

An aerial photograph of a lush green mountain valley. A suspension bridge spans across a deep gorge. In the distance, a town is visible in the valley floor, and a dam is situated in the lower left foreground. The sky is blue with some clouds.

# NFS 2021

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CONSOLIDATED NON-FINANCIAL  
STATEMENT PURSUANT TO  
LEGISLATIVE DECREE 254/16



**Banca Popolare  
di Sondrio**

FONDATA NEL 1871

## **Banca Popolare di Sondrio**

Founded in 1871

### **ORDINARY SHAREHOLDERS' MEETING OF 30 APRIL 2022**

Joint-stock company

Head Office and General Management:

I - 23100 Sondrio SO - Piazza Garibaldi 16

Tel. 0342 528.111 - Fax 0342 528.204

Websites:

[www.popso.it](http://www.popso.it)

[www.istituzionale.popso.it](http://www.istituzionale.popso.it)

E-mail: [info@popso.it](mailto:info@popso.it)

Certified e-mail address: [postacertificata@pec.popso.it](mailto:postacertificata@pec.popso.it)

Sondrio Companies Register no. 00053810149

- Official List of Banks no. 842

Parent Company of the Banca Popolare di Sondrio Banking

Group, Official List of Banking Groups no. 5696.0

Member of the Interbank Deposit Protection Fund

Tax code and VAT number: 00053810149

Share capital: € 1,360,157,331 - Reserves: € 1,253,388,214

(Figures approved at the Shareholders' Meeting of 11 May 2021)

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#### **Rating:**

Rating issued to Banca Popolare di Sondrio by Fitch Ratings on

1 September 2021:

- Long-term: BB+

- Short-term: B

- Viability rating: bb+

- Outlook: Stable

- Long-term deposit rating: BBB-

- Subordinated debt: BB-

Rating issued to Banca Popolare di Sondrio by DBRS

Morningstar on 15 November 2021:

- Long-term issuer rating: BBB (low)

- Short-term issuer rating: R-2 (middle)

- Trend (outlook): Stable

- Long-term deposit rating: BBB

- Short-term deposit rating: R-2 (high)

Rating issued to Banca Popolare di Sondrio by Scope

Ratings on 24 March 2022:

- Issuer rating: BBB-

- Outlook: Positive

# NFS 2021

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CONSOLIDATED NON-FINANCIAL  
STATEMENT PURSUANT TO  
LEGISLATIVE DECREE 254/16

# PREFACE

## Gianfranco Dioguardi

President of the  
**'Fondazione Dioguardi'**

President of the  
**'Consorzio SUM City School –  
School of Urban Management'**

Leo Tolstoy, in the Epilogue of War and Peace: *"The storm-tossed sea of European history had subsided within its shores and seemed to have become calm. But the mysterious forces that move humanity (mysterious because the laws of their motion are unknown to us) continued to operate. Though the surface of the sea of history seemed motionless, the movement of humanity went on as unceasingly as the flow of time"*<sup>1</sup> our sea, the sea that belongs to us, on the other hand, is still shaken by strong storm winds that make it difficult to predict the future, requiring us to face reality in new ways. Unfortunately, it is not only the pandemic that has caused this storm: new dramatic winds of war are blowing from the very Russia that was once Tolstoy's, a war that Europe would have liked to have permanently erased from its future.

In the words of Managing Director and General Manager Mario Alberto Pedranzini: *"2020 will be remembered in the history books [...] for the first pandemic of the global era and for the effects of an unprecedented, painful and intense crisis that was, above all, unexpected. [...] The confinement, or lockdown as it was termed, resulting from the harsh experience of the health emergency, prompted reflection and drastic changes in habits, highlighting first and foremost the need to prioritise people [...]".* Unfortunately, 2021 also proved to be an *annus horribilis*.

The end of the last millennium saw a rise in complexity that was difficult to manage due to the excessive invasion of technological innovations – electronics, information technology, personal computers, the incessant modification of software – so much so that it was referred to as an era of devastating innovation by two US researchers – Larry Downes and Paul Nunes – in a book published in 2014 with the significant title *"Big Bang Disruption"*, that is, an era of Schumpeterian upheaval that causes constant changes in present reality.

All this entailed such a shift in values that it marked a turning point, an epochal watershed identified by Fritjof Capra back in 1982: *"What we need, then, is a new 'paradigm' - a new vision of reality; a fundamental change in our thoughts, perceptions, and values."* This concept has also been perfectly interpreted by Mario Alberto Pedranzini: *"A new paradigm of doing business must be inspired by guiding values such as transparency and economic, social and environmental sustainability, along with responsibility for all stakeholders."*

This brings businesses, which are now undoubtedly the most significant and most widespread wealth-producing institutions, back into the spotlight. Businesses, therefore, due to their central role in the socioeconomic system, are required to become fundamental tools for breaking new cultural frontiers, disseminating knowledge, creatively stimulating curiosity for knowledge in those with whom they interact, both internally and locally. A substantial change in the form/function of businesses has taken place with the advent of technological innovations and above all of the by no means easy use of digitalized tools that has required new processes of learning knowledge and consequently a more widespread corporate culture, which employees who are now knowledge workers must study in depth so as not to be overwhelmed by the new technologies, now geared towards relatively advanced forms of artificial intelligence characterised by their dangerous autonomy.

<sup>1</sup> Leo Tolstoy, War and Peace, translated by Louise and Aylmer Maude, Everyman's Library, London 2010.

There is also, therefore, an emerging need for renewed professional training extended to encompass general knowledge, which must be aimed at individual employees who, in undertaking it, broaden the very concept of corporate culture, which thus takes on three distinct forms: traditional institutional culture expressed in business aims, classic corporate culture that accumulates as historical experience in day-to-day business, and the innovative strategic culture that is manifested through individual knowledge workers and then accumulates within the organisation as second-level unity/individuality. A culture that must be transferred to the local area – a new organised and complex system of actors that constantly interact with each other – so that it becomes an essential component with effects that are also ethical in nature. A local system, therefore, in which inhabitants, industrial factories, companies, various institutions and, in particular, cities must also be considered in new roles as city-businesses, whose current complexity often makes them ungovernable given their emerging physical and social degradation.

American historian Alfred Chandler hypothesised that the invisible hand, theorised by Adam Smith, could become a visible hand (*"The Visible Hand"*, 1977) thanks to the concrete actions of managers in an area that should be turned into a sort of laboratory for social experimentation in which the concept of sustainability could also be effectively promoted, *"as a complementary indicator to measure business value"* (Pedranzini), as well as environmental quality, health and safety.

I define the new culturally more evolved business form as an encyclopaedic enterprise – an institution expressed today by complex grid-like organisational systems comprised of networks of individuals operating in a constant relationship of technological delegation in relation to a network of computers and digital equipment, often coordinating a network of related businesses (macro-enterprises), all of which share common goals, qualities and objectives for the creation of the final product. Within this form, delegations are designed in a manner that does not dictate one best way, leaving every employee free to propose their own operational path to achieving an optimal result through autonomous decisions expressed by a behaviour as an entrepreneur of oneself, culturally evolved partly thanks to an internal network of knowledge dissemination that constantly feeds business knowledge with highly strategic functions. Businesses thus assume a different social connotation with renewed responsibilities, including ethical responsibilities towards customers/clients who are the recipients of products that are now effectively services and towards the environment. Consequent entrepreneurial behaviours must therefore be characterised by a new 'business spirit' based on culture, quality and ethical values accumulated internally so they can then be transferred to the area to which the business must listen – as Michel Crozier (*"L'Entreprise à l'écoute"*, Paris) suggested in 1989 – in order to acknowledge present and emerging needs, seeking possible solutions precisely because it is more deeply rooted.

