



Prelios Credit Servicing

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ESG Policy

The **ESG policy** of Prelios Credit Servicing S.p.A. ("PRECS") is an essential document in the framework of the **commitment to sustainability**, considering the constant development of the regulatory and market context. **ESG analysis** assesses how companies manage their **environmental, social and governance** impacts, and how they perform in terms of sustainability and social responsibility. The ESG Policy is an integral part of **PRECS' overall** approach to **ESG criteria**



In recent years, the importance of ESG in the financial and banking sector has grown significantly, in response to regulatory pressures, especially at the **European level**. Investors, banks and financial intermediaries are **increasingly integrating ESG factors into their investment** and lending decisions, recognising the crucial role they play in economic, environmental and social sustainability. In the **credit management** industry in particular, a focus on ESG is vital as financial receivables can have a significant impact on the economy and communities, especially during challenging economic times

The current Policy outlines the principles and guidelines for integrating **ESG issues** into **PRECS' business processes**, promoting sustainable development and **managing risks** in accordance with sustainability practices. Recipients include members of **corporate bodies, employees and collaborators of PRECS, suppliers**





In order to strengthen management's focus on **ESG issues** and to give an active and informed role to the board of directors with regard to **climate and environmental risks**, the Company has established the **ESG Committee** and appointed an **ESG Referent**, in line with the expectations expressed by the **Bank of Italy** regarding, first and foremost, **the integration of climate and environmental risks into business systems**

The **ESG Committee** advises and makes proposals to the Board of Directors and the Chief Executive Officer in integrating environmental, social and governance issues into corporate decision-making processes

The **ESG Referent** is responsible for integrating sustainability principles into PRECS management practices and monitors the ESG Action Plan approved by the Board of Directors

**Risk Management** is involved in the identification and assessment of sustainability risks, presenting analyses to the ESG Committee, the Risk Committee and the Board of Directors on an annual basis



The **NPL Management and UTP Management Business Departments**, as well as the **Compliance & AML and Internal Audit functions**, are involved in specific topics, while each **function manager** is responsible for implementing the sustainability guidelines

The Company has embarked on a structured process of **integrating ESG factors** into its operations to implement sustainable management strategies and respond to the growing **demands of stakeholders** regarding ESG strategy. The Company, aware of the impact that credit management can have on a social and environmental level, is committed to a **growing path of sustainability**, based on **six fundamental pillars** that create sustainable value for all stakeholders: **human capital, relations with suppliers, society, innovation, environment, corporate governance**



For the Company, being **sustainable** means pursuing responsible economic growth based on the values of integrity, **respect for people** and **natural resources**, together with a constant commitment to innovation understood as the creation and improvement of products and processes. For PRECS, **socially responsible credit management** is a key element in the sustainability journey undertaken

The Company is committed to the continuous assessment of the **social and environmental impact of credit management**, especially in **the NPL** sector and even more in the parallel **UTP** (Unlikely To Pay) sector, which by definition includes companies still in business that must also reprogram themselves financially. During **credit recovery**, the company adopts a **collaborative and transparent approach**, favoring **out-of-court settlements** and avoiding aggressive recovery activities. The aim is to propose solutions that promote a **return to long-term performance and sustainability**, while also benefiting the local economy



In order to deal with the problems of NPL-UTP (jointly "NPE") for its customers in an efficient and sustainable way, PRECS deals with:



- ✔ Define a strategy and an operational plan for the management of NPE credit
- ✔ Monitor the implementation of the strategy
- ✔ Define management objectives for activities aimed at recovering NPEs
- ✔ Define appropriate procedures for the approval of decisions relating to the recovery of NPEs
- ✔ Ensure sufficient internal controls over NPE management processes and approve related policies
- ✔ Have sufficient expertise in the management of NPEs

The **acronym ESG** represents a framework to support stakeholders in assessing how an organization **manages risks** and opportunities related to **environmental, social and governance criteria**. The Company is committed to consistently managing environmental and social aspects in **its credit management policies** and in its direct impact. The principles included in the policy aim to provide clear sustainability guidelines that guide the **Company's operations**



