

AGRIFOOD, WOOD AND PAPER INDUSTRIES SECTOR POLICY



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1. INTRODUCTION AND PURPOSES OF THE DOCUMENT

The CDP Group promotes the country's growth, both in its capacity as a permanent shareholder in strategic infrastructure and assets, and by implementing special purpose actions aimed at business growth in key sectors. The Group plays a significant role in the allocation of financial resources in sectors, companies and projects, seeking an additional approach with respect to other operators on the financial market. Partly thanks to its role of National Promotional Institution, which makes it the privileged contact of the Public Administration for the use of Italian and European funds and a catalyst for financial resources from other public and private entities, CDP is set to generate a multiplier effect on resources.

The progressive expansion of the role and operations of Cassa Depositi e Prestiti S.p.A. (hereinafter "CDP"), reflected in the 2021 amendment to its Articles of Association¹, makes it necessary to adopt precise guidelines for the systematic integration of environmental, social and governance aspects throughout the Financing and Investment processes. As defined by the Strategic Plan, these guidelines are considered essential factors for ensuring sustainable development and the generation of greater value for both the companies in which it invests and for the community as a whole.

This awareness is in line with the increasing attention being paid globally by regulators², standard setters and raters ("ESG driving forces"), to sustainability issues. In this context, National Promotion Institutions and major European credit institutions have also adopted specific rules to guide their financing and investment decisions, in order to generate an appreciable impact at an economic, social and environmental level.

The 2022-2024 Strategic Plan identified 10 areas of action that the CDP Group's actions should, as a priority, be focused on in order to generate the greatest possible return for the Italian economy through measures that are functional to the goals set out in the 2030 Agenda and the National Recovery and Resilience Plan (the "NRRP"); these areas of action include support for enterprises in the Agricultural Sector and enterprises dealing with the raw material processing phases in the Food and Wood Industries, which represent strategic supply chains for the Italian economy. These sectors, together with the paper industry, are the focus of many of the areas of action identified by CDP, as they introduce a number of challenges in terms of land protection, climate change mitigation and adaptation, and the circular economy. The areas of action identified also include those relating to the digitalisation of enterprises and strategic supply chains, and to applied research aimed at technological and transformational innovation. Digital technologies and technological innovation applied to the processes of the sectors covered by this "Policy for the Agrifood, Wood and Paper Industries Sector" (hereinafter referred to as "Policy") allow innovation to be delivered in at least 7 different areas of action³.

Based on these considerations, CDP has adopted this Policy to regulate activities in the sector, in compliance with the Sustainable Development Goals and the country's international commitments.

This Policy, consistent with CDP's general responsible Lending and Investment policies, as well as with the Sectoral Strategic Guidelines ("SSGL") aims to guide CDP's operations in the Agrifood, Wood, and Paper Industries Sector by establishing the limitation and exclusion criteria and the aspects to be promoted.

As part of its institutional mission to support policies to encourage and foster Italy's economic development, CDP is also called upon to manage, through specific regulatory provisions, third-party funds (e.g., resources of government ministries). With regard to the Agrifood, Wood and Paper Industries Sector, this activity is carried out, where applicable, in accordance with this document and, in any case, in compliance with the applicable laws and regulations in effect.

¹ Introduction of the principle of sustainable development: "The company's corporate purpose, in pursuing long-term economic, social and environmental sustainability to the benefit of shareholders and taking account of the interests of other stakeholders relevant to the company, is..."

² In this regard inter alia refer to the Bank of Italy's 'Expectations for monitoring climate and environmental risks', which contain general indications regarding the integration of climate and environmental risks into company strategies, governance and control systems, risk management frameworks and the disclosures of supervised banking and financial intermediaries.

³ i) Sustainable and innovative productivity growth; ii) Protection of biodiversity; iii) Traceability of production chains and food safety; iv) Integration of production chain processes; v) Sustainable use of biological resources for industrial and energy purposes; vi) Innovation in fishery and aquaculture technologies; vii) Reorganisation of the knowledge and innovation system for the agricultural, food and forestry sector.

This document describes:

- the reference context (section 2);
- the scope of application (section 3);
- an analysis of the sectors covered by the Policy and the relevant limitation and exclusion criteria and the aspects to be promoted (section 4);
- the roles and responsibilities of the parties involved (section 5);
- how transparency and accountability are ensured (section 6).

This document is subject to periodic review, partly (but not exclusively) to reflect regulatory and legislative developments, changes to the reference context and consequent revisions of the CDP strategy. In any event, this document is reviewed every 3 years and/or when a new strategic plan is adopted.

2. REFERENCE CONTEXT

2.1 External regulatory and legislative context

With the ratification of the UN 2030 Agenda for Sustainable Development, signed in September 2015 by Italy together with the governments of 192 other countries, the international community has expressed, more overtly than in the past, a clear judgement on the unsustainability of a development model based exclusively on economic objectives and that fails to take account of environmental and social objectives. The 2030 Agenda and its implementation through the 17 Sustainable Development Goals (SDGs) represent a major challenge for countries around the world which, through the adoption thereof, are committed to actively contributing to this development path. This path involves developing sustainable food production systems and implementing resilient agricultural practices that increase productivity and production, to ensure food safety and improve people's diets, protect ecosystems, strengthen the ability to mitigate and adapt to climate change, and gradually improve soil quality.

At European level, the "Farm to Fork"⁴ strategy, adopted in 2020, seeks to steer transition towards fair, healthy and environmentally friendly food systems. The aim is to ensure food safety, foster a sustainable food supply chain, promote eating sustainable food, support the transition towards healthy eating habits, reduce food waste and counter food fraud along the supply chain. The "Farm to Fork" strategy pursues goals that are common to the EU Biodiversity Strategy for 2030⁵, aimed at protecting nature and reversing the degradation of ecosystems. The following are among the goals shared by the two strategies:

- reduce by 50% the use of chemical pesticides by 2030;
- significantly reduce nutrient losses, while ensuring that there is no deterioration in soil fertility. The goal will be to reduce the use of fertilisers by at least 20% by 2030;
- reduce overall sales of antimicrobials for farmed animals and of antibiotics in aquaculture by 50% by 2030;
- shift 25% of agricultural land under organic farming by 2030.

In 2021, the new EU Forest Strategy for 2030 was also adopted⁶, which is part of the European Green Deal and is linked to the goals of the European Biodiversity Strategy for 2030. The forest strategy seeks to contribute to the goal of reaching climate neutrality by 2050 by protecting, restoring and enlarging EU's forests to combat climate change, reverse biodiversity loss and ensure resilient and multifunctional forest ecosystems.

Finally, the forestry sector and all the activities related to forest management, afforestation and environmental restoration, have been included in the classification of environmentally sustainable activities under EU Regulation 2020/852 (so-called Taxonomy). This regulation lays down specific criteria that an activity must meet in order to be deemed environmentally sustainable, i.e., able to contribute positively to one or more environmental objectives. In this way, the EU

⁴ https://eur-lex.europa.eu/resource.html?uri=cellar:ea0f9f73-9ab2-11ea-9d2d-01aa75ed71a1.0009.02/DOC_1&format=PDF

⁵ https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en

⁶ https://eur-lex.europa.eu/resource.html?uri=cellar:0d918e07-e610-11eb-a1a5-01aa75ed71a1.0023.02/DOC_1&format=PDF

intends to ensure that public and private resources are increasingly directed towards the financing of activities that are sustainable and in line with established decarbonisation targets.

In this context, the new European Common Agricultural Policy⁷ (CAP) entered into force on January 1, 2023, as strategy to strengthen the partnership between the EU and its farmers. It aims to support the transition towards a sustainable, competitive, resilient and diversified agricultural sector, while ensuring long-term food security. The support to farmers is based on the choices set out in the CAP's⁸ strategic plans identified at national level⁹, in support, moreover, of the objectives of the Green Deal¹⁰, the "Farm to Fork" Strategy and the European Biodiversity Strategy.

