Climate Report

2024

Banca Ifis

Summary

Main subject area	TCFD Recommendations	Banca Ifis' Climate Report Reference
Governance	a) Describe the board's oversight of climate-related risks and opportunities	2.1 Governance model 2.2 Corporate governance structure
	b) Describe management's role in assessing and managing climate-related risks and opportunities	2.3 Managerial committees 2.5 Training and corporate culture
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	3.1 Climate-related risks and opportunities and Group's strategy 3.2 Banca Ifis Group's Transition Plan
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	3.3 Banca Ifis Group's resilience analysis
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks	4.1 Climate risk mapping
	b) Describe the organization's processes for managing climate-related risk	4.2 Climate risk management
	c) Describe how processes for identifying, assessing and managing climate-related risk are integrated into the organization's overall risk management	4.3 Integration of climate risks into the Risk Appetite Framework
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	5.1 Climate risk indicators
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	5.2 Scope 1, 2 and 3 emissions
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	5.3 Climate-related objectives

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 small and medium-sized enterprises and private customers, with the aim of generating 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 was able to evolve, quickly and flexibly, making the most of the new opportunities emerging in the *specialty finance* market.

With an **ever-diversifying and structured offer of Commercial and Corporate Banking services**, the Group meets the financial requirements of businesses, placing particular emphasis on aiding SMEs, a core aspect of the Bank's identity, dedicated to serving the real economy. As 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 main servicers 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.

For years now, Banca Ifis has been on a path of strong **integration of ESG criteria into its business model**, guided by a clear vision: sustainability, in all its dimensions and forms, represents a fundamental tool for generating value — not only for the Bank but also for people, the environment and communities, and must be taken into account when defining development strategies. Through its 2022-2024 Business Plan, named **D.O.E.S. (Digital, Open, Efficient, Sustainable)**, the Bank has implemented a diversified and adaptable business model, centred around innovation, specialisation, and the integration of ESG principles. In 2024, the Plan was **fully and successfully implemented**, surpassing its objectives and reaffirming the Bank's leadership in sustainability. This was further demonstrated by the improvement in the main ESG ratings, achieved through an integrated and concrete approach aimed at creating a positive social impact for all stakeholders.

Among 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 — Banca Ifis announced the **reduction targets for its loan portfolio by 2030**, which allow to cover most of the financed exposures and emissions considered high-emitting by the NZBA. In 2024, the Bank also set specific targets to **reduce its emissions**, focusing in particular on the corporate fleet and committing to increase the share of full electric or hybrid vehicles in order to **reduce direct emissions by 10 per cent by 2030**.

The Banca Ifis Group is equally devoted to **aiding SMEs in their sustainable transition** by offering specific products and services like subsidised loans, as well as fostering a **culture of corporate sustainability** through regular studies and research conducted by its Research Department. Additionally, the Bank's sustainability strategy encompasses a range of initiatives **aimed at promoting sustainable mobility**. These initiatives, such as the Ifis Leasing Green and e-bike rental schemes, are crafted to foster eco-friendly practices, enhance the quality of life, and cut down CO_2 emissions.

On 8 January 2025, Banca Ifis initiated a voluntary full takeover bid (OPAS), compliant with Articles 102 and 106(4) of the Consolidated Law on Finance, targeting all ordinary shares of illimity Bank S.p.A. listed and traded on Euronext Milan's Euronext STAR Milan segment, a regulated market organised and managed by Borsa Italiana S.p.A. ('Borsa Italiana').

As of 27 June 2025, at the end of the acceptance period for the OPAS, acceptances accounted for 84.092% of illimity Bank S.p.A.'s share capital, rendering the offer effective. After the mandatory reopening of the acceptance period, the acceptance rate increased to 92.488% (inclusive of treasury shares).

Please note that this document refers to the Group's structure as at 31 December 2024, and therefore does not include qualitative and quantitative information on illimity Bank S.p.A. and its subsidiaries or investee companies.

1. Introduction

The persistent global climate emergency necessitates progressively more effective tools to understand and address climate-related risks and opportunities.

The year 2024 marked the hottest on record, as average global temperatures surpassed pre-industrial levels by 1.6 °C. This represents an entire year exceeding the 1.5 °C threshold established by the Paris Agreement, highlighting the acceleration of the climate crisis. In this context, the 29th Conference of the Parties (COP) in Baku, Azerbaijan, from 11 to 22 November 2024, represented a pivotal opportunity to enhance international efforts in accordance with the Paris Agreement. During the summit, the European Union spearheaded efforts by advocating for a new collective climate finance goal of at least USD 1.3 billion annually by 2035, integrating both public and private funding. The summit's principal outcomes include:

- the implementation of new regulations for the carbon market, aimed at enhancing environmental integrity, transparency, and accountability;
- the European Union's declaration of its plan to submit a nationally determined contribution (NDC) in 2025, in line with the objective of keeping global warming below 1.5 °C;
- the definition of a partnership for the abandonment of fossil fuels, in collaboration with the 'Beyond Oil and Gas' alliance;
- the introduction of a methane reduction roadmap, with the aim of accelerating the energy transition;
- the publication of the first biennial transparency report, a key milestone in the implementation of the Paris Agreement.

Despite the pressing climate challenges confronting the international community, numerous governments have highlighted the necessity to reassess decarbonisation and sustainability reporting objectives to alleviate corporate obligations and maintain competitiveness. Nevertheless, the European institutions reiterated the necessity of ensuring a sustainable transition pathway that involves the private sector, although recognising the importance of simplifying reporting requirements and fully supporting companies in this endeavour.

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 Green Deal for a Climate Neutral Europe by 2050.

Under the European regulatory framework, progress continued on the Corporate Sustainability Reporting Directive (CSRD)'s implementation, with the adoption of the European Sustainability Reporting Standards (ESRS) and the commencement of mandatory reporting for large companies. The legislation introduced 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 the early months of 2025, a set of initiatives known as the 'Omnibus' package was implemented to facilitate the journey of private companies in sustainability reporting, while still adhering to the European institutions' goals for the sustainable transition of businesses. In line with this context, Banca Ifis published its 2024 Sustainability Report, incorporating it into the Management Report approved together with the Financial Statements by the Shareholders' Meeting on April 17, 2025.

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.

Following an analysis of the progress made since the adoption of the Climate Agenda, the ECB decided to further strengthen its climate engagement. In 2024-2025, the focus will be on three priority areas in particular:

- the economic implications of the green transition;
- the physical impact of climate change;
- the risks of loss and degradation of nature for the economy[1].

Amid regulatory progress and growing sustainability initiatives, in April 2022, the Bank of Italy released a document titled 'Supervisory Expectations for Climate and Environmental Risks', aligning with similar actions by the ECB and the EBA. The document sets out 12 supervisory expectations regarding the integration of climate and environmental risks

[1] More information can be found on the European Central Bank website.

into the strategy, governance systems and risk management and control processes of the banks under its supervision. The Bank of Italy has reiterated the necessity for intermediaries, including Less Significant Institutions (LSIs), to make adjustments that are proportionate to the nature, size, and complexity of their operations. In order to achieve full alignment with expectations, the Authority required intermediaries to draw up a multi-year Action Plan aimed at defining a path to compliance by 2025.

In 2024, the Sustainable Finance Table, led by the Ministry of Economy and Finance in collaboration with the Bank of Italy, CONSOB, IVASS, COVIP, and other institutional participants, issued the Guidance Document for the Sustainability Dialogue between SMEs and Banks. The document, developed with technical support from the European Commission, is intended to facilitate the gathering and sharing of ESG information by SMEs. It aims to enhance the dialogue between banks and companies on sustainability and climate risk matters.

The UN acknowledges the strategic role of the banking sector in navigating the transition to a sustainable economy. This is why they 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, which Banca Ifis joined in 2023.

2. Governance

2.1 Governance model

As Parent company of the Banca Ifis Group, Banca Ifis adopts the traditional administration & control model, considering it the most appropriate in view of its structure and operations to ensure management efficiency and control effectiveness.

Within this model:

- strategic supervision is performed by the Board of Directors;
- management is embodied in the Chief Executive Officer, who implements the resolutions passed by the Board of Directors, with the assistance of the Co-General Managers, the Chief Commercial Officer (CCO) and the Chief Operating Officer (COO);
- control is performed by the Board of Statutory Auditors.

In line with the provisions of 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. On 17 April 2025, the Scenarios and Sustainability Committee was established and appointed. The Board Committee, having an internal nature, allows Banca Ifis to further strengthen its oversight of sustainability issues. This Committee consists of Ernesto Fürstenberg (Chairman of the Committee), Roberto Diacetti (Deputy Chairman of the Committee as minority director), Nicola Borri, Chiara Paolino and Rosalba Benedetto.

