of C&E risks to traditional risks, the time horizons with which C&E risks manifest themselves given Banca Ifis's operations, and an assessment of materiality.

Below is a summary of the transmission channels analysed for the purpose of the Materiality Assessment.

Type of risk		Transmission channel	Time frame
CREDIT RISK	Physical risks	Business continuity and NPL/CQS recovery plans	MT
	Transition risks	Repayment capacity on corporate loans	MT
		Value of real estate on secured exposures	MT
BUSINESS RISK	Physical risks / Transition risks	Profitability linked to segments exposed to C&E risks	MT / LT

MARKET RISK	Physical risks	Sovereign securities portfolio	LT
	Transition risks	Sovereign securities portfolio	MT
OPERATIONAL RISK	Physical risks	Compromise of operating sites, prop. data centres and major IT outsourcers	MT
		Ex-lege suspension of payment flows for extreme events	MT
	Transition risks	Lawsuits by NGOs / Activists	ST
REPUTATIONAL RISK	Transition risks	Exposure to high C&E risk segments	ST
		Non-alignment with Net Zero targets	ST
		Non-compliance with C&E regulations and expectations	ST
		Risk of greenwashing the product offering	ST
LIQUIDITY RISK	Physical risks	Bank Run	LT
	Transition risks	Financing cost	MT

Materiality Assessment additions planned for 2024

Materiality Assessment analyses are currently further implemented with the aim of including non-climate environmental risks, such as biodiversity, in the scope of analysis.

On the control of transition risks linked to environmental topics, the Bank is integrating a segment-level analysis with mapping of environmental risk drivers in synergy with the categories defined by the ESRS for CSRD (e.g., pollution, biodiversity, water use and circular economy) through reference data providers at European level for mapping the environmental impacts and dependencies of industrial segments.

On the control of physical risks related to environmental topics (focus on Biodiversity), the Bank has launched a mapping of counterparties to determine those that operate (i) in the vicinity of areas of high biodiversity as defined by the EEA and (ii) in segments that may have an impact on such areas (e.g., construction, farming, etc.).

Credit risk

The study of the effects of climate and environmental risks on the **credit risk** of the Banca Ifis Group's portfolio followed two complementary approaches that guarantee, on one hand, the highlighting of aspects linked to the peculiarities of the segments to which Banca Ifis is exposed, and on the other the analysis of the geographical distribution of its loans, highlighting particular concentrations in areas at risk of adverse events.

With regard to **transition risks**, in order to identify the different transmission channels that affect credit risk (such as, for example, technological changes), a **risk mapping** exercise was carried out that led to the assignment of a risk level according to the segment to which each counterparty in the portfolio belongs.

In addition, an analysis was carried out concerning **real estate as collateral for loans granted by Banca Credifarma**. In this case, the effect of transition risk on credit risk is closely linked to the energy class of the real estate pledged as collateral. For this, a detailed analysis of the transition risk was carried out on Banca Credifarma's securitised portfolio by assessing the EPCs (Energy Performance Certificates) of the properties, with the aim of taking into account the possible devaluation on property values in the event of resale, due to the market discount applied for low energy class properties.

As far as **physical risks** are concerned, the impact was quantified by **geo-referencing the portfolio:** an acute physical risk can lead to disruptions in the value chain and damage to buildings leading to a decrease in sales or the impairment of the financial solvency of corporate counterparties and NPL (non-performing loan) debtors.

The analysis carried out by Banca Ifis made it possible to associate physical risk at the level of individual counterparties on the basis of their geographical location, identifying risks that are relevant to the context in which Banca Ifis operates. In addition, geo-referencing methods were refined with reference to counterparts belonging to the Automotive segment (a segment that is also covered by Net-Zero), considering the global location of production sites.

The materiality assessment of climate and environmental risks on credit risk took the form of a heatmap showing the significance of the associated transition and physical risk for each segment. In particular, the materiality analysis showed a share of exposures of around 21% to segments with high or very high climate and environmental risk; overall, the degree of significance of C&E risks on credit risk was assessed by Banca Ifis as moderate.

Materiality Assessment | Methodological detail in relation to Credit Risk

During 2023, the methodology underlying the Materiality Assessment was revised, introducing important new features. In particular, for the Physical Risk component:

- Update of the data used in the Heat Map for the identification of physical hazards (e.g. floods, earthquakes, extreme temperatures, fires, landslides and droughts);
- Refinement of physical risk analysis for counterparties in the Automotive segment through identification of production sites in Europe and worldwide carried out through the mapping of production facilities;
- Use of alternative public data sources to refine the granularity of physical risk assessment based on Istat/Ispra data[13];
- In-depth search for academic documents/publications or established European providers to define possible adjustments (notching expert-based) on physical risk indicators.