The National Strategic Plan is divided into 10 objectives, five of which were considered relevant for the drafting of this document:

1. Climate change: contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as promoting sustainable energy;
2. Natural resources: foster sustainable development and efficient management of natural resources such as water, soil and air, including by reducing chemical dependency;
3. Biodiversity: contribute to halting and reversing biodiversity loss, enhancing ecosystem services and preserving habitats and landscapes;
4. Food security: improve the response of EU agriculture to societal demands on food and health, including high-quality, safe and nutritious food produced in a sustainable way, reduce food waste, as well as improve animal welfare and combat antimicrobial resistance;
5. Innovation: modernise agriculture and rural areas through fostering and sharing knowledge, innovation and digitalisation, and by encouraging their uptake.

2.2 Main related internal regulations

The company regulatory sources, in addition to this document, within which CDP establishes and recognises the ESG principles as fundamental values are, as an example and without limitation:

- Articles of Association;
- Code of Ethics;
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001;
- Group Policy "Sustainability Framework";
- CDP Sectoral Strategic Guidelines;
- CDP General Responsible Lending Policy;
- CDP General Responsible Investment Policy;
- CDP Energy Sector Policy;
- CDP Defence and Security Sector Policy;
- CDP Transport Sector Policy;
- General Stakeholder Grievance Mechanism Policy;
- General Responsible Procurement Policy;
- General Risks Policy;
- Credit Risk Policy.

This document must be read together with the other general policies, particularly the responsible lending and investment policies and sector policies, as well as with the Sectoral Strategic Guidelines identified for the sectors in question. The regulatory and legislative framework of reference is supplemented by additional internal regulatory sources, which lay down the principles, methodologies and operating methods through which sustainability is pursued within the company organisation.

⁷ https://agriculture.ec.europa.eu/system/files/2022-02/factsheet-newcap-environment-fairness_en_0.pdf

⁸ https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans_it

⁹ Italy has a CAP National Strategic Plan 2023-2027

¹⁰ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

3. SCOPE OF APPLICATION

3.1 Scope by type of operation

The scope of application of this Policy is linked to CDP's operations in the Agrifood, Wood and Paper Industries Sector, with regard to Primary Activities and raw material Processing Activities. Sales and support activities provided to the above sectors are excluded from the application of this Policy.

With regard to CDP operations, the Policy is applied to operations originated after the approval of this document, involving Investment (direct mode and, where possible, indirect mode), Lending (direct mode only¹¹) and the renewal of existing Loans. In detail, the Policy is not applicable to operations¹² relating to equity investments already held in the portfolio and to changes to financing already in existence at the time of the first issue of this Policy.

With regard to investments in the portfolio, in line with the provisions of the general Responsible Investment Policy, to which reference should be made, CDP conducts ongoing monitoring and engages with the company management to discuss possible guidelines with regard to development plans and to conduct specific analyses on ad hoc issues. These regular engagement activities also make it possible to identify any problems that arise in the investment management phase and jointly agree what actions need to be implemented, to be successively verified through appropriate monitoring.

A new transaction is deemed to relate to the aforementioned sectors in the following cases:

- I. Investment/Lending transaction with a general purpose: the Counterparty deals primarily with Primary Activities in the Agricultural Sector and/or with Processing Activities in the Food, Wood and Paper Industries.
- II. Investment/Lending transaction with a specific purpose: the main focus of the transaction regards Primary Activities in the Agricultural Sector and/or Processing Activities in the Food, Wood and Paper Industries.

It should be noted that for operations with a specific purpose relating to transport, the criteria of the Counterparty of this Policy and the Project criteria of the Transport Sector Policy shall apply. With regard to operations with a specific purpose relating to energy efficiency measures, the criteria of the Counterparty of this Policy and the Project criteria of the Energy Sector Policy shall apply.

With regard to operations relating to International Cooperation, the exclusion criteria mentioned in this Policy will be assessed in relation to the national/international regulations applicable in the country of reference, to international standards and to the specific nature of the business considered in the reference context.

CDP's Board of Directors may approve exceptions or derogations from this document, in accordance with applicable internal regulations, always on a case-by-case basis, and on the basis of evaluations conducted by the relevant departments, and particularly with the General Responsible Lending Policy and the General Responsible Investment Policy, respectively, for the two areas of operation through which CDP participates in the Agrifood, Wood and Paper Industries Sector.

3.2 Scope of the Company

CDP undertakes to ensure that this Policy is gradually extended to the Companies subject to management and coordination¹³ that carry out Financing and Investment activities, in accordance with the principle of proportionality and taking into account the decision-making autonomy of the Group Companies' Corporate Bodies, and, in particular, of the supervised entities¹⁴, as well as the specific legislation applying to the latter.

¹¹ Financing provided through the Revolving Fund to support Enterprises and Research Investment (RFI) is therefore also excluded.

¹² It includes equity and other similar operations (e.g., purchase, capital increases, demergers, mergers, conversions of shares, transformations, granting shareholder loans or capital contributions, subscription of hybrid instruments, subscription of convertible bonds).

¹³ Pursuant to Articles 2497 et seq. of the Italian Civil Code.

¹⁴ Companies subjected to a system of authorisations, regulations, inspections and information provision by sectoral Regulators (e.g., Bank of Italy and IVASS).

4. POSITION OF CDP IN THE AGRIFOOD, WOOD AND PAPER INDUSTRIES SECTOR

CDP, in compliance with the regulatory and statutory reference context, guides its strategic and operational approach by directing the use of resources towards priority areas as identified through the definition of the Strategic Plan and the resulting Sectoral Strategic Guidelines. With specific reference to the sectors dealt with in this document, the Guidelines on Support to Strategic Supply Chains identify agribusiness as one of the sectors of excellence of Made-in-Italy products. Said sector plays a key role for the Italian economy, elevating the country's prestige and recognition on international markets. At the same time, the Guidelines on Safeguarding Local Territories and Water Resources emphasise the role played by the Agricultural Sector in preserving local territories and water resources.

Indeed, while this sector is an important benchmark for creating value for the Italian economy, it also has specific features from an environmental and social viewpoint, which need to be adequately handled not only to mitigate sector-related ESG risks, but also to seize new development levers capable of increasing the ability to create shared value. Accordingly, this Policy intends to regulate both the Primary Activities carried out in the Agricultural Sector (i.e., agriculture, livestock farming, fisheries, aquaculture and forestry) for food and non-food purposes, as well as the Processing Activities in the food, paper and wood industry, as defined in paragraph "3. Scope of application".

More specifically, as these sectors display many similarities, CDP has identified limitation and exclusion criteria and aspects to be promoted for certain ESG areas, which may be applied to all the aforementioned sectors. At the same time, in acknowledging that certain sub-sectors have distinctive features, CDP has identified specific criteria applicable depending on the sector of operation of the Counterparty or Project.

Note that when assessing operations with a specific purpose (i.e., Projects), the criteria identified for the assessment of Counterparties are also considered valid and applicable¹⁵.

For each ESG area covered in this Policy, the following are provided:

- a macro-description of the context, in line with what has already been established by the CDP's Sectoral Strategic Guidelines;
- a reference to the specific objectives defined by CDP;
- the limitation and exclusion criteria and the aspects to be promoted.

In the application of this Policy, CDP – in accordance with the procedures defined in the General Responsible Lending and Investment Policies, and as laid down in the detailed internal regulations – acquires from the Counterparty the documentation necessary (e.g., integrated report, self-declarations, etc.) to carry out the assessments¹⁶.

In certain specific circumstances, if deemed necessary, CDP may make use of an advisory contribution from independent experts to assist in the assessment of compliance to Policy requirements.