Why 'encyclopaedia business'?

'Encyclopaedia' to recall the great 18th-century enterprise of Diderot and d'Alembert's *Encyclopédie* which, in its many entries, contained knowledge to be passed on to readers, just as today those who act within a business are the bearers of knowledge that must be transferred to all those who come into contact with the business in the area. A business, therefore, that promotes a neo-Enlightenment of reason, with the same aims as those illustrated by Immanuel Kant for the famed 18th-century movement: *"Enlightenment is man's emergence from his self-incurred immaturity. Immaturity is the inability to use one's own understanding [...] have courage to use your own understanding!"*

The current form/function of encyclopaedic enterprise has had illustrious precedents in the activities of banks operating as businesses under Article 19 of the Consolidated Law on Banking and, in particular, Banca Popolare di Sondrio has operated as a *"bank with a soul"* (Stefano Zamagni) in the area, always serving the real needs of the community.

Carrying out its banking intermediation activities with the collection of savings from the public and the granting of credit to its customers, Banca Popolare di Sondrio has also conducted commendable professional and cultural training programmes in the area, which are clearly presented in the exhaustive 'Consolidated Non-Financial Report' that annually accompanies the comprehensive and complex 'Annual Financial Report'. To complement its cultural activities in support of the local area, the Bank publishes an impressive 'Newsletter' full of articles on various cultural topics – a magazine that is now one of the finest and most interesting in Italy. This has been followed by a series of events involving well-known business, financial and academic figures at highly successful public conferences that make the area a *"privileged place for experimenting with the new"* (Zamagni). This has given rise to a specific and sought-after *"corporate social and environmental responsibility"* that has clearly interpreted the ideas of Antonio Genovesi, shared by John Stuart Mill *"[...] we cannot be happy without making others happy"* (Leonardo Becchetti). Local needs have also been addressed, supporting *"the increasingly urgent challenge [...] of defining a virtuous approach to environmental issues, such as land consumption and erosion, pollution and rising temperatures on the planet, which cause increasingly violent weather events"*, as further described by Mario Alberto Pedranzini, who adds: *"investing in the social and environmental impact of a business is far more than a moral choice: it is an intelligent way to conduct business and financial affairs, beyond the mere pursuit of profit for its own sake."*

The Banca Popolare di Sondrio therefore presents itself in this post-pandemic scenario, characterised by the now endemic complexity of the Third Millennium, with all the attributes necessary to successfully face a sea tossed by a still raging storm. Filippo Briganti (1725-1804), an economist from Gallipoli esteemed by the Milanese historian and politician Pietro Custodi, cautioned as follows in one of his treatises: *"Nimble is not the ship that can quickly sail across a wide expanse of sea with a fair wind, but the vessel which, with a headwind, drifts least from its course."* Banca Popolare di Sondrio has consistently adhered to this notion throughout its 150 years of glorious history celebrated in 2021, as its top executive, Managing Director and General Manager Mario Alberto Pedranzini, continues to emphasise: *"the desire to be an agent of change along the path of transition – rooted in its DNA – towards sustainability goals, experimenting with the most suitable ways of achieving them within the context of both itself and the system."*

Pedranzini recalled that Banca Popolare di Sondrio defines itself as a *"a local bank with feet in the village"*, in the sense that *"the bank is an important driver and financier of the economy, while also playing an important role as a social actor"*. Today, the Bank pays special attention to small and large local municipalities in view of their increasing importance for the effective recovery of the national economy.

The relevance of cities today was highlighted by Guido Rossi, an important legal expert who was also well-known abroad: *"This is what is happening: national borders are breaking down, states are losing their sovereignty and depriving citizens of their guarantees – freedom, security [...]. In this situation citizens are less indifferent [...] the centre is no longer the state, but the city, the polis."* The importance of both large and small cities has also been emphasised by Antonio De Caro, president of ANCI, the National Association of Italian Municipalities, who has repeatedly made it clear that economic recovery must necessarily start from municipalities, metropolitan cities and small towns, which often contain hidden art treasures.

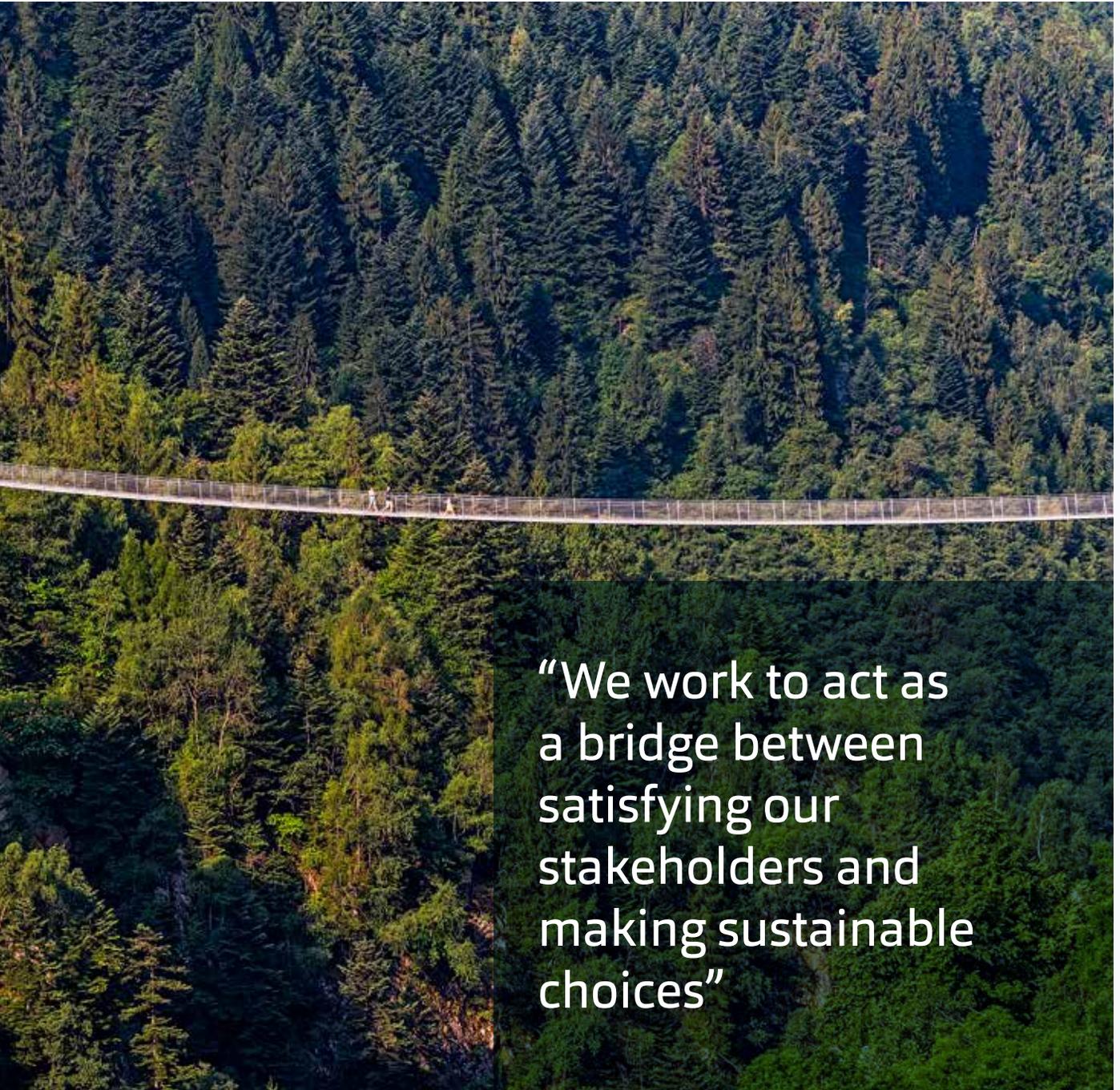
However, large urban centres and, above all, small municipalities are now facing serious new problems due to substantial organisational changes connected to the introduction of new digital technologies – changes that fuel complexity that has become endemic with the advent of the Third Millennium and is therefore difficult to govern, to the extent that in urban contexts it leads to serious cases of physical degradation and social marginalisation, which are more evident in the suburbs of large cities.