At the same time, for the *Transition Risk* component, the updating of the Materiality Assessment exercise introduced the following new features:

- Update of risk drivers in relation to Climate and Environmental Risk considerations at segment level based on the latest available reports in this area;
- Enhancement of segments that take a proactive approach in establishing a Circular Economy by implementing "Green" technologies that increase production efficiency and reduce GHG emission levels. By contrast, attention is paid to those segments, that by the intrinsic nature of the business, struggle to comply with regulations or have to incur substantial costs to implement cutting-edge technologies, affecting the marginality and profitability of investments.

Moreover, as previously described, the Materiality Assessment exercise was extended to Subsidiaries (Ifis NPL, Capitalfin, Banca Credifarma, Ifis Finance IFN, Ifis Finance Zoo).

Business risk

The analysis uses the segment-level credit risk materiality exercise and the segmentation of the portfolio into high-risk C&E segments as a starting point. On the basis of the counterparties in each segment, the relevant net banking income is associated and the % of revenue of the total generated in high C&E risk segments is calculated. The analysis shows that ~20% of the Bank's net banking income is generated on high C&E risk segments, a value in line with the materiality analysis on the loan portfolio.

[13] This was mentioned by the Bank of Italy in "Action Plans on Integrating Climate and Environmental Risks into LSI Business Processes: Main Evidence and Good Practice" as a good practice for assessing the materiality of C&E factors in credit risk.

Market risk

To date, the Group's market risk is not material, amounting to approximately 1% of risk-weighted assets (RWAs) and being mainly composed of transactions for economic hedging and/or developing the Group's investment portfolio. In this context, carefully implemented risk monitoring and consequent risk management activities aim at containing portfolio volatility and hedging relevant risks deriving from exogenous sources.

The Bank performs recurring analyses on the materiality of climate and environmental risks in relation to the Sovereign portfolio by assessing how climate risk influences sovereign default risk as a function of the ND-GAIN index[14]. Specifically, the results obtained through the ND-GAIN index show that the Banca Ifis sovereign bond portfolio (concentrated on the Italian counterparty) is exposed to medium risk.

Based on the results of the materiality analysis, no changes to the current Sensitive Segments Policy are currently necessary. However, the Bank will continue to evaluate the adoption of additional safeguards.

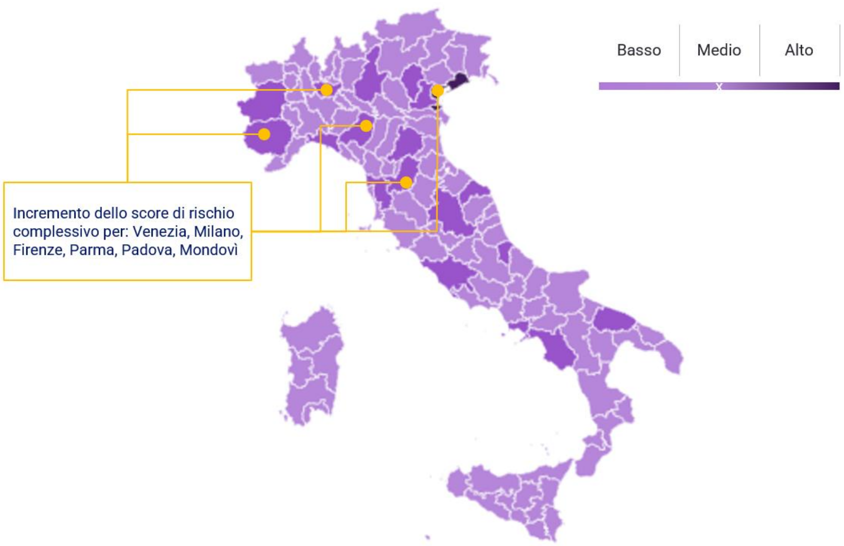
Operational risk

The study of the effects of climate and environmental risks on operational and reputational risks was carried out, in line with the Bank of Italy Supervisory Expectation 10 - Operational and reputational risk with reference to both physical and transitional risks, by assessing on one hand the potential impacts of acute weather events in financial and business continuity terms, and on the other hand the negative effects that could be generated for the reputation of the Banca Ifis Group following conduct or business practices in conflict with ambitions and the reference regulatory framework.