4.1 Limitation and exclusion criteria and aspects to be promoted that are applicable across the Agrifood, Wood and Paper Industries Sector

The limitation and exclusion criteria and the aspects to be promoted that are applicable across all the sectors governed by this Policy are reported below, as specified in section "3. Scope of application".

In general, CDP welcomes the development and/or adoption of crop improvement technologies suitable for optimising the use of resources (e.g., fertilisers, water and light).

¹⁵ Counterparty dealing primarily with Primary Activities in the Agricultural Sector and/or with Processing Activities in the Food, Wood and Paper Industries.

¹⁶ In conducting its assessment activities, in accordance with the Group Policy on Sanctions and Embargos, CDP complies with the objective restrictive measures identified therein.

In addition, for Projects relating to the sectors governed by this Policy to which Directive 2010/75/EU applies¹⁷, CDP requires (i) in the case of Projects in the European Union, compliance with the BATs identified in the EU Reference Documents¹⁸, (ii) for Projects outside EU borders, compliance with the criteria outlined in the Industries Sector Guidelines of IFC (International Finance Corporation)¹⁹.

4.1.1 Climate change mitigation and adaption

Primary Activities in the Agricultural Sector and Processing Activities in the Food, Wood and Paper Industries are a major source of greenhouse gas emissions globally. In 2021, greenhouse gas emissions from agriculture, livestock farming, fisheries and forestry in Primary Activities and Processing Activities accounted for 20.2% of total EU emissions. In Italy, emissions from these sectors account for roughly 17.7% of total emissions²⁰.

Given its dependence on the health and productivity of the ecosystem in which its economic activities are located, the Agricultural Sector is particularly exposed to the negative impacts of climate change (e.g., rising average temperatures, droughts, extreme weather events).

For this reason, in line with the 2022-2024 Strategic Plan and portfolio decarbonisation strategy, as well as with the goals defined at European level to counter the effects on climate change arising from the Agricultural Sector (e.g., through the Common Agricultural Policy), CDP supports the development of activities that play an active role in combating climate change and promoting sustainable business models that reduce environmental impacts. To achieve this, CDP uses technological and digital innovation, including, but not limited to, remote monitoring; robotics and process automation; the use of advanced data analysis technologies for selecting crops with high yields in terms of CO₂ absorption; the use of smart technologies for the development of farming systems that can effectively reduce methane production; the development and/or adoption of solutions for the efficient and interoperable use of telematic databases, also as part of web-based decision support systems; the development and/or adoption of frontier technologies (e.g., artificial intelligence, machine learning, predictive analysis) for the development of decision-making tools suitable for maintaining and enhancing soil fertility.

In line with these goals, CDP does not support Counterparties that, for the transportation of perishable goods, normally use long-distance air transport accounting for a large portion of their turnover, and/or that have not adopted or do not formally undertake to adopt a plan to reduce emissions related to freight transport.

In addition, CDP welcomes Counterparties that:

- have adopted a greenhouse gas emission monitoring system and a subsequent reduction plan, especially where this plan is in line with the Paris Agreement and the 2050 climate neutrality goals and, where relevant, is consistent with the reduction scenarios in the “Forest, land and agriculture science-based target setting guidance” document²¹;
- have a system for assessing exposure to physical risks²² linked to climate change and have implemented appropriate adaptation options to reduce the physical risk identified.

Finally, CDP welcomes Projects that:

- have developed a greenhouse gas management plan specific to the Project;
- have as their purpose activities that meet the requirements for the objective to fight climate change under the CAP Strategic Plan of the EU country in which the Project is located. For non-EU countries, CDP assesses the consistency of the activities with regulations having similar objectives (if any).

¹⁷ Examples include (i) Treatment and processing of animal and vegetable raw materials; (ii) Production in industrial installations of pulp, paper or cardboard; (iii) Production in industrial installations of wood-based panels.

¹⁸ Implementing Decision 2015/2119/EU - 2020/2009/EU.

¹⁹ <https://www.ifc.org/en/insights-reports/2000/ehs-guidelines-agribusiness-and-food-production>; <https://www.ifc.org/en/insights-reports/2000/ehs-guidelines-forestry>

²⁰ Eurostat “Air emissions accounts by NACE Rev. 2 activity”, 2023.

²¹ WWF and SBTi “Forest, land and agriculture science based target-setting guidance”, 2022.

²² For details on physical risks, please refer to Annex A of the European Commission’s Delegated Regulation (EU) 2021/2139.

4.1.2 Management of water resources

The sectors covered by this Policy are on average water-intensive: in Europe, the Agricultural Sector accounts for 58% of total water withdrawal²³.

Against this background and in line with the provisions of the Sectoral Strategic Guidelines on Safeguarding Local Territories and Water Resources, CDP seeks to promote the monitoring of water consumption and discharges, including the quality of discharges, and to encourage the reduction of withdrawals from water bodies, particularly in water stress areas, in order to reduce anthropic pressure on ecosystems.

To support the aforementioned objectives, therefore, CDP does not finance or invest in Counterparties that have not adopted or do not formally undertake to adopt a system for managing and monitoring the consumption of water withdrawn and the quality of water discharged or, in the absence of a management system, do not undertake to incrementally introduce actions to reduce water consumption.

Instead, CDP welcomes Counterparties that have:

- adopted a plan to reduce water consumption (also by using automated management systems) and promote the reuse of water resources, especially in areas facing medium to high water stress;
- improved water quality, including through the use of biomass crops as an active phytodepuration tool.

Furthermore, CDP welcomes Projects that prove they have adopted production methods that ensure efficient water use, through application of new precision farming technologies or technologies based on the effective use of decision support systems. These necessary tools calibrate water consumption to actual demands, and avoid the overdosing of fertilisers to prevent infiltration in water tables or the release of excess substances into surface water bodies²⁴.

4.1.3 Waste management

In Italy, the agricultural, forestry, fisheries and food processing sectors produce 2.8 million tonnes of Special Waste (mainly Non-Hazardous)²⁵, 20 million tonnes of biomass²⁶ and 120 million tonnes of farm waste²⁷.

Furthermore, the sector produces waste and residues such as lignocellulosic biomass and zootechnical wastewater. Although not classified as special waste by the Consolidated Act on the Environment, these wastes have strong potential for enhancement from a circular perspective. A practical example is the anaerobic digestion process, which is capable of transforming biomass and zootechnical waste into biogas for energy purposes and compost for soil fertilisation.

Consequently, CDP has two aims:

- to promote the monitoring and reduction of special waste, as well as its proper disposal, in order to prevent and mitigate any negative impacts on the environment;
- to improve waste management efficiency and increase waste recovery, including by fostering innovation in the recycling and reuse chains.

Therefore, CDP welcomes Counterparties that:

- carry out activities related to the management of organic waste in line with EU Taxonomy criteria;
- have implemented a system for managing and monitoring the special waste generated and its disposal, e.g., through an ISO 14001 certified management system;
- with regard to the special waste generated and its recycling, have implemented a plan to reduce or maintain the levels achieved, if the Counterparties have demonstrated that the production system related to crop cultivation or livestock

²³ Report No. 12/2021 of the European Environment Agency on "Water resources across Europe - confronting water stress: an updated assessment".

²⁴ Reference to the CAP 2023-2027, specifically Strategic Objective 5.

²⁵ ISPRA, Rapporto rifiuti speciali 2023.

²⁶ Atlante delle Biomasse ENEA.

²⁷ Analysis conducted on ISTAT 2022 data and ministerial tables under Italian Ministerial Decree 25/2016.

- farming is highly efficient, also based on circularity objectives, for example, envisaged by standard UNI/TS 11820;
- provide optimised management of biomass and animal waste for material and energy recovery (through anaerobic digestion systems), by promoting and/or using organic fertilisation (e.g., through composts) rather than employing fossil fertilisers;
 - have adopted consortia strategies for the collection, treatment and valorisation of both special waste and organic waste among companies belonging to the same or different supply chains.