This is why a need has arisen to carry out research "*For a new science of city government*" (Dioguardi, 2017) through the establishment of an innovative City School which, just like Business Schools for manufacturing companies, can train new professionals with appropriate skills for more effective and efficient management of the now endemic urban complexity.

On 29 July 2021, ANCI, the University of Bari and the Dioguardi Foundation set up the 'Consorzio SUM City School - School of Urban Management', which I chair, to promote a national school of managerial training, in line with PNRR guidelines, with the aim of disseminating professional training processes across the regions to train a new suitably professional managerial class that can govern sustainable, innovative and digital change in the cities of the Third Millennium, promoting an adequate urban culture both in public bodies and particularly for young students in schools and school districts.

Currently, this school, in collaboration with various public and private institutional bodies, various universities and university networks (CUOA in Vicenza), has been operating as a City School for the past three years in Bari and Milan with the participation of the municipality and metropolitan city, while in the Port City School version, for cities with specific port systems, it has launched master's and specialisation courses, in Venice with Cà Foscari University and in Brindisi.

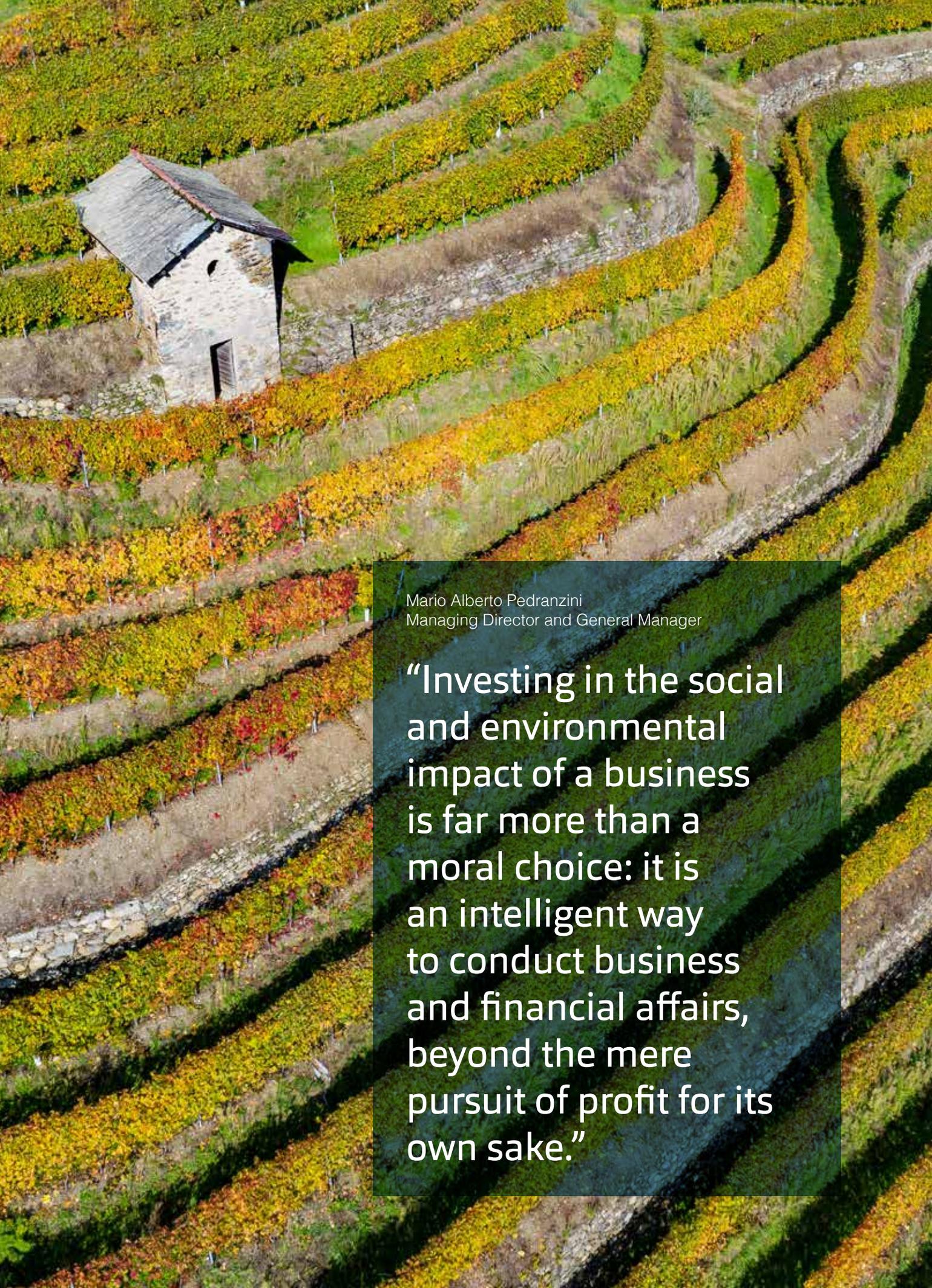
The Banca Popolare di Sondrio is also paying special attention to these local initiatives, which are completely new both in Italy and internationally, confirming its constant interest in the latest developments geared towards innovative change.



“We work to act as a bridge between satisfying our stakeholders and making sustainable choices”

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Mario Alberto Pedranzini  
Managing Director and General Manager

“Investing in the social and environmental impact of a business is far more than a moral choice: it is an intelligent way to conduct business and financial affairs, beyond the mere pursuit of profit for its own sake.”

## Letter to stakeholders

# For lasting and sustainable growth



The year 2021 marked the 150th anniversary of the founding of Banca Popolare di Sondrio: a “history of growth, values and culture” that has seen the company successfully adapt and evolve along a balanced and profitable path of development. From the outset, the Bank oriented its business model around the goal of providing customers with transparent financial solutions designed to establish solid, lasting relationships based on trust. This has benefited, to a varying extent, members of the communities in which the Bank has gradually established itself, who have been able to seize, with the Bank’s help, the opportunity to achieve their life projects, fulfilling their ambitions.

Over the past two years, the social and economic upheaval caused by Covid-19 has posed a severe test for us as for everyone. We have rolled up our sleeves and changed the traditional *modus operandi*, supplementing physical contact with customers, via the branch network, with effective digital solutions.

