

Net Zero Transition Plan

1. Our Ambition

Fidelidade Group, boasting a history spanning two centuries, is the outcome of mergers among prominent Portuguese insurers. Today, it is the market leader in the Portuguese insurance market, covering both Life and Non-Life, and has expanded internationally, with presence across four different continents, fortifying its resilience and paving the way for future growth.

Given global rapidly evolving dynamics, challenges like climate change and environmental degradation pose substantial consequences for the global economy, society, our planet, and future generations. These threats posed by climate change are multifaceted and profound.

To address them, companies and countries are adopting strategies to reduce emissions and align with the IPCC 1.5-degree scenario. This involves transitioning to clean energy sources, implementing sustainable practices, and setting emission reduction targets. Additionally, international agreements like the Paris Agreement guide global efforts to limit warming and mitigate these challenges. Such actions aim to ensure a more sustainable and resilient future for society and the planet.

The urgency to transition towards a more sustainable planet is clear, but progress has been inadequate. The Third Part of the Sixth Assessment Report by the IPCC in April 2022 underscored the need for drastic emissions reductions to avoid irreversible damage.

The insurance industry plays a fundamental role in addressing climate change by enhancing the resilience of society and the economy to climate-related risks. Recognizing this responsibility, Fidelidade Group is committed to take action in alignment with its mission to support the development of a sustainable society.

2. Risks and Opportunities Assessment

As we navigate the ever-pressing environmental challenges of our time, Fidelidade recognizes the urgency of taking proactive measures to address the imminent threats posed by climate change. Climate change is currently one of the great challenges facing the insurance sector. It materializes both in physical risks, resulting from the increase in the frequency and severity of extreme phenomena, and in transition risks due to the actions necessary for the development of a global low/carbon neutral economy.

In response to this critical issue, Fidelidade has embarked on a transformative journey by laying the foundation for a Net Zero-aligned strategy. Our foremost objective is to curtail emissions significantly, not only to minimize our own climate

impact but also to actively participate in the global endeavor to combat climate change. This strategic emphasis aligns with the growing commitment within the industry to confront this shared challenge and institute comprehensive Net-Zero plans.

As part of our commitment to responsible and sustainable practices, we have taken our first step toward understanding our exposure to these risks through our exhaustive portfolio baselining exercise. This rigorous evaluation process has laid the groundwork for the establishment of Net Zero-aligned emission reduction targets (detailed further). With these targets in place, we are poised to proactively reduce our emissions and drive progress toward a more sustainable future.

In 2022, Fidelidade also incorporated climate risk analysis into the Own Risk Solvency Assessment (ORSA) regulatory submission. This involved a qualitative evaluation of the significance of potential risks stemming from climate change, including physical and transition risks. A quantitative assessment on our exposure to transition risks was performed by mapping the investment portfolio to “climate policy relevant sectors” (e.g., Fossil Fuels, Energy Intensive, Buildings). This exercise allowed us to identify the share of our portfolio that falls into this sensitive perimeter. Going forward we intend to delve further into these areas, to evolve the analysis from *exposure* to *impacts*, aiming at assessing potential losses resulting from climate change impacts, in line with TCFD recommendations.

Our commitment to environmental sustainability remains resolute, and we are dedicated to playing a meaningful role in addressing the pressing challenges of our time. It is part of the responsibility of entities such as the Fidelidade Group to encourage the generation of knowledge that supports society in preparing for the impact of climate change.

3. Governance, Climate Strategy and Policies

In 2022, we embarked on a transformative journey towards sustainability, recognizing its global importance. Fidelidade's approach to sustainability is comprehensive and deeply integrated into its overall company strategy, governance structure and decision-making processes. This commitment reflects the organization's recognition of sustainability as a fundamental driver of long-term success and responsible business practices.