4.1.4 Depletion and integrity of soil and natural resources

About 52% of global soil is already degraded, i.e., it has lost its biological and economic productivity. In Europe, the percentage is between 60% and 70% and the economic loss resulting from soil degradation is estimated at roughly Euro 50 billion per year²⁸.

In view of these percentages, the European Commission has in recent years proposed three important instruments: (i) the Biodiversity Strategy for 2030, designed to protect and restore biodiversity through several actions including, for example, the remediation of contaminated soils; (ii) the European Soil Strategy for 2030, the objective of which is to have all soils in healthy condition²⁹ by 2050 and (iii) the Directive of the European Parliament and of the Council on Soil Monitoring and Resilience, where the objective is to establish a coherent EU-wide monitoring framework on soil health³⁰.

In such a scenario, CDP strives to promote practices consistent with European regulations to counteract and prevent soil erosion and degradation, and to foster “environmentally sustainable” biodiversity activities according to the EU Taxonomy.

Consequently, CDP welcomes Counterparties that:

- have implemented policies and/or procedures to ensure that the soil used complies with the “soil health criteria” listed in Annex I to the Proposal for an EU Directive on Soil Monitoring and Resilience³¹;
- adopt farming techniques that work towards preserving soil and biodiversity (e.g., integrated farming, precision farming).

Furthermore, CDP welcomes Projects that:

- seek to develop conservation activities, including restoration, with a view to maintaining or improving the state and trends of terrestrial, freshwater and marine habitats, ecosystems and the populations of related fauna and flora species, in line with the EU Taxonomy (“Conservation, including restoration, of habitats, ecosystems and species” Activities)
- seek to reduce the use of plant protection products, including through the implementation of innovative and/or digital tools, such as (merely by way of example) adopting new molecules of natural origin, employing smart technologies for the application of plant protection products and fertilisers, and using new formulations and/or with biotic agents and/or digital technologies for the high-detailed mapping of soil types and of functional and microbial soil properties.

4.1.5 Biodiversity

The conversion of land for agricultural purposes has led to a massive loss of biodiversity: of the 28,000 species classified as threatened with extinction on the Red List of Threatened Species of the International Union for the Conservation of Nature³² (IUCN), agriculture is listed as a threat to 24,000 of these species³³.

²⁸ Asvis “Degrado del suolo: la crisi esplosa ma di cui nessuno parla”, 2022.

²⁹ According to the European Commission (COM(2021) 699 Final), soils are healthy when they are in good chemical, biological and physical condition, and thus able to continuously provide the highest possible number of ecosystem services (e.g., provide food and biomass production, including in agriculture and forestry; act as a carbon reservoir; provide the basis for life and biodiversity, including habitats, species and genes...).

³⁰ This Directive was proposed by the EU Commission on 05/07/2023 and has therefore not yet come into force. Proposal ; Annex.

³¹ Proposal for a Directive of the European Parliament and of the Council on soil monitoring and resilience (“Soil Monitoring Law”). The criteria for determining soil health include, but are not limited to, levels of salinisation, soil erosion and subsoil compaction.

³² <https://www.iucnredlist.org/>

³³ Our World in Data “Land Use”, 2019.

Therefore, in light of this situation, CDP aims to achieve several goals, including:

- protecting endangered species and areas particularly deserving of protection in terms of biodiversity;
- fostering the dissemination of new market standards for biodiversity;
- developing agricultural practices, especially organic practices, that seek to preserve biodiversity;
- fostering activities and/or actions in agriculture and livestock farming identified by the Common Agricultural Policy and which contribute to the specific biodiversity goal;
- fostering biodiversity activities that are considered “environmentally sustainable” according to the EU Taxonomy.

In line with the above definition, CDP does not finance or invest in Counterparties that:

- are involved in the trading, production, farming or possession of plants, wildlife, or products that do not comply with the Convention on International Trade in Endangered Species of Wild Fauna or Flora (CITES), unless expressly authorised;
- carry out activities that are a threat to the survival of endangered species or significantly deteriorate areas particularly deserving of protection, including but not limited to:
 - critical natural habitats registered by the International Union for the Conservation of Nature (IUCN) in categories I-VI;
 - sites identified by the Alliance for Zero Extinction;
 - High Conservation Value (HCV) and High Carbon Stock (HCS) areas;
 - peat bogs, tropical forests, tropical savannas, savanna biomes, coral reefs, nature reserves.

CDP welcomes Counterparties that have:

- implemented a system for monitoring and managing activities with negative impacts on biodiversity;
- published a report in line with the instructions provided by the Task Force on Nature-related Financial Disclosures (TFND)³⁴;
- adopted Science Based Targets for Nature (SBTN)³⁵.

Furthermore, CDP welcomes Projects that:

- have as their purpose the increase in agricultural land used for organic farming, in line with regulatory provisions or applicable guidelines (such as Regulation EC/2018/848³⁶ or the international IFOAM standards³⁷);
- have as their purpose activities that meet the requirements for the biodiversity loss objective under the CAP (Common Agricultural Policy) Strategic Plan of the EU country in which the Project is located. For non-EU countries, CDP assesses the consistency of the activities with regulations having similar objectives (if any);
- seek to develop conservation activities, including restoration, with a view to maintaining or improving the state and trends of terrestrial, freshwater and marine habitats, ecosystems and the populations of related fauna and flora species, in line with the EU Taxonomy (Activity “Conservation, including restoration, of habitats, ecosystems and species”).

The criteria mentioned herein are to be considered as supplementing and not replacing the provisions of CDP’s General Lending and Responsible Investment Policies.

4.1.6 Deforestation

Agricultural expansion is responsible for almost 90% of global deforestation: more than half of the world’s forest are destroyed due to conversion into cropland, whereas livestock grazing is responsible for almost 40% of forest loss³⁸.

³⁴ Initiative supported by national governments, businesses and financial institutions worldwide. The Task Force - in collaboration with partners including the Global Reporting Initiative (GRI), scientific and conservation organisations such as the IUCN and UNEP-WCMC, and the Science Based Targets Network (SBT) - defines recommendations and guidelines for organisations to act on continually evolving nature-related issues, with the ultimate goal of directing global financial flows towards positive outcomes for nature.

³⁵ This framework is being defined by the Science Based Targets Network and its objective - in line with global climate, nature and development goals, including the Paris Agreement and the UN Sustainable Development Goals - is to enable companies to assess their environmental impact and to set targets to reduce negative impacts and increase positive ones for nature and people.

³⁶ Regulation on organic production and labelling of organic products, laying down the principles and rules for organic production, certification, labelling and advertising.

³⁷ <https://www.ifoam.bio/our-work/how/standards-certification/organic-guarantee-system/ifoam-norms>

³⁸ Commission Regulation (EU) 2023/1115.

Protecting, restoring and promoting the sustainable use of ecosystems and discouraging activities that contribute, both directly and indirectly, to the degradation of natural habitats, forests, areas of international interest and soil and subsoil, is hence essential.

For this purpose, CDP does not finance or invest in Counterparties:

- for which there is evidence that they are directly or indirectly (through their value chain) involved in illegal logging³⁹, logging or deforestation of primary forests⁴⁰, rainforests or tropical forests;
- whose operations fall within the scope of application of Regulation (EU) 2023/1115 and for which there is no evidence that the Counterparties have adopted or have undertaken to adopt policies aimed at promoting zero deforestation both in their direct operations and in their supply chain, within the timeframe and pursuant to the Regulation.

Instead, CDP welcomes Counterparties that have adopted or formally undertake to adopt:

- policies promoting the use of wood and wood-based products (e.g., paper, cardboard, packaging) from recycled and/or sustainably managed forests;
- International Sustainability & Carbon Certification (ISCC)⁴¹.

In addition, CDP does not support Projects that envisage the development of new agricultural activities and/or animal farming on areas that have suffered forest fires or mass deforestation (the latter related or relatable to man-made activities) in the last five years and/or where there is evidence of the conversion of natural forests and/or wooded areas.