The composition, operations, and responsibilities of the Board Committees are governed by the Regulation of the Board of Directors and the Board Committees and the General Regulation.

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 issues.

With the aim of generating sustainable value for all stakeholders, the Parent company has integrated ESG considerations into its banking processes, involving the company's various functional competencies and promoting an ongoing commitment to these issues. The diverse Corporate Departments hold the responsibility for gradually embedding these elements into the various processes, while the Board of Directors receives regular updates on the Group's sustainability goals and achievements. As a result, these bodies are kept informed about the comprehensive list of material impacts, risks and opportunities, which are incorporated into the corporate strategy, shaping policies, actions, and objectives on a range of ESG issues.

To support this approach, the Parent company adopts a sustainability governance structure based on a 'decentralised' model. The Communication, Marketing, Public Affairs & Sustainability Department, under the guidance of the Chairmanship, the Board of Directors, and the Sustainability Committee, coordinates and manages ESG activities in cooperation with the other involved departments, each within its own area, as described in more detail below.

The Chairman, the Honorary Chairman and the Deputy Chair

In defining the Group's sustainability strategy and integrating ESG issues 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, considering the characteristics of the Group and the family nature of the Bank's long-term controlling shareholder (for example, on 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 for all communications concerning the BoD, where these are presented as communications by the Deputy Chair.

With particular reference to climate issues, the Chairman and Deputy Chair, as permanent 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 BoD, 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 on an ongoing basis, with the aim of creating sustainable and lasting value. 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 and strategies for the entire Group.

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.

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.

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, the BoD ratified the double materiality assessment previously approved by the Sustainability Committee, which enables the identification of the enterprise’s material impacts, risks and opportunities. Moreover, starting in 2025, in accordance with the regulations in effect from time to time, the BoD will approve the Sustainability Report on an annual basis, which will be part of the Management Report within the Consolidated Financial Statements.

Furthermore, the BoD and the Sustainability Committee are consistently kept informed about the effectiveness of the adopted policies, the actions implemented, the metrics reviewed, and the targets established. This approach involves presenting the policies and targets set in sustainability for their assessment and oversight, guaranteeing efficient management of ESG issues at the company level.

The Board Control and Risk Committee

The Control and Risk Committee is responsible for 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 the current regulation, of five members chosen 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 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. Four members of the Control and Risk Committee also have specific expertise in the area of sustainability.

Meetings of the Control and Risk Committee

Throughout 2024, the Committee held twenty-one meetings (often including non-member directors), five of which were joint sessions with the Board of Statutory Auditors, where ESG issues were discussed. These discussions covered: (i) the targets attained periodically by the 'Ifis Climate Change Transformation' Project, focusing on the implementation of the enhanced credit process and the comprehensive updates of internal regulations (i.e., ESG Policy and Sensitive Segments Policy), (ii) the Task Force on Climate-related Financial Disclosures Report (2023 Group TCFD Report), (iii) developments in the comprehensive planning within the CSRD area, outcomes of the materiality assessment, preparatory to the 2024 sustainability reporting, and related updates to the regulatory framework, and (iv) the Materiality Assessment concerning climate and environmental risks.

In addition, in the course of 2024, the Control and Risk Committee was affected by numerous updates of internal regulations (Policies, Regulations, procedures, manuals, operating notes) also arising from ESG issues and/or from provisions contained in the 'Multi-year plan of Banca Ifis activities for addressing the Bank of Italy's expectations on climate and environmental risks' and channelled into the 'Ifis Climate Change Transformation' project mentioned above.

From the beginning of 2025 until the date of approval of this document, the Control and Risk Committee met sixteen times, four of which jointly with the Board of Statutory Auditors. During these meetings, the Committee reviewed the progress of the 'Ifis Sustainable Transformation' programme and considered amendments to internal regulations, including, for example, the 'Sensitive Segments Policy'.

For the year 2025, a total of twenty-one meetings has been scheduled (including five to be held jointly with the Supervisory Body).

2.3 Managerial committees

The Sustainability Committee

The **Sustainability Committee**, a committee chaired by the Chairman of the Board of Directors, supports the BoD 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 and Head of Communications, Marketing, Public Affairs and Sustainability, the Chief Executive Officer, the General Counsel, the Co-General Manager Chief Commercial Officer, the Co-General Manager Chief Operating Officer 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 as well as third-party consultants with expertise in ESG issues to the meetings depending on the topics discussed.

The Sustainability Committee is a collegial body with deliberative, propositional and advisory functions, with a portfolio, established at Parent company level and operating for the entire Group, coordinated with the Scenarios and Sustainability Committee. It 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 issues, in connection with which it works together with the corporate bodies and the competent Bank structures. At the same time, it has **deliberative functions** in relation to initiatives of any nature concerning ESG issues, such as, for example, partnerships and/or collaboration agreements and Group initiatives to support awareness and training on ESG issues.

During the reporting period, the Sustainability Committee actively supports strategic steering activities on climate change issues, alignment activities with the Bank of Italy's **Supervisory — Governance Expectations**, as well as strategic steering activities on broader ESG issues, 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**. Throughout 2024, the Sustainability Committee convened for **seven meetings**, during which it deliberated on topics closely tied to the environmental and climate context. These included updating the materiality of climate and environmental risks, the release of the 'Social Bond Framework' document, the expansion of the enhanced credit framework, and monitoring the emission reduction targets for the Net-Zero Banking Alliance (NZBA).

As mentioned earlier, the **outcomes of the double materiality assessment** are presented to the **Sustainability Committee** and the **BoD**, who **review** and **approve** them at least once a year. Together with the outcomes of the double materiality assessment, the Committee also evaluates regulatory progressions to establish strategic plans and ESG targets, aiming to reduce risks and adverse impacts while maximising opportunities and positive impacts.

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, there is a **Sustainability Manager** to coordinate the implementation of the activities envisaged by the Group's sustainability strategy.

The Communication, Marketing, Public Affairs & Sustainability Department, together with the Finance Department, informs the Sustainability Committee regarding the management, monitoring, and control of the material risks, impacts and opportunities and the outcomes of the double materiality assessment at least annually.

Sustainability Ambassador

The **Sustainability Ambassador** is a figure that can be appointed within each Department, with the task of **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 Remuneration policy, established each year by the Parent company, aims to align the actions of management and employees with the interests of all stakeholders, fostering the attainment of sustainable targets. A strong focus is given to **sustainability targets**, which incorporate ESG factors within the current and future prudent risk management framework. Concurrently, the Policy strives to attract, motivate, and retain individuals possessing the professional qualities necessary for profitable pursuits in alignment with company values.

Remuneration and incentive policies are gender-neutral and contribute to the pursuit of complete equality in the economic and regulatory treatment of staff. They promote an equal level of remuneration for staff, including in terms of the conditions for its recognition and payment, for equal work.

The Group's remuneration and incentive policies provide for a short-term variable incentive plan, known as **Short Term Incentive Plan** (STI). Entitlement to this plan is contingent upon meeting specific entry criteria and achieving qualitative/quantitative performance goals, assigned to beneficiaries.

The Short Term Incentive Plan (STI) includes specific ESG KPIs:

- ESG KPIs at Group level are established for all beneficiaries and focus on decarbonisation, fulfilling commitments on gender equity, the delivery of ESG training, the integration of the Group's product offering with regard to the social dimension, the development of internal anti-harassment policies, and the maintenance/improvement of the MSCI rating;
- for the NPL business, there are KPIs relating to the sustainability of the settlement plans, welcome calls and complaints and out-of-court cash collection, confirming the attention to the needs of people with an ethical and sustainable model of recovery for the NPL business, with a view to financial re-inclusion;

The total weight of the aforementioned KPIs varies depending on the type of beneficiaries from a minimum of 10% to a maximum of 20%.

2.5 Training and corporate culture

Climate-specific BoD training

For Banca Ifis Group, training represents one of the key tools for the continuous development of staff skills and, thus, to support the sustainable growth of the business.

During 2024, the Group organised several training activities with sustainability as their focus. Indeed, this represents one of the ten competencies underlying the five 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, projecting their long-term and ecosystem impacts.

In particular, with regard to climate, a specific training project called Ifis Climate, was carried out, in which the ways the Bank intends to integrate ESG factors into the credit process have been explained to the relevant corporate populations.

In 2024, a new strategic target was incorporated into the Performance Management system for employees of Italian companies, focused on fostering a stronger commitment to sustainability. The objective is to finish the e-learning course available on Ifis Talent named 'ESG Pathway – Business Overview and 2030 Agenda', which offers a comprehensive introduction to the ESG landscape and the 2030 Agenda.