To drive sustainability efforts, a dedicated Sustainability Division was created to oversee and integrate sustainability into daily operations. This division reports directly to Fidelidade's CEO and collaborates with all other divisions and group companies. Fidelidade's sustainability strategy and objectives (incl. Net Zero and climate risk management) are regularly monitored and reviewed and overseen by the Executive Committee based on recommendations from the Sustainability Division. In addition, a Sustainability Committee has been established to facilitate discussions, monitor key sustainability issues, and make critical decisions.

Our sustainability journey is supported by several key enablers:

i. Policy Framework: Policies with a sustainability focus are reviewed and established, including Sustainability Policy, Environment and Climate Policy, Responsible Investment Policy, Sustainable Procurement Policy, Code of Conduct for Suppliers, and Risk Management Policy.

ii. Transparent Processes & Communication: Our processes are adapted to promote transparency, ethics, and respect for stakeholders. Transparency is crucial to us, and we improve communication and reporting to build trust. Regular, transparent, and clear communication on sustainability is prioritized because it fosters trust and accountability. Ethics are integral to all our processes, influencing how employees behave and how we manage business relationships. Most importantly, we adjust our procedures to prioritize the interests of stakeholders. We value their feedback and prioritize their rights and well-being. These principles are the foundation of our dedication to responsible and sustainable business practices, ensuring that our values align with our actions.

iii. Governance Bodies: Several governance bodies, including the Sustainability Committee, play a key role in supervising our sustainability initiatives and monitoring our progress. As a testament to our dedication, the Group executive committee incorporates ESG metrics into its remuneration structure to align our leadership's incentives with our sustainability objectives.

iv) Reporting: We are committed to disclosing metrics in accordance with current standards and regulations, such as SFDR, or EU Taxonomy for aligning activities and investments. The Group also adheres to the Global Reporting Initiative (GRI) for reporting purposes.

4. Our Net-Zero Transition Plan

As an important milestone in our wider ESG responsibilities, we have defined our journey towards Net Zero by setting-up NZ-aligned science-based emission reduction targets on our underwriting and investment (sub)portfolios¹ as well as on our operations. Specifically, for our portfolios we have set an ambition to be Net Zero by 2050, with interim targets set at 2030, whereas for our operations we have an ambition to be Net Zero by 2040, with interim targets for 2025.

For the baselining and target-setting efforts on the underwriting and investment portfolios we collaborated with a third-party partner, the Boston Consulting Group (BCG) and followed global standards and guidelines. Specifically, for baselining we referred to the Partnership for Carbon Accounting Financials (PCAF) methodology, while for target setting we referred to guidelines from market initiatives, such as the Net Zero Asset Owner Alliance. For the operational emission baseline, we collaborated with Carbone 4, also following the GHG Protocol. These targets are science-based, meaning they are in line with IPCC 1.5°C scenarios and reliable industry approaches.

¹ (Sub)portfolios in scope defined in chapter 4.1.

To ensure the delivery of our targets, we will regularly monitor and track the progress achieved through our actions. This will allow us to assess the levers we employ to reduce our emissions and their impacts on our business and broader society so that we can adequately steer the process.

Our Net-Zero transition plan is summarized in Figure 1.

Figure 1: Net Zero transition plan and GHG reduction targets

		Emission Reduction Target			Policies & Initiatives
		Interim target		Final target	Planned or already in place
Investments	Listed Equities & Corporate Bonds	-40% (Emission intensity over AuM)	2030 vs. 2022	Net Zero by 2050	<ul style="list-style-type: none"> Restrictions on Oil & Gas and Coal investments Expand Sustainable Investments Green Bond issuance Sustainable Real Estate Investments
	Real Estate	-45% (Emission intensity over sqm)	2030 vs. 2022		
Underwriting	Commercial	-30% (Emission intensity over insurance premiums)	2030 vs. 2022	Net Zero by 2050	<ul style="list-style-type: none"> Engagement with most material clients Portfolio shift towards lower emissive clients Launch of new greener products and services
	Personal Motor	-26% (Emission intensity over # of vehicles)	2030 vs. 2022		
Operations	Directly controlled operations (excluding Luz Saúde Group)	-50% (Emission intensity per FTE)	2025 vs. 2019	Net Zero by 2040	<ul style="list-style-type: none"> Electricity consumption from renewable sources Transition of fleet to hybrid vehicles Optimize routes in business travels Transition to sustainable procurement

4.1. Our climate Targets

A. Investments

The perimeter of assessment for these asset classes covers assets under management of all Fidelidade Group entities (covering also international entities) and capturing not only general account, but also unit-linked investments.

