

Opinion on sustainability

Summary



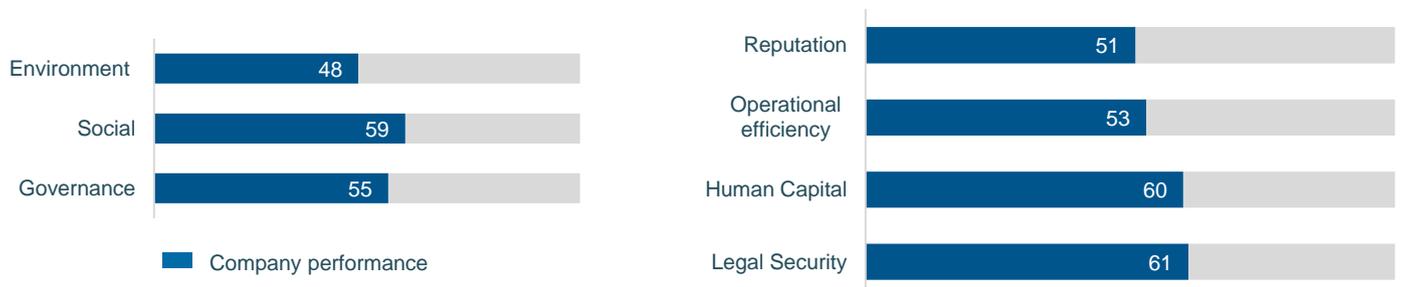
ESG Reporting Rate	95%
Sector Average Reporting Rate	79%

Preliminary note: We assessed Gruppo Bancario Cooperativo Iccrea (“Iccrea” or the “Group”) at its request in line with our unsolicited rating methodology. This assessment results in an absolute score of 56/100. Since Iccrea is not part of our listed issuers universe, this assessment, which benefits from an active dialogue with the company, is not shown in a ranking against other listed companies. Therefore, the A1 Rating serves an indicative purpose only.

As of December 2021, Iccrea obtains a robust rating, based on an overall score of 56/100. The company displays good capacity and willingness to integrate ESG factors into its strategy, operations, and risk management, with advanced results on managing risks related to legal security and human capital, and robust performance with respect to operational efficiency and reputation.

Group Bancario Cooperativo Iccrea was entered into the Register of Italian Banking Groups in January 2019. It results from an agreement between Cooperative Credit Banks. Iccrea Banca is the parent company of Group Bancario Cooperativo. Iccrea provides banking and financial services through three main business lines, namely Retail (accounting for more than 90% of net interest income), Corporate and Institutional Banking.

ESG PERFORMANCE & TREND (.../100)



STRENGTHS

- ▶ Advanced commitment to integrate ESG factors into investment and lending activities
- ▶ Advanced commitment to environmental protection
- ▶ Comprehensive means implemented to address local social and economic development issues

WEAKNESSES

- ▶ Limited support to sustainable finance with respect to the total Group’s AuM
- ▶ Limited commitment to promote financial inclusion
- ▶ Board of Directors diversity is below good governance standards

KEY TAKEAWAYS

Impacts: Iccrea displays a limited energy transition score. While the group has increased the number of its financing products dedicated to environmental projects and related activities, its focus on sustainable finance remains recent and limited. Iccrea’s value creation performance benefits mainly from the bank’s defining and traditional strategic focus on SMEs.

Risks: Iccrea’s risk management system appears to cover some of the most material ESG risks. The company displays robust capacity to safeguard and enhance its reputation and operational efficiency, while advanced scores are observed on factors that could affect its legal security and human capital cohesion.

Management: Iccrea shows the intention to proactively integrate ESG factors into its strategy and operations. Its approach is supported by wide-ranging commitments in most categories. However, means and processes do not always extend beyond regulator’s requirements to address some of the material challenges. The absence of controversies strengthens nonetheless our assurance on the company’s ability to manage stakeholders’ relationships.

Impacts

Iccrea was created in 2019 and for this reason only 2019 and 2020 consolidated indicators are available. This has impacted the Group's overall score since some indicators does not show a clear trend over those two years and there are no historical data to determine a longer trend.