Regarding the training programmes for the Board of Directors, several sessions dedicated to sustainability issues were scheduled for the 2024-2025 period. In particular, the members of the Parent company's BoD explored the link between ESG and banking, as well as the issue of Social Banking NPL. For the subsidiaries, Board of Directors members participated in a meeting focused on understanding key regulatory guidelines in the realm of sustainability, their connection with business sectors, ESG and banking risks, and the role of stakeholders.

The training sessions attended by company representatives, and consequently the skills they gained, are always tailored to the specific environment of the Bank and the Group companies. In fact, the courses are structured to include an initial portion of training delivered by esteemed external instructors to set the general context, followed by a second portion conducted by internal instructors focusing on case studies relevant to the specific situation of the Bank and the Group.

With regard to the specific skills of the BoD, in addition to the areas of expertise declared by each director at the application stage, the Group, through the annual self-assessment process, also identifies the additional skills acquired in the meantime through the annual training provided to Board members, in order to assess its effectiveness.

The self-assessment carried out in the second year of the mandate, later verified in the third and final year, indicated that the BoD effectively embodies skills, professionalism, knowledge, and experiences in fields like information technology, digitisation, innovation, cybersecurity, ESG, and leadership capabilities.

In the self-assessment for the third and final year of the mandate, a thorough analysis of ESG skills was conducted, maintaining consistency with the previous assessments. The conclusions reached by the Directors, stemming from a consideration of their individual skills in this particular area, are presented below. In support of this growth trajectory, targeted training sessions were conducted in 2024 for corporate body members, centring on the following topics:

- ESG and banking;

- **Social Banking**: which areas have the greatest impact.

Level of ESG skills emerged from the self-assessment	u.o.m.	Excellent	Good	Fair
Human capital management and development	N.	6	6	0
Diversity & Inclusion management	N.	8	4	0
Ethics and corporate social responsibility	N.	8	4	0
Sustainable development and fight against climate change	N.	8	4	1
ESG and sustainable finance	N.	10	3	0
Procurement and supply chain management	N.	2	9	1
ESG regulation and standards	N.	10	3	0

3. Strategy

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 risks and opportunities and Group's strategy

Risks

Through the Materiality Assessment, the Banca Ifis Group identifies and assesses material climate and environmental risks. Below is a summary of the transmission channels analysed as part of this assessment:

Type of risk		Transmission channel	Time horizon
CREDIT RISK	Physical Risks	Business continuity and NPL/CQS settlement plans	MT
	Transition Risks	Repayment capacity on corporate loans and NPL/CQS settlement plans	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, proprietary 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 in the product offering	ST
LIQUIDITY RISK	Physical Risks	Bank Run	LT
	Transition Risks	Financing cost	MT

For a detailed description of the risks relevant to the Banca Ifis Group, please refer to 2024 Sustainability Report, included in the Group Management Report.

In the course of 2024, **Materiality Assessment** analyses were **implemented** with the aim of including in the scope of analysis also non-climate environmental risks related to medium/long term, with a focus on **biodiversity**, such as:

- **reputational risks**, which through exposures to counterparties, are related to the loss of biodiversity;
- **credit risk**, linked to the deterioration of the creditworthiness of counterparties with business activities that may have a significant impact on biodiversity due to higher costs and/or lower revenues.

Opportunities

The Banca Ifis Group embeds climate change opportunities into its strategic and financial planning, in harmony with its business model and medium-term outlook.

In particular, it identified and classified these opportunities in two main areas:

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

Over the years, the Group has implemented several innovative projects with the aim of spreading awareness of the business culture and 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.

This commitment is realised through collaborations with several financial and non-financial partners, who are leaders in the energy transition to take an active part in the international effort to combat climate change. Finally, by joining the Net-Zero Banking Alliance in 2021, the Group has already started a process of gradual decarbonisation of the, albeit small, portion of its high-emission banking portfolio.

IRO Description	Time horizon
Promotion of sustainable mobility solutions and initiatives	Medium-term
Initiatives to advance sustainable development policies and enhance the utilisation of renewable energy sources	Medium-term
Promotion of solutions aimed at enhancing energy efficiency in operational processes	Medium-term
Promotion of products, services, and initiatives designed to aid SMEs in enhancing their sustainable and responsible practices	Medium-term
Development of products, potentially secured by guarantees, to support environmentally-focused projects for customer allocation	Medium-term
Promotion of solutions aimed at enhancing energy efficiency in operational processes and the eco-friendliness of products	Medium-term
Cost reduction through the execution of energy efficiency programmes and initiatives	Medium-term

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. 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 committed to contribute to the sustainable transition of the sectors in which it operates through lending, with the aim of achieving zero net emissions from its loan portfolio by 2050, and to set interim targets on priority, emissions-intensive sectors by 2030.

As of 2022, projects have been initiated to define emission targets on the most relevant segments in terms of materiality and emissions level (Car 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 seeks to cultivate its competitive advantage, 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 compliant with the Code of Ethics (i.e., Strike Zone and Sensitive Segments Policy), excluding them from any transactions or 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 Banca Ifis Group's Transition Plan

To continuously enhance its comprehension of the operational landscape, Banca Ifis regularly undertakes activities to identify and evaluate the impact of climate and environmental risks on the entire ecosystem, thereby ensuring its resilience.

This process involves several stages: initially, a preliminary review of market trends is conducted, followed by an in-depth analysis of the sector and an evaluation of both the risks and opportunities associated with the various segments of each sector's value chain. These analyses offer a robust foundation of information to inform strategic decision-making concerning risk management, fostering a sustainable and conscious response to climate and environmental challenges.

Guided by the insights gained from these analyses, Banca Ifis will refine its strategy and operational processes to enhance its resilience, minimise material impacts, navigate risks associated with the ecological transition, and capitalise on the opportunities provided by sustainable business models. This leads to a transformation of the commercial offer, favouring the financing of sectors and companies with a minor exposure to environmental risks. It also includes the option of securing natural catastrophe insurance, the integration of ESG criteria into credit assessment processes, and investment in low-impact solutions for its operations, thereby contributing to the sustainable development of the ecosystem in which it operates.

Aware of its role and of the significant contribution it can make in the processes of sustainable development, as well as 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 context 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.

[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.

Ultimately, the Group has created a **structured monitoring process**, concentrating on the car leasing sector, to guarantee prompt and ongoing tracking of progress towards sustainability targets and executed initiatives. This system makes it possible to analyse the performance of financed emissions and assess the impact of the policies adopted, with the aim of keeping the Group's operations aligned with its stated strategic objectives.

At least annually, the data and analyses are also presented to the Sustainability Committee with a view to strategic portfolio steering. Should there be notable deviations from the targets or a failure to meet anticipated performance, the Committee prominently takes charge in devising corrective measures.

3.2.1 Financed GHG Emissions — Product and Service Portfolio

3.2.1.1 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].

FINANCED EMISSIONS OF BANCA IFIS IN THE AUTOMOTIVE SEGMENT

In this context, in 2019 Banca Ifis 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 were set and published in 2022).

To help achieve these targets, the Group has integrated ESG 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.
This framework is an integral part of the credit assessment process and allows for an **assessment** of the **sustainability** of **counterparties** (including those operating in Automotive segment) 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 deliberator. 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 **approach** has proved to be a **key lever** adopted by the Group to **achieve** its **objectives** and to **ensure** that its **credit activities** are in **line** with **its targets**.

[3] For the calculation of the targets, the methodological focus is on the vehicle production segment of the value chain.

Banca Ifis Automotive initiatives: 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 2025, Banca Ifis was again the main sponsor of the Forum Automotive event, during which Claudio Zirilli, Head of Leasing & Rental, intervened in quality of speaker in the debate '2015-2025: 10 years of innovation at full speed'. 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 tailored 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.

3.2.1.2 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 2024, from an external context perspective, the volume of new heavy vehicle leasing transactions grew significantly, exceeding 3 billion Euro in total. This represents an increase of 11.4% compared to the previous year, when the increase was 8%. The average value of the contracts rose from 127.5 thousand Euro in 2023 to 134.5 thousand Euro in 2024[4].

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%, bringing them to 37 gCO2e/tkm by 2030, compared to the level of 52 gCO2e/tkm recorded in 2020[5].

[4] 2024 ASSILEA Report
[5] Emission data to 2020 for the application of EU Regulation 2019/1242 on emission targets for heavy duty vehicles.

Banca Ifis Truck Leasing initiatives

With regard to Banca Ifis main products, **industrial vehicles and semi-trailers** play a central role in achieving the Group's targets as they contribute significantly to the economic result, representing about **32% of the volumes of the Automotive Leasing sector**.

