

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

Credem Euromobiliare Private Banking considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of **Credem Euromobiliare Private Banking**.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

Credem Euromobiliare Private Banking, 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 made on behalf of clients, as part of the portfolio management service.

These policies envisage that Credem Euromobiliare Private Banking, 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*.

Despite the fact that Credem Group and Equita Capital SGR S.p.A. have selected a number of specialised data providers among leading operators in the sector, it has not been possible to obtain comprehensive data on the principal adverse impacts on sustainability factors for all the investments made during the reporting period. This is mainly due to the circumstance that the regulatory framework on sustainability is still being defined and/or implemented and, therefore, in relation to many issuers, such data are not, in whole or in part, available or quantifiable. In particular, during the reporting period, the percentage of data coverage (indicating the share of investments in the portfolio for which it has been possible to determine the negative impact on sustainability factors) was between 0% and 93%, depending on the different indicators taken into consideration. The degree of coverage is growing compared to 2022 (0-50%) and there is coverage above 78% for the PAIs considered priorities and specified below.

Based on the available data, the table below drafted in accordance with Annex 1 of the RTS to the SFDR shows:

- (i) the values of the principal adverse impact on sustainability factors, for each mandatory indicator set out in the 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);
- (ii) has decided to offer its clients ten 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.

Furthermore, in 2023, the Bank has decided to increase to 10 the number of portfolio management lines that promote environmental and social characteristics and take into account the principal adverse impacts on sustainability factors, at product level, offered to its clients.

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;
- 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.

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.