An important step forward is the reconciliation of corporate objectives with **10 of the 17 Sustainable Development Goals** promoted by the UN, which address **economic, social, environmental and governance challenges**

**SUSTAINABLE DEVELOPMENT GOALS**

<p><b>3 GOOD HEALTH AND WELL-BEING</b> Ensure healthy lives and promote well-being for all at all ages</p>		<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation</p>
<p><b>4 QUALITY EDUCATION</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>		<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> Make cities and human settlements inclusive, safe, resilient, and sustainable</p>
<p><b>5 GENDER EQUALITY</b> Achieve gender equality and empower all women and girls</p>		<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> Ensure sustainable consumption and production patterns</p>
<p><b>7 AFFORDABLE AND CLEAN ENERGY</b> Ensure access to affordable, reliable, sustainable and modern energy for all</p>		<p><b>13 CLIMATE ACTION</b> Promote actions, at all levels, to combat climate change</p>
<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>		<p><b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> Peace, justice and strong institutions</p>

Figures 1: 10 Sustainable Development Goals selected by Prelios

PRECS, together with the Prelios Group, carried out a **materiality analysis** through a process that included the **identification of material issues relevant to the Company**, the **identification of the main internal and external stakeholders**, the **engagement with stakeholders** through the administration and collection of questionnaires, the **analysis of the results obtained, the creation of a matrix**, as well as **the identification of the relevant KPIs** for each material topic. Through this analysis, it was possible to associate each material theme with the KPIs established and monitored by PRECS, in order to contribute to the **Sustainable Development Goals (SDGs)**. From the materiality analysis, therefore, the **themes** and **SDGs** supported by the company emerged

**The Company recognizes the importance of environmental management as a responsible business practice towards its customers and suppliers**



Environmental impact management is key to **sustainable credit management**. In addition to complying with applicable environmental laws and regulations, the Company aims to promote **environmental awareness and knowledge**

**ENVIRONMENTAL GOALS AMONG THE 10 APPLICABLE SDGs**



**Direct environmental impact**

As a financial intermediary, the direct environmental impact of PRECS is relatively limited. However, the Company is committed to continuously improving its environmental performance by adopting targeted strategies

**Actions promoted**

- 🌿 Work to reduce the direct negative impact of the Company's activities on the environment (e.g. smart working)
- 🌿 Be resource-efficient and use renewable or recyclable materials
- 🌿 Minimizing and recycling waste

**Indirect environmental impact**

The Company is committed to promoting actions aimed at reducing indirect impacts on the environment, even if these are limited in scope, especially with respect to its value chain

**Actions promoted**

- 🌿 Continuously improve risk assessment procedures, further developing environmental and social considerations
- 🌿 Involve suppliers in the assessment of sustainability performance

## Travel Policy

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A **Travel Policy** has long been implemented at the Group level, which aims to **reduce the travel** of individual employees between the various Group companies to strictly necessary cases and to **replace meetings**, both internal and external, with **teleconferences and videoconferences** where necessary and/or possible

## Responsible use of resources

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Prelios Group has embarked on a path to **reduce the consumption of materials**, in particular paper and toner, by promoting sustainable practices among employees and in business relationships, including:

- 🌿 The detection and monitoring of print data coming directly from the e-maintenance system provided by the service provider
- 🌿 Raising awareness among employees on saving paper and reducing energy consumption for lighting unused rooms

## Company Car Policy

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The Group has introduced the **Company Car Policy**, demonstrating a strong sensitivity towards colleagues and the environment, which includes rules that aim to:

- 🌿 Offer colleagues a wider and improved range of cars
- 🌿 Ensure the use of a car fleet that is more in line with environmental sustainability (hybrid, full electric cars)
- 🌿 Keep the car list attached to the policy updated from time to time
- 🌿 Encourage employees to make a sustainable choice by opting for models with a lower ecological impact

