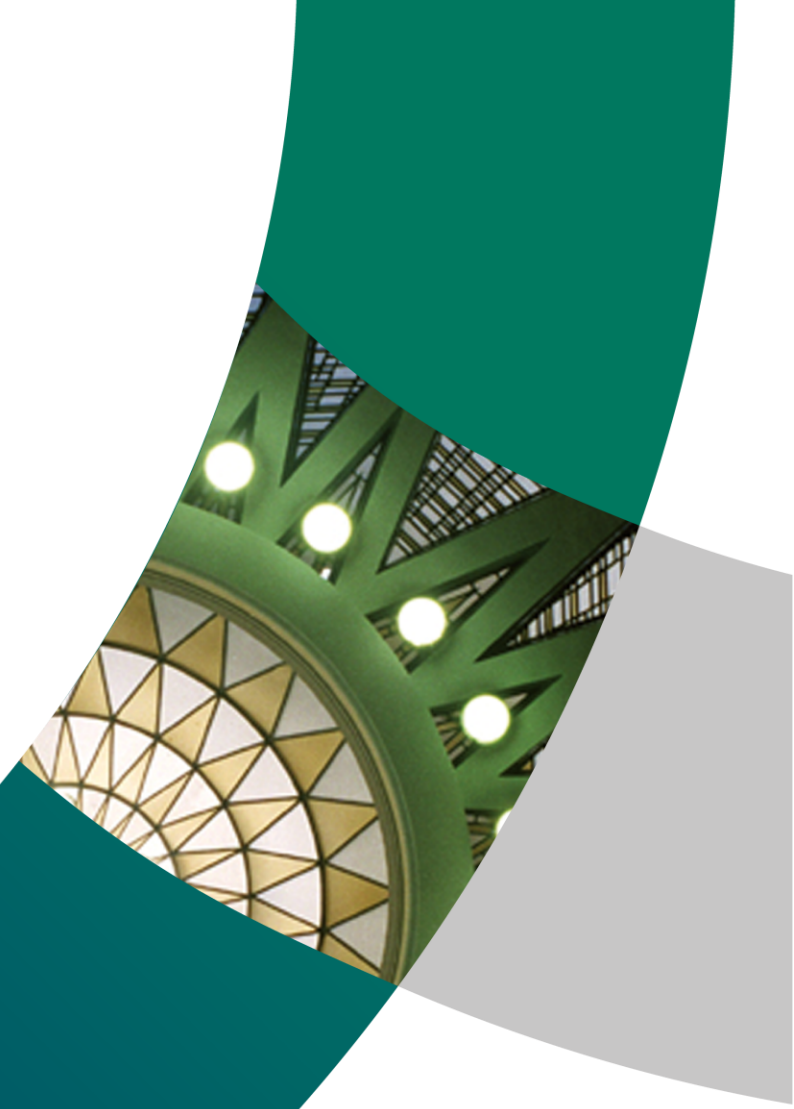




*Net Zero Banking Alliance*

# Transition Plans

May 2025



# Key contents of NZBA Transition Plans

## FOUNDATIONS

Banco BPM's business strategy includes targets to achieve Net-Zero by 2050, in line with the EU Green Deal

Scope	IMPLEMENTATION STRATEGY	ENGAGEMENT STRATEGY	METRICS & TARGETS	GOVERNANCE
Key Actions	<u>Sustainability-Linked Loan Financing</u> <u>Project Financing</u>	<u>Fostering the ESG culture</u>	<u>Identification of metrics and monitoring of targets</u>	<u>Assignment of specific roles and responsibilities and use in processes</u>
Description	Banco BPM's <b>Net-Zero strategy</b> , reflected in its main business processes, is based on the development of a <b>commercial proposal</b> and <b>investment decisions</b> that are able to fully meet the <b>needs of customers</b> who have to <b>decarbonise their production processes</b> and improve the <b>efficiency of their energy consumption</b> , thereby contributing to the <b>decarbonisation of Banco BPM's loan and securities portfolios</b>	Banco BPM has created a <b>specific initiative</b> (ESG Factory) which, with the support of the ESG Business Advisory structure, deals with <b>involving</b> the Group's <b>main stakeholders</b> (customers, suppliers, employees, etc.) with <b>training courses aimed</b> at spreading the ESG culture, also through <b>specific agreements with qualified partners</b>	Within the NZBA, Banco BPM has created a <b>specific programme</b> aimed at identifying the <b>metrics</b> that, for each of the most emissive sectors, best <b>summarise the progress made by its customers</b> to achieve emission levels consistent with the EU Green Deal. The path towards the achievement of the intermediate targets to 2030 is <b>monitored monthly</b> , with automated reports	Corporate bodies and functions actively participate in the <b>implementation of strategy and of operational levers</b> , aimed at achieving the identified targets. To this end, <b>all the main governance processes</b> (Strategic Plan, RAF, Credit Policies, Budget, Remuneration Policies) have been developed coherently



