GUIDELINES ON INTEGRATION OF SUSTAINABILITY RISKS AND NEGATIVE IMPACTS IN INVESTMENT DECISIONS - EXTRACT

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1 Premise

1.1 Object

The Guidelines govern the principles, roles, and responsibilities for integrating environmental, social, and governance (hereinafter ESG or sustainability) risks, as well as disclosures on the principal adverse impacts (PAIs) on sustainability factors in business processes and investment decisions.

In line with the commitments and ESG framework adopted by the Banco BPM Group (hereinafter also "the Group"), Banco BPM Vita and Vera Vita (hereinafter also "the Companies") define their own guidelines to promote a responsible and sustainable business model.

1.2 Scope of application and methods of implementation

The Guidelines apply to the Group's Italian-registered insurance companies, in their capacity as producers of insurance, insurance investment, and pension products (hereinafter the "Products"), each within its own scope of expertise, including sustainability features. In applying the Guidelines, including subsequent updates, the Companies undertake to ensure consistency of their regulatory framework with that established by the Parent Company, Banco BPM (hereinafter also the "Parent Company").

The Guidelines, and any subsequent amendments, are approved by the Parent Company's CEO and, subsequently, following evaluation by the Internal Control and Risk Committee, are implemented by the Board of Directors of Banco BPM Vita and Vera Vita.

Subsequent amendments to the "PAI Indicators" annex follow the approval process established by the Parent Company, with subsequent validation by the Companies' Internal Control and Risk Committee, which then informs the competent Administrative Body.

1.3 Summary of updates

ID number	Date of update	Summary content update
First approval	18/12/2025	New guidelines incorporating the principles, criteria, and responsibilities for integrating environmental, social, and governance risks.

2 General principles

The Guidelines are part of the commitment to sustainability that the Companies, in line with the provisions of the Banco BPM Group, have undertaken in accordance with the 17 UN Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change of April 22, 2016, ratified by the European Union on October 5, 2016, and relevant external regulations.

These Guidelines are consistent with the provisions of the national supervisory authorities responsible for insurance and pension[1].

The Insurance Companies embrace the principle that sustainable development, capable of promoting economic and social growth while respecting the conservation and protection of natural resources, is the path to ensuring long-term development that respects the needs of future generations and mitigates the emergence of significant risks, including those with economic, financial, and reputational impacts.

The "Sustainable Finance Action Plan" developed by the European Commission, also relevant to the insurance sector, represents the framework for fostering sustainable growth, managing risks arising from environmental, social, and governance factors, and promoting a long-term vision in economic and financial activities.

In particular, the Insurance Companies, as producers of insurance, insurance-related investment, and pension products, aware of the importance of proper and responsible resource allocation, are committed—with the support, direction, and coordination of Banco BPM—to conduct staff training activities to acquire ESG skills, thus better understanding any sustainability-related objectives of the products themselves.

Companies are progressively integrating ESG factors into the structuring of their products and the selection of underlying financial investments, also considering information on sustainability risks.

The integration of sustainability risks into investment decision-making processes aims to enable companies to effectively manage the risks within their portfolios with the goal of creating long-term value for the companies themselves, their stakeholders, the environment, and society.

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[1] IVASS Order No. 131 of May 10, 2023, which introduces amendments and additions regarding sustainable finance to IVASS Regulations No. 24 of June 6, 2016, containing provisions on investments and assets covering technical reserves; No. 38 of July 3, 2018, containing provisions on the corporate governance system; No. 40 of August 2, 2018, containing provisions on insurance and reinsurance distribution; No. 45 of August 4, 2020, containing provisions on governance and control requirements for insurance products; and COVIP Resolution No. 22 of December 2020, as amended, containing the "Supervisory Instructions on Transparency." Furthermore, with particular reference to the controls relating to environmental and social risks, generated or suffered, the Companies also comply with the provisions established in the field of assessment of current and prospective solvency (ORSA).

3 Integrating sustainability risks into business processes and investment decisions

Companies incorporate sustainability risks into their investment decision-making processes, including organizational, risk management, and governance aspects, operating with diligence and expertise through behaviors aimed at mitigating sustainability risks.

Sustainability risks are defined as environmental, social, or governance events or conditions that, if they occur, could have a significant actual or potential negative impact on the value of the investment. By way of example, but not limited to, sustainability risks may include the risk of adverse weather events that cause material damage to the company, the risk of socially significant events that affect the company's reputation, or the risk of corporate mismanagement that leads to financial losses.

Furthermore, Companies integrate environmental, social, and good governance factors into the investment process, in defining strategies, and particularly in the phases of constructing the investable universe, in the oversight of the delegated external manager, in portfolio monitoring, and in the process of identifying, measuring, mitigating, and monitoring ESG risks.

Sustainable investment decisions are implemented by the Companies, through Anima SGR S.p.A., the delegated manager, based on a specific management mandate that governs, among other things, sustainable investment activities. The delegated manager is a signatory of the United Nations Principles for Sustainable Investment (PRI).