Moreover, the **Truck Leasing portfolio** highlights a transition towards **CNG engines**, which produce **fewer emissions** compared to conventional **diesel engines**, underscoring the Bank's commitment to supporting more sustainable mobility solutions.

3.2.1.3 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**.

In 2024, **long-term car rentals** experienced a decrease of **12.5%**, while **leasing** saw a modest increase of 0.8 %, reaching **24.5%** of new registrations. More specifically, **more than half of the newly registered 'green' cars** (battery electric, plug-in, and hybrid) in Italy **were financed through leasing** or **long-term rental**, covering 53.6%[6].

In the **commercial vehicle** segment, the total value of new financial leasing transactions in 2024 reached 1.7 billion Euro, an increase of 19.6% over the previous year. In 2024, 36,986 leased commercial vehicles were financed, an increase of 12.8% over the previous year. Leasing had a **market penetration rate of 20.6%**[7].

The incidence of green fuels increased compared to **the previous year** in the hybrid electric vehicle segment, reaching 77.1% compared to 68.5% in 2023, while it slightly decreased in the battery electric vehicle segment, falling to 64.4% from 69.7% in 2023[8].

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 in 2019 to 85 gCO2e/km by 2030**, thus demonstrating its commitment to environmental sustainability.

The current **composition** of the **Car Leasing portfolio** 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).

Moreover, the Bank conducts forward-looking analyses on the portfolio's counterparties, evaluating the potential evolution of the vehicle mix and the renewals from the Group's key strategic manufacturers, focusing on both volumes and adherence to sustainability targets. These analyses enable the monitoring of alignment with the established targets, also taking into account potential portfolio recompositions or regulatory adjustments.
Based on the latest available data[9], even in the event of a potential rebalancing of volumes (pro-rata) towards counterparties with **targets** on **average** with the comprehensive ones from the **portfolio**, there **would be no particular deviations** from the **stated targets**.

Banca Ifis Car Leasing initiatives

Given the Italian context and the above-mentioned trend elements, the market share of leasing on electric vehicles in Italy is 11.1%, where **Banca Ifis** holds **1.9%**[10].

In this context, the Group has established robust partnerships with companies of significant strategic importance in the segment, including manufacturers specialising in fully electric vehicles. These promote initiatives dedicated to these products and conducts awareness and valorisation campaigns via social media and the company website. Finally, incentives based on volume exist for these products (i.e. photovoltaics, recharging systems, fully electric cars, and e-bikes). These are complemented by awareness activities on ESG issues promoted through the sales network, all in support of the Group's strategy for sustainable mobility.

3.2.1.4 Other initiatives to support decarbonisation

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.

[6] 2024 ASSILEA Report
[7] 2024 ASSILEA Report
[8] 2024 ASSILEA Report
[9] Portfolio exposure and composition as at Q4 2023
[10] MTCT Unrae at 31/12/2024

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**. Further investments **totalling 7.6 billion Euro in 2022, 6.1 billion Euro** in 2023 and 6.3 billion Euro in 2024 were financed through this measure. The 2025 Annual Report Law refinanced the New Sabatini with 1.7 billion Euro for the period 2025-2029.

Sabatini Green accounts for 8.5% of the total, showing a positive trend in 2024 with a total of 535 million leasing bookings[11].

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.

Sustainable Mobility

Following the research activity for the development of new leasing products related to green 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 enables VAT to be paid in instalments, so that initial costs can be minimised and revenues maximised early on in the project.

In order to support the energy transition of small and medium-sized enterprises, the Banca Ifis Group has developed 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.

As per financing, the Group has strengthened **programmes for Italian SMEs interested in reducing their environmental impact through the implementation of green projects.** In 2021, for example, 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, in 2022 the Banca Ifis Group made available:

- a first credit facility worth 50 million Euro 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 reserved for 60% to 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 credit facility was converted into **15 million Euro** for **climate change** projects and **35 million Euro** for investments under the Business Plan 4.0. The two credit facilities totalling **100 million** were fully disbursed **in 2023.**

At the same time, thanks to an agreement with **Cassa Depositi e Prestiti** (CDP), in 2022 **financing** was obtained to support **SMEs** for working capital needs or investments, with **new loans amounting to 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

[11] 2024 ASSILEA Report

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 the scope (e.g. segment, counterparty, and transaction) and process (e.g. credit policies, credit granting process).

Support for SMEs

The Banca Ifis Group promotes a culture of business sustainability amongst small and medium-sized enterprises, 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-year observatory on trends enabling the sustainable transition of SMEs. Finally, the Group is finalising several agreements with external partners to offer small and medium-sized enterprises 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.

BANCA IFIS PRODUCTS AND SERVICES

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.

3.2.2 Own GHG Emissions

Sustainable Mobility

In this context, the project to install additional electric car charging devices, in addition to those already present, at the Group's main sites, is continuing. Specifically, by 2025, the number of electric car charging points at the Group's sites is expected to increase from the current number of 57.

In addition, Banca Ifis also offers the leasing and rental of electric quadricycles, while with a view to fostering the circular economy, refurbished IT assets are offered for rent (this initiative is currently being developed commercially).

Banca Ifis 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.

Use of energy from renewable sources and energy efficiency

Since 2021, the Group has been using exclusively green energy from 100% renewable sources (e.g. wind, photovoltaic, geothermal, hydroelectric, biogas and biomass) for the supply of all its offices and branches in Italy. In 2024, the regular and exceptional renovation and improvement of the offices progressed, adhering to the highest eco-compatibility standards. These efforts concentrated on cutting-edge plant design employing the best available energy efficiency technologies and ensuring the procurement of 100% renewable energy, either from the grid or self-produced.

Furthermore, solutions have been realized to self-generate energy from renewable sources: since November 2024, a new photovoltaic system with a capacity of 180 kWp has been operational on the roof of the Mondovì headquarters building, aiming to reduce the headquarters' direct impact by approximately one third.

As a result of the initiatives undertaken, Banca Ifis reduced its electricity consumption by 7%, decreasing from 2.9 million kWh to 2.7 million kWh from 2023 to 2024.

3.3 Banca Ifis Group's resilience analysis

The resilience analysis exercise is a preliminary effort to grasp the challenges and opportunities posed by the climate transition, offering insights that may influence future strategic guidelines. The analysis outcomes may impact the evaluation of investment opportunities and mitigation measures, both in the short and medium term, although their incorporation into strategic decisions is still developing.

At the outset, the analysis seeks to provide a comprehensive overview of the general context concerning C&E issues by focusing on three primary dimensions: the global environment, market trends, and the competitive landscape. Each dimension has been explored in depth by identifying specific drivers, enabling us to interpret the main trends in the short and medium term up to 2030.

A core component of the analysis is the examination of climate scenarios crafted by various public bodies, enabling the assessment of different perspectives and projected pathways for mitigating climate change. In line with the goals of the Paris Agreement, the analysis considered measures implemented by national and supranational governments to achieve climate neutrality by 2050.

Significant focus was placed on the scenarios suggested by the NGFS (Network for Greening the Financial System) and the IPR (International Policy Response), which are regarded as the most comprehensive due to their detailed geographical coverage and extensive range of sectoral variables. The IPR Forecast scenario has been selected as the principal reference ('guiding scenario') for an in-depth analysis of climate policies, evaluating their impact on key sectors of the Group's portfolio concerning risks and opportunities. Thus, the analysis concentrated on sectors identified by the IPR Forecast as having high emission impacts, which also align with the Ifis Group's exposures (e.g. automotive, real estate, agriculture).

From a methodological standpoint, the time horizons considered were in line with those used in the Group's materiality analysis, covering both the medium term (2025-2027) and the long term (2028-2030). Furthermore, the analysis aligned with the business scenarios formulated to set the GHG emission reduction targets by 2030, guaranteeing that the Group's climate and strategic evaluations reflect coherence over time and across sectors.

The resilience analysis centred on transition risks due to climate change, not taking physical risks into account, and aims to provide a clear view of how climate policies will impact various sectors in the short to medium term. Particular attention was given to evaluating the impacts associated with transition risks, exploring the potential implications on the portfolio in terms of risks and opportunities.

For each sector (real estate, automotive, and agriculture), the impact of climate policies was evaluated, using studies from specialized providers, such as IPR and IEA, and supplemented with analysis by experts. This approach enabled the identification of risks and opportunities for each sector over medium-term (2-3 years) and long-term (up to 2030) time horizons.

The methodology employed integrates two main criteria:

- Materiality Assessment analysis, carried out by the Risk Management department, to identify specific C&E risks for each sector. This is based on transition risk drivers sourced from studies by international providers and presented as weighted scores;

- reference to the short-term disorderly scenarios of the ECB's Climate Stress Test, in order to assess the one-year change in Gross Value Added (GVA) within the primary macrosectors of the Italian economy, emphasising the most crucial segments of the value chain.

