Sustainability Policy

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1 INTRODUCTION

The Sustainability Policy (hereinafter also the "Policy") outlines the system defined by the Banking Group[1] for identifying, assessing and managing the risks connected with Environmental, Social and Governance factors ("ESG Factors"; see the following Section 5) in keeping with its goal of promoting sustainable development of business activities and generating durable value over time.

In particular, this Policy sets the rules to:

- identify, evaluate and manage ESG factors that may pose risks and opportunities for the achievement of business objectives;
- identify, evaluate and manage the positive and negative impacts that business decisions and activities may have on the external environment and on legitimate interests of stakeholders.

The Policy aims to integrate into business processes the Banking Group's Sustainability model outlined in the Charter of Sustainability Commitments in force from time to time and approved by Banca Generali's Board of Directors that defines, in line with the principles established by the Internal Code of Conduct of Banca Generali — and those of its Subsidiaries[2] that have endorsed its principles — and main related legislation, the long-term strategic goals for doing business responsibly and living in the community, helping to create a healthy, resilient and sustainable society.

This Policy complies with the Insurance Group's principles.

This Policy applies to Banca Generali and all Banking Group Subsidiaries, where this document shall be adopted by the respective Board of Directors.

Each Subsidiary's Chief Executive Officer or General Manager is responsible for the implementation of this Policy and must request advance approval for any exceptions from the current Policy from the Banking Parent Company.

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[1] The Banking Group whose parent company is Banca Generali S.p.A.
[2] All Banking Group Companies included in the scope of application of this Policy.

2 REGULATORY FRAMEWORK OF REFERENCE

Main regulatory texts and/or sources of reference deemed relevant to the preparation of this Policy:

- *Internal Code of Conduct*, as in effect from time to time;
- *Charter of Sustainability Commitments,* as in effect from time to time;
- *Materiality Matrix*, as in effect from time to time;
- *Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector;*
- *Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment;*
- *Sustainable Development Goals included in the UN 2030 Agenda for Sustainable Development of 25 September 2015*;
- *Italian Legislative Decree No. 254 of 30 December 2016 implementing Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive No. 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.*

3 OBJECTIVES

Also in light of the growing importance of sustainability issues at the national and international level, Banca Generali is thoroughly and constantly committed to these issues that not only cover the area closely linked to ESG investments, but also entail the active engagement of all corporate functions. The formation of the Nomination, Governance and Sustainability Committee within the Board of Directors has also enabled to extend the reflection on sustainability issues from the management level to the Board level.

Banca Generali aims at creating long-term value for its stakeholders constantly considering their interests and the economic, environmental and social impacts of its activities when formulating its company strategy and designing its policies. The Bank has synthesised this ambition in its purpose '*To contribute to the creation of a healthy, resilient and sustainable society where people can progress and thrive'* and has also drawn up a sustainability model in the 'Charter of Sustainability Commitments', which is based on two pillars:

- **doing business sustainably** focusing on the excellence of corporate processes;
- **standing side by side with the community in which we operate**, playing an active role where the Banking Group operates, going beyond day-to-day business.

In detail, Banca Generali is committed to ensuring that its strategic decisions and their implementation are informed by its Sustainability Vision, namely to be a responsible company that contributes to the creation of value for its stakeholders, which applies to the following goals:

- *To be our Customers' first choice*
- *To make the most of our network of Financial Advisors*
- *To influence the megatrends that are shaping our business and the society in which we operate*
- *To foster debate on sustainability within the financial community*
- *To have a positive impact on our communities*
- *To be recognised as a responsible Group*
- *To work with our partners*
- *To create a working environment that inspires our people*

In order to fully implement the sustainability model, this Policy defines the process for:

- identifying and prioritising the ESG Factors that are relevant for the business activities or over which the Group can have most influence;
- mapping the risks and opportunities associated with the relevant ESG factors, also with regard to the current scenario;
- assessing, monitoring and reporting on the risks and opportunities connected with the relevant ESG Factors.

4 DEFINITION OF ESG FACTOR

An ESG factor is defined as any environmental, social and governance aspect that can have an impact on the achievement of the Banking Group's strategic goals and on its own system of governance, or that the Banking Group conversely can influence with its activities or choices.