CDP welcomes Projects giving priority to the redevelopment of degraded land.

4.1.7 Responsible use of agrochemicals

Of the chemicals used in agriculture, only 0.3% reach the target organisms, while the remainder contaminate the surrounding environment with harmful effects, e.g., on pollinators and water resources (according to ISPRA analyses of Italian surface waters, 55% of monitoring points were found to be polluted beyond the environmental quality limits⁴²).

Consistent with European strategies to reduce the use of pesticides (such as the “Farm to Fork” strategy and the European Biodiversity Strategy), CDP aims to protect human health and the environment by discouraging the use of agrochemicals that are harmful to human health, soil/subsoil and animals.

In keeping with this objective, CDP does not support Counterparties that:

- use substances banned by the Stockholm Conventions⁴³ and/or pesticides classified as Class 1A or 1B by WHO, or do not operate in compliance with the commitments of the Rotterdam Convention⁴⁴ and/or the Basel Convention⁴⁵ regarding the disposal of hazardous waste related to pesticides;
- use, and do not plan to eliminate, pesticides on the SIN (Substitute It Now) List⁴⁶.

³⁹ As per Regulation (EU) No. 995/2010 of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market.

⁴⁰ Naturally regenerated forest of native species, where there is no clearly visible indication of human activities and the ecological processes are not significantly disturbed.

⁴¹ A global certification system applied in the fields of agriculture, forestry and energy that ensures that the products obtained are environmentally friendly and adhere to environmental standards defined along the entire production chain, from the raw material collection and biomass harvesting stage, also to avoid them being produced through deforestation activities.

⁴² WWF “10 Golden Rules for a Valuable Food System: How to Build a Sustainable Future for People and the Environment in Italy”, 2023.

⁴³ The Convention entered into force in 2004 and its aim is to protect human health and the environment from the harmful effects of Persistent Organic Pollutants (POPs), noxious chemicals that remain intact for long periods once released in the environment and that accumulate in the fatty tissue of humans and wildlife.

⁴⁴ The Convention, which entered into force in 2004, regulates the export and import of a number of hazardous chemicals and pesticides and is based on a fundamental principle: prior informed consent, whereby the export of banned or severely restricted chemicals can only take place with the prior informed consent of the importing country.

⁴⁵ The Convention entered into force in 1992 and regulates the control of transboundary movements of hazardous wastes (including obsolete pesticides and other pesticide-related wastes, e.g., their containers) and their disposal.

⁴⁶ The SIN List was developed by the International Chemical Secretariat (ChemSec). It is a database of chemicals identified as Substances of Very High Concern (SVHC) according to the criteria defined by the EU REACH Regulation.

CDP also welcomes Counterparties and Projects that have adopted or undertake to adopt a plan on the limited use of agrochemicals such as pesticides, herbicides and fertilisers (including paraquat), in keeping with best practices and international standards on this matter and with the provisions of Strategic Objective 5 of the 2023-2027 CAP, aimed at reducing chemical dependency in addition to the type of product used, application measures must be implemented to reduce their waste and dosage according to the type of production.

4.1.8 Environmental compliance

The increasing attention of the legislator to safeguarding and improving the conditions of the environment and to using natural resources responsibly has led to the introduction of a large number of national and international environmental regulations, including, but not limited to, Italian Legislative Decree 2006 No. 152, which identifies serious environmental breaches, including air and soil pollution.

In this context, CDP endeavours to protect the environment by fostering activities that do not conflict with environmental regulations.

In line with this objective, CDP does not finance or invest in Counterparties for which there is evidence that they do not comply with applicable national and/or international environmental regulations (including Italian Legislative Decree No. 152 of 2006) and if the Counterparties do not have a plan to mitigate risks and to strengthen their internal controls, in the event that they have in the past breached applicable national and/or international environmental regulations and/or regulations regarding damage to cultural heritage.

CDP also welcomes Counterparties that have a certified environmental risk assessment, management and mitigation system (e.g., ISO 14001).

4.1.9 Land ownership and rights of local communities

Eight out of ten conflicts involving the rights of local communities are mainly caused by four sectors: mining (24.7%), fossil fuels (20.8%), agriculture, forestry, fisheries and livestock farming (17.5%), and the construction of hydraulic dams (15.2%). The sectors included in this Policy are those where conflicts occur most frequently, which lead to the expropriation of land owned by local communities and have negative effects on the loss of livelihoods and the integrity of the landscape⁴⁷.

In accordance with IFC Standards and main standards in this field, CDP is committed to fostering activities in the agriculture, fisheries and forestry sector that comply with the rights of ownership of local communities.

Given this objective, CDP does not finance or invest in Counterparties that, with particular reference to activities carried out in developing countries, do not operate in line with international best practices, including:

- IFC Performance Standard 5 “Land Acquisition and Involuntary Resettlement”, with reference to the relocation and loss of livelihoods for local communities;
- IFC Performance Standard 7 “Indigenous People”, with reference to the involvement of local communities, respect for the rights of indigenous peoples and mitigation of any negative impacts. In cases where the Counterparty’s activities affect local communities as set out in paragraphs 13 -17 of IFC Performance Standard 7, free, prior and informed consent of the affected local communities is required.

CDP also welcomes Counterparties that have adopted a mechanism for reporting critical issues that is open to local communities.

⁴⁷ ScienceAdvances “Global impacts of extractive and industrial development projects on Indigenous Peoples’ lifeways, lands, and rights”, 2023.

As established at the Counterparty level, CDP does not support Projects that, in the event of negatively affected local communities, do not require Free, Prior and Informed Consent (FPIC), as set out in paragraphs 13 -17 of IFC Performance Standard 7.

4.1.10 Health & safety

In compliance with national regulations and international conventions on health and safety, CDP strives to support Counterparties that are able to guarantee workers' health and safety along the value chain, using systems to monitor, manage and mitigate any risks and negative impacts.

In view of this, CDP does not finance or invest in Counterparties where there is evidence that they have not complied with labour and occupational safety regulations and if the Counterparties do not have a plan to mitigate risks and to strengthen their internal controls, in the event that they have in the past breached applicable national and/or international regulations.

CDP also welcomes Counterparties that have a certified risk assessment, management and mitigation system (e.g., ISO 45001).

4.1.11 Food safety and traceability

In line with the Common Agricultural Policy and the "Farm to Fork" strategy, CDP seeks to place safe products on the market, ensure product transparency and traceability, and comply with the main international regulations and guidelines.

Given this goal, CDP welcomes Counterparties that:

- have implemented a food safety policy that ensures the traceability of raw materials used in their operations and in the supply chain;
- have a policy and/or management system (e.g., ISO 22000 certification) that guarantees the safety of incoming and outgoing food products, according to industry regulations and best practices.

Furthermore, CDP welcomes Projects that:

- have as their purpose activities that meet the requirements for the objective to protect food and health quality under the CAP Strategic Plan of the EU country in which the Project is located. For non-EU countries, CDP assesses the consistency of the activities with regulations having similar objectives (if any); and/or
- contribute to product transparency and traceability, including by developing and/or using innovative technologies, such as RFID (Radio Frequency Identification) Technology - "digital stamp" of individual food products; using nanomaterials (e.g., silver nanoparticles) for packaging, for the purpose of checking their safety and antimicrobial activity and/or innovative methods for plant protection and prevention of disease involving animals, also by means of quorum sensing/quenching control systems.

4.1.12 Food loss

Another significant issue for food-related activities is food loss, i.e., the waste produced throughout the value chain - from harvest to the finished product (after-sales activities are hence excluded)⁴⁸, which are responsible for the loss of 13.8% of the food produced for human consumption.

In this regard, CDP welcomes Counterparties that have a business model aimed at improving production efficiency, for which there is evidence of plans and/or targets to limit and/or to reduce food waste generated during their Primary and/or Processing Activities.