VALUE CREATION AND SHARING

<p>Share of investments dedicated to activities likely to generate sustainable value and/or to products with measurable green, social or sustainable goals</p> <p>[Major, Significant, Limited, Unclear, None]</p>	<p>Significant</p>	<p>Efforts to develop products and services contributing to UN Sustainable development goals are detailed on p4 of this document and include:</p> <p>Asset Management</p> <ul style="list-style-type: none"> ▶ With reference to BCC Risparmio & Previdenza (which is the asset management company of the Group), sustainable investments have increased by 54% over the last two years. BCC Risparmio & Previdenza invested EUR 919 million in sustainable securities in the year to October 2021. ▶ Overall, BCC Risparmio & Previdenza's Asset under Management (AuM) in sustainable investments amounted to EUR 3.17 billions (at October 2021), or 15% of its total investments. This amount represented then 1.8% of Group's total assets. <p>Green Lending / Green Loans</p> <ul style="list-style-type: none"> ▶ In 2020 Iccrea financed energy transition-related projects for a total amount of EUR 160 million, which represents 0.09% of the Group's total assets in 2020. <p>Impact Investing</p> <ul style="list-style-type: none"> ▶ IB invested in 2020 EUR 554,256 out of a total subscription commitment of EUR 1 million in the private equity fund "IDEA Agro", which is related to sustainability agriculture. <p>Social Bonds</p> <ul style="list-style-type: none"> ▶ IB issued a EUR 500,000 Social Impact Bond in 2021. <p>Finance for SMEs</p> <ul style="list-style-type: none"> ▶ EUR 41.4 billions of loans was provided to SMEs in 2020, which represents about 24.5% of the Group's total assets in 2020. <p>Above-mentioned initiatives represent more than 20% of Group's total assets in 2020, accounting for "significant" impacts of Iccrea in sustainable finance area. However, there is room for improvement since such figure mainly benefits from the bank's strategic focus on SMEs. The new sustainable finance strategy of European Commission encourages the financial sector to play a more active role in facilitating the transition toward a sustainable economy while ensuring its resilience to sustainability risks. In this regard, the performance of the Group in providing green loans appears weak, also considering that loans granted to sustainable services by our best-in-class bank is above 60% of its total assets.</p> <p>Iccrea Banca's properties</p> <ul style="list-style-type: none"> ▶ Iccrea Banca headquarter building in Rome is certified LEED O+M v4.1. It is a system for measuring and assessing building's performance during the operation and maintenance phase, based on the impact the building may have on energy consumption and air pollution, among others. In the framework of such certification, IB invested EUR 3 million, or 12% of the total Group net interest income, to replace methane-fuelled heat pumps with electric-driven ones by 2022. The headquarter will become a net zero carbon building when the replacing will over. Also, Iccrea invested EUR 150,000 to improve energy efficiency of lighting system, by replacing all external existing fixtures with led ones. Finally, IB informed V.E that all incandescent lightbulbs will be replaced with led bulbs also in internal workspaces in the next years. Of note, more than 70% of Group's energy demand is met by "green energy."
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<p>Investments in Innovation</p> <p>[Increase, Stable or Unclear, Decrease, Undisclosed]</p>	<p>Unclear trend</p>	<p>Iccrea reports on investments in innovation through several products:</p> <ul style="list-style-type: none"> ▶ the implementation of business process automation solutions, including a broad-based project to redesign the entire set of compliance applications into a single tool. ▶ the progressive release of the Data Warehousing (DWH) and of reporting to support the specialist uses for the market; ▶ initiatives of technological innovation and functional development within the context of digital-transformation projects (PSD2, online placement services, instant payments, customer care); also, a 2020-2021 program for projects related to medium / long-term digital transformation strategy has begun, including mobile-first functional enhancements, remote/off-site offering, phygital development, enhanced integration of Customer Relationship Management and channels, and “open credit” for individuals. <p>Loans granted to innovative industries are mainly related to alternative (biomethane / biogas) and renewable energies, this latter isn't a new idea, but it is finally gaining more traction. As per its history and mission, the company grants loans mainly to industries such as agriculture, fishing and forestry, in some cases also financing innovative projects such as new technological greenhouses equipped with led. However, loans for innovative industries account for a very limited part of total loans provided to customers, hence there is no proof that the Group has gone beyond its commitment to pay attention to innovative investments that are able to enhance a sustainable approach to business.</p> <p>This information is insufficient to determine a trend about the expenditure dedicated to innovation and development.</p>
<p>Ratio of CEO compensation vs employee wage and benefits</p> <p>[Increase, Stable or Unclear, Decrease, Undisclosed]</p>	<p>Increase (2 years)</p>	<p>The ratio of payments to CEO vs. average employee wage and benefits has increased by 19% between 2019 and 2020.</p> <p>During this period:</p> <ul style="list-style-type: none"> ▶ CEO compensation has increased by 16.6%, from EUR 855,000 in 2019 to EUR 996,592 in 2020. ▶ Average employee wage and benefits have decreased by 1.7%, from EUR 53,800 in 2019 million to EUR 52,900 in 2020. <p>The company states that the decrease of average employee wage and benefits is due to the early retirement of elder employees, which joined the so-called Quota 100 pension measure.</p>
<p>Transparency on tax payments</p> <p>[Major, Significant, Limited, None]</p>	<p>Major</p>	<p>Iccrea reports transparently on turnover, EBIT, number of employees, taxes paid and differences between tax rate actually paid and expected tax rate in Italy, its sole country of operation.</p>
<p>Operations in offshore financial centres (OFC), including non-compliant OECD jurisdictions</p> <p>[No Operations in OFC, Justified Operations in OFC, partially Justified Operations in OFC, Unjustified Operations in OFC]</p>	<p>No Operations in OFC</p>	<p>Iccrea operates only in Italy, hence it does not operate in IMF “offshore financial centers” and/ or in jurisdictions considered by the OECD as not compliant enough with tax transparency rules.</p>

SOCIAL & ENVIRONMENTAL IMPACTS

Environmental impacts:

Iccrea obtains an energy transition score of **35/100**, which is below the average performance of the Retail & Specialised Banks sector (41/100). This performance results from our assessment of Iccrea's efforts to mitigate both the carbon footprint of its loans and investments as well as impact resulting from direct energy consumption.

<p>Trend of Carbon intensity of investments</p>	<p>Undisclosed</p>	<p>BCC Risparmio & Previdenza (the Asset Manager company of the Group) stated that it performs a carbon footprint analysis of its investments portfolio. However, Iccrea does not report such data.</p>
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[Increase, Stable or Unclear, Decrease, Undisclosed]		
CO2 emissions (Scope 1&2) [Increase, Stable or Unclear, Decrease, Undisclosed]	Increase (2 years)	Normalised to number of employee, Iccrea's CO ₂ emissions show an increasing trend of 8% from 2019 (at 661 kg per employee) to 2020 (at 710 kg per employee).
Transport mix evolution [Increase, Stable or Unclear, Decrease, Undisclosed]	Unclear	<p>CO₂ emissions from professional travels has decreased by 17% between 2019 and 2020, and stood at 1,445.38 tCO_{2,eq} in 2020. The share is as follows:</p> <ul style="list-style-type: none"> • Car 82.4% in 2019 and 87.1% in 2020 • Train 3% in 2019 and 2.9% in 2020 • Flight 14.6% in 2019 and 10% in 2020 <p>However, such information is insufficient to determine a trend since COVID-19 affects the number of business travel in 2020.</p>

Social impacts:

Organic growth of employment [Positive, Stable or Unclear, Undisclosed]	Undisclosed	<p>The total number of employees decreased by 1% (from 21,190 to 21,154) over the same period, which is considered a stable trend.</p> <p>Iccrea stated that no employees were acquired through M&A and no employees were lost through sales of activities between 2019 and 2020. Hence there is no data to evaluate the trend of the organic growth of employment.</p>
% of women in management and trend [Increase, Stable or Unclear, Decrease, Undisclosed]	Stable (2 years)	<p>The share of women in management positions for Iccrea has increased by 1 percentage point from 6% in 2019 to 7% in 2020, which is considered a stable trend.</p> <p>For 2020, this ratio is significantly below the sector average of 34% of women in management (51 companies in the sector communicated on this data).</p> <p>Of note, the Group will implement in 2022 a Diversity & Inclusion Policy, which is expected to allow an increase of the share of women in management position.</p>
Average number of training hours per employee [Increase, Stable or Unclear, Decrease, Undisclosed]	Decrease (2 years)	<p>The average number of training hours per employee has decreased by 9%, from 3.13 hours in 2019 to 3.44 hours in 2020.</p> <p>This ratio is significantly below the Retail & Specialised Banks sector average of 35.3 hours per employee in 2020 (23 companies in the sector reported on this indicator).</p>
Absenteeism rate [Decrease, Stable or Unclear, Increase, Undisclosed]	Decrease (2 years)	<p>The absenteeism rate has decreased by 0.6 percentage point, from 2.6% in 2019 to 2% in 2020.</p> <p>This ratio is below the sector average of 5.1% in 2020 (21 companies in the sector communicated on this indicator).</p>
Employee turnover rate [Decrease, Stable or Unclear, Increase, Undisclosed]	Decrease (2 years)	<p>The company's employee turnover rate has decreased by 0.3 percentage point from 5.3% in 2019 to 5.0% in 2020.</p> <p>This ratio is below the sector average of 8.2% in 2020 (44 companies in the sector communicated on this data).</p>

IMPACTS OF PRODUCTS & SERVICES

As stated on p. 2, Iccrea is considered to have a significant percentage of services contributing to sustainable development (above 20% of total assets in 2020), but such figure is mainly affected by its strategic focus on SMEs. These services appear to materialise the contribution of Iccrea to UN Sustainable Goals number 1 (No Poverty), 7 (Clean Energy at affordable price), 8 (Decent work and economic growth), 10 (reduce inequalities) and 13 (Climate Action).