For each segment within the value chain of the sectors identified as having a significant emission impact, such as automotive, real estate, and agriculture, a risk and opportunity assessment was conducted, assigning scores across four levels: low, medium, medium-high, and high. The results were summarized in a matrix that graphically represents the positioning of the segments in relation to risks and opportunities. Based on this matrix, the segments were classified into four strategic categories:

- high-risk segments with limited opportunities, which determine a lower resilience to the climate transition (e.g., automotive components);
- segments with moderate opportunities, but balanced by significant risks still present in the sector dynamics (e.g., food industry);
- segments with a balance between risks and opportunities, where the potential for growth or resilience (e.g., market trends and fiscal/European incentives) is held back by risks related to the climate transition, such as rising costs and regulatory pressures (e.g., farms);
- segments with greater opportunities than the risks related to the climate transition, which exhibit a stronger capacity to adjust to the impacts of sectoral policies and the climate transition (e.g., construction and management of real estate).

The results of this first resilience analysis exercise show a clear classification of the value chain segments in relation to the risks and opportunities arising from the climate transition. Segments of the automotive industry have been identified as most susceptible to regulatory changes and evolving market dynamics. Conversely, the agricultural and real estate sectors, despite presenting both risks and opportunities, are less material in terms of impact.

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 and to identify new risks related to climate and environmental events, both of a physical nature and in relation to the transition process.

In the course of 2023, the Bank extended this assessment to all the Group's subsidiaries, further improving the way physical and transitional risks are mapped. In 2024, the analysis was also broadened to include environmental risks (biodiversity, pollution, water use, waste management), examined both from a physical perspective (through geo-referencing) and a transition perspective (using a sector-based approach).

Some details of the identified risk drivers are given below:

- **physical risks**, the risk drivers identified relate to adverse climatic events of a chronic or acute nature that are most relevant to the context in which Banca Ifis operates. The materiality assessment of physical risks was based on their **potential effects on traditional risks.** These effects, in turn, were analysed on the basis of various elements such as, for example, the geo-referencing 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;

- **transition risks**, the drivers identified can be grouped into three categories:
  - technological innovation, which entails costs for upgrading facilities and production sites, with possible impacts on the business model and the ability of financed counterparties to generate revenues;
  - evolving regulation, linked to the restrictions and sanctions that could affect counterparties operating in sectors not aligned with the environmental and climate objectives defined by the regulator (e.g. Paris Agreement);
  - consumer preferences, oriented towards *climate-friendly* consumption and a focus on ESG issues, with potential repercussions for companies also from a reputational point of view.

The materiality of transition risks for credit analysis was assessed by economic sector using the ATECO code (a top-down approach); for Reputational and Operational analysis, they were evaluated based on the estimated impact on the key stakeholders of the Banca Ifis Group; for liquidity analysis, the focus was on assessing the impact on the Cost of Financing.

Materiality of climate and environmental risks

This section outlines the risks identified through the Materiality Assessment conducted by the Banca Ifis Group.

Credit Risk

The analysis of the effects of climate and environmental risks on the **credit risk** of the Banca Ifis Group portfolio was carried out using two complementary approaches. On one hand, this made it possible to highlight the peculiarities of the segments to which Banca Ifis is exposed, and on the other to analyse 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. This activity resulted in assigning a risk level based on the sector of each counterparty in the portfolio, identified by the ATECO code.

At the same time, 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 conducted 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. The analysis carried out by the Group made it possible to associate physical risk at the level of individual counterparties on the basis of their geographical location (at municipal level), identifying risks that are relevant to the context in which it operates. Moreover, the geo-referencing techniques were refined with respect to counterparties in the Automotive sector (given its importance in the Group's portfolio and in the decarbonisation strategies defined by Banca Ifis), taking into account the global distribution of production sites.

The Materiality Assessment of climate and environmental risks on credit risk took the form of a *heatmap* showing the materiality of the associated transition and physical risk for each segment. In particular, the materiality analysis showed a share of exposures of around 22% to segments with high or very high climate and environmental risk; overall, the degree of materiality of C&E risks on credit risk was assessed by Banca Ifis as moderate.

Materiality Assessment | Methodological detail in relation to Credit Risk

In 2024, data from the various info providers utilized in previous exercises were refreshed, and further analytical indicators were included to assess sectoral transition risk concerning environmental issues.

In particular, the information from the ENCORE info provider concerning 'Pollution (Air, Soil, Water)', 'Biodiversity (Disturbances, Ecosystem Use)', and 'Water Use' was integrated. These variables have been incorporated into the climate data sourced from Moody's, specifically pertaining to 'Carbon Transition (GHG Emissions)' and 'Waste and Pollution (Circular Economy)', for developing the climate and environmental transition score.

In terms of physical risk, the hazard indicators were collected at the provincial level by the Think Hazard info provider (fires, droughts, extreme temperatures, earthquakes, river, urban and coastal floods) and integrated with more precise information at the municipal level on some events relevant to the Italian territory, such as floods, landslides, volcanoes, and sea level rise, based on sources such as ISTAT, ISPRA and INGV.

In 2024, an additional type of analysis was introduced, provided by NATURA2000, which maps Italian areas of High Biodiversity concerning habitats, species, and natural parks. The analysis assesses the potential impact of companies located near these areas, considering the unique characteristics of various economic macrosectors.

Business Risk

The analysis of business risk begins with assessing the materiality of credit risk at the sector level and dividing the portfolio into high C&E risk sectors. Based on the counterparties present in each sector, the corresponding net banking income is allocated and the percentage of revenues generated in high C&E risk sectors is calculated. The analysis shows that approximately 10% of the Bank's net banking income is generated in high C&E risk sectors, a figure consistent with the materiality analyses carried out on the loan portfolio.

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 material 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 INFORM Climate Change

Risk index[12]. Specifically, the results obtained through the INFORM index show that the Banca Ifis sovereign bond portfolio (concentrated on the Italian counterparty) is exposed to low risk.

Based on the results of the materiality analysis, no changes to the current practices are currently necessary. However, the Bank will continue to evaluate the adoption of additional safeguards, aimed at integrating C&E risk analysis into the related investment/divestment choices.

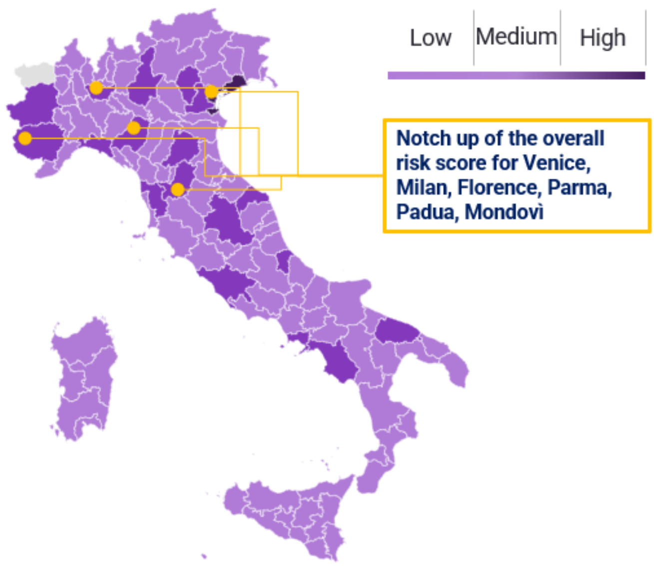
Operational Risk

The study of the effects of climate and environmental risks on operational and reputational risks was carried out with reference to both physical and transitional risks, by assessing on one hand the potential impacts of acute climatic 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. Extreme climatic and environmental events could jeopardise the Bank's business continuity, potentially causing considerable negative impacts on the Group's operational headquarters, on outsourcers critical for stability, and on data centres. In order to estimate the relevance of infrastructure in terms of profitability and business volumes, several proxies were proposed, such as the contribution of the individual branch to net banking income, weighted for probability of occurrence of climatic/environmental events and the number of staff operating in the Group's main offices.

From the point of view of risks of operational nature, various scenarios resulting from the occurrence of acute climatic events were analysed. To quantify the impact on Banca Ifis' portfolios, provincial geo-referencing of the exposure was utilised to identify the provinces with the highest concentration, thereby most vulnerable to C&E risks. All 26 branches of the Bank and the Foreign Subsidiaries were included in the analysis.

The final result of the climate and environmental risk materiality analysis is a graphical representation of risk (*heatmap*), constructed based on a logic 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[13].