# Foundations - Objectives and Priorities

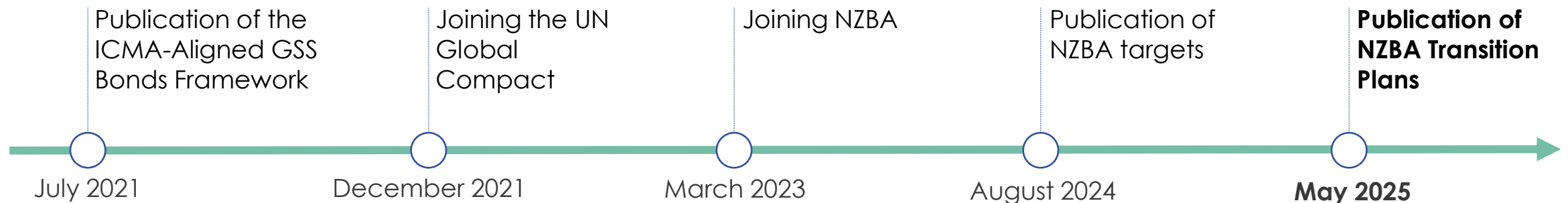


The **decarbonisation** of the economy is a **long-term global priority**. After the **Paris Agreement** (2015), which sets the goal of limiting global warming to well within 2° C compared to pre-industrial times, with the **Green Deal** (2020) and the **European Climate Act** (2021), the European Union has committed itself to Europe becoming the first continent to **reduce net GHG** (greenhouse gas) **emissions to zero by 2050**, setting itself **intermediate targets** from **2030** onwards (reduction of greenhouse gas emissions by at least -55% compared to 1990).

The importance of the **banking sector to finance the fight against climate change**, as set out in the European Commission's action plan to finance sustainable growth, has had a **significant impact on Banco BPM's strategy**, which, following its **membership of the Net-Zero Banking Alliance in March 2023**, committed to setting intermediate targets to achieve Net-Zero by 2050, in line with science-based pathways aligned with the EU Green Deal.

To this end, **in August 2024 Banco BPM published decarbonisation targets to 2030 for the five most carbon-intensive sectors** in its Credit and Equity portfolios: Automotive, Cement, Coal, Oil & Gas and Power Generation. In particular, with regard to the sectors directly related to **Coal**, Banco BPM opted for the application of a **run-off strategy by 2026**, confirmed also in the update of the Strategic Plan 2024-27.

**The NZBA Transition Plans outline the short-term actions** already in place and the **medium- to long-term** actions that may need to be activated **to achieve the targets**.



# Implementation Strategy - Policies and Conditions



**NZBA STATEMENT** - Financial institutions should develop and implement policies and conditions that are clear and comprehensive and that support the realization of the institution's net-zero transition plan.

Scope	Description	Action	Time horizon/ progress
<b>Policies and conditions</b>	Preparation and implementation of <b>guidelines and operational documentation</b> to regulate <b>ESG</b> operations	<p><b>Banco BPM is equipped with:</b></p> <ul style="list-style-type: none"> <li>- a <b>proprietary portfolio investment policy</b> ('Guidelines for the Integration of Sustainability Factors into Proprietary Portfolio Investment Strategies') containing inclusion and exclusion criteria with specific reference to NZBA sectors</li> <li>- a <b>policy on sustainable investments in 2024</b> ('Guidelines on the integration of sustainability risks in the provision of investment services to clients' and 'Banco BPM Invest SGR - Regulation on the integration of sustainability factors in the provision of investment services')</li> <li>- a <b>policy on environmental issues</b> ('Guidelines on the management of environmental, energy and climate change issues')</li> <li>- a regulation dedicated to the identification and management of <b>financing operations</b> to support the transition</li> </ul> <p>With regard to policies on highly polluting sectors, the application of a <b>strategy of zero exposure to coal-related sectors by 2026</b>, which are strongly impacted by the climate transition, is confirmed, consistent with the objectives and trajectories outlined in the Strategic Plan 2021-2024 and confirmed by the Strategic Plan 2024-2027</p>	<b>In place</b>
	Foreseeing an <b>escalation process</b>	<p><b>Structured process of escalation</b> towards corporate functions that manage companies that are unable or unwilling to contribute to the achievement of a carbon-neutral economy within the limits set by European directives</p>	<b>In place, with developments under way</b>

# Implementation Strategy - Activities and Decision Making (1/2)



**NZBA STATEMENT** - Financial institutions should integrate data and targets into their business processes in order to support their net-zero commitment.

