



**BANCO BPM
INVEST SGR**

**BANCO BPM INVEST SGR - POLICY ON THE
INTEGRATION OF SUSTAINABILITY FACTORS IN
THE PROVISION OF INVESTMENT SERVICES**

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1 Introduction

1.1 Subject matter

The regulation governs the principles, roles and responsibilities relating to the integration of environmental, social and governance (ESG) sustainability factors (impacts, risks and opportunities) into the performance of investment activities and services, particularly in collective asset management and portfolio management services.

1.2 Scope of application and implementation methods

The Regulation applies to Banco BPM Invest SGR (hereinafter also referred to as "SGR"), a company of the Banco BPM Group (hereinafter also referred to as the "Group").

In order to ensure medium- and long-term corporate sustainability, SGR aims to provide portfolio management and collective asset management services in the form of funds of funds, integrating environmental, social and governance sustainability factors into its investment assessment activities.

The document and its subsequent updates are defined in line with the overall framework established at Group level on sustainability and are approved by the SGR Board of Directors.

1.3 Summary of updates

Progressive	Update date	Summary of update
Initial approval	26/07/2024	
1st update	27/10/2025	<p>The Regulations have been updated to incorporate sustainability factors into investment decision-making processes, with reference to direct investments, in the context of collective asset management.</p> <p>In addition, the responsibilities assigned to the Transition and Sustainability Function have been specified.</p>

2 General principles

The regulation is part of the Group's commitment to sustainability in accordance with the 17 UN Sustainable Development Goals (*Sustainable Development Goals* - SDGs), the Paris Agreement on climate change of 22 April 2016, ratified by the European Union on 5 October 2016, the subsequent Green Deal approved by the European Parliament in January 2020 and the relevant external legislation.

The Group embraces the principle that sustainable development capable of promoting economic and social growth, while respecting the conservation and protection of natural resources, is the way to ensure lasting corporate prosperity that respects the needs of future generations and is capable of preventing the emergence of risks and mitigating their economic and financial impacts.

The 17 UN goals and the Paris Agreement represent the reference framework for the transition from the current development model to a sustainable economy, as they define concrete objectives and precise timelines for their achievement. The UN goals, in particular, highlight the importance of integrating the different dimensions of development (environmental, social and economic) and the relationships between them.

The "Action Plan for Sustainable Finance" drawn up by the European Commission, which recognises the banking sector, to which our Group belongs, as playing a key role in the transition of the real economy, provides the framework for promoting sustainable growth, managing the impacts, risks and opportunities arising from environmental, social and governance factors, and promoting a long-term vision in economic and financial activities.

In particular, the Group is aware of the importance of effective and responsible resource allocation and is committed to providing training and information both to staff, to enable them to acquire ESG skills, and to customers, to enable them to make informed investment choices.

In order to align its sustainability objectives with global challenges, in 2021 the Group joined the United Nations Global Compact (UNGC) and became a supporter of the Task Force on Climate-related Disclosure (TCFD), whose guidelines concern transparent and comprehensive reporting on the impacts, risks and opportunities related to climate change. In March 2023, Banco BPM also joined the Net Zero Banking Alliance (NZBA), a United Nations-supported initiative aimed at securing the banking industry's support for achieving a net-zero carbon economy by 2050, in line with the targets set by the Paris Climate Agreement.

With this in mind and in compliance with external regulations on the subject, a process of evolution has been initiated which aims, on a progressive basis, to integrate ESG dimensions into the performance of investment activities and services and, furthermore, in product governance processes and investment decisions in the context of collective management services, providing information on the impacts, risks and opportunities associated with sustainability, understood as environmental, social or governance events or conditions that, if they were to occur, could cause a significant change in the value of the investment.

This approach makes it possible to identify investment opportunities linked to a sustainable development model and to continue to offer quality products and services in line with market developments and in accordance with clients' ESG preferences.

In line with these principles, these regulations aim to define a framework for integrating sustainability factors into the SGR's investment strategies for collective asset management and individual portfolio management services.

2.1 Governance and organisational model in the ESG field

In order to promote the increasing integration of sustainability risks into its business model, the Group has implemented an ESG framework that takes into account best practices and evolves progressively over time in line with regulatory developments in this area.

As part of this process, a Group-level governance model has been adopted, to which the SGR reports, which provides for the interaction of various corporate bodies and structures in the supervision and management of environmental, social and governance issues.

The organisational model is constantly evolving with a view to assigning specific responsibilities for ESG risk management to the various corporate functions directly and indirectly involved in business sustainability with the aim of:

- spreading the culture of sustainability;
- improve the process of identifying and managing ESG risks, defining management methods and explicit objectives.

To achieve these objectives, the SGR promotes:

- the continuous updating of its employees' skills through training courses on ESG issues, also aimed at obtaining specific certifications;
- the offering of ESG products, identified as such following the application of exclusion ('negative screening') and inclusion criteria, as defined in the Regulations.

As a member of the Group, the SGR adopts the principles set out in the Group Guidelines, such as those for the management of environmental and energy issues and the fight against climate change, and those relating to operations with counterparties and foreign countries subject to restrictive measures. It also contributes to the definition of the climate and environmental risk management system and the related mapping and measurement of such risks, carried out at Group level, identifying the physical and transition events and risks characteristic of its business model.