Distribution of branches and main operational sites by physical risk

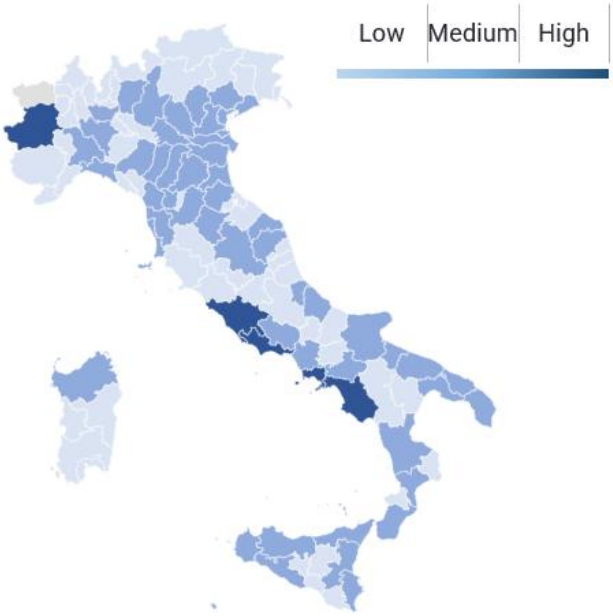


[12] The index was developed by the Disaster Risk Management Knowledge Centre and published by the Joint Research Centre and the European Commission. The INFORM index classifies countries into 5 ESG risk bands (from Very Low to Very High).
[13] The data shown was produced as part of the Materiality Assessment carried out during FY 2024.

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, Pescara, Naples and Rome, accounting for approximately 33% of net banking income; at the same time, Foreign Subsidiaries are exposed to low climatic risks.

The Bank also assessed, through geo-referencing of customers in the NPL portfolio, the potential impacts of possible interventions by the legislator to support populations affected by extreme climatic events that would lead to the suspension of repayment of NPL settlement plans and CQS (salary-backed loan repayment plans).

Distribution of NPL and Cap.Ital.Fin exposure for physical risk



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 and environmental 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 involve subjects in 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 activity of the Materiality Assessment exercise introduced the following new features in relation to operational risk:

- the Bank has integrated the 'Business Continuity Plan' according to the specificities of the extreme climatic and environmental events analysed. In addition, the Bank extended the analysis to include the potential impacts for the Group resulting from the impairment of the operating sites of the foreign subsidiaries;
- The Bank applied 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 for the 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** (suppliers, investors, supervisors, employees) 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, Bank Ifis 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.[14] The analysis showed that the **liquidity risk** from a climate & environmental 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 Group 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.

4.2 Climate risk management

Mitigants and measures

The evidence from the **Materiality Assessment** enabled the Bank to orientate and define **different climate and environmental risk management strategies and measures**. In particular, the following **mitigants** and **measures** have been identified:

- inclusion within the RAF of an indicator to monitor the **% of exposure to assets classified at high transition risk** with respect to the banking group's total exposure;
- inclusion within the RAF of two indicators to monitor the **% of exposure to territories** (Italian municipalities) **classified at high risk of flooding and/or landslides** 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.

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In addition to the mitigants and measures already adopted, the Bank worked on the implementation of further activities, including:

- a **credit framework strengthened from an ESG perspective**;
- the development of **a sensitivity analysis of the loan portfolio** with respect to climate and environmental risk issues.

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

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 2024, **the credit framework was supplemented from an ESG perspective 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 define the new framework.

At the segment level, on the basis of the evidence from the Materiality Assessment described above, the segments most exposed to ESG risks were identified in line also with the evidence from the C&E risk assessment exercise already mentioned. **At the counterparty level**, the Bank has instead selected a data provider for the acquisition of a synthetic score capable of representing the level of adaptation of the individual counterparty to environmental, social and governance issues.

The application of the enhanced credit framework provides for:

- the deliberative escalation of the decision-making body;
- the drafting of a supplementary appraisal for ESG-steered and evaluated counterparties that will enter the enhanced credit framework.

The supplementary appraisal contains a qualitative analysis of the **sustainability profile** of the counterparty and the **level of adequacy** in environmental, social and governance areas (e.g., management approach to issues related to climate change and biodiversity, emission reduction, practices for the respect of human and workers' rights and anti-corruption and anti-money laundering measures adopted).

The analysis of the ESG profile of the counterparty integrates the evidence provided by the data provider, with the information obtained by consulting publicly available sources, and is aimed at identifying the potential impacts of ESG on both credit risk and reputational risk.

The document is made available to the credit resolution officer to highlight the main ESG characteristics of the counterparty and integrate the related considerations into the credit decision, evaluating the possibility of introducing mitigation measures on the basis of the reference ESG risk and in light of the type of product required (short or medium/long term).

Processes for assessing the adequacy of internal capital

The Bank conducted 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 issues, as well as the results of a first sensitivity exercise on adverse climate scenarios, in its ICAAP report for FY2024.

Climate Stress Test and considered scenarios

In line with the Bank of Italy's expectations on climate and environmental risks, in 2024 the Parent company Banca Ifis carried out **a sensitivity analysis of the loan portfolio** with respect to these issues. The analysis was conducted independently through a simplified **Climate Stress Test** exercise, which takes into account the **short-term (3-year) climate scenarios** provided by the ECB during the 2022 Climate Stress Test, using the same framework and satellite models as the **ICAAP stress test**.

In order to maintain the scenario's consistency with the current economic context, the macroeconomic projections were **developed by applying the shocks** (i.e., deviations from the baseline scenario) of the Climate Risk Stress Test

2022's **Short-term disorderly**[15] scenario to the latest baseline projections underpinning the Budget[16]. This approach **ensures consistency and enables comparison of results** between the Budget (baseline) scenario and the Core Stress Test (ICAAP) scenario.

In 2025, the Bank repeated its **sensitivity analysis on the loan portfolio**, broadening the scope to include **short-term** (3-year) climatic scenarios released by the UNEP Finance Initiative in July 2024. Once more, the ICAAP framework was employed, incorporating both **transition** and **physical risks**.

The macroeconomic projections have been **updated by applying the shocks** stemming **from the Climate Scenario**[17] to the most recent baseline projections underlying the Budget[18], also ensuring in this case full **consistency and comparability of the results** with the reference scenario and the Core Stress Test (ICAAP) scenario.

Climate Stress Test Results on Credit Risk

The exposures assessed during the climate stress test are consistent with those considered in the ICAAP core test, covering about **70% of the Group's total performing portfolio** in 2024 and around **94% of the receivables due from customers' portfolio (which forms the scope for the consolidated NPE ratio calculation)** in 2025, guaranteeing extensive coverage. Government bonds are mainly excluded, as they do not fall within the scope of analysis.

The impact of the climate scenario on the income statement was evaluated in terms of value adjustments and the NPE ratio ('Non-Performing Exposure ratio'), utilising the same methodological framework as the ICAAP core scenario, thereby ensuring result comparability. In addition, the severity of the Core ICAAP scenario is aligned with that of the EU-Wide Stress Test 2025, ensuring consistency in risk analysis.

4.3 Integration of climate risks into the Risk Appetite Framework

Banca Ifis RAF and the integration of climate and environmental 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, three different indicators are reported under RAF, which are monitored quarterly to cover both transition and physical risks:

- incidence of exposure to **segments classified at 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**.

[15] 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.
[16] Source: Prometeia
[17] For Transition Risk, the macroeconomic shocks from the '***Stringent carbon price***' scenario, which anticipates all the effects of the NGFS Delayed Transition scenario from 2031 shifted to 2023, were taken into account. For Physical Risk, the macroeconomic shocks from the '***Chronic impacts***' scenario, which models extreme chronic risks such as high temperatures, rising sea levels, and changes in precipitation from the NGFS scenarios, were considered. Unlike the 30-year long-term scenarios, the short-term scenario considered does not fully reflect the benefits of the transition and the related economic recovery. In terms of severity, however, it is slightly less negative than a typical EU-Wide stress test scenario.
[18] Source: Prometeia

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 sectors of economic activity in the loan portfolio that present the greatest climate and environmental risks, the Bank has conducted **an assessment activity**, grouping the sectors into homogeneous groups based on the sector of economic activity of the counterparties analysed (ATECO code).

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 macrosector of economic activity, through third-party info providers, a risk score on a scale of 1 (Low) to 4 (Very High) was associated;
- **identified physical risks** 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 (detailed below).

The results of the analyses on the loan portfolio as at Q4 2024, carried out through risk aggregation and weighting, are shown below.