Scope	Description	Action	Time horizon/ progress
<p><b>Activities and decision making</b></p>	<p>Application of <b>valuation criteria for clients</b> in the portfolio</p>	<p>In order to align its business activities with its NZBA commitments, Banco BPM has <b>integrated data and targets into the tools and processes</b> for guiding, evaluating and reviewing the financing and investment activities of its proprietary portfolio</p> <p>As of today, <b>100 per cent of credit resolutions</b> on companies in the <b>Large Corporate, Corporate (1)</b> business segments operating in highly emissive sectors are <b>subject to ESG</b> assessment, assessing in particular:</p> <ul style="list-style-type: none"> <li>• counterparty <b>exposure to transition and physical risk</b> (via scores developed with a provider)</li> <li>• qualitative/quantitative information collected through <b>ESG questionnaires</b></li> <li>• the <b>Transition Plan</b> reported in the mandatory disclosures (e.g. ex-<b>CSRD</b> sustainability reports) published by the financed or invested counterparties</li> <li>• <b>the need to intervene</b> (by notching) <b>in the process of defining the credit strategy of Large Corporate and Corporate counterparties</b>, following the assessment of the alignment of current and prospective emission intensities with Banco BPM's NZBA 2030 targets. To this end, a <b>climate sustainability assessment form</b> has been developed to support the decision-making process, allowing for a concise and integrated assessment of the counterparty/transaction during the preliminary investigation for the disbursement of a loan or the purchase of a security of a counterparty included in the most carbon intensive sectors</li> </ul>	<p><b>In place</b></p>

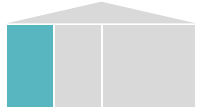
(1) Companies with turnover > EUR 75 million and Structured Finance Operations

# Implementation Strategy - Activities and Decision Making (2/2)



Scope	Description	Action	Time horizon/ progress
Activities and decision making	Framework for bond issues	<p><b>Banco BPM published its Green, Social and Sustainability Bonds Framework</b> in 2021, which has been updated according to taxonomy-alignment since 2023</p> <p>The new Strategic Plan 2024-27 confirms and reinforces the Bank's commitment, setting a <b>target for 'sustainable' bond issues</b> in the three-year period 2025-27 of € 5bn (see Green, Social and Sustainability Bonds Framework)</p> <p>The Bank is also working on the <b>issuance of Green Bonds with the EU GBS</b> (Green Bonds Standard) <b>label</b>; to this end, the European Green Bond Factsheet is currently being prepared</p>	In place, with developments under way
	Evaluation of specific transition-related elements in <b>due diligence</b>	<p>With regard <b>to the bond investments in its own portfolio, Banco BPM evaluates the issuing companies and their governance also from an ESG perspective</b> through the use of all information available for this purpose</p> <p>The Strategic Plan update confirms and reinforces Banco BPM's commitment, setting a <b>target of investing in ESG corporate bonds at 40%</b> of the total by 2026</p>	In place, with developments under way
	Modification of <b>risk</b> and expected return <b>models</b> based on transition	In order to align business activities with net-zero commitments, Banco BPM <b>has integrated climate risks into the Strategic Plan, the RAF and the credit policy framework</b> , as well as, more generally, into the overall risk management framework	In place
	Adapting <b>the tools</b> underlying decision-making processes	Information useful for achieving the NZBA targets is being progressively integrated into applications (e.g. S4C and ESG Questionnaire), <b>to support the Business and other Structures involved</b>	In place, with developments under way

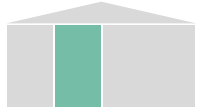
# Implementation Strategy - Products and Services



**STATEMENT NZBA** - Evaluate whether and how existing products and services support the counterparties' transition to net-zero, whether and how they could be modified to do so, whether new 'climate-aligned' products and services are required, ensuring that the suite of products and services sufficiently supports real economy decarbonisation and acceleration of climate solutions.

Scope	Description	Action	Time horizon/ progress
<b>Products and Services</b>	<b>Products and services</b> supporting the transition to a carbon-free economy	In the Bank's product catalogue, there are <b>loans aimed at the green transition or aligned with the EU Taxonomy</b> (e.g. Taxonomy Green Company <b>Unsecured Loan</b> , SACE Green Loan) as well as <b>Sustainability Linked Loans</b> , developed in line with the Sustainability-Linked Loans Principles, with one of the KSIs specifically dedicated to Net-Zero  In <b>2024</b> , Banco BPM <b>disbursed</b> more than <b>€5.7bn of medium/long-term loans to Low-Carbon counterparties</b> with a Strategic Plan target growing to around €7bn in 2027, also through products aimed at supporting the transition and with tailor-made operations to finance the development of plants dedicated to renewable energy production	<b>In place, with developments under way</b>
	Evaluation of <b>new 'climate-aligned' products and services</b>	The Group's objective is to <b>enhance the existing product range</b> (rationalising it where necessary) in order to meet the needs of customers in the transition to Net-Zero and to further develop investments in the Renewable Energy sector  Banco BPM <b>will continue to focus on structured finance or ordinary finance solutions</b> that support customers in the process of reducing greenhouse gas emissions	<b>Under evaluation in the medium-to- long term</b>
	<b>Advising</b> clients on ESG	Banco BPM is strongly committed to the provision of <b>ESG advisory services to customers</b> : more than 3,000 hours of free training were provided by our ESG Factory in 2023-24, and it has committed to do the same in 2025-27  With specific reference to the Bank's Net-Zero commitments, the <b>enhancement of further specific technical skills/knowledge</b> within the current specialist figures supporting the sales networks is being evaluated, possibly also at the ESG Factory	<b>In place, with developments under way</b>