## Waste production

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To promote responsible **waste management** behavior, the Company disseminates good practices among employees, encouraging them to follow specific guidelines during their daily activities. Each site has **differentiated containers** for the collection of materials such as paper, plastic and organic waste and their **disposal** is done through authorized suppliers



## Net Zero

As confirmation of its commitment to environmental issues, PRECS, in line with the Group, is committed to the "**Road to Net Zero**" initiative. The fight against **climate change** is a global challenge that requires concerted action by government institutions, businesses, financial investors and, more generally, society as a whole. Effectively tackling climate change necessarily involves **reducing greenhouse gas emissions into the atmosphere**



## Calculation of GHG emissions

In 2022, in collaboration with the Prelios Group, PRECS launched a monitoring of **its direct and indirect GHG emissions (Scope 1, 2, 3)** along the entire **value chain**, expressed in tons of CO2 equivalent and calculated on the basis of models in line with the reference standards. GHG emissions, according to the **Greenhouse Gas Protocol (GHGP)** classification, include:

- ✦ **Scope 1:** these are direct emissions from sources owned or controlled by the organization. Including combustion processes, refrigerant gas leaks, transport with vehicles owned by the organization
- ✦ **Scope 2:** these are the indirect emissions resulting from the production of electricity, heat or steam imported and consumed by the organization
- ✦ **Scope 3:** these are the other indirect emissions deriving from business activities. This category includes emission sources that are not under the direct control of the company, but whose emissions are indirectly due to the company's activities

For the next few years, Prelios will be committed to the **annual quantification of emissions**, the preparation of its reduction **targets** and the planning of emission **reduction actions** through a multi-year plan in line with the main **international standards** and **market best practices**.

The **reduction targets** will be defined according to the **SBTi (Science Based Targets Initiative)** which guides companies in adopting ambitious targets for reducing GHG emissions in line with the objectives set by the Paris Agreement (COP 21)

**The Company considers both internal aspects and external relations with stakeholders with regard to social aspects**

### **SOCIAL GOALS AMONG THE 10 APPLICABLE SDGs**



The Company attaches great importance to the **social dimension**, placing **people** at the centre of its attention. The well-being, health and integrity of people are considered fundamental, ensuring business **growth** that respects the primary needs of **employees, customers, suppliers and stakeholders**.

PRECS has increased its workforce in compliance with **gender equality** and has always protected its employees, offering a wide range of company benefits and investing in their continuous training to adapt them to the new **skills required by the market**. The relationship with staff is based on principles of inclusion and merit, ensuring **fair treatment** regardless of gender or any other form of diversity

In the **distressed credit sector**, the Company and the Group face the challenges in an efficient and sustainable manner, preferring **recovery strategies aimed at bringing debtors back to performing status**

This strategy is also pursued through specific **credit education initiatives**, such as the **Educadebito platform**, used in recent years to reduce, and if possible, overcome situations of credit difficulty and promote the financial rebalancing of debtors, with impacts on the entire country system.

This commitment of the Company has resulted in the fact that over **350 debtors**, representing over **2 billion euros** of credit exposure, **have returned to a situation of financial stability in the last 2 years**



The Company has integrated **climate and environmental risks into its risk management framework**, in line with the Bank of **Italy's** Expectations, implementing a methodology to analyse the impacts of these risks on PRECS' operations with regard to the **portfolios under management**

The risk factors considered in the impact analysis on **Pillar 1 and 2** risks are those arising from **physical and transition risks**

The mapping of **physical and transition risks** carried out by the **Risk Management Function** has shown that these can have a significant impact in the **medium to long term**, especially on **reputational and operational risks**

### Physical risk

**Potential negative impacts** on **recovery prospects** related to hydrogeological, seismic and other chronic climatic events (e.g. floods), with reference to:

- 🌿 operations and operational/financial continuity of PRECS and counterparties/portfolio positions
- 🌿 the value of the properties pledged or repossessed, taking into account any damage, increased operating costs and insurance costs