<p>Share of services contributing to sustainable development in total assets [Major, Significant, Minor, None or Undisclosed]</p>	<p>Significant</p>	<p>Asset Management</p> <ul style="list-style-type: none"> ▶ With reference to BCC Risparmio & Previdenza (which is the asset management company of the Group), sustainable investments have increased by 54% over the last two years. BCC Risparmio & Previdenza invested EUR 919 million in sustainable securities in the year to October 2021. ▶ Overall, BCC Risparmio & Previdenza’s Asset under Management (AuM) in sustainable investments amounted to EUR 3.17 billions (at October 2021), or 15% of its total investments. Due to the relative small size of the group’s Asset Management operations, this amount represented then 1.8% of the of Group’s total assets. ▶ In this respect, BCC Risparmio & Previdenza considers the products under articles 8 and 9 of Sustainability related Financial Disclosure Regulation (SFDR) as sustainable, which is considered a remarkable approach even if some issues remain. Indeed, on the one hand the EU established a landmark with SFDR, aiming to create a more transparent playing field, partly to prevent that some financial firms claim that their products are sustainable when they are not. But on the other hand, assets managers can take different approaches to fund classification based on their interpretation of the regulation. However, “level two” (expected by July 2022) of the regulation should fix uncertainty and ambiguity around SFDR, since assets managers will need to show the data supports their decision to place a fund in either Articles 8 or 9. ▶ The Group has a dedicated policy to integrate ESG factors in its investment activities. Also, as per BCC Risparmio & Previdenza responsible investment strategy, the ESG factors are considered through a methodology that incorporates an exclusion policy for alcohol, gambling, nuclear energy, tobacco and weapons, and screening criteria in order to classify ESG investment on three levels of ESG risk, namely “high”, “medium” and “low” . Furthermore, BCC Risparmio & Previdenza states to purchase ESG data from external providers to carry out such screening process. <p>Green Lending</p> <ul style="list-style-type: none"> ▶ Energy transition-related projects financed by the Group have increased by 125% over the last two years, and stood at EUR 160 million in 2020. This represents 0.18% of total loans to customers and 0.09% of the Group’s total assets in 2020. In the frame of such loans, Iccrea financed projects related to alternative energies, improving energy efficiency, smart mobility, hydroelectric, solar and wind energy, integrated water services and circular economy. <p>Impact Investing</p> <ul style="list-style-type: none"> ▶ Iccrea Banca invested in 2020 EUR 554,256 in the private equity fund “IDEA Agro”. The fund invests in companies operating in an eco-sustainable way in the agricultural and agro-industrial sector, meaning companies operating in all segments of the economy involved in the cultivation, production and primary processing and the related distribution of agricultural and / or food products. ▶ In 2020 Iccrea provided about EUR 1.12 billions of services with a positive social impact. Such services are related to banking accounts for foreigners (6%), microcredit (3%), loans for students (13%), anti-wear products (1%), loans for child adoption (1%), first house mortgages to vulnerable people (47%) and other services. ▶ Overall, this represents about 0.7% of the Group’s total assets in 2020. <p>Social Bonds</p> <ul style="list-style-type: none"> ▶ Iccrea Banca issued a EUR 500,000 social impact bond in Italy in November 2021, to finance SMEs and families affected by COVID-19 crisis, young and female entrepreneurs, and SMEs with less than 50 employees located in region with per-capita income lower than national average.
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		<p>Microfinance</p> <ul style="list-style-type: none"> ▶ Iccrea's support for microfinance totalled EUR 14.3 million in 2020, which represents less than 0.5% of the Group's total assets in 2020. ▶ Since 2002 Iccrea made a partnership with Federcasse and Codesarollo in order to facilitate the access to microcredit to vulnerable population in Ecuador and to finance local enterprises. <p>Finance for SMEs</p> <ul style="list-style-type: none"> ▶ SMEs financing is Iccrea's core and main business, which naturally benefits our assessment. Iccrea provides financing to SMEs and entrepreneurs mainly in domestic market. In 2020, about EUR 41.4 billions of loans was provided to SMEs, which account for 45% of total loans to customers in 2020. This represents about 24.5% of the Group's total assets in 2020.
<p>Performance trend in terms of financial inclusion</p> <p>[Increasing, Stable or Unclear, Decreasing, Undisclosed]</p>	<p>Unclear</p>	<p>Iccrea discloses quantitative indicators concerning the accessibility of its services to vulnerable individuals between 2019 and 2020.</p> <p>The Group provides banking accounts for low-income people (having an equivalent economic status indicator below EUR 11k or an annual pension lower than EUR 18k), that is free for people. Within the framework of COVID-19 assistance Italian laws, the mutual banks granted loan payment holidays to around 215,000 customers for over EUR 23.2 billions in exposures. In addition to that, the mutual banks also approved 47.155 loans payment holidays to support local communities where they operates.</p> <p>Iccrea provided webinar about financial education to a number of stakeholders, such as young people, employees, migrants and low-income people. The number of engaged people decreased from 27,627 in 2019 to 13,501 in 2020. Overall, 111 financial education courses were organised in 2020, while 304 took place in 2019. Iccrea states that resources were mainly allocated to manage sanitary emergency during COVID-19 pandemic, so some activities, such as financial education courses, suffered from limited availability of resources.</p>

Risks

RISK FACTORS

Iccrea's most material risk and opportunity factors include:

- Environmental and social impacts of loans and investments
- Climate Change
- Reorganisational changes
- Board of Directors
- Business ethics
- Financial inclusions
- Employees' health and safety

Our analysis reveals that Iccrea has comprehensively addressed most of these challenges, although some areas of improvement have arose from our assessment.

Environmental and social impacts of loans and investments

The inclusion of environmental and social factors in credit risk assessment can have a positive impact on this asset class and help mitigate related operational and reputational risks. In addition, growing environmental awareness has a direct impact on consumer demand for "eco-friendly" products and services and Iccrea's ability to meet clients' expectations could impact its competitiveness.

Iccrea performance in terms of environmental and social impacts of loans and investments appears Robust. Such performance mainly benefits from the Group responsible investment strategy rather than its lending activities, while the latter represents its core business. In 2020, Iccrea has published a policy for the integration of ESG risks in its investment activities, which is inspired by the Equator Principles, according to which it committed among others to ban investments in tobacco, controversial weapons, gambling, alcohol and nuclear energies. The Group adopts the same restrictions in providing loans to those sectors as well. As of October 2021, the Group remaining exposure to those sectors only included an EUR 30 million loan in the gambling sector, (representing 0.03% of total loans granted to customers in 2020). The Group stated that such exposure is in its run-off phase.