# Engagement Strategy – Clients, portfolio companies and Industry

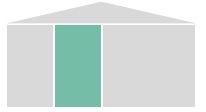


**NZBA STATEMENT** - Support customers and companies in their journey towards a carbon-free economy by ensuring that their strategies are aligned with the NZBA Transition Goals and Plans. Furthermore, banks should collaborate to share expertise and work collectively on common challenges, representing the views of the financial sector to external stakeholders, such as clients and governments.

Scope	Description	Action	Time horizon/ progress
<p><b>Clients, portfolio companies and Industry</b></p>	<p><b>Sharing experiences and information</b> with customers and other financial institutions</p> <p>Promoting or participating in <b>webinars, events and roundtables</b></p> <p><b>Formation of Partnerships</b></p>	<p>Banco BPM <b>engages</b> with various stakeholders, including territorial committees, financial market operators, universities, employees, consulting firms by means of an <b>online questionnaire</b>. In addition, the Bank participates in <b>ESG banking conferences, meetings with investors and credit rating agencies</b> on ESG issues (e.g. active participation in the ICMA Principles).</p> <p>The sharing of knowledge and resources dedicated to ESG awareness with the business world is also conveyed through the <b>ESG FACTORY</b> project, which envisages the organisation of <b>meetings, conventions and initiatives</b>, in collaboration with <b>universities, institutions and qualified partners</b> and the involvement of Group colleagues. ESG FACTORY also aims to <b>provide concrete support to companies that want to activate a sustainable transition path</b> through the provision of <b>free training in the ESG sphere</b>. As a future development, it is planned to <b>integrate specialised modules dedicated to involving customers more closely in climate transition issues</b>, with a <b>focus on NZBA Transition Plans</b> (e.g. through webinars).</p> <p>Banco BPM also makes qualified partners (e.g. FINSERVICE) available to its customers who want to start or to accelerate their own path towards a sustainable transition, providing them with sustainability advisory and assistance services.</p> <p>During 2023-24, Banco BPM <b>employees</b> took part in <b>volunteer initiatives</b> in non-profit associations for more than 200 hours per year, reflecting a commitment that is confirmed also for 2025-27. In addition, more than 6,000 hours per year were provided to improve <b>ESG awareness and financial education</b> in the <b>communities</b> where the Group operates.</p> <p>Banco BPM participates in <b>external</b> events (conferences, events, etc.), for which it also makes its premises available and, moreover, <b>publishes articles and contributions</b> on ESG-related topics.</p>	<p><b>In place, with developments under way</b></p>



# Engagement Strategy - Government and Public Sector



**STATEMENT NZBA** - Direct and indirect lobbying activities and public sector engagement should, in a consistent manner, support an orderly transition to net-zero and encourage consistency of clients' and portfolio companies' lobbying and advocacy efforts with the institution's own net-zero objectives.

Scope	Description	Action	Time horizon/ progress
<p><b>Government and public sector</b></p>	<p>Dialogue with public managers and government leaders, feedback on consultation processes with regulators and legislators, publication of research and reports</p>	<p>Banco BPM participated in the <b>High-Level Forum for Sustainable Building Renovation</b>, organised by the European Commission, and coordinated the Italian table of the <b>Energy-Efficient Mortgages Initiative</b> of the European Mortgages Federation (EMF)</p> <p>In addition, the Bank will consider further involvement of public sector stakeholders in the form of <b>dialogue with government managers and leaders, feedback on consultation processes with regulators and legislators, and the publication of research and reports</b></p>	<p><b>Under evaluation in the medium-to- long term</b></p>

# Metrics & Targets



**NZBA STATEMENT** - Financial institutions should establish a suite of metrics and targets to drive the execution of net-zero Transition Plans and monitor the progress of short, medium and long-term results. They should include metrics and targets focused on aligning financial activity in support of the real economy net-zero transition; on executing NZBA Transition Plans; and on measuring changes in client and portfolio GHG emissions.