The width of phenomena, trends and events that fall within this definition does not allow for a complete and definitive list of ESG factors, also in light of the evolution of the context in with the Banking Group operates and the changing legitimate interests of its stakeholders.

The table below provides guidance examples of ESG factors from the Reporting Framework of Principles for Responsible Investing of United Nations and from the Italian Legislative Decree No. 254 of 30 December 2016:

Category of the factor	Example of factor
E – Environmental	Aspects related to the quality and to the functioning of the environment and natural systems, including: greenhouse effect and climate change; the availability of natural resources, including energy and water; changes in the use of soil and urbanisation; quality of the air, water and soil; the production and management of waste; the protection of natural habitats and biodiversity.
S – Social	Aspects related to the rights, well-being and legitimate interests of people and local communities, including: human rights, diversity and promotion of equal opportunities; demographical changes; occupation and the right to decent working conditions — including child and forced labour —, as well as occupational health and safety; the distribution of wealth and inequalities within and among countries; migrations; education and human capital development; digital transformation, artificial intelligence, the Internet of Things and robotics; health and access to social assistance and healthcare; consumer safety; power diffusion and the crisis of traditional intermediate bodies.

G – Governance	Aspects related to governance of the companies and organisations, including: transparency; ethics and integrity in business practices and compliance with laws; corruption; tax responsibility; board structure, independence and diversity; incentive mechanisms for the management; shareholder and stakeholder rights, protection/distortion of competition.

The ESG factors shall be evaluated taking into account:

- **desirability of the impacts**, to distinguish the positive impacts that generate opportunities from the negative impacts generating risks;
- **direction of the impacts** to distinguish the impacts generated from those that the Banking Group has to face.

The effective management of the impacts related to ESG factors within the business model of the Banking Group Companies requires proper consideration of both opportunities and risks, generated and faced by the Banking Group Legal Entity.

ESG factor-related risks incurred by the Banking Group typically do not constitute an autonomous risk category, since such risks tend to be linked to the current risk categories identified by the Risk Management function in the various risk management policies.

Nonetheless, it is important to consider that risks related to ESG factors require to take into account the impacts on a “medium/long-term” perspective.

To this end, some risks related to ESG factors may be considered emerging risks (e.g., physical and transition risks due to climate change), while others could be already “emerged” through risk categories such as the financial, market, credit, operational, strategic and reputational ones. The management of risks deriving from ESG factors is therefore an integral part of the overall Banking Group risk management process, as already defined by the Risk Management function in the risk management policies, without prejudice to the need to integrate several specific cases and, more in general, refer to a longer time horizon for the appropriate assessment of some risks related to ESG factors.

5 SUSTAINABILITY MANAGEMENT PROCESS

The process described by this Policy is composed of the three following phases:

- **identification and prioritisation** of relevant ESG factors;
- **identification, assessing and management** of the risks and opportunities connected with the relevant ESG factors;
- **monitoring and reporting** on the risks and opportunities connected with the relevant ESG factors.

5.1 Identification and prioritisation of relevant ESG factors

This phase is aimed at identifying and prioritising ESG factors that could determine risks or opportunities, as defined in the previous section.

This phase is considerably complex since it requires the integrated consideration of a vast repertoire of continuously evolving factors, with impacts on the Group's activities that are not always immediately identifiable and easily measurable, especially in the short term.

The identification and prioritisation of ESG factors takes into consideration a broad set of internal and external sources and relevant documentation, such as:

- the strategic plan and other pertinent documents relating to the strategic objectives, approved by Banca Generali's Board of Directors, including the Charter of Sustainability Commitments;
- the regulatory and legal framework in force, as well as the guidelines and recommendations, expectations and other non-binding documents applicable in the banking and financial services sector;
- the results of the risk assessment processes carried out by the Risk Management function, as per the various risk management policies;
- the reporting on alleged breaches, if any, of the Internal Code of Conduct gathered through whistleblowing mechanisms;
- stakeholders' engagement activities;
- requests by shareholders, ESG rating agencies, ESG analysts, proxy advisors and investors, including disclosure requirements of international reporting standards;

- public analysis documents on megatrends and on the achievement of the SDGs[3] drafted, *inter alia*, by governments and international organisations, industrial associations, think-tanks, consulting firms, forums and multi-stakeholders' initiatives in which the Banking Group participates;
- media and web monitoring;
- benchmarking activities with companies operating in the same business areas as the Banking Group.