In 2021 the Group set specific targets towards responsible investment activities, via its asset management company. Indeed, BCC Risparmio & Previdenza aims to increase by 9.5% the volume of its sustainable investments in 2021 compared to 2020 and to achieve EUR 1.75 billions of sustainable Asset under Management year end, and stated to V.E it plans to strengthen these objectives in its Sustainability Plan 2022-2024 which has not been disclosed yet. Some means have been implemented to support these targets, such as exclusionary screening (companies facing controversies on environment, human rights, labor rights, fraud and client relationships as well as an ESG rating for each investment in the portfolio) and the creation of a thematic fund. An area for improvement concern the lack of a positive screening, engagement / dialogue with companies about ESG topics, as well as the absence of formalized voting policies covering ESG issues.

As result of its effort, at October 2021 BCC Risparmio & Previdenza already met its targets, as sustainable investments implemented in the year to October 2021 totalled EUR 919 million, which represents an increase of 54% with respect to the previous year. Sustainable Asset under Management at BCC Risparmio & Previdenza also amounted to EUR 3.17 billions as of October 2021, or 15% of this entity's AuM, although still only 1.8% of total assets in the wider IB Group. When coming to loan activities, the IB is undertaking a project to integrate ESG risks in its lending activities. At the moment the project is in its early stage, as up to now IB has elaborated the business requirement of such project and the qualitative questionnaire for the customers. The completion is expected by the first half of 2022. It will improve the Group's ESG performance in loans area, currently considered Limited.

Climate Change

Iccrea, as large asset owners and asset manager has an important role to play in supporting transition to a low carbon economy. Climate change will adversely impact the group's profitability as it may cause client defaults and increased costs for insurance activities. The evolving regulatory

frameworks will require the bank's clients to reduce their greenhouse gas emissions, which could lead to heavy expenses, and impact their financial health. Requiring clients to comply with extra-financial rules is therefore a way for Iccrea to protect its assets.

Iccrea performance in terms of managing its direct climate change impacts is currently Limited, although the Group has highlighted to V.E its intention to pro-actively manage climate change issues and is currently working to respond to the recommendations provided by European Central Bank (ECB) in September 2021 about the integration of climate change risks into IB Group's strategy. Although the Group does not have either a formalised group-wide commitment to disclose physical impacts' consequences of climate change, nor quantified targets, Iccrea recognizes its potential important role in supporting its customers throughout their ecological transition. This potential role will be translated in its Sustainability Plan 2022-2024 and corresponding lending policies. Although V.E has not yet seen those incoming policies, its confidence in their effectiveness is lowered by the fact that the Group does not plan to interrupt its investments and lending activities towards carbon-intensive sectors over that period. Iccrea also plans to monitor the ESG performance of its portfolio by implementing an ESG rating for SMEs.

As of November 2021, Iccrea performed a preliminary assessment of the exposure to transition risks of its SMEs lending portfolio (which accounts for about EUR 50 billions, or 57% of the group's lending), which reportedly highlighted that less than 1% of such portfolio are considered very highly exposed to transition risks (such as customers within carbon-intensive sectors, like the whole oil & gas supply chain). Such performance appears relevant if compared with recent data published in July 2021 by ECB in its "Climate-related risks and financial stability" report, showing bank loan exposures to energy-intensive sectors in the euro area of about 8% of total loans to non-financial corporations. In 2022 this assessment will be extended to physical risks as well, notably through a scenario analysis based on climate data supplied by providers, and a climate stress test covering the bank's potential financial losses in both short- and long-term transition risks scenario will be carried out in order to be compliant with the ECB's requirements.

Iccrea's financing of transition-related projects remained limited as of end-2020: energy transition-related projects financed by Iccrea stood at EUR 160 million, which represented 0.18% of total loans to customers and 0.09% of the Group's total assets. Of note, in the framework of the expected evolution of Italian legislation, in 2022 IB is going to finance energy communities in rural areas, that will support energy transition.

Reorganisational Changes

Iccrea has gone through several mutual banks merges resulting in some reorganisations in the company. Since its creation and by first half of 2022, the Group has experienced or planned several megers, affecting overall more than 1,500 employees and leading to a decline of the number of affiliated banks from 140 to 128. Reorganisational changes may induce operational difficulties deriving from lack of employee motivation, an impact on the employer's reputation, and overall disintegration of human capital cohesion.

Iccrea demonstrates an Advanced capacity to manage reorganisations responsibly. Although no commitment has been formally issued in this regard, the company applies the Italian legislation which guarantees a consultation of employees representatives in the event of significant reorganisation. An employee representative interviewed by MESH confirmed that Iccrea does systematically consult with national trade unions in the event of a large structural change. Resources allocated to alleviate the effects of restructuring on employees include both reactive (early retirement) and preventive measures (re-training and internal mobility). However, no significant financial compensation appears formally implemented, and the company does not appear to offer an individualized follow-up to employees. The mutual cooperation among BCCs recently avoided compulsory redundancies, as in the case of merge between BCC Borghetto e BCC Centropadana, when some employees were hired by local BCCs in order to avoid relocation. Since its creation in 2019, the Group has faced some reorganisations but has been able to avoid redundancies and maintain employment, stating that no compulsory redundancies have occurred.

Board of Directors

The composition of the Board of Directors (including its diversity, separation of roles between the Board Chairman and the CEO, independence, and competency level of its members), as well as its functioning rules (including board members' training and performance evaluation, the frequency of their elections, etc.) could impact the company's ability to exercise control over its management and foster its long-term competitiveness and profitability, as well as other stakeholders' interests. Our analysis focuses on the Iccrea Banca (parent company)'s Board of directors.

Iccrea Banca's Board of directors functioning and composition is considered Advanced and likely to foster the shareholders' and other stakeholders' interests. V.E positively notes that the roles of CEO and Board Chairman are separated, although the chairman is not considered independent, and that all Board members are non-executives and regularly elected. Although no board committee is formally in charge of CSR issues, one member is specially dedicated to CSR issues. Such member is supported by a Sustainability Scientific Committee comprising external stakeholders such as university professors, entrepreneurs, etc., although it is not part of the Board. The committee directly supports the member of the board dedicated to sustainability issues. Also, the Board encompasses members with proven expertise in both Iccrea Banca's field of activity and CSR issues. Board members receive specific training on CSR issues relevant for the company. At the date of this report, about 40% of all board members (*i.e.* considering mutual banks too) received such training. CSR issues discussed at Board level include human capital, climate change, financial inclusion and social and environmental issues in business activities. On a less positive note, no employee representatives assist to Board meetings, and only 20% of the Board of Directors were women at the time of our evaluation. The functioning of the Board is assessed annually via a self-evaluation, in addition to an external evaluation every three years. However, no disclosure on results was reported.