Given that data availability is a key aspect of emissions baseline measurement, in order to maximize coverage of our portfolio, we combined data from multiple external data vendors and computed sector-country proxies. For our real estate investment portfolio, we leveraged internal data (e.g., electricity consumption), collected on a regular basis.

For target-setting, we focused on the share of our portfolio(s) for which there was adequate data coverage (e.g., companies in our Listed Equities & Corporate Bonds portfolio with available reported emission data). We expect data quality to improve in the near future, allowing us to incorporate the remaining portion of our

portfolio into our target scope.

In line with other players in the market, we have set two separate intensity targets for 2030 on our investment portfolios:

- **Investment Portfolio:** Reach a **40% reduction** of emission intensity, from the baseline year (2022), on our Listed Equities and Corporate Bonds portfolio
- **Real Estate Portfolio:** Achieve a **45% reduction** of physical emission intensity, from the baseline year (2022), within our direct real estate investments portfolio

Table 1 below summarizes details of our interim targets for 2030 on our investment portfolio(s).

Table 1 - 2030 Net Zero emission targets for our investment perimeter

Investments		
<i>Perimeter</i>	Listed Equities & Corp. Bonds (companies with reported emission data)	Real Estate direct investments
<i>Metric</i>	Intensity over AuM	Intensity over sqm
<i>Baseline</i>	0.13 ktCO ₂ e/Mn€	35 kg CO ₂ e/sqm
<i>Target</i>	-40% by 2030 vs 2022	-45% by 2030 vs 2022

In order to reach these targets, we aim to actively steer our portfolios towards lower emissive companies and assets, for instance by allocating liquidity from matured bonds towards less emissive intensive issuers. Company engagement will also be a key lever to get better transparency on NZ transition plans of our investees and encourage emission reduction target-setting.

In addition to our Net Zero targets, we are committed to enhancing our ESG (Environmental, Social, and Governance) practices. By 2025, our goal is to have 100% of our asset portfolio reviewed, according to ESG criteria.

In line with our commitment to sustainability and responsible investing, we are proud to report on the significant ESG initiatives undertaken by our organization which span across various sectors, to name a few examples:

- **Reduction of Fossil Fuel and Thermal Coal Investments:** As part of our ESG strategy, we have committed to reducing investments related to fossil fuels and thermal coal to no more than 5% of the total investment portfolio. This strategic shift aligns with our goal to contribute to a low-carbon economy.
- **Reduction of Investments in Environmental Issues:** We are actively working to reduce our investments in areas associated with various environmental concerns, including pollution, mining, and airborne materials, to an amount not exceeding 5% of our total investment portfolio. This effort serves as a testament to our dedication to mitigating our environmental impact and

upholding responsible investment practices.

- *Sustainable Real Estate Investments:* We take pride in our investments in sustainable real estate. Two notable examples include Trianon in Madrid, which holds a LEED Gold EB O+M rating, and OCA in Barcelona, which boasts a Triple AAA Lease. These investments demonstrate our commitment to environmentally responsible real estate development and management.
- *Expanding Sustainable Portfolio:* In 2022, The Prosperity Company added 89 sustainable funds or strategies to its portfolio, signifying our increasing dedication to sustainable investments. Furthermore, we are pleased to report an increase in sustainable investment contracts from 54.4% in 2021 to 79.5% in 2022, reflecting growing interest and demand for ESG-focused investments.
- *Green Bond issuance:* we plan to launch our first green bond in the near future, underscoring our commitment to funding environmentally sustainable initiatives and engaging in responsible financial practices to address climate change.