The pandemic has made us realise that, beyond economic value *tout court*, there is also room for related social and cultural value, with a particular focus on the environment. The history behind us and the ‘wisdom’ we have inherited teach us that rebirth is possible through knowledge and expertise, as well as through the use of intangible resources that are often not exploited. We must therefore follow a humble and discreet path, drawing on the beauty offered by the natural and human environment that we are part of in order to generate a better one.

Increased awareness of the delicate equilibrium underpinning the coexistence of Man and Nature is triggering a strong push towards the pursuit of a more balanced economic growth model in which everyone is required to play their part. As a financial services provider, we firmly believe that it is possible to contribute to the creation of a better, environmentally sound, socially inclusive and well-governed world, fully in line with the UN Global Compact, whose Ten Principles we committed to over fifteen years ago.

In particular, for Banca Popolare di Sondrio, the transition to a greener economy represents not only a challenge, but also an opportunity. By integrating ESG (Environmental, Social and Governance) factors into our operations, now regarded as a key strategic lever, we intend to progressively achieve a distinctive position in sustainable finance. Not only do we wish to evolve the way we do business, but we also want to support our customers, who are themselves engaged in the transformation towards a renewed development model whereby ESG criteria enter the very fabric of business.

The year 2021 was a crucial for the implementation of our strategy: with the approval of the Sustainability Policy, the Bank identified the principles, guidelines and relevant issues that are acted upon and monitored in our daily operations in order to meet the needs of all our stakeholders, both internal and external.

At the organisational level, we have significantly strengthened our governance structure by setting up a management Committee devoted to ESG topics, supported by a dedicated unit – the Sustainability Office – which monitors regulatory developments and manages specific initiatives in this area.



Conscious of the important role played by financial institutions in the fight against climate change, we have formalised our commitments in the Environmental Policy and decided to contribute, through the CDP questionnaire, to disseminating internationally standardised information.

The constant dialogue with rating companies, which are increasingly attentive to sustainability issues, provides an opportunity for exchange and growth; indeed, it is significant for us that, in 2021, the independent rating agency Standard Ethics awarded the Bank an 'EE' rating, attesting to our high level of alignment with best practices. In March 2022, upon completion of the annual rating review process, this gratifying rating was confirmed and enhanced by a long-term rating raised to 'EE+'.

As an issuer in the bond market, we finalised, within a specific Green Bond framework, the first placement with institutional investors of a Senior Preferred bond. The proceeds of the issue, amounting to €500 million, were fully allocated, mainly to green projects in the field of building energy efficiency and renewable energy. With regard to the proprietary securities portfolio, with a view to diversification integrated with sustainability criteria, a target was set to increase ESG bond investments in the medium term up to 10% of the total debt securities held.

Finally, a further important step was taken to integrate sustainability risks into our customers' investment processes by initiating a project aimed at increasing ESG risk disclosure to our customers. The subsidiary BPS (SUISSE), for its part, has adopted the 'Sustainable Investment Policy', whereby ESG criteria have been incorporated into the investment and advisory processes, with a focus on climate and environmental aspects.

We have listed a number of the most significant initiatives implemented by the Bank during the year under review, some completed, others in progress, which will require contextualisation in order to also take into account the occurrence of sometimes unforeseeable events. We were struggling to recover from the pandemic emergency and were soon hit by a new emergency: the Russia-Ukraine conflict. The ongoing war has dramatically drawn attention not only to geopolitical and humanitarian issues, but also to the energy question, which is closely linked to climate and environmental concerns.

The reform of Articles 9 and 41 of the Constitution, which came into force on 8 March 2022, is a significant step towards the Country's focus on sustainability: protection of the nation's landscape and artistic heritage, environment, biodiversity, ecosystems and animals, not least for the sake of future generations. Similarly, in reaffirming the freedom of private economic initiative, it stipulates that it may not be carried out in conflict with social activities, damaging health and the environment.

Now, as many experts have warned, we are in the midst of the most critical phase for mankind from an energy standpoint and we run the risk of embracing hasty solutions that conflict with the principles enshrined in the Constitution to protect the environment, biodiversity and ecosystems. The challenge, from this standpoint, is therefore to ensure that foresight and respect for agreements made at international level prevail.

The results achieved so far, which we have tried to clearly present in the pages of this document, constitute the strong foundations on which we will continue to work intensely, with the goal of creating long-term value for all our stakeholders, aiming to fully achieve the vision of a community bank that represents our true identity.

**Mario Alberto Pedranzini**

Managing Director and General Manager  
of the Banca Popolare di Sondrio



## Highlights



3,367

Total employees



751,382 million €

Total economic value distributed



200

Number of new employees



982,192

Number of customers



99%

Permanent employees



717 million €

Bonds in the ESG segment of the proprietary portfolio



million collected

1,029

Turnover  
(total income)



98%

Renewable energy



500 million collected

Green Bonds

FUTURE TARGET



10%

of the bond portfolio owned in the ESG segment





# 01

## INTRODUCTION, CONTEXT AND PREPARATION METHODOLOGY

“Our origins are rooted in the heart of the Alps: since 1871, we have been serving the areas in which we operate with a focus on supporting deserving customers.”



# Who we are, what we do and what we believe in

One of the first cooperative Italian banks, Banca Popolare di Sondrio has been serving the areas in which it operates since 1871. A long history, based on mutual trust and fuelled by a passion for our work, a constant focus on our customers and their changing needs, and strong roots that have enabled us to broaden our horizons.

Over the years, we have extended our operations nationwide, maintaining strong ties with our homeland and our traditions, while fostering the Community's sustainable economic development through careful, tailored support for small entrepreneurs, ordinary citizens, and medium and large-sized enterprises.

We operate in Europe and the rest of the world, supporting our customers, human capital for whom we strive to create value.

After 150 years of tradition as a point of reference for an entire region, Banca Popolare di Sondrio approved its transformation into a joint-stock company on 29 December 2021 with 2,517 votes in favour, 38 against, 39 abstentions and 16 not counted.

The new Articles of Association were drawn up with the primary aim of implementing the requirements of the legislation in the transition from cooperative to joint-stock company status, providing the Bank with adequate and efficient governance mechanisms. In drafting the new text, the intention was to give a sense of continuity between the role played by Banca Popolare di Sondrio up to now and the role which, after its transformation into a joint-stock company, it would be required to play, in keeping with the tradition of cooperative credit, catering for households, small and medium-sized enterprises, cooperatives, and public and private bodies, while paying special attention to the areas it serves, starting with its native Valtellina and Valchiavenna. All this was intended to avoid losing a way of being a local bank that has permitted the creation and gradual development of a business model with a strong and recognised identity, which continues to be a distinctive factor that is highly appreciated by a vast, varied clientele and which has facilitated the development of banking relations, including at an international level.