2.2 Integration of sustainability risks into investment decisions

In line with the Group framework and in accordance with Article 6 of the SFDR (*Sustainable Finance Disclosure Regulation*), the SGR has planned to integrate sustainability factors into its investment decision-making processes, identifying and applying the following two principles:

1. the principle of exclusion, or 'negative screening', to avoid investing in activities that are contrary to the Group's values or that violate ESG principles and regulations and could therefore expose the SGR and the Group to the related consequences. This principle is applied to the producers, managers and issuers of financial products considered in the collective management process.

The exclusion criteria concern, among others, corporate issuers (directly or indirectly invested through Alternative Investment Funds - AIFs or individual asset management) involved in controversial activities or that violate certain principles established by international treaties, guidelines or initiatives to which the Group has adhered; in particular, reference is made to:

- violations of one or more principles of the United Nations Global Compact¹ or the OECD Guidelines for Multinational Enterprises² ;
 - involvement in activities related to controversial weapons (such as anti-personnel mines, cluster munitions, chemical and biological weapons, depleted uranium weapons and white phosphorus weapons);
2. the principle of inclusion, according to which, when assessing investment opportunities, in addition to economic and financial parameters, the SGR includes in its choices products that promote sustainable and responsible investment initiatives, which aim to create value in the medium to long term in line with the time horizon of alternative investment funds. This assessment is carried out by analysing the commitment made by managers in the area of sustainability, the related investments and the extent to which ESG factors are considered in the various stages of the investment process.

With particular reference to collective management, the AIFs managed by the SGR may also make minority investments in instruments representing the risk capital of unlisted companies according to a co-investment strategy ("Direct Investments") alongside the managers of AIFs in which the SGR has previously invested.

In the context of Direct Investments, the SGR, in line with what has been identified for investments in AIFs, integrates sustainability factors into its investment decision-making processes by applying two principles:

1. Exclusion principles: in addition to the exclusion principles mentioned above, the SGR does not make direct investments in companies that:
 - a. have exposure to so-called controversial sectors (arms³, tobacco, gambling, pornography, thermal coal mining and Arctic gas/oil and oil sands);
 - b. are subject to, or are incorporated or operate in, a jurisdiction that at the time of the investment is subject to international sanctions or embargoes by (i) the European Union, (ii) the United Kingdom, (iii) the United States of America (including the Office of Foreign Assets Control), (iv) Canada, (v) Australia, (vi) Switzerland and (vii) the United Nations Security Council.
2. inclusion principles: the SGR assesses the commitment made by managers in the area of sustainability. In particular, it verifies:
 - a. the presence and findings of the ESG due diligence report, generally produced by third-party advisors and made available by the Manager (Lead Investor);
 - b. the adoption of or commitment to adopt an ESG action plan within the target company.

With reference to products pursuant to Article 8 'Transparency of the promotion of environmental or social characteristics in pre-contractual information' of the SFDR Regulation, the SGR intends to progressively extend the minimum percentage of the portfolio invested in products that promote investments with environmental or social characteristics, or a

¹ On human rights, labour rights, environmental protection, and anti-corruption.

² For example: 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.

³ This restriction does not apply to the extent that such investment activity is part of or related to explicit European Union policies. Law 220 of 9 December 2021 introduced a ban on financing Italian and foreign companies which, directly or through subsidiaries or affiliates, are involved in the production or sale of anti-personnel mines, cluster munitions and submunitions of any nature or composition, or parts thereof.

combination of these characteristics, and provided that the managers, the AIFs and the companies in which the investments are made comply with good governance practices. To this end, in addition to the exclusion criteria described with reference to the principle of 'negative screening', the following is verified:

- the compliance of the AIF being invested in with Articles 8 or 9 'Transparency of sustainable investments in pre-contractual conditions' of the SFDR;
- the minimum percentage of investments in products with environmental and social characteristics;
- the absence of exposure to sectors with particular environmental (e.g. thermal coal mining, Arctic oil and oil sands) and social (e.g. tobacco, gambling) issues;
- the absence of exposure to disputes by corporate issuers;
- the presence of ESG-related safeguards implemented by the manager.

Compliance with all criteria is verified during the investment due diligence phase and during ex-post monitoring, based on information provided directly by the issuing asset management companies, as well as through the offering documentation or additional documentation acquired for this purpose (internal policies, risk management procedures, periodic reports, etc.).

2.3 ESG monitoring

Once the investment has been completed, the SGR carries out ex-post monitoring during the management phase. In particular (i) it verifies that the ESG factors analysed and the requirements declared and/or negotiated with the managers during the execution phase are periodically monitored, (ii) verifies the progress made in any objectives or commitments undertaken by the managers and identified during the assessment phase, and (iii) assesses the sustainability results achieved by the managers, the Funds and the Direct Investments in the portfolio.

For the purposes of the monitoring described above, where possible, the SGR requests the periodic sharing of ad hoc information on the ESG results of the Funds and Direct Investments (i.e. KPIs, reports, scores assigned by third parties), adopting a monitoring approach on the sustainability factors inherent in the investee companies underlying the Fund subscribed, based on the information made available by the individual manager.

If, during the monitoring phase, significant/critical situations relating to sustainability issues are identified, resulting in a deterioration of the ESG assessment, the SGR, within the limits of its role, will discuss the matter with the counterparty in order to understand the reasons and possible solutions.

Finally, the SGR reports to its investors, through dedicated sections of its periodic reporting, on the progress made in integrating sustainability factors into its activities.

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