### Transition risk

**Potential negative impacts** on recovery prospects related to regulatory, technological or market changes aimed at fostering the "green transition" on:

- 🌿 operations and operational/financial continuity of counterparties/portfolio positions belonging to energy and/or emission-intensive sectors
- 🌿 ancillary to the above, higher legal fees and/or liabilities from regulatory risks as well as conditions of access to financial markets by the holders of debt positions included in the portfolios

The **Code of Ethics adopted by the Company and the 231 Organizational Model** represent an ethical tool at the service of sustainability

### Principles of action and the results to strive for

- ✔ Upholding, respecting and protecting internationally affirmed human rights
- ✔ Apply the Group's Code of Ethics approved by the Board of Directors
- ✔ Protect the health and safety of its workers, contractors and the community in the management, conduct and development of its activities
- ✔ Protect the environment in which it operates, making all workers and contractors responsible
- ✔ Promote the responsible use of resources
- ✔ Putting sustainability at the heart of its culture as a key factor for the company

PRECS, together with the Prelios Group, adheres to the concept of "**Sustainable Development**" promoted by the UN Agenda and, through the implementation of this policy, believes it can contribute to ensuring an improvement in living conditions for current and future generations

### Areas of intervention

- ✔ Implement and maintain the policy by reviewing it periodically
- ✔ Comply with applicable health, safety and environmental regulatory obligations
- ✔ Striving for continuous improvement and prevention
- ✔ Respect workers' rights, protecting and enhancing human resources, pursuing respect for the principle of equal opportunities, promoting everyone's professional growth
- ✔ Raise awareness and train workers to carry out their work safely and assume their responsibilities
- ✔ Communicate and disseminate information on health, safety at work, the environment and social responsibility to internal and external stakeholders

Responsibility for **the management of health, safety at work, respect for the environment and social responsibility** concerns the entire company organization, from the top to each worker, each with their own duties and skills

The company promotes **engagement policies both internally and externally** to raise awareness among stakeholders on sustainability issues, with the aim of encouraging positive behaviour and improving the **transparency** of its operating environment

### Internal Engagement

Preparation and implementation of an **annual** training plan on ESG issues, intended for both PRECS employees and members of the **Board of Directors** and the **Supervisory Board**, with the dual objective of increasing awareness of ESG issues as well as the dissemination of specific skills in the organization

### External Involvement

Launch of **outsourcer profiling activities**, also carried out through the use of **questionnaires**, in order to capture the preferences and positioning in the field of **sustainability of its suppliers** in order to recognize and reward good performance in terms of ESG factors

#### Course delivery methods

- 🌿 Courses for all employees in e-learning mode
- 🌿 Dedicated courses for the company's front lines and top management
- 🌿 Workshops dedicated to the in-depth analysis of the relevant new regulations in the ESG field

#### Main topics

- 🌿 ESG Factors
- 🌿 Climate change and decarbonization
- 🌿 Diversity & Inclusion
- 🌿 Governance ESG
- 🌿 Green financial products
- 🌿 Integration of ESG risks into the Risk Management framework
- 🌿 Sustainable reporting
- 🌿 Topics found not relevant by the materiality analysis (climate change, waste, responsible use of energy resources, biodiversity)
- 🌿 Supplier Relations

#### Platform for the collection of ESG assessments

PRECS is committed to assessing its suppliers on ESG issues through the use of a dedicated tool. It is able to provide an objective and systematic assessment of **ESG performance** and at the same time provides a **summary report** to suppliers through which they can become more aware of ESG issues and identify the main areas for improvement. The tool, through **the automatic sending of a survey**, allows PRECS to collect the ESG data of its suppliers and at the same time to associate each of them with a **synthetic ESG Score** based on their sustainability performance. In this way, PRECS can **monitor the risks of its supply chain** and provide, where necessary, **corrective measures to mitigate the risks associated with it.**

Over the next few years, the goal is to extend the scope of assessment to **all suppliers**, ensuring that the company has a **complete overview of the entire corporate value chain**

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