⁴⁸ Food and Agriculture Organization ("FAO"), Food Loss Index (data referring to 2016).

4.1.13 Supply chain

In the sectors covered by this Policy, collaboration between the different players in the supply chain is essential to offer consumers a safe and sustainable product.

CDP strives to promote sustainable and responsible supply chains.

Given this goal, CDP welcomes Counterparties that carry out Processing Activities that have:

- systems in place that assess and monitor their supply chain on the aspects covered by this Policy;
- set up engagement programmes with its suppliers in order to promote and support the implementation of positive practices in line with the Policy's requirements;
- agreed on fair and transparent commercial terms and conditions with their suppliers.

4.2 Sector-specific limitation and exclusion criteria and aspects to be promoted

The limitation and exclusion criteria and the sector-specific aspects to be promoted are provided below.

Note that the criteria reported below supplement and do not replace the criteria set out in paragraph "4.1 Limitation and exclusion criteria and aspects to be promoted that are applicable across the Agrifood, Wood and Paper Industries Sector".

4.2.1 Agriculture and Food Industry

With reference to the agriculture sector, CDP has considered it appropriate to define specific limitation and exclusion criteria and aspects to be promoted that are applicable to the production and processing of palm oil and soy, given the generated ESG impacts associated with these activities.

Palm Oil

Palm oil is the world's most-used vegetable oil and accounts for more than 35% of all vegetable oil production⁴⁹. Today, 4.5 million hectares cultivated with palm oil are RSPO (Roundtable on Sustainable Palm Oil) certified⁵⁰.

CDP strives to support the sustainable production and use of palm oil, i.e., able to limit the negative social and environmental impacts generated, for instance, on local communities, climate change and ecosystems.

Given this objective, CDP does not finance or invest in Counterparties producing palm oil that have not obtained or do not formally undertake to obtain certification in line with the Roundtable on Sustainable Palm Oil.

Furthermore, CDP does not finance or invest in Counterparties that deal with Agricultural Raw Material Processing Activities and do not use or do not formally undertake to use mainly certified palm oil in accordance with the RSPO, where palm oil is used for carrying out their business activities.

Soy

Soy is a product that requires large amounts of water and moisture: water consumption may vary between 50 and 66 cm during the growth stage, with 60% of total water consumption during the first and last rotation phase⁵¹. Today, around 550 thousand hectares are protected globally with RTRS (Roundtable on Responsible Soy Association) certification⁵².

CDP makes all efforts to ensure that soy cultivation and the use of soy products are sustainable, i.e., that they limit the ne-

⁴⁹ Italian Sustainable Palm Oil Union "Palm oil and the environment", 2021. Global production of palm oil.

⁵⁰ RSPO "Impact Report", 2022. The Roundtable on Sustainable Palm Oil (RSPO) is an agricultural organisation founded in 2004 to promote the growth and use of sustainable palm oil products through credible global standards and stakeholder engagement. The standard requires compliance with 7 principles that include, but are not limited to, operating and respecting rights, optimising productivity, respecting human and community rights, supporting smallholder inclusion, respecting workers' rights and conditions, and protecting, conserving and enhancing ecosystems and the environment.

⁵¹ Corteva "Il fabbisogno idrico della soia", 2021.

⁵² Data taken from the website of the Roundtable on Responsible Soy Association ("RTRS").

gative social and environmental impacts generated, by aligning with relevant international standards and best practices.

Given this objective, CDP does not finance or invest in Counterparties cultivating soy that have not obtained or do not formally undertake to obtain certification in line with the Roundtable on Responsible Soy Association (“RTRS”)⁵³.

Furthermore, CDP does not finance or invest in Counterparties that deal with agricultural raw material Processing Activities and do not use or do not formally undertake to use mainly certified soy in accordance with the RTRS, where soy is used for carrying out their business activities.

4.2.2 Livestock Farming

Animal welfare and treatment are matters of increasing concern, as confirmed by specific objectives in the European “Farm to Fork” strategy. For this reason, CDP has defined a specific criterion on this issue⁵⁴.

Animal welfare and treatment

The EU strategy “Farm to Fork”, identifies animal welfare and treatment objectives, including: (i) 50% reduction in total sales of antimicrobials in the EU for farm animals and aquaculture by 2030; (ii) the evaluation and revision of existing animal welfare legislation, including on animal transport and slaughter; (iii) the proposed revision of the feed additives regulation to reduce the environmental impact of livestock farming.

In this context, CDP seeks to protect and promote the welfare of farm animals in compliance with leading international standards.

In view of this aim, within the scope of Primary Livestock Farming Activities, CDP does not finance or invest in Counterparties that:

- do not operate in accordance with European standards and international best practices on animal welfare and treatment;
- use live animals for scientific and experimental purposes, including genetic editing and breeding, unless they comply with Directive (EU) 2010/63/EU, as amended by Regulation (EU) 2019/1010.

In addition, CDP welcomes Counterparties that are committed to:

- reducing the use of antimicrobials in their livestock farming activities, including by way of innovative techniques;
- obtaining the supply of feedstuffs for livestock with low additive content;
- adopting one of the certifications recognised in HSI’s “Financial Institutions’ Guide to Farm Animal Welfare”⁵⁵. CDP also reserves the right to evaluate any other certifications submitted by Counterparties, for example, the National Quality System for Animal Welfare certification, to assess their suitability;
- operating in line with the good practice identified by the “IFC Good Practice Note on Improving Animal Welfare in Livestock Operations”⁵⁶.

4.2.3 Fisheries and aquaculture

CDP has defined sector-specific criteria within the fisheries and aquaculture sector in order to address its main aspects, such as safeguarding the aquatic ecosystem and managing water resources.

⁵³ Founded in 2006, the Roundtable on Responsible Soy Association (“RTRS”) is a non-profit organisation promoting the growth of production, trade, and use of responsible soy. The RTRS standard for responsible soy production lays down requirements including, but not limited to: halting the conversion of areas with high conservation values, promoting best management practices, ensuring fair working conditions, and respecting land tenure claims.

⁵⁴ With regard to the welfare and treatment of aquatic animals, please refer to the section “Protection of the aquatic ecosystem”.

⁵⁵ Financial Institutions’ Guide to Farm Animal Welfare, HSI.

⁵⁶ IFC Good Practice Note on Improving Animal Welfare in Livestock Operations.

Safeguarding the aquatic ecosystem

Every year between 8 and 14 million tonnes of fish is illegally caught⁵⁷ for total gross revenues of USD 9 to 17 billion. 61% of fish stocks have been exploited at their maximum sustainable limit from a biological viewpoint and 29% are exploited beyond this limit⁵⁸. In this context, CDP has set itself the aim of combating illegal fishing practices or that however generate significant negative environmental impacts, in order to preserve aquatic species and ecosystems, in line with the main national and international standards and guidelines (specifically EC Regulation 1005/2008 “measures to prevent, deter and eliminate illegal, unreported and unregulated (IUU) fishing”) as well as to promote transparency and traceability of the supply chain.

In the area of Primary Fisheries and Aquaculture Activities, CDP does not finance or invest in Counterparties that:

- violate international catch limits for fish stocks;
- carry out the following fishing practices: fishing with driftnets longer than 2.5 km; blast fishing; electric fishing; deep-sea trawling; fishing involving the introduction of new non-native fish species in marine and/or river waters or the by-catch of non-target species listed on the IUCN Red List of Threatened Species.

In addition, CDP welcomes Counterparties that:

- formally undertake to align their management system to the recommendations of the FAO Code of Conduct for Responsible Fisheries;
- hold Marine Stewardship Council certification for sustainable fishing⁵⁹ or other equivalent certification;
- use sustainable fishing materials (e.g., biodegradable material for fishing nets);
- formally undertake to reduce the use of antimicrobials, antibiotics and pesticides in aquaculture activities;
- use filters to remove residual solids (plankton, fish waste, feed) and water recirculation systems, with reference to aquaculture;
- carry out aquaculture activities aimed at protecting the welfare of fish, in line with international best practices, such as WOA’s Aquatic Animal Health Code⁶⁰.