B. Underwriting

Although the target setting process for the underwriting portfolio may currently lack the same level of market maturity as investment targets, we are firmly committed to extending our sustainability initiatives and set underwriting portfolio targets, recognizing the importance of aligning our operations with sustainable practices.

In line with the PCAF methodologies we took different baselining approaches across our portfolios. Under our “commercial portfolio” we included commercial P&C lines of business (including also workers’ compensation) as well as the commercial motor portfolio. The personal motor portfolio instead was kept separate as an asset-level approach was pursued.

Given the nature of our portfolio, which is skewed towards SMEs, we relied on sector proxies for estimating emissions of a fair portion of companies that do not report their carbon footprint. We plan to actively work on expanding our company level emissions data coverage, a task further facilitated by impending regulatory changes.

For our first target setting effort on underwriting, we focused our targets on the Portuguese portfolio; specifically, for the Commercial portfolio we capture “corporates” that currently measure/ report their emissions or will likely do in the future (as impacted by disclosure regulations). On the contrary, the Personal Motor portfolio encompasses the whole Portuguese motor retail portfolio due to its higher data quality and availability (relying on external sources to provide emission intensity metrics for different vehicle make/models).

In particular, the emission reduction targets are:

- **UW Commercial:** Achieve a 30% reduction in emission intensity from the 2022 baseline within the Commercial underwriting portfolio in Portugal.
- **UW Personal Motor:** Achieve a 26% reduction in emission intensity from the 2022 baseline within the personal Motor underwriting portfolio in Portugal.

Table 2 below provides a summary of our interim emission reduction targets for 2030, outlining the associated perimeters and metrics.

Table 2 - 2030 Net Zero emission targets for our underwriting perimeter

Underwriting		
<i>Perimeter</i>	Commercial (Corporates with reported emission data and/or with turnover >50Mn€)	Personal Motor (All individual lines in Portugal)
<i>Metric</i>	Intensity over premiums	Intensity over # of vehicles
<i>Baseline</i>	0.34 ktCO ₂ e/Mn€	0.19 ktCO ₂ e/# of vehicles
<i>Target</i>	-30% by 2030 vs 2022	-26% by 2030 vs 2022

Managing the corporate portfolio by considering reported emissions and/or mid-large corporations enhances data reliability and facilitates more effective portfolio management and steering towards lower emissive clients. To enhance the effectiveness of our initiatives and achieve our targets, we will proactively engage with our most material clients to foster greater transparency regarding their decarbonization plans, deep diving into decarbonization and mitigation technologies they plan to leverage (e.g., sustainable aviation fuels for Airlines).

The attainment of the target for the personal motor portfolio is expected to be achieved through various strategic business initiatives. Of these initiatives, the foremost ones include transitioning the existing portfolio towards electric vehicles and encouraging clients to shift their driving habits, thereby reducing the overall mileage.

In line with this, we have successfully introduced products that contribute to our commitment towards a more environmentally sustainable society, particularly by influencing greener behaviors. As an example, Fidelidade launched an app-based telematics solution linked to our motor business that tracks driving behaviors and rewards customers that drive both safely and that reduce their fuel consumption, either by avoiding highspeed trips or reducing the usage of the vehicle. We remain committed to continue developing innovative offerings that further promote the necessary behavioral change.

C. Operations

At Fidelidade, we aim to be a Net Zero company in our Operations by 2040, reducing our emissions and influencing change in the ecological transition by working with the different stakeholders. Specifically, we have set an interim target on our Scope 1 & 2 emissions and Business Travel (Scope 3) by 50% by 2025 in Portugal compared to baseline year 2019.

Table 3 below provides a summary of our interim targets for 2025, outlining the associated perimeters and metrics.