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**“Building on our strong founding values, we are confidently looking to the future, strongly committed to continuing to effectively conduct our business to benefit our customers and all stakeholders.”**

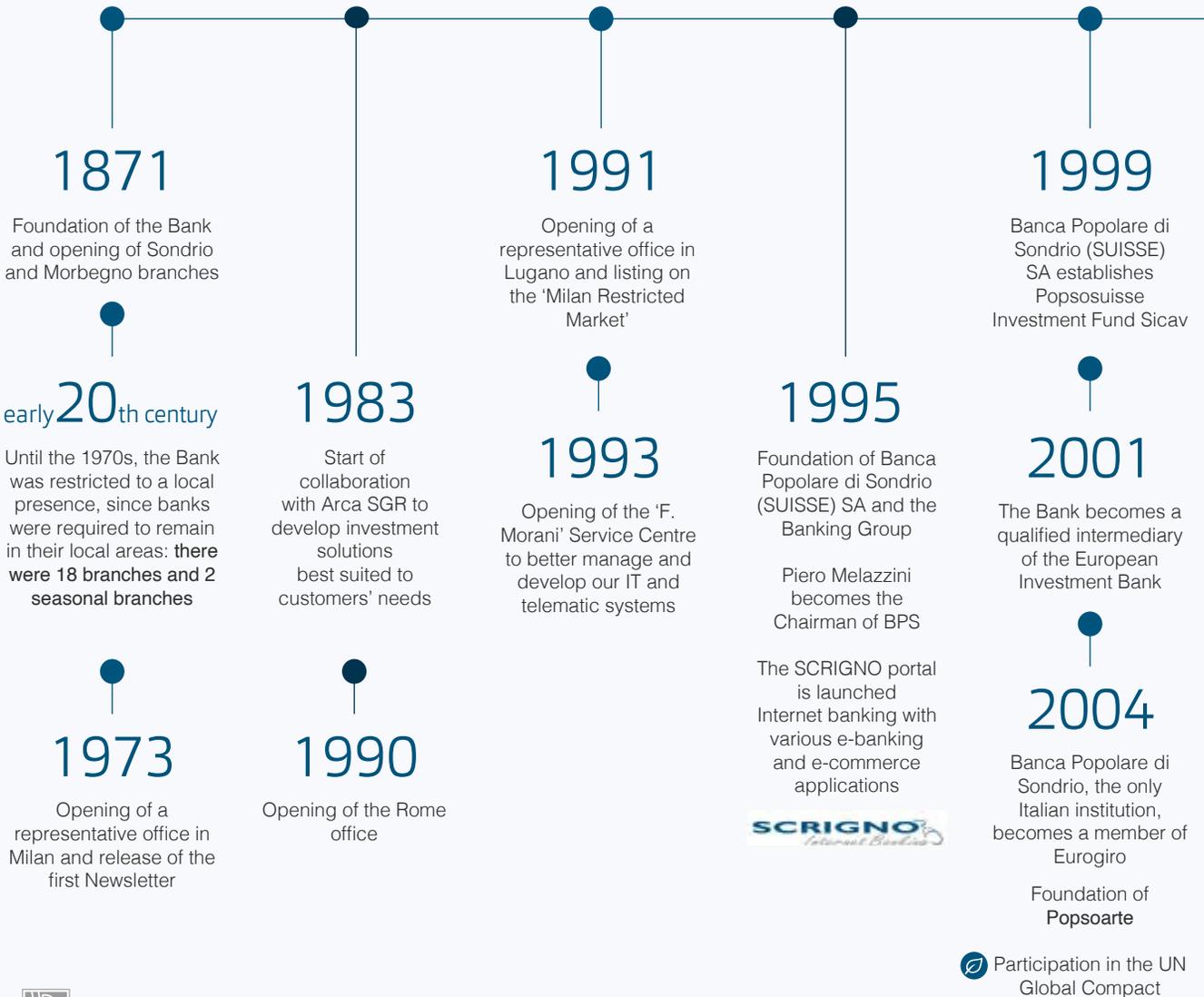
Press release, 29 December 2021

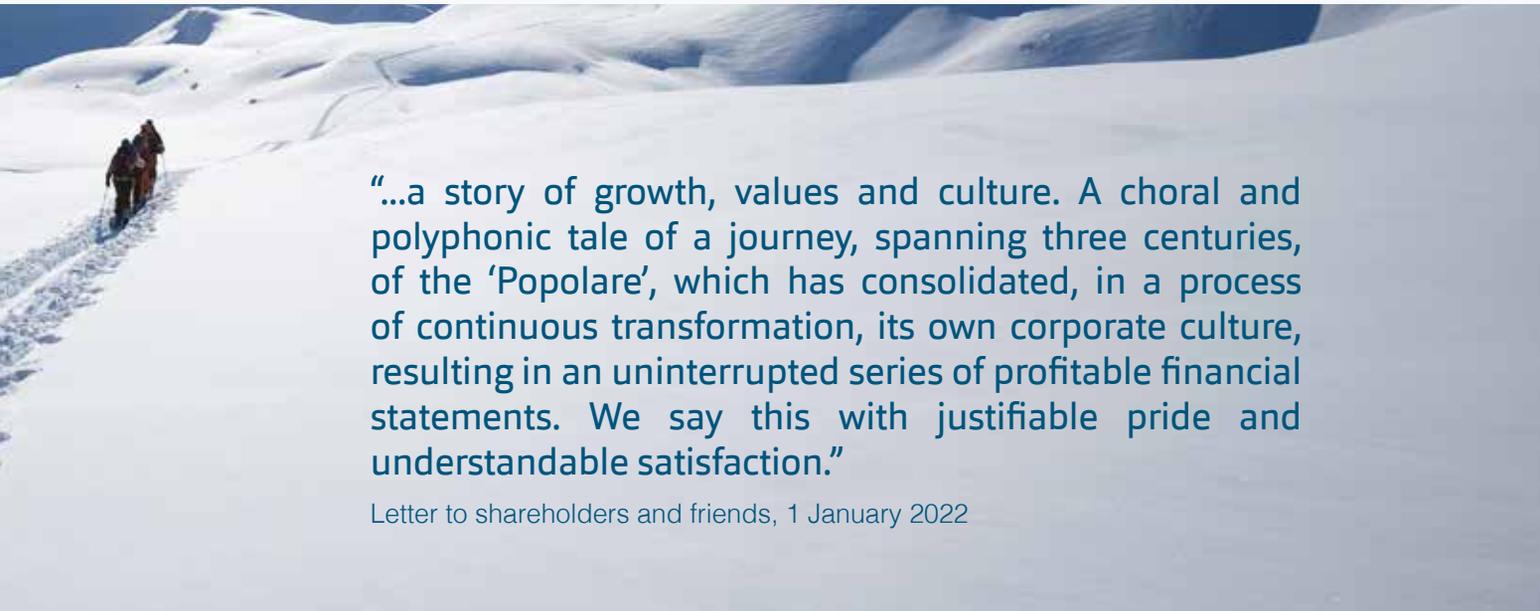


**Banca Popolare di Sondrio** FONDATA NEL 1871



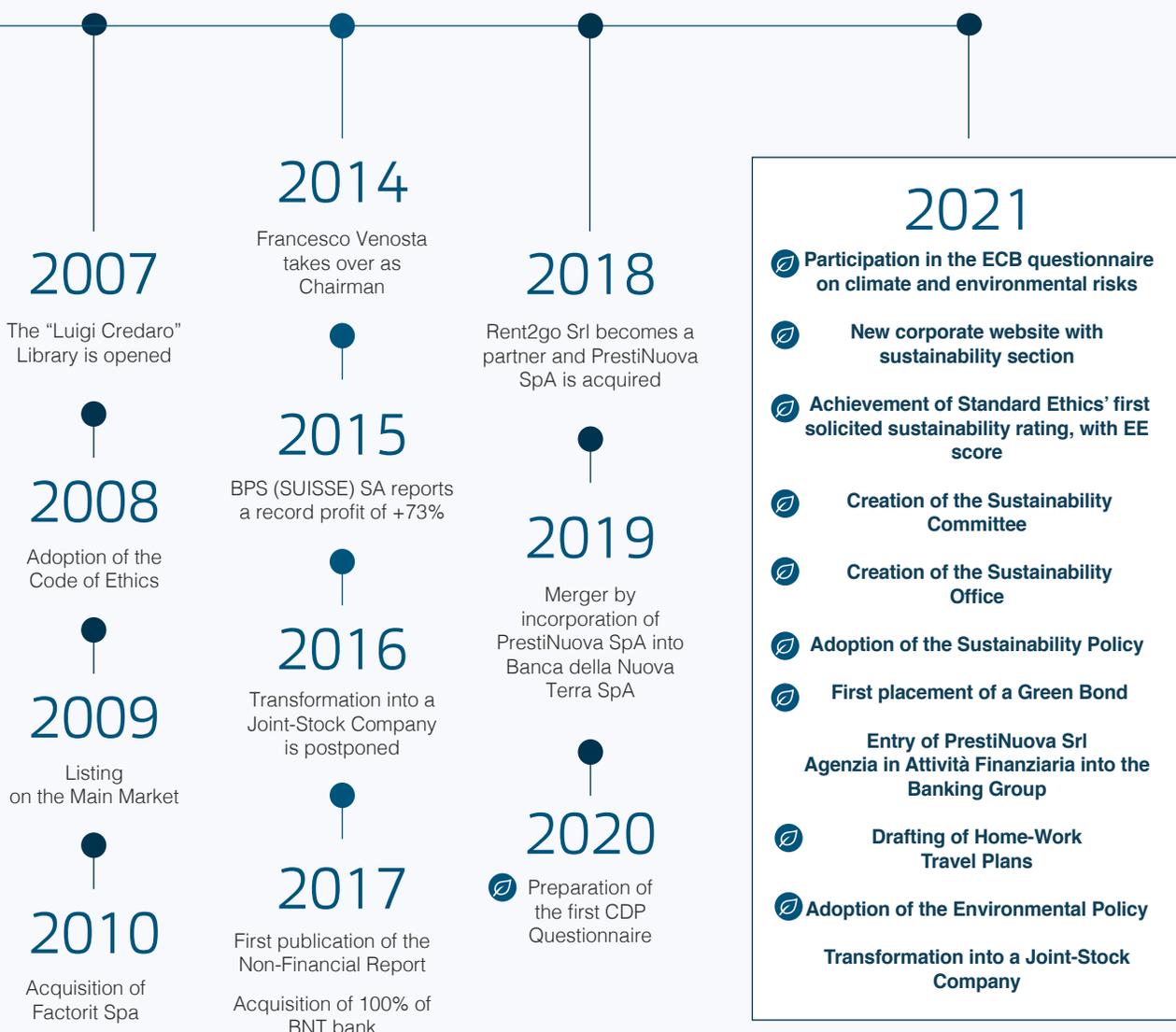
## Our History





“...a story of growth, values and culture. A choral and polyphonic tale of a journey, spanning three centuries, of the ‘Popolare’, which has consolidated, in a process of continuous transformation, its own corporate culture, resulting in an uninterrupted series of profitable financial statements. We say this with justifiable pride and understandable satisfaction.”

Letter to shareholders and friends, 1 January 2022



## The Group

The Banca Popolare di Sondrio Banking Group, through its parent company Banca Popolare di Sondrio and its subsidiaries, provides its stakeholders with a range of services to meet any banking, financial and insurance needs.