From the point of view of operational risks, various scenarios resulting from the occurrence of acute climate events were analysed. In order to quantify the impact on Banca Ifis's portfolios, a provincial geo-referencing of exposure was considered, identifying the provinces with the highest concentration and therefore most exposed to the effects of C&E risks.

The final result of the climate and environmental risk materiality analysis is a graphical representation of risk (heatmap), constructed based on an approach that considers impact analysis by probability and is linked, on the basis of potential materiality, to the different departments of the Bank and the Subsidiaries[15].

Distribuzione delle filiali e principali siti operativi per rischio fisico



*Ai fini dell'analisi sono state **considerate tutte** e 26 **le filiali della Banca e le Controllate Estere***

Analyses show that the most economically significant branches, as measured by proxies and most exposed to climatic risks, are located in the provinces of Milan, Pisa, Naples and Rome, accounting for approximately 30% of net banking income; at the same time, Foreign Subsidiaries are exposed to low climatic risks.

[14] The index was developed by the University of Notre Dame and also mentioned by EBA as an applicable methodology. For the purpose of the analysis, the ND-GAIN index was segmented into 4 climate risk bands (CS1 - low, CS2 - medium, CS3 - high, CS4 - very high).
[15] The data shown was produced as part of the materiality assessment carried out during FY 2023.

The Bank also assessed, through geo-referencing of customers in the Npl portfolio, the potential impact on the Group of possible interventions by the legislator to support populations affected by extreme weather events that would lead to the suspension of collection and/or repayment of Npl and salary-backed loan repayment plans.

The analyses carried out showed that:

- the most economically significant operations exposed to high climatic risks are located in the provinces of Rome, Latina, Naples, Salerno, and Turin, for a total of ~23% of the perimeter considered (NPL and Cap.Ital.Fin.), with an overall medium-high risk;
- on the vast majority of the perimeter distributed throughout the country (~ 77%), the Bank is exposed to medium to low climate risks.

In addition, the Group has defined a structured process for suspending the payment of mortgage and lease instalments in the event of exceptional weather events that may affect the affected territory, both with respect to the manner of communication and application to customers.

Materiality Assessment | Methodological detail in relation to operational risk

The update of the Materiality Assessment exercise conducted the following in relation to operational risk:

- The Bank has drawn up the "Business Continuity Plan" according to the specificities of the extreme climatic and environmental events analysed. In addition, the Bank included in the analysis the potential impacts to the Group resulting from the impairment of the operations of the Foreign Subsidiaries;

The Bank used a risk assessment methodology that involves identifying relevant stakeholders sensitive to potential lawsuits by NGOs/activists, quantifying the degree of sensitivity and assessing the impact and likelihood of occurrence, in order to obtain an overall score.

Reputational risk

With regard to **reputational risk**, scenarios have been identified, such as non-compliance with C&E regulations or non-alignment with Net-Zero objectives, which may generate risk through stakeholders sensitive to the topics impacted.

More specifically, to analyse the climate and environmental effects on reputational risk, a **framework made up of four distinct steps** was constructed:

- **identification of reputational risk scenarios** based on the C&E risk taxonomy;
- **identification of relevant stakeholders** and quantification of their degree of sensitivity to the different scenarios;
- **risk assessment**, for each scenario, including analysis of the impact and probability of occurrence in order to obtain an overall risk score:
- **aggregation of results**, applying weighting factors based on the relevance associated with the stakeholders.

Based on the **analyses of the most relevant reputational risk scenarios**, the Bank is **exposed to a moderate overall risk**.

Liquidity risk

Following the materiality analyses, the Bank assessed, in line with Bank of Italy's Supervisory Requirement 11 - Liquidity Risk, the possible need to apply corrective measures to the way liquidity reserves are managed, as well as to the provisioning of funds; specifically, the Bank conducted a sensitivity analysis of the LCR (Liquidity Coverage Ratio) regulatory indicator by applying stress assumptions to both available reserves and net outflows based on the dynamics observed on certain reference scenarios.[1] The analysis showed that the liquidity risk from a climate perspective is **non-material**: therefore, there is currently no need to apply corrective measures to the way liquidity reserves are managed with a view to integrating climate and environmental risks. However, the Bank will continue the refinement process inherent in the analysis of potential risks and the related impacts related to this risk exposure, as well as in evaluating the adoption of any safeguards that may become necessary in time.