4.2.4 Forestry, Wood and Paper Industries

CDP has defined sector-specific criteria within the forestry sector to regulate key aspects such as forest management, waste management and the use of certified products.

Afforestation, forest management and restoration

The European Forest Strategy for 2030 sets concrete actions to improve the quantity and quality of Europe’s forests and strengthen their protection, restoration and resilience. Furthermore, among the activities considered “environmentally sustainable”, the European Taxonomy includes certain activities associated with forestry, provided they meet the criteria set out in the Regulation.

CDP intends to make an active contribution to these regulatory requirements and to support activities in the area of forestry that are “environmentally sustainable” according to the EU Taxonomy, with particular reference to forest management and to afforestation, rehabilitation and restoration activities.

Therefore, CDP welcomes Counterparties engaged in Primary Forestry Activities that carry out forest management activities in line with the criteria set out in the EU Taxonomy for the “Forest Management” activity, provided that the Counterparty complies with the minimum safeguards.

Furthermore, CDP welcomes Projects that regard:

- afforestation activities on land that previously had a different intended use or was not used. These activities are carried

⁵⁷ Science Advances, “Illicit trade in marine fish catch and its effects on ecosystems and people worldwide”, 2020.

⁵⁸ UNEP “Food Systems and Natural Resources”, 2016.

⁵⁹ Marine Stewardship Council.

⁶⁰ Aquatic Animal Health Code del WOA.

out in compliance with the European Taxonomy criteria for the “Afforestation” activity, provided that the Counterparty complies with the minimum safeguards;

- forest restoration and rehabilitation activities on land that is in a state of degradation, also as a result of extreme weather events or fires. These activities are carried out in compliance with the European Taxonomy criteria for the activity “Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event”, subject to the counterparty’s compliance with the minimum safeguards.

Certified products

Italy is the European country with the highest number of Forest Stewardship Council certifications, ensuring the legal and sustainable origin of forest raw material. Wood waste is destined for material recovery (packaging, furniture, construction, composting, etc.), while its use as renewable fuel in incineration/co-incineration plants is negligible. In addition, 80% of cellulose imported into Italy has sustainability certification⁶¹.

CDP undertakes to ensure responsible and transparent operations, for the purpose of removing from the supply chain any products that could contribute to deforestation.

CDP welcomes Counterparties carrying out Primary Forestry Activities that adhere or formally undertake to adhere to sustainability certification programmes for their operations, such as the Forest Stewardship Council (FSC) programmes⁶² for forest management and chain of custody certification, or the Programme for the Endorsement of Forest Certification (PEFC)⁶³.

CDP welcomes Counterparties carrying out Forestry Processing Activities that use and/or formally undertake to use products with Forest Stewardship Council (FSC) certification⁶⁴ for forest management and chain of custody certification, or Programme for the Endorsement of Forest Certification (PEFC)⁶⁵.

Waste management

In Italy, more than one third of waste from the wood and paper production and processing sector is related to trims, scraps and paper offcuts destined for recycling⁶⁶. The management of pulper waste (a mix of plastics/wood/metals and other fibrous components in aqueous solution) is a highly critical process and is usually managed through energy recovery (waste-to-energy) or disposal in landfills. However, there are industrially mature processes that allow material to be recovered from pulper waste.

CDP undertakes:

- to promote the monitoring and reduction of special waste, as well as its proper disposal, in order to prevent and mitigate any negative impacts on the environment;
- to improve waste management efficiency and increase waste recovery, including by fostering innovation in the recycling and reuse chains.

In keeping with these objectives, since this is a sector featuring high circularity performance, CDP, within the scope of Processing Activities, does not finance or invest in Projects that:

- are not in line with the BAPs;
- use mainly raw materials (virgin wood / cellulose) without sustainability certification.

⁶¹ Forest Steward Council Italia “FSC Italia: vent’anni (più uno) connessi con le foreste”, 2022.

⁶² The Forest Steward Council (FSC) has developed a forest management standard to ensure that forests or forest plantations are managed to strict environmental, social and economic standards. These Standards are based on 10 principles and 70 Criteria for Responsible Forest Management defined and maintained by FSC with the participation of all stakeholders.

⁶³ Programme for the Endorsement of Forest Certification.

⁶⁴ The Forest Steward Council (FSC) has developed a forest management standard to ensure that forests or forest plantations are managed to strict environmental, social and economic standards. These Standards are based on 10 principles and 70 Criteria for Responsible Forest Management defined and maintained by FSC with the participation of all stakeholders.

⁶⁵ Programme for the Endorsement of Forest Certification.

⁶⁶ Assocarta “Rapporto ambientale dell’industria cartaria italiana. Dati 2019-2020”, 2022.

In addition, CDP welcomes Projects that include:

- innovative and improved recycling performance compared to BAPs;
- the reuse of pulper waste instead of sending it to waste-to-energy plants.

Material processing

Highly sustainable processing techniques have been developed for the cellulose industry. These include the Elemental Chlorine Free (ECF) process, which uses chlorine dioxide to bleach wood pulp, resulting in a healthier, non-contaminating and odour-free food packaging material, and the Totally Chlorine Free (TCF) process, a totally chlorine-free bleaching technique that uses oxygen delignification together with hydrogen peroxide or ozone as main bleaching agents.

In the light of these developments, CDP strives to promote processing methods in the cellulose industry that are more sustainable, including for human health.

Consequently, CDP welcomes Counterparties carrying out Processing Activities in the cellulose and paper industry that use ECF or TCF technology in performing their raw material Processing Activities, or that formally undertake to develop a plan to transition towards the use of this technology, if not existing.

CDP welcomes Projects in the cellulose and paper industry that use ECF or TCF technology in their raw material Processing Activities.

5. ROLES AND RESPONSIBILITIES

In the light of the context outlined, the roles and responsibilities of the various parties involved – in compliance with the regulatory and organisational system and with company powers and internal delegations – are defined below:

Board of Directors

- approves this document, as well as any non-formal revision and the possible repeal thereof, on an exclusive and non-delegable basis;
- assesses whether it is also appropriate to intervene in Financing/Investment operations in the areas excluded from this document, approving any exceptions or interventions by way of derogation, as indicated in Section 3, "Scope of Application".

Risk and Sustainability Committee

- issues an opinion to the Board of Directors on this document and on any revisions;
- issues specific opinions on any intervention in the excluded sectors and on any derogations.

Chief Executive Officer

- proposes to the Board of Directors the approval of the Policy for the Agrifood, Wood and Paper Industries Sector, as well as any changes;
- continuously supervises, receiving information flows for this purpose, the application of this Policy, thus ensuring an organisational structure appropriate for the objective.

Administration, Finance, Control and Sustainability Department

- ensures the definition of proposals for updating this document, in conjunction with the other competent structures, also on the basis of the relevant issues identified, in compliance with the Sectoral Strategic Guidelines defined from time to time, while guaranteeing continuous advisory support on the relevant interpretation;
- ensures, in conjunction with the structures involved, the proper implementation of this Policy, contributing, jointly with the structures concerned, to the necessary additions to the contractual framework, as well as informing the Top Management in the event of any discrepancies;

-
- ensures the monitoring and reporting of ESG objectives and sustainability indicators;
 - oversees the dialogue with the ESG rating agencies in order to acquire information and content aimed at contributing to the improvement of this document.