Table 3 - 2025 Net Zero emission targets for our directly controlled operations

Operations	
<i>Perimeter</i>	Directly controlled operations in Portugal (excluding Luz Saúde Group)
<i>Metric</i>	Intensity per FTE
<i>Baseline</i>	2.10 tCO2e/ FTE
<i>Target</i>	-50% by 2025 vs 2019

In the pursuit of our operational emission reduction target, we have identified a set of key mitigation technologies and initiatives designed to bring us closer to our objective. These initiatives encompass various facets of our operations, including but not limited to:

I. Energy-Related Initiatives: Our ambitious goal is to transition all our operational electricity consumption to 100% renewable sources by the start of 2024, increasing from the current ~25-30% renewable energy share².

II. LEED Gold Lisbon HQ: Our new headquarters in Lisbon will have the highest energy efficiency standards, with the development project being already approved as LEED Gold standard. Additionally, the facility will incorporate cutting-edge technologies, including geo-thermal energy solutions.

III. Greening our Fleet: We have initiated a comprehensive program aimed at transitioning our fleet to hybrid vehicles, a key step in our commitment to reducing direct emissions. In 2022, more than half of the new cars we acquired were hybrid, showcasing our dedication to greener and more sustainable transportation solutions.

IV. Business travel: To reduce emissions associated with business travel, we have introduced measures to optimize travel routes for our customer service operations. This has led to a reduction in business trips, with digital meetings replacing physical ones. Furthermore, we have integrated the "Novatronica" fleet management software, enhancing fuel efficiency in our vehicle fleet.

Although our current target does not include all scope 3 categories, such as our suppliers, we have already calculated these emissions (see Annex I for further details the break-down across all scopes). Our commitment to enhancing data quality ensures the credibility of setting future interim targets across the entire value chain. In preparation for expanding our targets, we've already instituted carbon reduction measures, highlighting our dedication to a more sustainable future.

² Current share of estimated renewable energy sourced from EDP online tool providing breakdown of the Portugal electricity grid each quarter. <https://www.edp.pt/origem-energia/?sector=17026&year=2022&trimester=4>

I. Sustainable Procurement Initiatives: Fidelidade Group is transitioning to sustainable procurement by integrating ESG criteria into our procurement processes through the Sustainable Procurement Policy and Supplier Code of Conduct

II. Mobility and Smart Working Initiatives: Our objective is to achieve a workforce where 50% of employees are in a hybrid work arrangement by 2023. This is made possible through the Smart Working model, which includes four typologies: New In-person, Hybrid, Partially Remote, and Remote

5. Strategic projects and other decarbonization initiatives

In alignment with our dedication to sustainable business practices, the Fidelidade Group has entered into agreements with sustainability programs endorsed by both international and domestic organizations. These agreements serve as guiding principles for our role as a responsible and sustainable entity. Specifically, we have aligned ourselves with the UN Global Compact, adhered to the Principles of Sustainable Insurance (PSI), and embraced the Charter of Principles of BCSD Portugal. This same Net Zero Transition Plan goes hand in hand with the SDGs as a lever for achieving them.

However, our commitment to reach Net Zero goes beyond our Group and extends to all society, through leveraging our resources, partnerships, knowledge, and influence to drive the climate agenda forward. These initiatives span across various dimensions, including carbon footprint reduction, sustainable forestry, climate change awareness, waste management, and green automotive repair parts integration.

Example of initiatives include:

- Launch of the Forestry Fund: We have committed an initial investment of €12 million to a Forestry Fund, which secured CMVM approval in 2023 as an SFDR article 9 product. This fund is under the management of *Fidelidade Sociedade Gestora* and has been strategically established to play a key role in advancing sustainable forestry practices in Portugal. Its mission is to leverage on nature-based solutions to combat the challenges posed by climate change. Key objectives of this initiative include, among others, sustainable forestry management, local biodiversity development, job creation and rural development and effective asset management.
- Launch of the Center for Climate Change: Fidelidade Group is establishing the Center for Climate Change in collaboration with universities and research center, which represents our dedication to climate action and knowledge sharing. The Center will function as a knowledge hub for both Fidelidade and the wider community. Its primary roles include the coordination and integration of activities and initiatives linked to climate change and net-zero objectives. Furthermore, it will actively contribute to

raising awareness and enhancing understanding of climate change-related subjects within our organization and the broader society.

