Summary of the statement on principal adverse impacts of investment decisions on sustainability factors

Credito Emiliano S.p.A. considers principal adverse impacts of its investment decisions on sustainability factors, as regulated in the Sustainability Policy for Investment Services. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of **Credito Emiliano S.p.A.**

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2024.

Credito Emiliano S.p.A., in coordination with the intermediaries to which it has delegated the management of client portfolios (*i.e.* Euromobiliare Advisory SIM S.p.A. and Equita Capital SGR S.p.A., according to the case), has developed policies to identify and assess the principal adverse impacts of investments, on sustainability factors made on behalf of clients, as part of the portfolio management service.

These policies envisage that Credito Emiliano S.p.A., also thanks to the collaboration of the delegated portfolio managers, considers the principal adverse impact of its investment decisions on sustainability factors for all the financial instruments eligible for investment, including both direct and indirect investments. With regard to indirect investments, the Bank applies a look-through approach in order to identify the principal adverse impacts on sustainability. The Bank considers these effects by monitoring the principal adverse impacts of investments made on behalf of its clients with the assistance of delegated portfolio managers, based on the data collected through third-party *data providers.*

Credem Group and Equita Capital SGR S.p.A. have selected a number of data providers among leading operators in the sector, in order to obtain the most complete data possible on the main negative effects on sustainability factors of all investments made during the reference period. Despite the data collection, the percentage of data coverage is not always complete. In particular, during the reference period, the percentage of data coverage (which indicates the share of investments present in the portfolio for which it was possible to calculate the negative impact on sustainability factors) varies significantly depending on the different indicators taken into consideration. The degree of coverage is increasing compared to 2023 (0-78%) and coverage above 94% is observed for the PAIs considered priorities and specified below.

Based on the available data, the table below drafted in accordance with Annex 1 delegated regulation (EU) 1288 of 2022 is provided below.

i. the values of the principal adverse impact on sustainability factors, for each mandatory indicator set out in the above-mentioned regulations and the initiatives taken or to be taken by the Bank to contain them;
ii. the representation of the two optional indicators selected by the Bank, namely: (a) the share of investments made in investee companies without carbon emission reduction initiatives; and (b) the share of investments in entities without human rights policies

In order to mitigate the negative effects deriving from investments on sustainability, the Bank uses both preventive and corrective measures, the former are adopted before the investments are made (ex ante) and the latter at a later stage (ex post). It should be noted that these actions will be further perfected through the development of advanced techniques for monitoring, standardization and comparison of data, since the regulatory and methodological system is in constant and continuous evolution.

In particular, the Bank, from an "*ex ante*" perspective:

i. has adopted an exclusion policy applicable to all direct investments off all portfolio management lines (regardless of their classification as products pursuant to Article 8 or 9 of the SFDR). According to this policy, financial instruments issued by issuers that, due to their characteristics or the sector in which they operate, are subject to a high risk of causing serious adverse impact on sustainability factors are excluded from the eligible investments. In particular, the exclusion policy currently includes instruments issued by (a) companies responsible for serious violations of human rights and children's rights; and (b) companies operating in the controversial weapons sector (*i.e.* weapons that have indiscriminate effects, cause undue harm and are incapable of distinguishing between civil and military targets) in accordance with the Group's principles of ethics and integrity, as well as Italian regulations (Law 220/2021 "Measures to counter the financing of companies that produce anti-personnel mines, munitions, and cluster submunitions");
ii. has decided to offer its clients eleven management lines that promote environmental and social characteristics in accordance with Article 8 of the SFDR and that take into consideration the principal adverse impacts on sustainability factors, at product level. In particular, the promotion of such characteristics is achieved by investing predominantly in financial instruments with a medium or high ESG score, where the ESG *score* is a proprietary indicator summarising the sustainability profile of the issuer and/or investment. Considering that the *scoring* system, among other things, penalises investments in instruments with a high environmental or social impact, the presence of these portfolio management lines constitutes an element that appears capable of improving, on average, the Bank's overall results in terms of adverse sustainability impact, although there may be compensatory effects.

These initiatives are accompanied, as mentioned above, by certain *ex-post* initiatives, which can be taken against issuers that, compared with others, are found to have the higher negative impact on sustainability factors. In particular, in accordance with the policy adopted by the Bank, such initiatives can include, by way of example:

- the maintenance of the investment, if there is an adequate justification to support such a choice (such as, for example, the need to take into account that: (i) the investee company is in a phase of transition, or operates in a market with a physiologically high environmental impact but with significant social benefits; or (ii) for the investee company, the available data are not statistically significant);
- engagement activities with issuers (or, in the case of investments in products managed by third-party asset managers, opening an active dialogue on sustainability issues with the asset manager) in order to promote the development of a higher attention on the adverse impact of sustainability factors;
- the reduction or sale (even progressive) of investments that have a high adverse impact on sustainability factors.

In selecting these initiatives, the Bank can also take into account its own prioritisation of the principal adverse impacts on sustainability factors, which has been defined in line with the Credem Group's values, with the aim of:
reduce the impact of GHG emissions and of the carbon footprint on the managed portfolios, in line with the policies adopted by Credem Group to reduce its carbon footprint with the Net Zero Banking Alliance initiative, which Credem has joined;
limit exposure to companies that violate the UNGC (UN Global Compact), in line with the specific exclusions already adopted at portfolio level, which include a ban on investing in issuers that seriously violate human rights and child labour;
limit exposure to companies operating in the controversial weapons sector, in line with the general exclusion on controversial weapons adopted at Group level, which excludes instruments issued by companies operating in this specific business sector from the eligible investments, as they do not comply with the Group's principles of ethics and integrity, as well as to the Italian regulations (Law 220/2021 "Measures to counter the financing of companies that produce anti-personnel mines, munitions, and cluster submunitions").

In light of these objectives, the Bank has given priority to the following indicators:

- PAI 2: Carbon Footprint;
- PAI 3: GHG intensity of companies receiving investments;
- PAI 10: Violations of the principles of the UN Global Compact and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- PAI 14: Exposure to controversial weapons.

With the same objectives in mind, the Bank also selected the following two optional indicators, in addition to the mandatory ones;

- for the additional climate indicator, the share of investments made in investee companies without carbon emission reduction initiatives, in line with the goal of reducing the emission impact and carbon footprint on the managed portfolios;
- with regard to the additional indicator on social and employee issues, the share of investments in entities without human rights policies, in line with the objective of investing in issuers that do not seriously violate human rights.