[1] For example, the flooding of the Elbe River in Germany, which resulted in the largest bank run in recent banking history.

4.2 Climate risk management

Mitigants and measures

The evidence from the materiality assessment enabled the Bank to orientate and identify **different climate and environmental risk management strategies**. Specifically, the Bank has identified the following **mitigants and measures**:

- Inclusion within the **Risk Appetite Framework** (RAF) **of an indicator** to monitor the percentage of exposure to assets classified as high transition risk with respect to the banking group's total exposure;
- Update and monitoring of the results of the materiality exercise **once a year**;
- Annual update of the **Bank's risk taxonomy** document and **transmission channels for climate and environmental risks**.

In addition to the mitigation and monitoring measures already implemented, the bank is working on the development of **a sensitivity analysis of the loan portfolio** with respect to climate and environmental risk topics and has implemented an ESG-enhanced credit framework.

In addition, in **2024** the Bank began **collecting ESG information** at a **counterparty** level through:

- **Acquisition of ESG component scores** via a **leading data provider** on **Large counterparties** (based on the availability of data collected by the provider/published by the counterparty);
- **Questionnaire campaign** to collect **ESG information** on **SME** counterparties, also aimed at the definition of a **synthetic ESG score**.

The credit framework strengthened from an ESG perspective

In the course of 2023, the existing **credit framework from an ESG perspective** was strengthened **by establishing an internal strand dedicated to the ESG assessment of counterparties** that meet predefined criteria. To this end, the Bank has defined the **key boundary** (e.g. segment, counterparty and transaction) and **process** (e.g. credit policies, lending process) **elements** that will define the new framework.

As described previously, in relation to Credit Risks, we highlight the inclusion of a new indicator concerning the "**Incidence of High Transition Risk (ESG) segments**", which monitors the incidence of gross exposure to counterparties belonging to segments considered to be at high transition risk. In recent quarters, the indicator has settled at a level of approximately 21%.

At the segment level, the segments most exposed to ESG risks were identified in line also with the evidence from the C&E risk assessment process already mentioned. **At the counterparty level**, the Bank has instead selected a data provider to address the various information needs in the area of sustainability to ensure an adequate level of coverage, granularity and number of ESG KPIs, without forgetting the frequency of updating the available information.

Having defined the above scope of application, the **enhanced credit framework** will be launched in the first half of 2024 through:

- a **definition of the role of the credit policies** in steering and monitoring of ESG risks during the underwriting phase;
- the **identification** of the **scopes** and **thresholds** for the **activation** of the **reinforced credit underwriting process** (e.g. size and type of product/legal entity, ESG risk at segment level and counterparty level);
- the **drafting** of a **supplementary appraisal** for **ESG-steered** and **appraised counterparties** that will enter the **enhanced credit framework**. This **document** will be made **available** to the **credit decision-maker** to **highlight** the main **ESG characteristics** of the **counterparty** (e.g. climate change and biodiversity management approach, emissions reduction, human and employment rights practices, and anti-corruption and anti-money laundering controls in place).

Processes for assessing the adequacy of internal capital

In 2023, the Bank carried out a series of activities to integrate climate and environmental risk factors into its internal capital adequacy assessment processes, including a series of qualitative references to ESG topics, as well as the results of a first **sensitivity exercise** on adverse climate scenarios, in its ICAAP report for FY2023.

The Bank independently conducted a simplified **Climate Stress Test** exercise based on the short-term (i.e. 3-year) climate scenarios shared by the ECB during the 2022 Climate Stress Test exercise. In detail, the "**short term disorderly**"[16] scenario was assessed, which analyses the short-term vulnerabilities of banks to a sharp and sudden increase in issue prices due to a disorderly transition.

This Climate Stress Test has thus allowed for a first initial quantification of the impact of climate risks on the loan portfolio through sensitivity analyses in line with the Bank of Italy's **Supervisory Expectation 6 - ICAAP, ILAAP and Internal Stress Test Processes.** The analyses revealed that the application of this climate scenario on Banca Ifis's risk parameters (PD and LGD) would have a marginal impact of increasing ECL.

4.3 Integration of climate risks into the Risk Appetite Framework

Banca Ifis's RAF and the integration of climate risks

For risk management purposes, the Group has a **Risk Appetite Framework** in place that governs the overall framework by which the Group manages and monitors its risks.