Scope	Description	Action	Time horizon/ progress
Metrics & Targets	Review and alignment of <b>targets and metrics</b> in the presence of significant updates or developments in data, methodologies, business models	<b>Banco BPM has comprehensively documented internally the set of methodologies</b> applied for target setting (identification of metrics and definition of objectives) used to realise the Group's commitment to ESG  Furthermore, the Group <b>is committed to aligning these methodologies with the state-of-the-art</b> and the relevant targets in the event of data evolutions	<b>In place, with developments under way</b>
	Monitoring of metrics and targets used	Banco BPM performs a monthly monitoring of the evolution of the <b>emission intensities of the portfolios subject to NZBA targets</b> for internal purposes, <b>while further automation and reporting of the WACI calculation</b> for monitoring purposes <b>is under way</b>  In addition, a specific <b>dashboard</b> was developed that contains all the metrics used within the Group in the ESG sphere, which is updated monthly and presented to the relevant endoconsiliar (Sustainability Committee) and managerial (ESG Committee) committees	<b>In place</b>

# Governance - Roles, responsibilities and remuneration



**NZBA STATEMENT** - Financial institutions should clarify the roles for the net-zero strategy, assign all aspects of the design and implementation of NZBA Transition Plans to appropriate individuals and teams, use remuneration incentive for all roles where possible, and regularly review NZBA Transition Plans to ensure that material updates/developments are incorporated, while managing risks appropriately.

Scope	Description	Action	Time horizon/ progress
Roles, responsibilities and remuneration	Clear assignment of <b>roles and responsibilities</b>	Banco BPM has formally assigned sustainability responsibilities to the following bodies: <b>Board of Directors, Sustainability Committee</b> (internal to the Board), <b>ESG Committee</b> (managerial), <b>Transition and Sustainability Function</b>  In addition, the path towards achieving the ESG objectives contained in the Strategic Plan 2024-27 is supervised by the competent corporate bodies, also through the <b>ESG representatives</b> identified within each function	<b>In place</b>
	<b>Performance</b> monitoring and periodic reporting	Banco BPM <b>performs periodic monitoring of performance against NZBA targets</b> , with reporting to senior managers, the ESG Committee, the Sustainability Committee and the Board of Directors, as well as <b>periodic reporting</b> on the progress of the NZBA Transition Plans	<b>In place, with developments under way</b>
	Definition of aligned <b>incentives</b> , customised on the basis of roles	As contemplated in the <b>Group's 2025 Remuneration Policy</b> , the incentive system provides for a widespread <b>assignment of diversified KPIs related to ESG areas through both quantitative and qualitative approaches</b> for the <b>Chief Executive Officer, executives with strategic responsibilities and most relevant personnel</b> . In particular, a <b>sustainability objective</b> is envisaged, providing, among other, for the monitoring and development of the <b>areas related to the NZBA with regard to the Chief Executive Officer</b> ; while for the <b>executives</b> with strategic responsibilities and for the most <b>relevant personnel</b> , based on the area of competence, <b>objectives</b> may be set <b>in relation to the completion of related project actions</b> . When defining the remuneration policy for the next financial year and on the basis of the evidence emerging from the implementation of the NZBA Transition Plans, <b>the Bank will assess the possibility of extending the incentives linked to Net-Zero</b> also through the definition and use of new metrics	<b>In place, with developments under way</b>

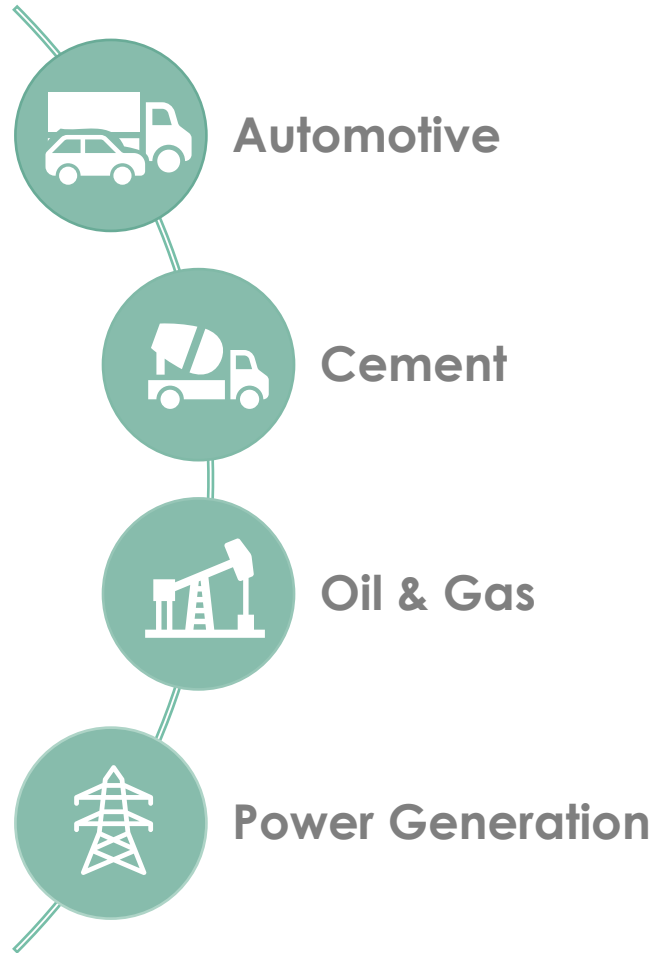
# Governance - ESG skills and culture



**STATEMENT NZBA** - Provide training and development support to teams and individuals designing, implementing and overseeing the plan, so that they have sufficient skills and knowledge to perform their roles (including at Board and management level). Implement a change management programme and foster open communication to embed the net zero transition plan into the organisation's culture and practices.