Business ethics

Due to the nature of its activities, Iccrea is exposed to misconducts, such as manipulation of financial markets, money laundering, illegal financing of regimes, etc. Operational and legal risks linked to such failures are significant and may materialise in significant fines. Such issues may also impact the company's reputation. In addition, costs arising from inadequate quality of internal control may lead to serious penalties from agencies regulators or tax administration and expose senior officers to judicial scrutiny.

Iccrea's ability to manage business ethics issues is considered Robust, mainly thanks to the Group's compliance with current Italian regulations (*i.e.* Italian Legislative Decree no. 231/2001 and 231/2007, Bank of Italy's requirements, etc.), that represents an advanced standard about business ethics compared to MESH/V.E recommendation. Iccrea's commitment to prevent corruption, embedded in its Code of Ethics and Anti-Money Laundering (AML) Policy, addresses its main responsibilities (including the prevention of bribes, fraud, conflicts of interest, money laundering and funds derived from suspicious activities), however it does not include the prohibition or restriction of facilitation payments nor refer to a recognised standard. Adequate measures have been implemented to build a business ethics culture throughout the company: training to prevent corruption risk is regularly provided to all employees, trainings on the Code of Conduct and Anti-Money Laundering are mandatory to all employees, these issues are included in the internal audit plan and a whistleblowing system for reporting corruption incidents has been implemented. An area of improvement concerns the lack of external audits by an independent and specialised organizations (not regulatory ones) and dedicate risk assessment of the Group vulnerability. Iccrea has identified about 1,200 material risk takers, which benefit from regular trainings on risk management, and which variable remuneration is deferred over a 5 (for the Top Management) or 3 (for other material risk takers) years period. However, only less than 50% of the variable remuneration component is deferred (50% for Top Management and 40% for other material risk takers) while the standards advocated by MESH/V.E recommend at least 60% of the remuneration to be deferred

V.E has not identified any controversies Iccrea has faced pertaining to business ethics, which reinforces our assurance on the Group's ability to manage such risks.

Financial Inclusion

Providing services to foster financial inclusion may positively impact the Bank's reputation, while strategies to prevent overindebtedness can reduce exposure to clients' default. Such efforts become all the more important as the 2020 sanitary crisis led to significant losses of revenue among the Bank's clients.

Iccrea's performance with respect to financial inclusion appears Limited. The company refers to financial inclusion in its Sustainability Reports, where it commits to promote the access to financial services to stakeholders with disabilities, and financial education is one of the pillar of its Sustainability Plan. Iccrea promotes the access to microcredit to low-income people by providing a discounted interest rate or lower-fees banking accounts for low-income people (that is free for people having an equivalent economic status indicator below EUR 11,600 or an annual pension lower than EUR 18,000), and courses about financial education to young people, employees, low-income people and migrants. Although such measures may enhance the group's reputation, widen its customer base and reduce clients' default risks, services to foster financial inclusion can be improved, as systems to prevent the discrimination of customers and a cooperation with stakeholders do not appear to be in place. The support of the Group to customers in financial distress shows areas of improvement, also taking into account the European Banking Authority Consumer Trends Report 2020/2021, giuseppe.diglio@moody's.com

which highlighted how indebtedness and responsible lending are still paramount of issues and COVID-19 crisis is reinforcing those issues more than ever. In this respect, within the measure organized by the State during COVID-19 pandemic, the Group granted loan payment holidays to around 215,000 customers for over EUR 23.2 billions of exposure. The BCCs granted further loan payment holidays to 47,155 customers or 4% of total number of Group's customers, which is beyond the State support. Additional relevant measures advocated by V.E to avoid over-indebtedness that do not appear implemented at the Group level include specific product training for sales personnel to avoid clients' over-indebtedness, cooperation with stakeholders, and a specialized departments for overseeing customers in financial distress. Indicators on the results of the Bank's programmes to promote financial inclusion do not show a clear trend: the annual number of financial education courses moved from 304 in 2019 to 111 in 2020. Although such decrease is due to the impact of the COVID-19 pandemic according the Group's statement, efforts engaged in 2019 involved 27,627 people, representing less than 3% of the Group's customers.

Employee's health and safety

Talent retention relies on several factors that include the group's ability to promote employees' health and safety. While the Group's production processes mainly involve white collars, health and safety related risks mainly relate to mental health and stress prevention. Nevertheless, the 2020 sanitary crisis highlighted the necessity for companies to reconcile business continuity and employees' health and safety.

Iccrea shows an Advanced performance towards health and safety issues. The Group's commitment in this respect covers safety issues but does not appear to promote well-being and limit stress. V.E positively notes that employee representatives are involved in the implementation of Group's commitment via the intragroup Health & Safety committee, which cover a large number of the company's employees. The company reports on a health and safety system and on significant means to address health & safety issues, including an Health & Safety management system set according to UNI INAIL guidelines and yearly audited by an external auditor. Adequate means are allocated to eliminate stress sources (treatment, rehabilitation and recovery process of employees) however the means implemented do not appear to be focused on stress early detection and prevention (such as trainings on stress or job redesign).

Total recordable injury frequency rate shows a stable trend over the last two years, while rate of absenteeism has decreased by 0.6 percentage points over the same period and stood at 2% in 2020, which is below the sector average.

With respect to the 2020 sanitary crisis, the group states that remote working has been implemented from the beginning of the pandemic on, for the majority of employees for which this was possible. For all employees, personal protective equipment have been delivered and adequate protocols implemented. Employee representatives confirmed that employees' health and safety has been managed in an efficient way, that they have received constant information from the Communication Department and trade unions have been regularly involved in managing any issues arising from the health crisis.

RISK MANAGEMENT

Iccrea's risk management system appears to cover some of the Group's most material CSR risks, however highly relevant CSR risks such as climate-related risks do not appear comprehensively addressed.