For the purposes of integrating sustainability risks into the Companies' investment decisions and business processes, the Product Oversight Governance (hereinafter "POG") process is also relevant. This process governs the approval of insurance products, the related distribution mechanisms, and ongoing monitoring, also to protect customers from misselling by establishing safeguards throughout the product life cycle.

While the Companies do not have in their product catalog—at the time of issuing these Guidelines—products promoting environmental, social, or governance characteristics, nor products targeting sustainable investments, they integrate sustainability objectives into their POG process, with particular reference to product testing and monitoring activities and relationships with distribution channels. This is with a view to developing and marketing products that meet ESG requirements, consistent with the diverse preferences and sustainability objectives expressed by their target customers.

At the Legal Entity level, the Companies adopt qualitative and quantitative measures to assess and monitor sustainability risk in investment decisions, including:

1. Negative Screening: which establishes the exclusion criteria aimed at prohibiting operations on financial instruments that invest in controversial activities
2. monitoring aimed at evaluating and controlling the ESG risks of investments;

3. taking into account the main negative effects on sustainability factors resulting from investment decisions.

3.1 **Negative Screening**

Negative screening establishes exclusion criteria aimed at prohibiting, upstream, trading in financial instruments that invest in controversial activities, which could cause a significant actual or potential negative impact on the value of the investment, as described below.

This approach is followed with respect to issuers and manufacturers of financial products, considered in the product design and portfolio management process, applying tolerance thresholds defined using internal methodologies, consistent with the Parent Company's provisions.

The exclusion criteria concern:

a. corporate issuers involved in controversial activities, or that violate the principles established by international treaties or guidelines, or by international initiatives to which the Parent Company has adhered. In particular, reference is made:
    - violations of one or more principles of the United Nations Global Compact, relating to human rights, labor rights, environmental protection or against corruption;
    - violations of one or more principles of the OECD Guidelines for Multinational Enterprises, such as contributing to economic, social and environmental progress to achieve sustainable development, supporting and enforcing principles of good corporate governance and developing and applying good corporate governance practices, including in business groups;
    - involvement in activities involving controversial weapons (such as anti-personnel mines, cluster weapons, chemical and biological weapons, depleted uranium and white phosphorus weapons);

b. sovereign issuers involved in human rights violations, in accordance with the provisions of the Group Guidelines on operations with foreign counterparties and countries subject to restrictive measures and with the limitations defined by internal operating rules;

c. third-party management companies and their related UCITS whose safeguards for the integration of sustainability risks have been found to be insufficient on the basis of an assessment conducted in the initial phase or during periodic verification.

The methodology for applying the exclusion criteria uses information i) provided by a primary data provider to which tolerance thresholds defined using internal methodologies are applied, ii) from financial market participants or iii) collected through the sustainability due diligence questionnaire developed by the Parent Company.

3.2 **Monitoring**

Investments not excluded from the negative screening referred to in the previous point are subject to additional review according to an internal methodology, aimed at assessing and monitoring the ESG risks of the Companies' investments, consistent with the safeguards adopted by the Parent Company. Specifically, in addition to the producer's classification under the Sustainable Finance Disclosure Regulation (SFDR), the Companies monitor the level of disputes (high and severe) and the ESG Risk Score of the investments, in order to promptly identify situations of deterioration in the investments' ESG profile and, where necessary, activate mitigation or escalation measures, ensuring the portfolio's consistency with the Company's sustainability strategy.

3.3 **Taking into account the main negative impacts on sustainability factors resulting from investment decisions**

The Companies consider PAIs at the Legal Entity level. The methodology considers the PAIs established by Delegated Regulation (EU) No. 2022/1288 of April 6, 2022: specifically, the 18 mandatory PAIs and at least two of the 46 optional PAIs in the environmental and social fields are examined, identified consistently with internal sustainability guidelines and data availability.

Among the 20 PAIs selected, in accordance with the Parent Company's requirements, the Companies prioritized the followin[2]:

- with reference to environmental issues, and in particular to the fight against climate change, those relating to the containment of greenhouse gas emissions;
- with reference to social issues, those relating to good governance (UNGC, OECD Guidelines), the protection of human rights and the production and trade of controversial weapons.

At the Legal Entity level, consideration of the main negative impacts on sustainability factors resulting from investment decisions is monitored and periodically reported through the preparation and publication on the website of the "Statement on the Main Negative Impacts of Investment Decisions on Sustainability Factors" (PAI Statement).

The identified and prioritized PAI indicators, necessary to mitigate the negative impacts of investment decisions, are monitored continuously. Corrective actions are taken if the measures to mitigate the negative impacts described above do not show improvement over time.

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[2] Please refer to Annex 1 for the list of mandatory, optional, selected and prioritized PAIs..

4 Annexes

Annex 1 – PAI Indicators