The Risk Appetite Framework is to be understood as the reference framework that regulates, in line with the business model and the strategic objectives, the **propensity to accept risk**, the **tolerance thresholds**, the **risk limits**, as well as summarising the **risk management policies** and the **processes** necessary to define and implement them.

Following the materiality exercise, the Bank identified various **strategies to monitor and control climate and environmental risks**. Specifically in the RAF, two additional indicators were introduced, in addition to the one already introduced in the RAF 2023 concerning transition risk, which are monitored quarterly to cover both transition and physical risks:

- incidence of exposure to **segments classified as high transition risk**;
- incidence of exposure to **Italian counterparties located in high landslide risk areas**;
- incidence of exposure to **Italian counterparties located in high flooding risk areas**;

[16] In contrast to the 30-year long-term scenarios, the "short term disorderly" scenario anticipates the long-term effects of a plausible severe event; however, this scenario does not fully reflect the benefits of the transition and the related economic recovery that could be considered in a long-term scenario.

5. Metrics and targets

5.1 Climate risk indicators

The materiality assessment on credit risk has enabled the creation of a **sectoral heatmap** to identify the C&E risk areas in the credit portfolio, including:

- **heatmap of transition and physical risk at sector level**;
- **bottom-up analysis of physical risk at the customer level** using geo-referencing.

Heatmap of transition and physical risk at sector level

In order to identify the segments of economic activity in the loan portfolio that present the greatest climate and environmental risks, the Bank has conducted **an assessment activity**, grouping the counterparties based on the segment of economic activity.

In order to construct a segmental heatmap showing the portions of the portfolio exposed to different types of risk, the Bank has therefore:

- **identified transition risks** using a "top down" approach: for each macro segment of economic activity, a risk score on a scale of 1 (Low) to 4 (Very High) was associated with a third-party info provider;
- **identified physical risks**[17] through a "bottom up" approach: each counterparty, associated with a particular segment of economic activity, was analysed punctually by geo-referencing their respective production/legal locations, a process that made it possible to identify precisely the physical risks to which the counterparties are exposed.

The results of the analyses on the loan portfolio as at 31/12/2023, carried out through aggregation and risk weighting, are shown below and are in line with the previous analysis considering the portfolio as at 31/12/2022.

Settori	Esposizione in bonis al Q4 2023 (€mln)	% Esposizione	Analisi «top-down»: Rischio transizione	Analisi «bottom-up»: Rischio fisico affinato
Industria Chimica - Merci e Specialità	68	1.0%	4	2
Fabbricazione coke e prodotti derivanti da	8	0.15%	4	4
Estrazione di petrolio greggio	0	0.01%	4	4
Logistica e Trasporto Terrestre	365	5.6%	3	2
Automotive - Produzione	264	4.0%	3	3
Industria Alimentare	164	2.5%	3	3
Coltivazioni e Silvicoltura	108	1.7%	3	2
Industria della Gomma e Plastica	102	1.6%	3	2
Other High C&E Sectors	327	5.0%	3	2
Very High and High C&E Sectors	**1.407**	**21%**		
Moderate C&E Risk Sectors	2.508	**38%**	2	3
Low Risk C&E Sectoris	2.182	**33%**	1 2	2
Privati e PA	449	7%		
Totale	**6.547**	**100%**		

Rischio basso | Rischio moderato | Rischio alto | Rischio molto alto

[17] For the purposes of the materiality analysis, the results of which are presented later in the chapter, the Bank also considered earthquake risk as a physical risk.

Segments with very high climate and environmental risks are Chemical Industry - Commodities and Specialities, Gas and Oil Extraction, and Manufacture of Coke and Oil Refining Products.

With particular reference to the analyses performed on transition risk, refinements were made to the risk scores for some segments in the light of updates provided by the provider used.

In addition, it should be noted that loan assets backed by real estate to Banca Credifarma's retail customers were also included in the perimeter and categorised as exposures with moderate transition risk. The Bank, in fact, has launched a project aimed at enabling the timely collection of the information necessary for risk assessment also on the entire portfolio of loans secured by real estate; in particular, the activities have been started by Banca Credifarma with the aim, in the long run, of extending the collection of information to all Group companies.