The output of this phase is the Materiality Matrix[4], which pinpoints relevant ESG factors that can significantly influence the Group's value creation and/or can substantively influence the stakeholders' assessments of Banking Group's activities.

It is recognised that climate change represents an ESG factor with relevant, pervasive and cross-cutting implications for the achievement of the Group's objectives and for the fulfilment of legitimate interest of the stakeholders, therefore it is considered a permanent component of this selection.

5.2 Identification, assessing and management of the risks and opportunities connected with the relevant ESG factors

The result of the materiality analysis allows one or more risk factors to be associated with each issue considered to be material from an ESG standpoint; these factors are also analysed in relation to existing control measures, especially for those categories of ESG risk the accelerated development of which requires priority consideration.

After defining the ESG factors in terms of risk, one or more traditional risk categories is associated with that factor.

The Bank formulates the control measures for ESG risks, including climate change, within the current individual risk categories (e.g., credit, operational, reputational and market risk) in order to manage them at all stages of the value creation process. This phase aims to

[3] The Sustainable Development Goals included in the 2030 Agenda for Sustainable Development, signed by all UN Members in 2015 and which identifies 17 global priorities, 169 associated targets and 232 indicators, including, where possible, a baseline and targets.

[4] The Matrix that pinpoints relevant ESG factors that can significantly influence the Banking Group's value creation and/or can substantively influence the stakeholders' assessments of the said Banking Group's activities.

manage the risks and opportunities related to the relevant ESG factors. The Banking Group Business Owners[5], according to the activities for which they are accountable, are responsible for:

- identifying the impacts of the relevant ESG factors, with reference to the risks generated and incurred — linking them to the risk categories in the Risk Map — and to the opportunities generated or seized; in the case of uncertainty in the identification of the impacts generated by the Group's activities, these can be derived considering their effects on the Group's reputation;
- prioritising the impacts according to their relevance;
- assessing — regarding the impacts considered relevant — if responsibilities are clearly assigned and integrated into the processes, and a proper management system is defined, verifying the adequacy of the measures in place and adopting possible adjustments or integrations. Such measures should be embedded into each relevant business, and support processes.

With reference to the activities in question, the Business Owners avail themselves of the support from the appropriate functions in charge.

Similarly, with the exception of the activities falling within the remit of the specific functions involved in the process, the ESG risk assessment is the responsibility of the Risk and Capital Adequacy Department, which carries out this task centrally for all the Group Companies. The ultimate purpose of the risk assessment is to evaluate the level of exposure to the sustainability risk for the individual legal entities included within the consolidation scope and at Group level.

The Bank therefore adopts a sustainability risk assessment methodology associated with the business processes that is based on identifying risk scenarios, with a view to determining the sustainability risk associated with the business processes concerned.

5.3 Monitoring and reporting on the risks and opportunities connected with the relevant ESG factors

The Group monitors sustainability risk with the aim of overseeing the risk exposure and verifying its compliance with the Group's risk profile. The Risk and Capital Adequacy Department is responsible for carrying out the monitoring activity on the basis of the analyses conducted.

[5] For the purposes of this Policy, the term includes the Chief Executive Officer/General Manager and his/her direct reports, as well as the Chief Executive Officers and/or General Managers of the Subsidiaries.

In addition, the Business Owners identify the sets of necessary information and the tools for obtaining them in order to monitor the effectiveness of the measures to control the risks related to the relevant ESG factors and to provide timely, accurate and reliable communication to internal stakeholders.

The Business Owners are responsible for contributing to the external disclosure on risk and opportunities related to ESG factors, as well as on how they are managed and the consequent outcomes, which complies with regulatory obligations, without prejudice to any confidentiality constraints or specific legal prohibitions. The Banking Group recognises the benefits, including reputational, deriving from the choice of giving public disclosure of these aspects to strengthen transparency, build trust, support the decision-making process of the interested parties and demonstrate the Banking Group's capacity to create long-lasting value.