Scope	Description	Action	Time horizon/ progress
<p><b>ESG skills and culture</b></p>	<p>Provision of continuous training at all levels, skills assessment and integration of NZBA Transition Plans into the corporate culture</p>	<p>Banco BPM already offers its staff <b>training courses</b> both to spread the ESG sustainability culture in the company and to provide them with the necessary skills to best meet the challenges of our sustainability journey</p> <p>In 2023-24, the Group provided more than 160,000 hours of training on ESG topics to its employees. With a long term perspective, the training objectives for Group personnel envisage reaching <b>200,000 hours of training per year in 2026-27</b> dedicated to ESG issues, accompanied by a <b>revised training approach</b>, also in the light of <b>Net-Zero goals</b>, with the preparation of <b>dedicated training modules</b></p> <p>Similarly, the members of the <b>corporate bodies</b> of Group companies and their <b>first-line managers</b> are regularly updated on the main ESG issues, initiatives and requests (so-called <b>Board Induction</b>)</p>	<p><b>In place, with developments under way</b></p>

# FOCUS: Metrics & Targets



# Automotive - Metrics & Targets



The Automotive sector plays a **key role in mobility, trade** and worldwide **economic development** and is characterised by a complex and **highly technological production chain**. In addition, road transport is **one of the largest emitters of greenhouse gases worldwide** with a share of around 15% of the total (accounting for three quarters of the emissions of the entire transport sector, which emitted around 8 Gt CO<sub>2</sub> in 2023). Most of the emissions related to this sector **can be attributed to Scope 3 category 11** (use of sold products), which includes the total expected lifecycle emissions of all vehicles sold by automotive companies.

For this reason, most of the investments for the transition of the sector must be geared towards the production of increasingly low greenhouse gas-emitting vehicles.

## DECARBONISATION LEVERS

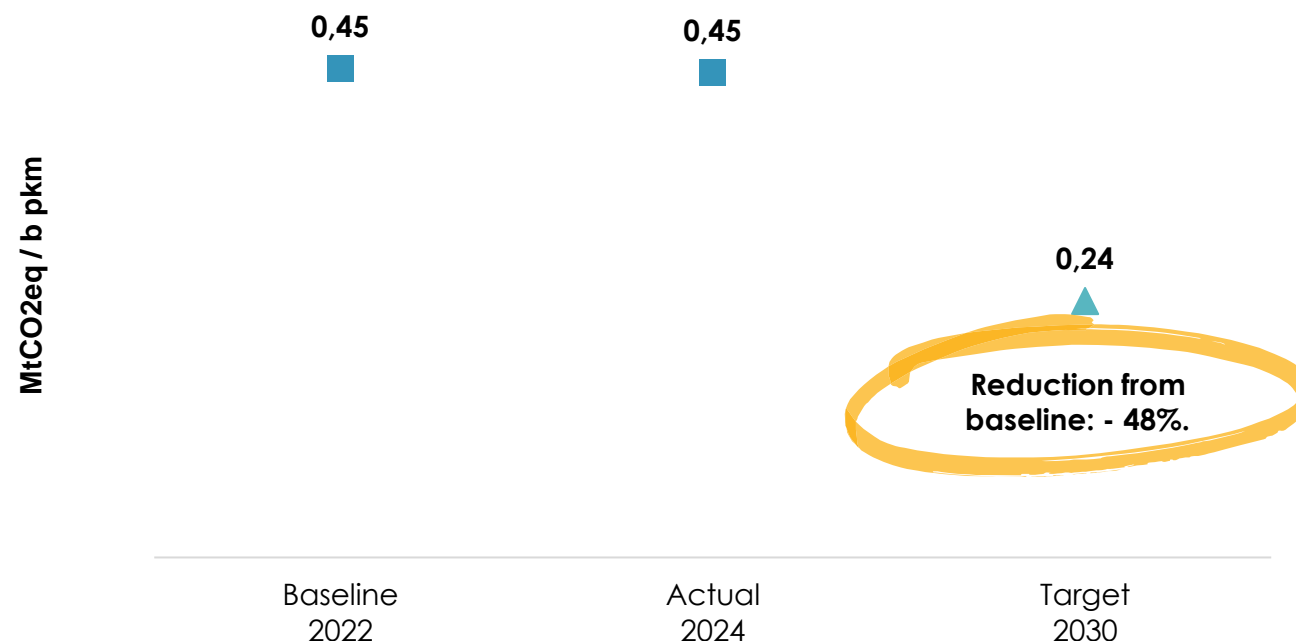
The key technology for the decarbonisation of the sector is undoubtedly represented by **electrified vehicles**, starting with hybrid cars, which combine an internal combustion engine with an electric one, and ending with fully battery-powered **electric cars**. Hydrogen fuel cell vehicles and vehicles **powered by low-emission alternative fuels** are also possible transition levers.