Sector level heatmap

			«Top-down» analysis	«Bottom-up» analysis
Segments	Q4 2024 bonis exposure(€mln)	Exposure %	Transition Risk	Physical Risk
Crops and Forestry	126	1.8%	4	3
Chemical Industry – Goods and Specialties	58	0.9%	4	3
Livestock	19	0.3%	4	3
Electrical Power Generation and Gas	19	0.3%	4	2
Other Very High C&E Sectors	9	0.1%	4	3 (Carb) 4 (Estr)
Logistics and Automotive Suppliers	345	5.1%	3	3
Food Industry	185	2.7%	3	3
Automotive - Production	180	2.6%	3	2
Steel Industry - Production	111	1.6%	3	3
Other High C&E Sectors	463	6.8%	3	3
Very High e High C&E Risk Sectors	1.515	22%		
Moderate C&E Risk Sectors	3013	44%	2	3 / 2
Low C&E Risk Sectors	1856	27%	1	2
Privates and PA	427	6%		
Total	6.810	100%		

Low risk · Moderate risk · High risk · Very high risk

The sectors that present **very high climatic and environmental risks** are those of the Chemical Industry – Goods and Specialties, Coal, Gas and Oil Extraction, Manufacture of coke and products derived from Oil Refining, as well as Livestock, Crops and Forestry, which are downgraded compared to the previous update precisely for the integration of the new ENCORE indicators on the topics of "Pollution", "Biodiversity" and "Water Use".

In addition, it should be noted that loan assets backed by real estate to Banca Credifarma's retail customers were also included in the scope and categorised as exposures with **moderate transition risk**. In fact, a project was launched aimed at enabling the timely collection of the information necessary for risk assessment also on the entire portfolio of loans secured by real estate (e.g., Mutuo Dipendenti prima casa); the activities were started from this very product dedicated to employees and extended to Banca Credifarma given its relevant materiality, with the aim, in the long run, of extending the collection of information to all Group companies.

Physical climate risk indicators

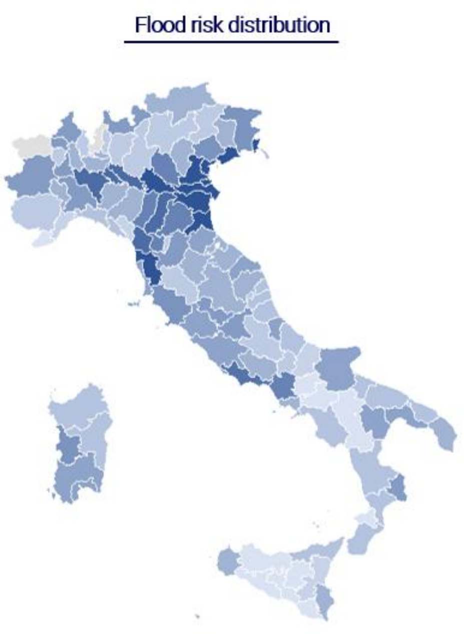
As part of its analysis on physical climate risks, Banca Ifis has conducted a **reconciliation of physical risk events to five macro-clusters**: flood risk, fire risk, landslide risk, drought risk, heat wave risk. Added to this is the risk of earthquakes.

In line with 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**[19].

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

- flood risk;
- landslide risk;
- fire risk;
- heat wave risk.

The Bank has approximately 13% 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 among high-risk areas. With regard to landslide risk, the Bank highlights about 19% of its loan portfolio exposure in areas with high risk. The provinces with the highest exposure are Turin, Naples, Brescia, Vicenza, Salerno, Bergamo.



[19] The data shown refers to the exposures analysed as part of the Materiality Assessment carried out during FY 2024.

5.2 Scope 1, 2 and 3 emissions

Scope 1 and 2 emissions

The Banca Ifis Group, in line with its commitment to minimise the direct environmental impacts of its activities, undertakes to implementing a series of **projects** designed **to help reduce these impacts.** Some examples of these projects are **the renovation of offices** according to the highest standards of environmental compatibility, the progressive replacement of the company car fleet with hybrid or electric vehicles, and the launch of specific projects aimed at offsetting the emissions produced by the Bank.

During 2024, in particular, the Group implemented several projects in the field of **sustainable mobility**. In fact, the Bank signed a partnership agreement with Stellantis for the renewal of the company fleet, with the aim of having more than 50% of hybrid or electric vehicles by 2025. Furthermore, extra devices for charging company electric cars have been installed, bringing the total to 57, with more to be added in 2025.

Since 2021, the Group has been using exclusively electricity obtained **100% from renewable sources** (e.g. wind, photovoltaic, geothermal, hydroelectric, biogas and biomass) in all its offices and branches in Italy. In addition, a **new photovoltaic system** with a capacity of approximately 180 kWp was activated on the roof of the Mondovì office building with the aim of reducing direct impacts of the building itself by about one third of its consumption.

Total energy consumption related to own operations by source[20]	u.o.m.	2024
Fossil sources[21]	MWh	7,766
Nuclear sources	MWh	0
Renewable sources	MWh	3,270
Fuel consumption for renewable sources	MWh	0
Consumption of electricity, heat, steam and cooling purchased or acquired from renewable sources	MWh	3,148
Consumption of self-generated non-combustible renewable energy	MWh	122
Total	MWh	11,036

Moreover, 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.

[20] The methods employed for calculating consumption and energy mix rely on the implementation of the ABI LAB guidelines and the GHG Protocol. Furthermore, it's important to note that no estimates and/or assumptions have been provided for the energy consumption of offices and branches owned by Banca Ifis. On the other hand, concerning leased properties, due to the inability to obtain primary input data, estimates regarding energy consumption have been made. Specifically, for all properties with an available Energy Performance Certificate (EPC), the value has been calculated by multiplying the respective surface areas (m2) by the corresponding energy performance indices. For other properties, the estimate has been based on consumption indices from public databases, such as SIAPE for estimating gas consumption and EIA for estimating electricity consumption.

[21] For fossil fuel consumption, data on the car fleet, natural gas, and electricity purchases not covered by Guarantees of Origin are utilised.

Gross GHG emissions	Level	u.o.m.	2024
Scope 1[22]	Consolidated accounting group	tCO_2e	1,974
	Investee companies under operational control	tCO_2e	0
Scope 2 (location-based)[23]	Consolidated accounting group	tCO_2e	1,049
	Investee companies under operational control	tCO_2e	0
Scope 2 (market-based)[24]	Consolidated accounting group	tCO_2e	114[25]
	Investee companies under operational control	tCO_2e	0

As previously described, for properties owned in Italy, renewable energy certified through Guarantees of Origin (GO) is used, without resorting to contractual instruments for the purchase or sale of energy with attributes associated with energy generation (bundled energy) in relation to Scope 2 GHG emissions. The organization focuses on purchasing certified renewable energy, avoiding energy trading activities.

Scope 3 emissions

During 2024, for the reporting of other indirect emissions (Scope 3), the Bank proceeded to quantify the following categories:

- Category 1 - Purchased Goods and Services;
- Category 6 - Business Travel;
- Category 15 - Investments.

The reporting perimeter for Scope 3 includes Categories 1 and 6, which cover the entire scope of the Bank. With regard to Category 6 ('Business Travel'), two different methodologies were applied: for Italian offices, no estimates were used, relying exclusively on 100% primary data obtained from partners along the value chain (distance-based method); for foreign offices, the Spend-Based methodology was applied, in line with the GHG Protocol. Category 1 ('Purchased Goods and Services') was instead calculated using the Spend-Based methodology, applied to the commodity categories of Banca Ifis other administrative expenses.

Ultimately, for the calculation for financed emissions under Category 15 ('Investments'),the scope was defined by mapping exposures at the counterparty level within the portfolio as of 31 December 2024. This includes Leasing

[22] The calculation of Scope 1 emissions was based on the following elements: the ABI Lab Guidelines regarding the bank's implementation of the ESRS in environmental matters for 2024; and the UK Government's GHG Conversion Factors for Company Reporting (DEFRA 2024).
[23] To calculate Scope 2 emissions following the 'position-based' method, the emission factors from the 'Supplier mix' section of AIB 2024 were employed. This encompassed the entire volume of electricity acquired by the Group, with specific input data pertaining to owned properties and estimated data for leased properties, which were subsequently multiplied by the respective specific emission factors. The calculation accounted for CH4 and N2O emissions when the emission factors were available.
[24] To calculate Scope 2 emissions following the 'market-based' method, the share of electricity purchased by the Group (with specific input data pertaining to owned properties and estimated data for leased properties) without Guarantees of Origin (GO) was considered, multiplied by the specific emission factors of the 'Residual mix' indicated in AIB 2024.
[25] The calculation includes emissions from car consumption at public stations and the estimation of energy consumption for leased properties, whose energy source is not attested within the Guarantee of Origin certificates.