- ▶ The Chief Risk Officer directly reports to the Board of Directors. V.E positively noted that he is not part of executive committee. Group-wide risk mapping is conducted once a year by the Risk Department, which establishes for each bank a list of risks aligned to European Central Bank taxonomy. The Top Management of each bank assesses its exposure to those risks in order to define the short list of risks applicable per bank. Risks in the short list are weighted by corresponding risk owners according to their potential impacts on financial results and probability of occurrence. Operational employees are among risk owners. No external stakeholder seems to be officially associated to the risk mapping process. Stress test exercises are used by the definition of a risk appetite framework aligned with with the Financial Stability Board report "Principles for An Effective Risk Appetite Framework". However, the risk mapping does not appear to go beyond regulations requirements and do not include all the relevant CSR risks identified for the Group's activities.
 - Some CSR risks are integrated to this mapping such as client's data protection, cyber risks and business ethics, while there is a lack of some of the Group's most material CSR risks, such as environmental, climate change, social and human rights risks in credit decisions and other banking activities as well as tax avoidance/evasions and inclusion, retention and development of staff. However, management of CSR risks appears limited, as there is no evidence that Iccrea has implemented relevant means to monitor and mitigate those risks, through the implementation of a balanced scorecard, risk-related training or the monitoring of key risk indicators. Of note, a formal process to integrate ESG risks into risk governance framework is ongoing and it should be completed in the first semester of 2022.
 - A climate change strategy is vital for financial institutions, given evolving regulatory and reporting requirements, and this is progressively influencing Group's approach to climate change. Indeed, another effort being pushed by recent regulatory requirements is the preliminary assessment performed by the Risk and Lending Departments on climate transition risks exposure of the Group's lending portfolio, a practice already widely observed throughout V.E's Retail and Specialised Banks sector. This activity is also relevant as stress test for the Group willingness to do not interrupt investment and lending activities towards carbon-intensive sectors over that period. This sounds in line with the Group's mission to support each and every local business, but climate change litigation against Group's customers and increasing regulatory requirements in this regard could put the long-term viability and resilience of its business at risk. Iccrea's assessment considered 7 risk drivers (sector included in EU taxonomy, emission trading scheme, emission intensity, energy and water consumptions, air and soil pollution, market and technological innovation), which contribute to determine 6 risk levels: "very high risk" (mainly oil & gas sector), "high risk" (automotive, energy generation, etc.), "high risk construction sector", medium risk (fashion, electromechanical, etc.), "negligible risk" (retail and services) and "green activities" (renewable energy generation, energy distribution, etc.). V.E positively notes that the above-mentioned risk drivers are in line with the ECB guide on climate-related risks and the recommendations of Task Force on Climate-Related Financial Disclosures, although water consumption and air / soil pollution are not strictly related to transition risks, while political and legal risks are not formally identified. Risk and Lending Departments are carrying out a physical risks assessment of the Group's lending portfolio. In this respect, over the next 10 to 20 years, agricultural lenders (among the main customers of the Group) will experience increasing climate impacts on their operation mainly through shifting weather patterns, while SMEs resilience will be threatened by increasing loss due to more frequent catastrophic weather events
- ▶ The CSR Department annually assesses the group's materiality matrix, where all relevant CSR issues are identified and ranked depending on their significance for employees and stakeholders, the latter being assessed through digital process involving 1,344 external (bank's customers, universities, media, trade unions, etc.) and internal stakeholders in 2020. CSR Department and operational employees linked each material topic to specific risks for the Group. The Group stated that this represents the starting point to use the Group's materiality matrix to feed the group risk matrix, since such process is part of the ESG risk assessment that the Group is currently carrying on and that will be completed in 2022. Iccrea conducts also a watch on emerging CSR risks and has identified, among others:
 - sustainability in the supply chain, the CSR department states to have initiated internal discussions in order to define a commitment to promote good ESG practices among its suppliers;
 - climate change risks, the Bank will perform a climate stress test in 2022;
 - innovation technology, the Group is using Artificial Intelligence (AI) to help preventing fraud risks.

- ▶ Advanced internal audits and external controls of risk-management processes are in place: the Chief Risk Officer area is responsible at the Group level for second-level control activities connected with the management of credit, financial and operational risks, including IT risks. Audits and controls responsibilities are clearly identified and allocated to the relevant people. Indeed, the organizational structure of the Risk Management Department of IB includes a “Group Risk Management” unit, which supports the process of defining the Group risk appetite, and a “Mutual Bank Risk Management” unit, which represents the control center for the risk profile of the individual affiliated banks. The internal audit department performs third-level controls, verifying the adequacy and comprehensiveness of the processes and activities performed by the the Risk department.
 - In this frame, the control functions have been outsourced by the mutual banks to the Parent Company, giving to Iccrea Banca the responsibility for the definition of strategies, processes and control methodologies, tools, and planning and reporting standards.
 - In March 2021 the Group’s audit plan 2021-2023 was approved by the Board of Directors of Iccrea Banca. In 2021 it was mainly focused on credit risk in the frame of Covid-19 pandemic, compliance and operational risks. Those latter also include some relevant CSR risk for the Group, such as money laundering, financing of terrorism and IT security and cyber risks. The Group stated to V.E that anti-money laundering would be audited in 2022 and transparency / conflict of interests included in 2023. In 2020, the internal audit department carried out 95.7% of planned audits (1,731).
 - External control of the Group’s risk management system is conducted by the European Central Bank.
 - A confidential whistleblowing system is available to all employees to report on any issue or breach to the Code of Conducts, however it is not accessible to external stakeholders.

Regarding internal controls, the Retail & Specialised Banks sector shows advanced performance, mainly due to the bank implementing the requirements of supervisory bodies and sector regulations. Iccrea is within the average performance of the V.E sector as it appears to not routinely go beyond such requirements. Iccrea doesn’t either include labour rights risks in its mapping and audits about the human right risks exposure of its clients, projects and markets.

- ▶ Reporting on risk management is conducted by the Head of the Risk Department to the Board’s risk committee. This reporting is mainly focused on the alignment between the risk management activities and the risk appetite framework of the company.
 - Reporting on CSR risks is conducted by the CSR department to the Board of Directors directly, by annually submitting for approval the materiality assessment as well as by periodically updating on the progress of sustainability plan.
 - Reporting to stakeholders is made via the Sustainability Report, which includes relevant CSR indicators but only benefits from a limited level of assurance by an external reviewer.

REPUTATION

REPUTATION (/100)	
Promotion of the social and economic development	72
Respect of the human rights standards and prevention of violations	52
Executive Remuneration	41
Financial inclusion	39

OPERATIONAL EFFICIENCY

OPERATIONS (/100)	
Board of Directors	78
Environmental strategy	60
Development of green products and services	59
Audit & Internal Controls	58
Promotion of labour rights	50
Minimising environmental impacts from climate change	36
Transparency and integrity of influence strategies and practices	28

HUMAN CAPITAL

HUMAN CAPITAL (/100)	
Non-discrimination	66
Respect for freedom of association and the right to collective bargaining	64
Responsible management of restructurings	64
Improvement of health and safety conditions	61
Career management and promotion of employability	45

LEGAL SECURITY

LEGAL SECURITY (/100)	
Information to customers	65
Responsible customer relations	61
Prevention of corruption and money laundering	58