Physical climate risk indicators

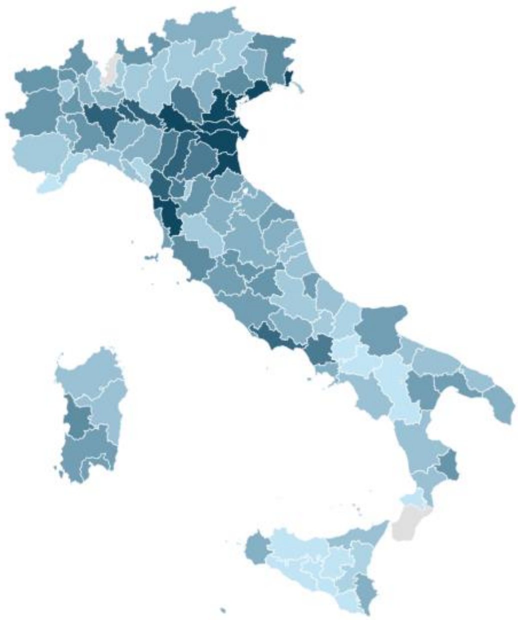
As part of its physical climate risk analysis activities, the Bank has traced the physical risk events to five macro-clusters: flood risk, fire risk, landslide risk, drought risk, heat wave risk. Added to this is the risk of earthquakes.

As part of the activities undertaken in light of the Bank of Italy's Supervisory Expectations on climate and environmental risks, the Bank carried out a more in-depth analysis of physical risk by geo-referencing the production/legal locations of counterparties[18].

The risks that could mainly impact the Bank's corporate loan portfolio include:

- risk of fire;
- risk of heat waves;
- risk of flooding.

On this last point, the Bank has approximately 10% of its loan portfolio exposure in areas with high flood risks. In particular, Padua, Modena, Venice, Lucca, Mantua, Pisa and Ravenna are the provinces with the highest exposure in these high-risk areas.



[18] The data shown refers to the exposures analysed as part of the materiality assessment carried out during FY 2023.

5.2 Scope 1, 2 and 3 emissions

Scope 1 and 2 emissions

The Banca Ifis Group, confirming the close attention it pays to the direct impacts generated on the environment through its business activities, is committed to implementing a series of projects designed to help reduce these impacts. Some examples of these projects are the renovation and redevelopment of offices according to the highest standards of environmental compatibility, #Ifisgreen environmental sustainability projects summarised in a series of initiatives in favour of the spread of a "plastic free" corporate culture and electric mobility, and the launch of partnerships aimed at offsetting emissions produced during events organised by the Bank.

In the area of sustainable mobility, the Group has initiated a project to install additional electric car charging devices, in addition to those already present, at the Group's main sites. In particular, a total of 19 charging points are planned to be installed by 2024, which will be added to the existing 40 for a total of 59 charging points. The Group has also set itself the aim of replacing 50% of the company car fleet with hybrid/electric vehicles by 2025.

Starting 1 January 2021, the Group now only uses green energy obtained 100% from renewable sources (e.g. wind, photovoltaic, geothermal, hydroelectric, biogas and biomass) in all its offices in Italy. On the basis of consumption, equal to 2,9 million kWh (also 2,9 in 2022), in 2023 this choice allowed for an estimated reduction of 813 tonnes of CO_2 emissions. In addition, a new photovoltaic system with a capacity of approximately 180 kWp is approaching finalisation and activation on the roof of the Mondovì office building with the aim of reducing the direct impact of the building itself.

Breakdown of energy consumption by source		2023	2022	2021
Total	**GJ**	**35.794**	**32.547**	**30.678**
Natural gas consumption for central heating	GJ	1.760	2.128	5.106
Gasoline consumption for the vehicle fleet	GJ	7.332	1.927	385
Diesel consumption for the vehicle fleet	GJ	16.326	17.625	14.716
Total fuel consumption	**GJ**	**25.418**	**21.680**	**20.207**
Consumption of purchased electricity (non-renewable)	GJ	-	-	-
Consumption of purchased electricity (renewable)	GJ	10.020	10.483	10.101
Consumption of energy from solar panels (renewable)	GJ	356	383	370
Total electricity consumption	**GJ**	**10.376**	**10.866**	**10.471**

Energy intensity[20]		2023	2022	2021
Energy intensity of the organisation	kWh/add.	1.446,7	1553.9	1517.5

[19] See the section on "Notes for the collection and calculation of energy consumption data [GRI 302-1]" at the end of the document.

[20] Calculated by comparing the absolute energy consumption within the organisation and the total number of full-time employees of 1.924 in 2023, 1.874 in 2022 and 1.849 in 2021.