**THE COMMON  
GOAL IS TO  
CREATE VALUE  
OVER TIME**

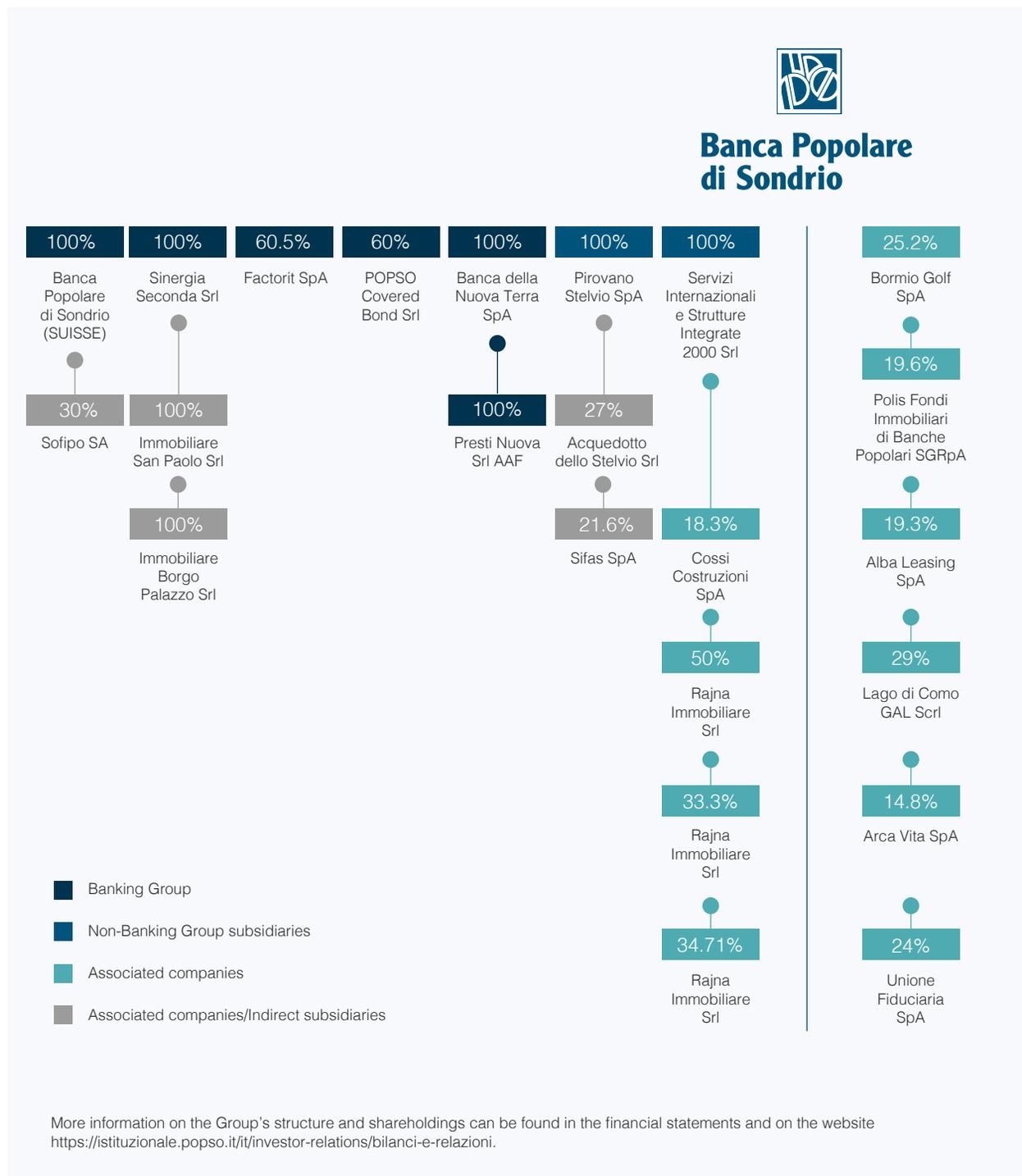


## In addition to Banca Popolare di Sondrio, the banking group comprises:

- **Banca Popolare di Sondrio (SUISSE) SA:** a bank under Swiss law wholly owned by the Parent Company, established in Lugano on 3 May 1995. Its branch network now comprises 21 operating units – including branches, agencies and subsidiaries – in Switzerland and abroad, plus the Direct Banking virtual branch for online access to all banking services in Switzerland. BPS (SUISSE) carries out broad and diversified activities covering all sectors, presenting itself as a universal bank and operating according to the Group's philosophy: a bank that prioritises customers;
- **Factorit SpA:** a company specialised in factoring that offers companies operating in Italy and abroad a complete range of products to meet their financing, guarantee and receivables management needs. Factorit derives its values from the cooperative banks that constituted its shareholding and distribution channel; these values are formally expressed in the Code of Ethics.
- **Sinergia Seconda Srl:** a company operating in the property sector which mainly provides operational support for the activities of the Bank and the Banking Group;
- **Popso Covered Bond Srl:** a company active in the issuance of covered bonds;
- **Banca della Nuova Terra SpA:** founded in 2004 with the aim of mainly focusing on providing credit to the agricultural sector, the agro-industrial sector, private individuals and households. Since joining the Group, BNT has specialised in the placement of consumer credit products, specifically loans repayable by means of pension-backed loans (CQP), salary-backed loans (CQS) and delegation of payment (DEL).
- **PrestiNuova Srl – Agenzia in Attività Finanziaria:** a subsidiary of Banca della Nuova Terra SpA, it carries out its activities as a financial services agency for the public, focusing mainly on salary-backed and pension-backed loans under the direct mandate of Banca della Nuova Terra SpA.

The following companies are also part of the Group, although they do not fall within the scope of prudential supervision or offer financial services: **Pirovano Stelvio SpA, Immobiliare San Paolo Srl, Immobiliare Borgo Palazzo Srl, Servizi Internazionali and Strutture Integrate 2000 Srl.**

## Company ownership structure of the Banca Popolare di Sondrio SpA Group as of 31/12/2021



## Our territorial organization

### 3 Aosta Valley Autonomous Region

<b>15</b> <b>Piedmont</b>
Alessandria   2
Cuneo   2
Novara   2
Turin   3
Verbano Cusio Ossola   5
Vercelli   1

<b>15</b> <b>Liguria</b>
Genoa   8
Imperia   2
La Spezia   1
Savona   4

<b>382</b> <b>Lombardy</b>
Bergamo   28
Brescia   50
Como   59
Cremona   5
Lecco   39
Lodi   2
Mantua   8
Milan   66
Monza and Brianza   21
Pavia   16
Sondrio   63
Varese   24

<b>7</b> <b>Trentino Alto Adige</b>
Bolzano   2
Trento   5

<b>8</b> <b>Veneto</b>
Padua   1
Treviso   1
Venice   1
Verona   4
Vicenza   1

<b>8</b> <b>Emilia Romagna</b>
Bologna   1
Parma   3
Piacenza   4

<b>47</b> <b>Lazio</b>
Rome   47

# 485

Branches in Italy

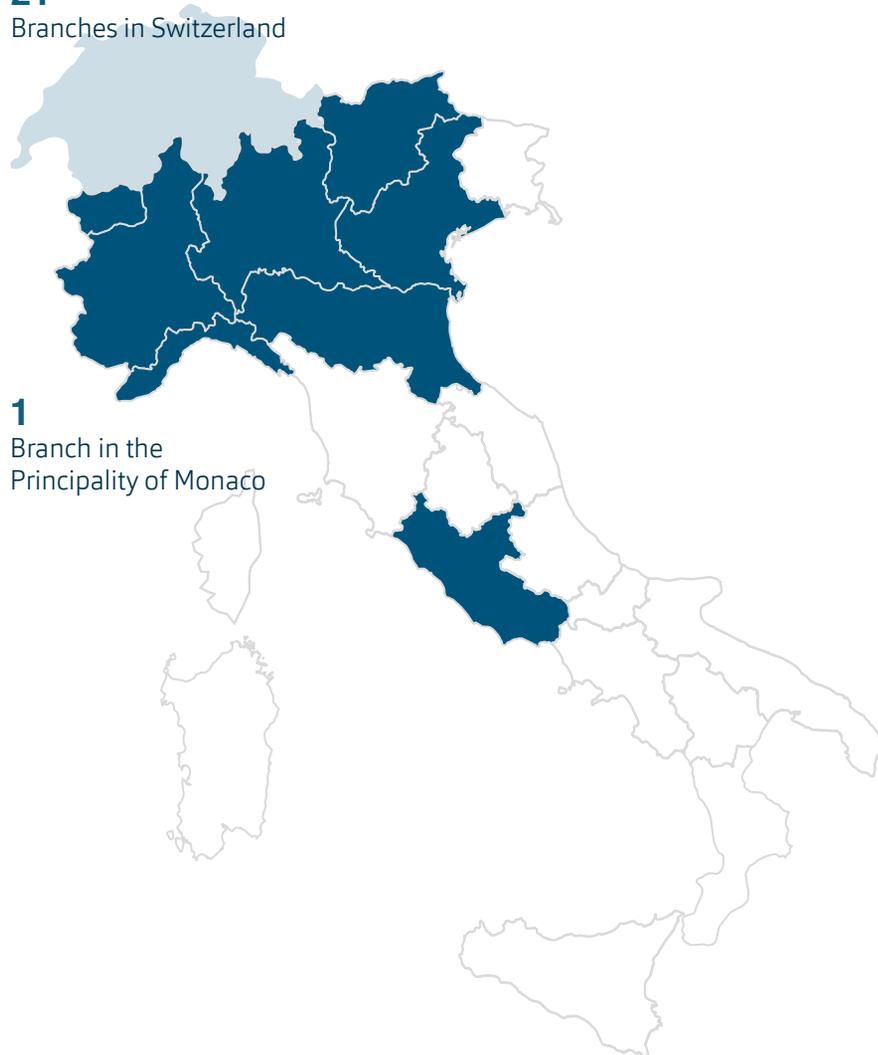
Our branches are present in seven regions in northern Italy and in the Rome area

# 21

Branches in Switzerland

# 1

Branch in the Principality of Monaco



Data updated as of 26 January 2022

## Business model and strategy

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**“Economy and business need ethics to function properly; not just any ethics, but ethics that prioritises people and the community.”**

Pope Francis, Saturday 31 October 2015

Banca Popolare di Sondrio's business model is designed to meet the needs of all stakeholders, supporting the manufacturing industry, the household sector and private individuals in general, by investing, granting mortgages and lines of credit, while also offering simple and easily accessible products and services that meet the needs of individuals.

Over the past year, the Group, which has traditionally paid close attention to social responsibility, has considerably evolved this area within the broader concept of sustainability, supplementing its governance model and promoting new initiatives, both business-related, such as the launch of a Senior Preferred Green Bond, and initiatives aimed at making its relationship with stakeholders increasingly inclusive.



## Business strategies

In light of new European regulations on sustainable finance, as well as growing market pressure in this area, the Bank is increasingly aware and committed to updating its strategies and implementing its processes to further integrate sustainability into the business.