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

Advanced: from 60 to 100

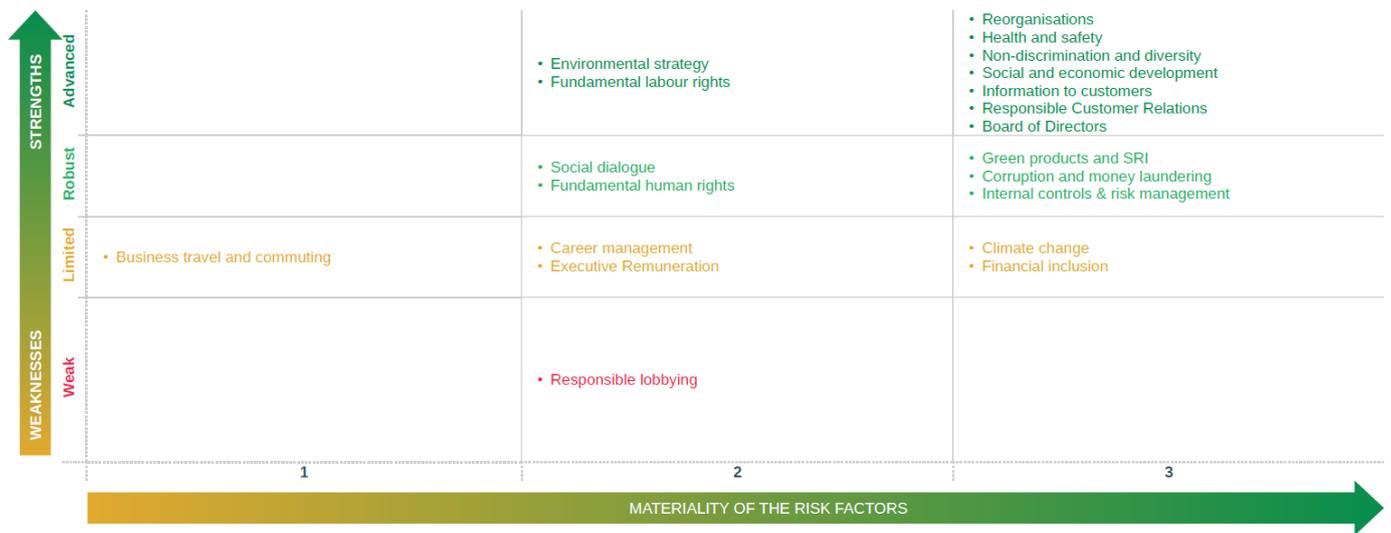
Management

INTEGRATION OF ESG DRIVERS INTO CORPORATE GOVERNANCE

As highlighted by the European Commission in the European Green Deal and in the Commission's Communication on the (COVID-19) Recovery Plan, companies are expected to further embed sustainability into their corporate governance framework. Although most factors under review demonstrate Iccrea's advanced willingness to integrate ESG factors into its governance structure and decision-making processes, further efforts are yet to be made. The Group highlighted several future moves in this respect, so its organizational agility will be the key for a fast transformation of such intentions in concrete measures, which will enable the Group to respond to new laws, requirements, and stakeholders' expectations.

- ▶ At the **management level**, CSR issues are currently overviewed by the Public Affairs & Sustainability Department and by the Chief Sustainability Committee, which is comprised of Chief of Public Affairs & Sustainability, Business, Lending, Finance, Risk Management, Human Resources, Compliance, Legal and Communication Departments. The Head of Public Affairs & Sustainability Department is not part of the executive committee and directly reports to the Board member dedicated to CSR issues. In 2019 the Chief Sustainability Committee analyzed the external context to design the current Sustainability Plan, which was prepared by the Public Affairs & Sustainability Department and approved by the Board of Directors. It did not meet in 2020, however, since issues under its responsibilities were addressed by the Operational Committee, which is an advisory body of General Director. The Chief Sustainability Committee met once in 2021 to discuss the Group's ESG strategy.
- ▶ The company is in the process of reorganizing its corporate governance, by separating the Public Affairs and Sustainability business units. This latter will be responsible for CSR issues and the Head of Sustainability will report directly to the Chief of Credit and Investee activities. Also, the sustainability Department will be further divided into two units, one dedicated to sustainability reporting and another one to the integration of ESG topics into the bank's strategy. A formal budget for the Sustainability Department will be integrated in the Sustainability Plan 2022-2024. The responsibility to design such a plan is allocated to the Head of Public Affairs and Sustainability department and the Head of the Risk Department. They report to a steering committee composed of executives from the Business, Risk and Credit and Investee Departments. A Sustainability Manager will be implemented in the departments highly affected by CSR issues. With respect to the allocation of the responsibilities of CSR issues, V.E positively noted that the Sustainability Department will be in the Credit and Investee activities area. This will enable the mutual banks to be more involved in ESG strategies, helping to foster a top-to-bottom approach. Also, the Group's core business, or lending activities, will be the focus of its CSR approach. The implementation of a Sustainability Manager in relevant departments can help the Group to systematically include CSR topics in the decision-making process, but V.E confidence on its effectiveness is lowered by the fact that the Group does not have identify those departments yet.
- ▶ The **Board of directors** is responsible for the final approval of the company's overall sustainability strategy and policies. There is one Nominated Director who is dedicated to sustainability issues (currently Giuseppe Gambi). He has expertise on some relevant CSR topics for the Group, such as business ethics (anti-money laundering), customer over indebtedness, finance inclusion, while he appears to have less experience on climate change, human resources, and environmental and social risks in banking activities. Board discussions cover some material sustainability topics for the company, such as climate change, social and environmental issues in business activities and financial inclusion. However, highly relevant topics such as responsible customers relations, business ethics and cybersecurity do not appear regularly discussed.
 - The company is considering introducing an ESG committee at Board level and a board member dedicated to CSR issues at each Group's bank, however no timeline for this project has been communicated to V.E while this might adequately answer to IB's stakeholders expectation in terms of responsible corporate governance practices. Over 2021, V.E observed an increase of 12 percentage points of the companies having a dedicated Board committee in charge of CSR issues within the Specialized and Retail Banks sector. Even if currently those companies still account for less than 19% of banks analyzed by V.E, stakeholders' pressure in this regard is likely to shape a new corporate governance.
- ▶ **Executive remuneration** is linked to the achievement of economic and operational KPIs, also including sustainability-related objectives. However, neither performance conditions nor quantified targets are disclosed by the company. This represents an area of improvement.