In relation to the CO_2 equivalent emissions associated with the Group's business activities, the following elements of the GHG Protocol are monitored:

- Scope 1, i.e. direct emissions from sources owned or controlled by the Group;
- Scope 2, i.e. emissions related to energy sources acquired for self-consumption by the Group.

Greenhouse gas emissions[21]		2023	2022	2021
Scope 1	tCO_2 eq.	1.855	1.578	1.419
Scope 2 (location based)	tCO_2 eq.	749	761	784
Scope 2 (market based)*	tCO_2 eq.	0	0	0

*In order to calculate the emissions according to the "market based" method, reference was made to the certificates of Guarantee of Origin issued by the electricity supplier that, for 2023, consisted entirely of renewable sources.

GHG emissions intensity		2023	2022	2021
Intensity of scope 2 location based emissions - per employee	tCO_2eq./add	0,4	0,4	0,4

The reporting boundary of CO_2 equivalent emissions is based on the operational control concept defined by the Greenhouse Gas Protocol. For 2023, the sources of the conversion factors used to calculate CO_2 equivalent emissions are the "ABI Lab guidelines on the application of the GRI (Global Reporting Initiative) Environmental Indicators for banks - December 2023 version". The greenhouse gases included in the emissions calculation - and specified in the guidance - are CO_2, CH_4, and N_2O.

For more details, refer to the chapter "6.2 Direct environmental impacts" of the Banca Ifis Group's 2023 Non-Financial Statement.

The portfolio Carbon Footprint (Scope 3)

The Bank has also measured its **Scope 3 emissions**, thereby meaning all **indirect emissions** from resources not directly controlled or owned by the organisation, but occurring within its value chain. This assessment provided, among other things, a starting point for the Bank's definition of **its targets for the reduction of financed emissions** by 2030 on its loan portfolio, which were defined as part of its membership of the Net Zero Banking Alliance. The results of the measurement, which covered some particular segments of the Bank's loan portfolio, are reported in section *"3.3 Group Strategy - Adherence to the Net Zero Banking Alliance"*.

The calculation of financed emissions - Net-zero target approach

As already mentioned, in 2021 the Bank adhered to the **Net-Zero Banking Alliance (NZBA)**, thereby committing to bringing its loans and investment portfolios into line with the achievement of the zero net emissions goal **by 2050**, as per the targets set by the Paris Climate Agreement. After making this commitment, the Bank monitored **the portfolio's financed emissions** and set **emission targets on the most relevant segments** in terms of materiality and emissions levels: ***Auto Leasing, Truck Leasing, Automotive Manufacturers and Distributors.*** These segments cover more than **90% of the exposures** and financed emissions in the segments considered as high-emitting by the NZBA.

The overall approach is consistent with the recommendations and guidelines of the NZBA[22] and best market practices.

[21] For the conversion and emission factors, see the section on "Notes for emissions calculation - Scope 1 and Scope 2 - [GRI 305-1 and 305-2]" and the section on "Notes for emissions calculation - Scope 3 - [GRI 305-3]" at the end of the document.
[22] https://www.unepfi.org/net-zero-banking/.

The definition of the Net-Zero targets for each sector required the completion of the following steps:

1. definition of the scope in question, including the asset classes and segments covered in the value chain;

2. selection of the most appropriate metric to measure the baseline scenario and emission targets in line with NZBA requirements and market practices, selecting the areas and portion of emissions to be achieved;

3. collection of public data, definition of proxies and calculation of the baseline scenario and inertial trajectory at counterparty level;

4. aggregation at portfolio level and definition of inertial emission curves;

5. selection of the Net-Zero reference scenario (i.e. IEA NZE scenario as market standard for Net-Zero trajectories) and definition of the level of ambition for the Bank.

Details follow of the methodological choices made by the Bank to define the Net-Zero targets.