These technologies must be accompanied by an **adequate development of the supporting infrastructure** (charging stations for electric vehicles and green fuel stations).

## REGULATIONS

EU regulations and policies towards zero emissions are **rapidly evolving** and **set challenging limits and targets** (e.g. EU CO<sub>2</sub> emissions standards for both light and heavy duty vehicles). This implies **the need for banks to support manufacturers in this phase of strong change**.

## Emission intensities in the automotive sector



# Cement - Metrics & Targets



The Cement sector is one of the **fundamental pillars of global industry**, essential for the construction of infrastructure, buildings and civil works. Cement production is one of the **most energy-intensive and carbon-intensive industrial activities**, responsible for about 6 per cent of global CO<sub>2</sub> emissions, with the absolute figure not having decreased significantly in the last 10 years. Despite the growing number of initiatives related to carbon capture and storage (CCUS) and other decarbonisation technologies, **current global policies are not yet strong enough** to foster large-scale implementation of these projects in all major regions of the world.

## DECARBONISATION LEVERS

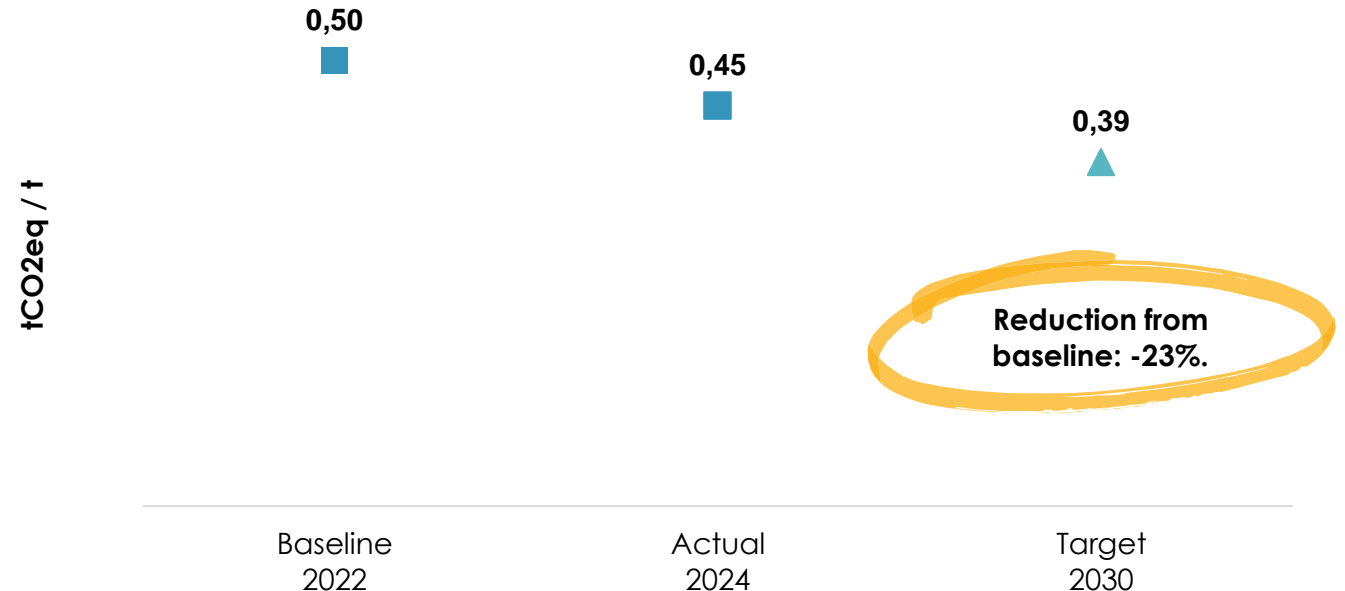
The sector has several levers to implement the transition, based mainly on:

- **raw materials** used for cement production and their mix, such as the reduction of the so-called 'clinker ratio';
- **Energy efficiency of the production process**, characterised by high emission intensity, including through the use of alternative fuels;
- **Capture and storage of CO<sub>2</sub> emissions** that cannot be avoided.

## REGULATIONS

The cement sector is subject in general to the various **European regulations concerning the reduction of emissions** (EU Taxonomy, Emissions Trading System), but it is also impacted by all the sustainable construction provisions in the Green Deal

## Emission Intensities of the Cement Industry



# Oil & Gas - Metrics & Targets



The Oil and Gas sector is one of the **fundamental pillars of the global economy** and the world's **energy demand is highly dependent** on it. It is an emissions-intensive sector comprising the exploration, extraction, transport, refining and distribution of fossil fuels, with significant environmental and geopolitical impacts. In 2022, global oil and gas production, transport and processing emitted the equivalent of 5.1 billion tonnes of CO<sub>2</sub>, representing **almost 15% of total energy-related GHG emissions**.