ESG MATERIALITY AND PERFORMANCE MATRIX



ENVIRONMENT

Strengths	Areas of improvement
<p>Iccrea's formalised commitment toward both its direct and indirect environmental impacts, supported by adequate means such as the purchase of green electricity, may strengthen the Group's reputation.</p> <p>The Group's relevant commitment to integrate ESG factors in its lending and investment activities, which includes exclusionary screening and thematic funds, may positively affect its long-term value.</p> <p>Clear targets have been set to mitigate Iccrea's direct impact on climate change, such as reducing the energy consumption and carbon footprint of buildings managed by the group's service company. Although significantly more limited than its indirect impact, this direct impact may improve the group's operational efficiency.</p>	<p>Iccrea does not provide data on the carbon footprint for its different portfolio subsets. This may negatively affect the Group's reputation. In addition, the publication of a TCFD compliant reporting and the establishment of climate targets validated by relevant stakeholders such as SBT may reinforce the accountability of the Group, forcing strategic or business choices.</p> <p>The measures in place to integrate environmental factors in lending and asset management activities are still limited as compared to the group's total asset size.</p> <p>The performance of the group in contributing to sustainable development mainly derives from its strategic focus on SME financing, rather than from its nascent environmental investment or green loan initiatives.</p>

SOCIAL

Strengths	Areas of improvement
<p>The group's strategic focus on SMEs as well as the geographically-focused presence of its cooperative banks both drive its advanced performance in the promotion of social and economic development, although it also benefits from a transparent report on taxes paid. This performance may strengthen the Group's reputation.</p> <p>Employee representatives interviewed by V. E expressed positive feedbacks on how the company has dedicated adequate means to protect employee Health & Safety during COVID-19 sanitary crisis, such as continuous communication, smart working, and personal protective equipment. This could positively affect the Group's reputation as an employer.</p>	<p>The group hasn't expressly committed to managing reorganisation responsibly. The group's actions on human capital issues also don't usually extend beyond what is required by laws or regulations. This may open the group to scrutiny from its stakeholders on these issues.</p> <p>The share of women in management position, at 7%, is well below the sector average of above 30%. Efforts toward gender equality may strengthen employees' attraction and retention.</p> <p>While Iccrea has implemented relevant measures to promote financial inclusion, the formalisation of a clear commitment to promote access to basic financial services could reassure its clients, especially in a context of Covid-19 crisis that jeopardized some activities.</p>

GOVERNANCE

Strengths	Areas of improvement
<p>All Board members are non-executive directors. Moreover, Board members receive training upon joining the Board and through regular updates, including on CSR issues, which may further reinforce its ability to exercise relevant control over the management of the company.</p>	<p>The Board of Directors' share of women sits at 20% (3 out of 15 members). This figure is below good governance practice standards advocated by V.E.</p>

Strengths	Areas of improvement
<p>The supervision of material risk-takers is relevant: training on risk-related topics is provided on a regular basis and the risk management department is involved in defining their remuneration.</p> <p>Advanced measures to prevent corruption and money laundering are in place and will help protect the company's reputation and legal security.</p>	<p>With reference to senior executives, less than 50% of their variable remuneration component is deferred and severance pay may exceed 2 years' salary. These practices are contrary to the standards advocated by V.E.</p> <p>The creation of a CSR committee at Board level may strengthen stakeholders' confidence in the Company's ability to tackle CSR topics at the highest decision level and hence manage associated risks.</p>

COMPANY DETAILED EXPOSURE TO CONTROVERSIES

ESG issues	Number of companies facing associated cases within the sector	Company exposure	Company Reactivity
Information to customers	12	No	N/A
Responsible customer relations	19	No	N/A
Corruption and money laundering	18	No	N/A
Responsible lobbying	0	No	N/A
Fundamental human rights	6	No	N/A
Fundamental labour rights	0	No	N/A
Non-discrimination and diversity	1	No	N/A
Environmental strategy	0	No	N/A
Green products and SRI	8	No	N/A
Climate change	8	No	N/A
Business travel and commuting	0	No	N/A
Social and economic development	12	No	N/A
Financial inclusion	5	No	N/A
Board of Directors	4	No	N/A
Internal control & risk management	26	No	N/A
Executive remuneration	0	No	N/A
Social Dialogue	5	No	N/A
Reorganisation	8	No	N/A
Career management	1	No	N/A
Health & safety	0	No	N/A

CONTROVERSY MANAGEMENT

As of October 2021, V.E has identified no controversies in which Iccrea is involved. Therefore, V.E's opinion on Iccrea's ability to ensure balanced relationships with stakeholders is high.

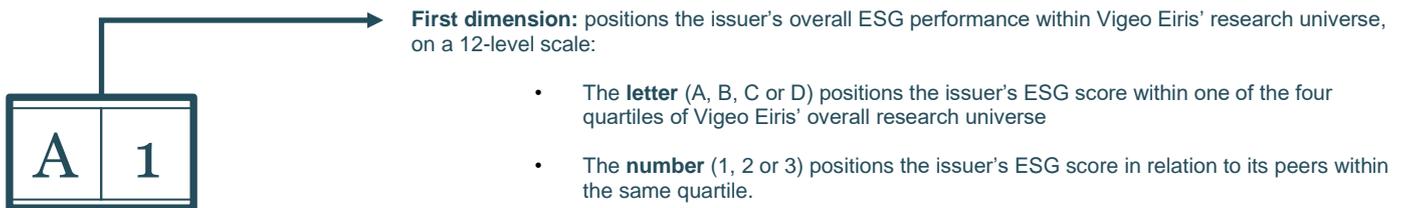
Methodology

Corporate Rating Scale

Vigeo Eiris' consolidated rating scale ranges from A1+ to D3-.

The consolidated rating translates the overall and relative ESG performance of an issuer according to 2 elements:

- Quartile performance and position within this quartile;
- Position in relation to its peers.



Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. Vigeo Eiris has categorised these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

Vigeo Eiris postulates that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 2 or 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$R_y = \frac{\sum(S_y \times W_y)}{\sum W_y}$$

Risk Typology – The 4 main categories

Reputation	<ol style="list-style-type: none"> 1. Brand recognition, level and variation of brand image and organisation, its leaders and consulting shareholders 2. Outbreak, persistence, reduction or elimination of rumours, allegations and controversies 3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties) 4. Talent attraction 5. Variation of levels of shareholder support and satisfaction
Human Capital Cohesion	<ol style="list-style-type: none"> 1. Stability of labour relations and social conflict mitigation 2. Retention of skills and know how; skills development 3. Attraction and mobilisation of core skills 4. Company culture and values
Operational Efficiency	<ol style="list-style-type: none"> 1. Production cost management (work accidents, competencies, reducing energy consumption etc) 2. Competitiveness of products and services (training, waste reduction, employee training and participation) 3. Organisational and process effectiveness (audits and control mechanisms, environmental strategies etc)

	<p>4. Innovation and preventing production and organisational process techniques from becoming obsolete; prevention of technological obsolescence</p> <p>5. Security and quality of supplies and revenues</p>
Legal Security	<p>1. Recourse and complaints, litigation, legal proceedings, trials and fines</p>

Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights and governance issues, which involve their products, services or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorised into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorises entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/ or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for Vigeo Eiris' controversy analysis is based on our exclusive Equitics© research. The Controversy Database is updated daily and involves correspondence with issuers.

Energy Transition Strategy score

By taking into account the size, sector of activity and nature of its products and services, we assess a company's willingness and capacity to adopt a clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on Vigeo Eiris' Equitics© research and is updated at the same time as Equitics©.

Carbon Footprint

A company's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organisation's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, Vigeo Eiris estimates the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.



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