Transportation, Factoring, Corporate Banking, Structured Finance, other forms of Lending (including foreign subsidiaries), and Corporate Bonds with a Held to Collect (HTC) business model, while excluding positions related to Banca Credifarma (due to the absence of real estate EPCs), Rental, Instrumental Leasing, Cap.Ital.Fin., Sovereign Securities, Governance & Services, and Non-Core Sector (due to the absence of consolidated calculation methods) and the NPL Sector. Furthermore, emissions from the Investments Category were calculated using sectoral proxies for Emission Intensity. These proxies were derived by multiplying 'Loans' data with 'Emissions' and the 'Debt to Asset ratio' pertaining to the sectors of interest; thus, no primary data was utilised.

For further information on the methodologies employed concerning Scope 3 – Cat. 1, 6 and 15, please refer to the details in the Management Report within the Consolidated Financial Statements.

Gross Scope 3 GHG emissions by category (1)	u.o.m.	2024
Purchased Goods and Services[26]	tCO_2e	32,862
	% of Scope 3 GHG calculated using primary data	0
Business Travel[27]	tCO_2e	446
	% of Scope 3 GHG calculated using primary data	98
Investments[28]	tCO_2e	3,227,564
	% of Scope 3 GHG calculated using primary data	0

Finally, internal evaluations were carried out to verify the applicability and relevance of the other categories of Scope 3 provided for by the GHG Protocol. Following these evaluations, such categories were found to be non-applicable, irrelevant or difficult to quantify.[29]

[26] To calculate category 1 - Purchased Goods and Services, the emission factors from Eurostat, based on NACE economic activities included in the Environmental-extended input-output (EEIO) database, were utilised.
[27] To calculate category 6 - Business Travel, the emission factors from the UK Government's GHG Conversion Factors for Company Reporting (DEFRA 2024) and from Eurostat, based on NACE economic activities included in the Environmental-extended input-output (EEIO) database, were utilised.
[28] To calculate category 15 - Investments, the emission factors from the Banca Ifis proprietary methodology described in relation to AR 39b were utilised. Exposure data are reported as at 31 December 2024.
[29] Excluded categories include: capital goods (Category 2), energy and fuel related activities not included in Scope 1 or Scope 2 (Category 3), upstream transportation and distribution (Category 4), waste generated in the conduct of operations (Category 5), employee commuting (Category 7), upstream leasing activities (Category 8), downstream transportation and distribution (Category 9), processing of products sold (Category 10), use of products sold (Category 11), end-of-life treatment of products sold (Category 12), downstream leasing activities (Category 13) and franchising activities (Category 14).

Scope 1, 2, 3 gross GHG emissions and total GHG emissions

The following table shows the total GHG emissions data[30] for 2024, based on both position and market.

Total GHG emissions	u.o.m.	2024
Total GHG emissions (location-based)	tCO_2e	3,263,895
Total GHG emissions (market-based)	tCO_2e	3,262,960

GHG emissions intensity	u.o.m.	2024
Net revenues	€/000	1,061,292
GHG emissions intensity, location-based (total GHG emissions per net revenue)	tCO_2e/€	3.1
GHG emissions intensity, market-based (total GHG emissions per net revenue)	tCO_2e/€	3.1

Emissions calculation — 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 emission 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: ***Car Leasing, Truck Leasing, Automotive Manufacturers and Distributors.*** These segments cover more than **80% of the exposures** and financed emissions in the segments considered as high-emitting by the NZBA.

The approach taken is consistent with the recommendations and guidelines of the NZBA[31] and best market practices.

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**.

[30] For the purposes of calculating the intensity of greenhouse gas emissions, 'net revenues' are reported. Pursuant to Directive 86/635/EEC, net revenues comprise the following consolidated elements as at 31 December 2024 (in thousands of euros): interest and similar income, securities income, income from commissions, net components from financial transactions, and other operational income.
[31] https://www.unepfi.org/net-zero-banking/.

5.3 Climate-related objectives

In order to achieve the targets set out in the Strategic Plan, the Bank has committed to bringing their loans and investment portfolios into line with the achievement of the zero net emission goal by 2050, as per the targets set by the Paris Climate Agreement. Therefore, the definition of the decarbonisation targets underlines the Group's determination towards a sustainable transition and low levels of greenhouse gas emissions.

The Banca IFIS Group has set specific targets in the most significant segments in terms of material relevance and volume of emissions (Car Leasing, Truck Leasing, Automotive Manufacturers and Distributors), as well as targets to reduce emissions from its company car fleet.

Financed GHG Emissions

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

Scope 3 GHG emission reduction targets by category[32]	u.o.m.	Type	Baseline[33] (year)	2030 Target
Auto Leasing	gCO_2e/km	Reduction Target	130 (2019)	85
Truck Leasing	gCO_2e/tkm	Reduction Target	52[34] (2020)	37
Automotive Manufacturers and Distributors	gCO_2e/km	Reduction Target	153 (2019)	85

This scenario aligns with the electrification forecasts for the Italian market in 2030 and maintains a cost level consistent with the other scenarios analysed. It is grounded in scientifically validated decarbonisation scenarios that adhere to NZBA standards.

The analysis also took into account the potential operational and financial risks, focusing particularly on those linked to the autonomy offered by electric vehicles (EVs) and changes in associated leasing costs, assessing solutions that balance environmental sustainability with economic efficiency. The planned scenario predicts a higher degree of electrification within the company fleet, with a significant emphasis on hybrid vehicles to fulfil the particular needs of the bank's operating model and its commercial network.

The defined objectives align with the Group's strategic commitments and strengthen the company's position as a responsible participant in the transition to a low-carbon future.

Risk Management conducts a semi-annual assessment of **financed emissions and inertial values for 2030**, based on the portfolio composition within the three target sectors. In particular, prospective analysis are carried out for Car Leasing 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 the alignment with decarbonisation targets also in the event of a potential portfolio recomposition and regulatory changes or adjustments to the automotive manufacturers' targets. Should significant deviations occur, an internal sharing procedure is envisaged with the Sustainability Committee and with the Bank's Departments interested in the credit disbursement process, strategic planning and business.

[32] Sectors outlined by the Net-Zero Banking Alliance with IEA Net-Zero 2050 reference scenario.
[33] Portfolio composition as at 31 March 2022, latest available emission data.
[34] Emission data to 2020 for the application of EU Regulation 2019/1242 on emission targets for heavy duty vehicles.

Own GHG Emissions

The Banca Ifis Group has set concrete **reduction targets** for greenhouse gas emissions, focusing in particular on the **company fleet**, with the aim of making a significant contribution to the fight against climate change **by 2030**. The company's strategy is based on a measurable commitment, which is to **accelerate the transition to a more sustainable mix of electric vehicles**, with the aim of increasing their current share. This is the Bank's main decarbonisation lever. The Group's business model favours an expansive commercial network across the territory, while physical branches are less widespread. In recent years, the commercial network has grown significantly, in line with the 2022–2024 Strategic Plan, and will continue to expand in order to ensure the achievement of ambitious business objectives.

Thanks to the sustainability initiatives launched in previous years, the Group is now positioned as a **low-emission entity in terms of its own GHG**, which have allowed both the **maximum energy optimisation of the offices** and the **supply of only renewable electricity.** As a result, the company fleet represents the main emission source with a significant reduction potential.

In 2022, the Group signed a **partnership with Stellantis**, with the aim of supporting the ecological transition through the adoption of vehicles with less environmental impact. This commitment resulted in establishing the 2024 emission baseline, demonstrating the progress made over the past three years and signifying a crucial step toward the sustainable management of corporate mobility.

Anticipating the Group's expansion, which includes both the commercial network and the company fleet, Banca Ifis is dedicated to further **reducing Scope 1 emissions by 10% by 2030**. This will be achieved by gradually incorporating **fully electric or high-efficiency hybrid vehicles**, replacing those with thermal engines.

Sub-topic	Action	Type	Scope 1 Baseline	Target
Climate change mitigation	Reduction of CO_2 emissions from the car fleet	Reduction Target	1,974 tCO_2e (2024)	1,776 tCO_2e (2030) -10%

These targets were internally set by the Human Resources Department with the support of the competent General Services Department, and subsequently approved by the Sustainability Committee.

Specifically, when establishing the targets for reducing emissions from the company fleet, Banca Ifis undertook a thorough analysis of operational, market, and financial variables to set goals that are both ambitious and feasible. The considerations were centred on a scenario that ensures the maintenance of average performance in alignment with the market standard for **emissions per employee, estimated between 1 and 1.5 tonnes of CO_2.**

To ensure the achievement of the set target, changes in the share of the car fleet for each type of low-emission vehicle (i.e., high-efficiency hybrid, FEV) will be **monitored** over time. In this sense, the Banca Ifis Group approach will make it possible **to assess progress**, **measure the effectiveness of the actions taken** and **ensure a gradual and sustainable transition**.

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