## DECARBONISATION LEVERS

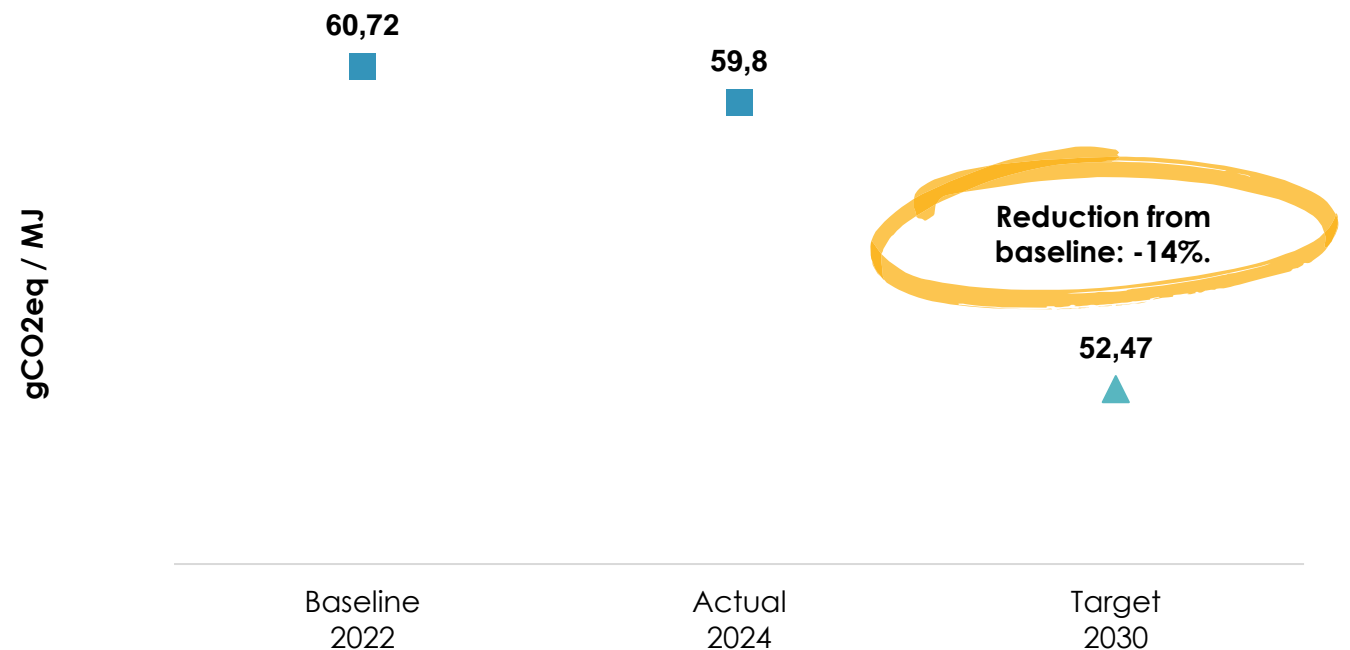
The oil and gas sector is under pressure from public opinion, **which is generally perceived negatively**, mainly due to **concerns about climate change**, environmental impact and sustainability.

Although the sector's transition relies almost entirely on reducing energy dependency on this type of fuel and a consequent decrease in production, there are **several key decarbonisation levers** to reduce CO<sub>2</sub> emissions, including the development of alternative fuels.

## REGULATIONS

In general, the sector is subject to the **various European regulations concerning the reduction of emissions** (EU Taxonomy, Emissions Trading System). In addition, there are many **regulations impacting the sector, which are related to fossil fuel use** and, therefore, affect 'downstream' sectors including transport (automotive, aviation and shipping).

Emission intensities of the oil and gas sector





# Power Generation - Metrics & Targets



The Power Generation sector concerns the production of electricity required for the operation of industrial, commercial and domestic activities. Despite the increasing use of renewable sources, **fossil fuels continue to be among the main input sources of power generation**, making the sector **carbon intensive**.

## DECARBONISATION LEVERS

The decarbonisation of the Power Generation sector necessarily passes through an evolution of the production mix, starting from **a high dependence on fossil fuels** to their gradual (from coal to oil and then to natural gas) and then **complete replacement with renewable energy sources** (e.g. solar, wind, hydro).

## REGULATIONS

The European Union is betting heavily on the spread of renewable energy, in particular with the Renewable Energy Directive, which requires that **at least 42.5 per cent of the energy consumed in the EU is to come from renewable sources** by 2030. Also important for the sector is the REPowerEU legislation, which aims to **promote the use of clean technologies** in the energy sector.

## Emission intensities of the Power Generation sector