- Relevant exposures. Exposures in the target setting exercise include the following types of lending to non-financial corporations both Large and SMEs:
    - Used for cash[23];
    - Hold-to-collect bonds (HTC);
    - Leasing;
    - Factoring (both with and without recourse).
- Coverage of the value chain, In line with the major market players, only selected segments of the value chain of each segment have been taken into account for the scope of the target setting exercise. In particular, for each sector, a definition of the value chain was carried out in accordance with the main portfolio alignment methodologies. Specifically, coverage has been defined as follows:
    - Car manufacturers and distributors: focus on car manufacturers excluding component manufacturers (e.g. tyres, brakes);
    - Car leasing (light vehicles[24] and trucks): focus on the vehicle purchased by the customer.
- Portfolio coverage. Portfolio coverage has been defined in line with major market practices:
    - Car leasing: 99,95% coverage (excluding decommissioned vehicles or obsolete car brands, as well as commercial LDVs without declared gCO_2/km emissions);
    - Car manufacturers and distributors: 97,9% coverage.
- Scope of emissions used. For each segment, the scope of emissions was selected to maximise the share of emissions captured and to ensure alignment with the main market peers:
    - Car manufacturers and distributors: Scope 3;
    - Car leasing: Scope 1, 2 (emissions from the use of vehicles by consumers, corresponding to Scope 3 emissions for manufacturers).
- Target metrics. The Bank has decided to use a segmental decarbonisation approach (SDA) to measure and reduce emission intensity, defined as the ratio of financed emissions to financed output for each segment. Specifically, the unit measures used for the metrics of each sector were as follows:
    - Automotive (manufacturers, distributors and leasing): gCO_2/km;
    - Truck leasing: gCO_2/tkm.

[23] Agreement by signature is excluded to: (i) be in line with market practices and PCAF recommendations; (ii) calculate only the actual financing, and thus the real impact on the economy and emission levels, and not the potential.
[24] Light-duty vehicles (LDV) are all motorised four-wheel vehicles intended for the mobility of persons on all types of roads, up to nine persons per vehicle and 3,5 t gross vehicle weight.

- Data source. Emissions and production data of automotive groups was mainly taken from public databases (e.g. ICCT report[25], TPI[26]) or from publicly available reports of counterparts.

  TPI only considers Scope 3, category 11 emissions, i.e. emissions generated by the "use of the product sold". In this sector, the emissions generated by the use of the products sold correspond to the emissions generated during the entire life cycle of the cars sold by the manufacturers[27].
  TPI measures emission intensity in the automotive sector based on average CO_2 Tank-to-Wheel emissions per kilometre[28].

- Weighting approach. The methodology for weighting the emissions intensity of each counterparty in the calculation of the overall portfolio's issuance curves has been defined in line with leading market practices, taking into account the availability of data for each segment.

- Scenario selection. For all segments covered by emission intensity metrics, Net-Zero alignment scenarios were defined using the IEA[29] Net-Zero economy scenario.

5.3 NZBA Targets

As outlined in paragraph 3.3, the Banca Ifis Group has set specific targets in the most significant segments in terms of material relevance and volume of emissions (Car Leasing, Trucks Leasing, Car Manufacturers and Distributors). These targets cover more than 90% of the exposures and financed emissions in the segments considered as high-emitting by the NZBA.

Below are the **targets for the reduction of financed emissions** on the NZBA Leasing Automotive, Truck Leasing and Automotive Manufacturers and Distributors segments that it aims to achieve **by 2030**:

High-emission sectors[30]	Emission Scope	Metrics	Baseline[31] (year)	2030 Target
Auto Leasing	Scope 1 - Scope 2	gCO_2e/km	130 (2019)	85
Truck Leasing	Scope 1 - Scope 2	gCO_2e/tkm	52[32] (2020)	37
Automotive Manufacturers and Distributors	Scope 3	gCO_2e/km	153 (2019)	85

The emissions reduction targets were announced to the market in September 2022, six months ahead of the NZBA's deadlines and are among the most ambitious currently published by banks of similar size.

In 2023, the Group's Risk Management Department started the periodic monitoring of Net-Zero targets on a half-yearly basis. This monitoring was carried out through a specific methodology involving the analysis of the exposure relative to the different NZBA segments through mapping at ATECO code level and the value of emissions financed through an estimation of emission intensity per average exposure.

The first two monitoring exercises carried out in June 2023 and December 2023 showed that the targets were in line with what was declared at the time of joining.

[25] https://theicct.org/wp-content/uploads/2021/12/eu-hdv-co2-standards-baseline-data-sept21.pdf.
[26] https://www.transitionpathwayinitiative.org/sectors/autos
[27] TPI methodology, p.7.
[28] TPI methodology, p.7.
[29] International Energy Agency.
[30] Sectors outlined by the Net-Zero Banking Alliance with IEA Net-Zero 2050 reference scenario.
[31] Portfolio composition as at 31.03.2022, latest available emission data.
[32] Emission data to 2020 for the application of EU Regulation 2019/1242 on emission targets for heavy duty vehicles.

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