Advisory and Technical Competence Centres Department

- assesses the consistency of CDP's lines of action with the principles set out in this Policy;
- in coordination with the "Administration, Finance, Control and Sustainability" Department, contributes to defining the policies and the technical standards for projects that are in keeping with those policies, in relation to CDP's and the Group's lines of action;
- ensures during investigations, in cooperation with the competent Business Units, that social, environmental, and economic impacts are in line with expectations, addressing any discrepancies, partly through the establishment of mitigation measures.

Sector Strategy and Impact Department

- ensures the identification of relevant ESG topics related to the sectors this Policy refers to, when assessing the sustainability impact of the Financing/Investment in support of the competent Business Units;
- ensures the definition and the proposals for updating the Strategic Guidelines in the sectors covered by this Policy that address the intervention priorities aimed at bridging the market/socio-economic gaps;
- ensures, in cooperation with the competent Business Units, the periodic monitoring of the impact generated by the initiatives put in place by CDP, collecting the data necessary to carry out the ex-post evaluation;
- ensures the ex-post evaluation of the aggregate impact actually generated by the initiatives put in place by CDP is carried out.

Business and International Cooperation & Development Finance Departments

- ensures, also by making use of the necessary support from the "Advisory and Technical Competence Centre" Department, the compliance of Financing operations with the principles contained in this document, while also steering origination activities towards operations which are consistent with this Policy and the CDP General Responsible Lending Policy;
- submits for the Board of Directors' approval those operations in which cases of non-applicability and derogation have been detected, according to the provisions of this Policy.

Investment Department

- ensures, also by making use of the necessary support from the "Advisory and Technical Competence Centre" Department, the compliance of Investment operations with the principles contained in this document, while also steering origination activities towards operations which are consistent with this Policy and the CDP General Responsible Investment Policy;
- submits for the Board of Directors' approval those operations in which cases of non-applicability and derogation have been detected, according to the provisions of this Policy.

Risk Department

- ensures second-level monitoring of risks (of competence), in compliance with the principles of the General Risk Policy, the Group Assessment of Reputational Risk Policy, the Anti-Money Laundering Policy and the Anti-Money Laundering Anomaly Indicators Regulation;
- ensures the assessment of climate and environmental risks, which complements and completes the ex-ante sustainability assessment;
- proposes the timetable to the Risk and Sustainability Committee and contributes to the assessment investigation of this document and any amendments thereto, as part of the role of Committee Secretary.

Internal Audit Department

- ensures third-level monitoring, based on the Regulations approved by the Board of Directors and according to a risk-based approach, assessing the completeness, adequacy, functionality (in terms of effectiveness and efficiency) and reliability of the internal control system as applicable to business processes;

-
- promptly reports critical issues identified during audits to the relevant company structures and periodically monitors the correct implementation of the resulting mitigation actions.

Communication, External Relations, Art and Culture Department

- ensures appropriate awareness-raising and training initiatives with regard to this document;
- contributes to identifying relevant issues useful for defining the strategic priorities described in this document through constant dialogue with the relevant stakeholders;
- oversees, in unison with the other competent Business Units, the dialogue with civil society in order to acquire, monitor and guide policy on issues relevant to the definition of the contents of this document.

6. TRANSPARENCY AND ACCOUNTABILITY

CDP, recognising the value of transparency and continuous dialogue with its customers, investors, rating agencies and civil society organisations, in order to understand their legitimate expectations, undertakes to ensure continuous and transparent reporting.

To this end, CDP publishes an annual non-financial report on its website, including the Consolidated Non-Financial Statement (NFS) pursuant to Italian Legislative Decree 254/2016, drawn up according to recognised standards (e.g., GRI Sustainability Reporting Standards, Integrated Reporting Framework, Sustainability Accounting Standards Board) and including its activities and the impacts generated, by its internal operations, and the aggregate impact of the Investment activities covered by this document.

This document is available on CDP's website.

7. ANNEXES

7.1 Glossary

- **Agricultural Sector:** any Primary Activity in the field of agriculture, livestock farming, fisheries, aquaculture and forestry. This definition reflects the provisions of Article 2135 of the Italian Civil Code, according to which a farmer is a person who “carries out one of the following activities: land cultivation, forestry, livestock farming and related activities. Land cultivation, forestry and livestock farming are activities aimed at the care and development of a biological cycle or a necessary stage of that cycle, of a plant or animal nature, which use or may use land, woodland or fresh, brackish or sea water”.
- **Agrifood, Wood and Paper Industries Sector (the “Sector”):** sector comprising Primary and Raw Material Processing Activities related to agriculture, livestock farming, fisheries, aquaculture and forestry. The Processing Activities related to agriculture, livestock farming, fisheries and aquaculture refer solely to activities for food purposes. Support and sales activities are excluded.
- **Best Available Practices (BAPs):** the set of the best actions for ensuring (i) the substantive alignment of the main plant solutions to the best available techniques (BATs) on the global market; (ii) the adoption of operational and management procedures that are consistent with the best market practices in terms of safety; (iii) technical and managerial capabilities to ensure compliance with environmental and safety standards.
- **CDP Group:** Cassa Depositi e Prestiti S.p.A. and Companies subject to management and coordination by CDP S.p.A. pursuant to Articles 2497 et seq. of the Italian Civil Code.
- **Common Agricultural Policy (CAP):** a set of rules that the European Union has set itself, recognising the central role played by the agricultural sector for the fair and stable development of member states. Pursuant to Article 39 of the Treaty on the Functioning of the European Union, the objectives of the CAP are: increase agricultural productivity; ensure a fair standard of living for the agricultural community; stabilise markets; assure the availability of supplies, and ensure that supplies reach consumers at reasonable prices.
- **Counterparty:** the Beneficiary Company receiving the Financing or the Investment.
- **Environmental, Social and Governance (ESG):** the environmental, social and governance factors which qualify a financial activity as sustainable.
- **Financing/Lending:** for the purposes of this document, this is the use of “general purpose financing” and/or “specific purpose financing/project financing”, including the activities carried out under any technical form permitted by law and by CDP’s Articles of Association with its own funds, and only directly, both at the national and the international level, including bonds, revolving credit facilities, the purchase of corporate receivables and the issue of guarantees.
- **Investment:** for the purposes of this document, this term means the investment activity carried out either through direct investments (investments in shares, units and/or securities representing the risk capital of companies, equity instruments, other instruments, including hybrids, similar in economic substance to the foregoing, both at a domestic and international level, or real estate investments), or through indirect investments (investments in units of mutual funds or funds of funds managed by asset management companies (SGR) and investments in other UCIs (Undertakings for Collective Investment), both at a domestic and international level).
- **Paris Agreement:** the Paris Agreement is a legally binding international treaty on climate change, which came into effect in 2016. Its goal is to limit global warming to well below 2, preferably to 1.5, degrees Celsius, compared to pre-in-

dustrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century.

- **Primary Activity:** activity aimed at the production of raw material related to agriculture, livestock farming, fisheries, aquaculture and forestry (any further processing activity is excluded).
- **Processing Activity:** activity consisting in the processing of raw materials and semi-finished products. Processing Activities related to agriculture, livestock farming, fisheries and aquaculture in this document refer solely to activities for food purposes.
- **Project:** for the purposes of this document, this is the subject of the “specific purpose financing/project financing” and/or of the Investment, clearly identifiable as an asset and/or activity.
- **Strategic Plan:** CDP’s 2022-2024 Strategic Plan, approved by CDP’s Board of Directors at its meeting on November 25 2021, including any subsequent updates.
- **Sustainable Development Goals (SDGs):** 17 goals agreed by the United Nations that aim to achieve a total of 169 targets relating to economic and social development, including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanisation, the environment and social equality.
- **UN 2030 Agenda⁶⁷:** plan of action for people, the planet and prosperity signed in September 2015 by the governments of the 193 UN Member Countries. It incorporates 17 Sustainable Development Goals (SDGs) in a major agenda for action with a total of 169 targets.

This document has been approved by the Board of Directors on 19 December 2023

⁶⁷ <https://unric.org/it/agenda-2030/>