6. Progress Control and Monitoring

In our commitment to sustainability, we have instituted a framework of long-term and interim targets as fundamental elements of our sustainability journey. These targets represent the initial milestones in our quest to achieve Net Zero status. Our commitment to sustainability extends beyond these initial goals, as we continuously expand our targets and initiatives. This expansion is driven by our ongoing endeavors to align our investments with environmentally responsible practices. As we define the methodologies required, we will calculate additional targets and broaden the scope of existing ones.

Additionally, we will regularly monitor our carbon footprint, which is crucial for evaluating the effectiveness of the measures we are implementing to reduce our environmental impact.

To ensure the accuracy and efficiency of our sustainability efforts, we are actively engaged in enhancing our data collection processes. Our objective is to obtain more comprehensive and refined data, enabling us to make more informed and effective decisions in support of our sustainability goals.

We have strategically planned a roadmap that outlines our engagement with key sustainability organizations and initiatives, including NZAOA, CDP (Carbon Disclosure Project), SBTi (Science-Based Targets Initiative), among others.

Our commitment includes specific milestones. By end of year 2023, we are planning on initiating the process of joining the NZAOA. Subsequently, in 2024, we will initiate the CDP process, with the intention of progressing to SBTi upon its successful completion. We will provide annual reporting on these milestones in our Integrated Management Report.

While we will strive to steer our portfolio and operations to reach these targets, we acknowledge the indispensable role of national governments in shaping the trajectory towards a sustainable future. Collaboration and joint efforts are essential, as no single entity can address the complexities of climate change in isolation. Fidelidade stands ready to collaborate with governments, non-governmental organizations, and other stakeholders to accelerate progress towards a sustainable and climate-resilient future. Climate change is the challenge of our lifetime which requires multi-stakeholder collaboration and Fidelidade is ready to play its part.

I. ANNEX

The below table provides a break-down of our Scope 1,2 and 3 emissions by category (excluding category 15 related to portfolios which is detailed in the main body of the document and excluding categories 4, 9, 11, 12, 13 and 14 since they were not applicable). The table provides emission intensity break-down expressed as absolute emissions per full-time employee (FTE).

In 2022, Fidelidade had a Carbon intensity of 1,66 tCO₂e/ FTE in its operations across Scope 1,2, and Scope 3 business travel (marked in the table below with *). This intensity is regularly monitored given our reduction interim target for 2025, in place covering this scope. To support our target setting process and validate our baseline, a sector benchmark was performed, and this value was found to be within the mid-high range observed among peers.

Disclosure of Fidelidade Portugal³ emissions intensity - Summary	
Scope 1 (tCO₂e/FTE)	0,56*
Scope 2 (location-based) (tCO₂e/FTE)	0,51*
Scope 3 (Total) (tCO₂e/FTE) (excl. Category 15)	13,42
<i>Category 1 - Purchased goods or services (tCO₂e/FTE)</i>	11,09
<i>Category 10 - Client's transportation (tCO₂e/FTE)</i>	0,53
<i>Category 7 - Business travel (tCO₂e/FTE)</i>	0,59*
<i>Category 2 - Capital goods (tCO₂e/FTE)</i>	0,61
<i>Category 3 - Upstream of energy (tCO₂e/FTE)</i>	0,30
<i>Category 8 - Employee commuting (tCO₂e/FTE)</i>	0,28
<i>Category 6 – Waste generated (tCO₂e/FTE)</i>	0,02
<i>Category 5 - Upstream transportation and distribution (tCO₂e/FTE)</i>	0,00

³ Figures excluding Luz Saúde hospital network that is part of Fidelidade group