The search for new products and services, in order to better seize market opportunities and respond to new customer needs, is ongoing, with a particular focus on sectors such as mortgages, loans, asset management, international operator services, online current accounts, current accounts for young people, credit cards, insurance and innovative products.

The ability to establish a unique and tailored relationship with both new and long-established customers is undoubtedly one of the Group's hallmarks, which has enabled it, among other things, to gain significant market shares in core banking sectors such as credit intermediation, payment systems and assets under administration and management.

Branch managers have always represented, both for small savers and for families and entrepreneurs, an important and essential point of reference capable of analysing the financial and asset situation of their counterparts, identifying their needs and, with a sense of responsibility, guiding their choices, even in times of difficulty.

Banca Popolare di Sondrio's cooperative banking model is rooted in three elements that shape its identity:

1

Bank/Shareholder  
Link



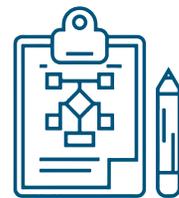
2

Business  
Model



3

Decentralised  
Organisational Model



The Bank's corporate strategy, as well as its day-to-day banking and financial activities, are underpinned by the United Nations Global Compact, ten fundamental principles that promote the values of long-term sustainability through responsible policy actions, business practices, and social and civic behaviours that also consider future generations: the Bank has adhered to these Principles since 2004.

- 1 Companies are required to promote and respect universally recognised human rights within their sphere of influence
- 2 Companies must ensure that they are not, even indirectly, complicit in human rights abuses
- 3 Companies are required to support workers' freedom of association and recognise the right to collective bargaining
- 4 Companies must support the elimination of all forms of forced and compulsory labour
- 5 Companies must support the effective elimination of child labour
- 6 Companies must support the elimination of all forms of discrimination in employment and occupation
- 7 Companies are required to support a preventive approach to environmental challenges
- 8 Companies are required to carry out initiatives that promote greater environmental responsibility
- 9 Companies are required to encourage the development and dissemination of environmentally friendly technologies
- 10 Companies commit to fighting corruption in all its forms, including extortion and bribery

## HUMAN RIGHTS



## WORK



## ENVIRONMENT



## FIGHT AGAINST CORRUPTION



# A market overview, from the letter to stakeholders and friends of 1 January 2022

The pandemic has profoundly changed habits, behaviour, lifestyles, work and consumption patterns, strongly impacting the economy. Italy, for the most part, behaved responsibly, once again showing its awareness of feeling part of a global community through involvement in various areas regarding common problems of a macroscopic nature, starting with the G20 in Rome at the end of last October.

Such was also the case in Glasgow, from 31 October to 12 November, at COP26, where the 197 participants, with the aim of curbing global warming, formalised promises and signed agreements, the most important of which concerned the gradual reduction of coal consumption for the coming decades.

As for the economy, in 2021 the growth outlook improved throughout the industrialised world. China was the first to recover. The year started slowly in the US, but as the months went by, trade intensified and the recovery gained momentum. The recovery of the Eurozone countries got off to a somewhat delayed start, adequately catching up at a later stage, with a slight reduction in imports/exports in the latter part of the year under review and a slight slowdown in production, due, among other things, to shortages of certain electronic components and certain price pressures, impacting inflation and rates, which are expected to rise.

The European Central Bank considered it appropriate to maintain an expansive monetary policy. The Italian economy gradually recovered from severe recession, facilitating, month after month, the reopening of all businesses, including the very important tourism industry. The summer season exceeded expectations, despite the somewhat limited influx of foreigners, which also had an adverse effect on commerce, particularly neighbourhood commerce, which is suffering from an endemic crisis and is affected by the overwhelming power of e-commerce. Industry regained its footing. Craftsmanship recovered, albeit with difficulty. The construction industry revived, benefiting from state 'bonuses'. Exports drove growth. GDP in 2021 was well above 6%, with positive forecasts for 2022. In late April, the government submitted and received approval from the European Commission for the PNRR (National Recovery and Resilience Plan) documentation needed to qualify for Next Generation EU funds, of which the first tranche of €24.9 billion is already available. The resources will be used to modernise the country and to make it competitive. The innovative development model, to which it is now tending with increasing awareness, is that of environmental sustainability.

Against this backdrop of positive health and economic developments, we have worked diligently and responsibly, seeking the best opportunities, in line with our traditional ability to stay in the market in a cost-effective manner, adapting to new circumstances as we proceed. With a similar commitment and appropriate operational choices, our Group companies – BPS (SUISSE) SA, Factorit Spa and Banca della Nuova Terra Spa – made a valuable contribution to the financial statements. Profitability went hand in hand with efficiency and solidity.

Here are some significant indicators at the end of September 2021, which, we would like to stress, are among the best in the sector: cost-income ratio 53.4%; Cet1 ratio 16.53%; Tier1 ratio 16.57%; Total Capital ratio 18.33%; gross NPL ratio 6.99%, expected to significantly improve. This year fittingly crowns, in future memory, the significant 150th anniversary of the foundation of BPS (4 March 1871), a history of growth, values and culture.

We worked  
diligently and  
responsibly,  
adapting to new  
circumstances as  
we proceeded.

In-depth information on the target market and the Group's results can be found in the consolidated financial statements.

The Group's activities are carried out in Italy and in neighbouring Switzerland, where its subsidiary BPS (SUISSE) operates.

The Banking Group can count on:

<p><b>350</b></p> <p><b>Branches</b></p> <p>located in seven regions of northern Italy, as well as in Rome and its province</p>	<p><b>132</b></p> <p><b>Treasury branches</b></p> <p>for bodies and institutions</p>	<p><b>20</b></p> <p><b>Operational branches in 8 cantons</b></p> <p>in addition to the virtual Direct Banking unit in Lugano, the representative office in Verbier and the foreign subsidiary in Monaco, in the Principality of Monaco.</p>
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## NPL – Non-performing loans

Non-performing loans, i.e. loans whose recovery is considered risky in a number of respects, are an area to which the Bank has devoted considerable effort, prioritising attention and action to reduce their volume.

In order to better manage this important aspect, the new NPE Unit was set up in 2020: this unit, working in synergy with the offices that manage credit risk, is responsible for preventing the stock of NPLs from growing through campaigns to prevent the increase of abnormal credit or through agreements with customers.

As part of a broader programme of measures for non-performing loans and in line with the derisking and asset quality improvement strategy, on 23 December 2021, Banca Popolare di Sondrio concluded, together with eleven other institutions, the securitisation of non-performing loans referred to as 'POP NPLS 2021'. Specifically, the bank sold, with an economic effect from 1 January 2021, a portfolio of non-performing loans with a gross value of €420.9 million (consisting of 57% secured loans) to the securitisation vehicle named 'Luzzatti POP NPLs 2021 Srl'.

Following the accounting deconsolidation of the portfolio, the Group's gross NPL ratio (non-performing loans ratio) was 5.8% as of 31 December 2021.



## INDIVIDUALS

- Online services
- Current accounts
- Payment cards
- Loans
- Investments
- Insurance cover
- Social security
- Payments and collections

## INSTITUTIONS

- Online services
- Treasury and cash management services
- Electronic payment orders and digital signatures
- Ancillary collection services
- Ancillary payment services

Products and services, a range that covers every need

- Online services
- Foreign services
- Loans

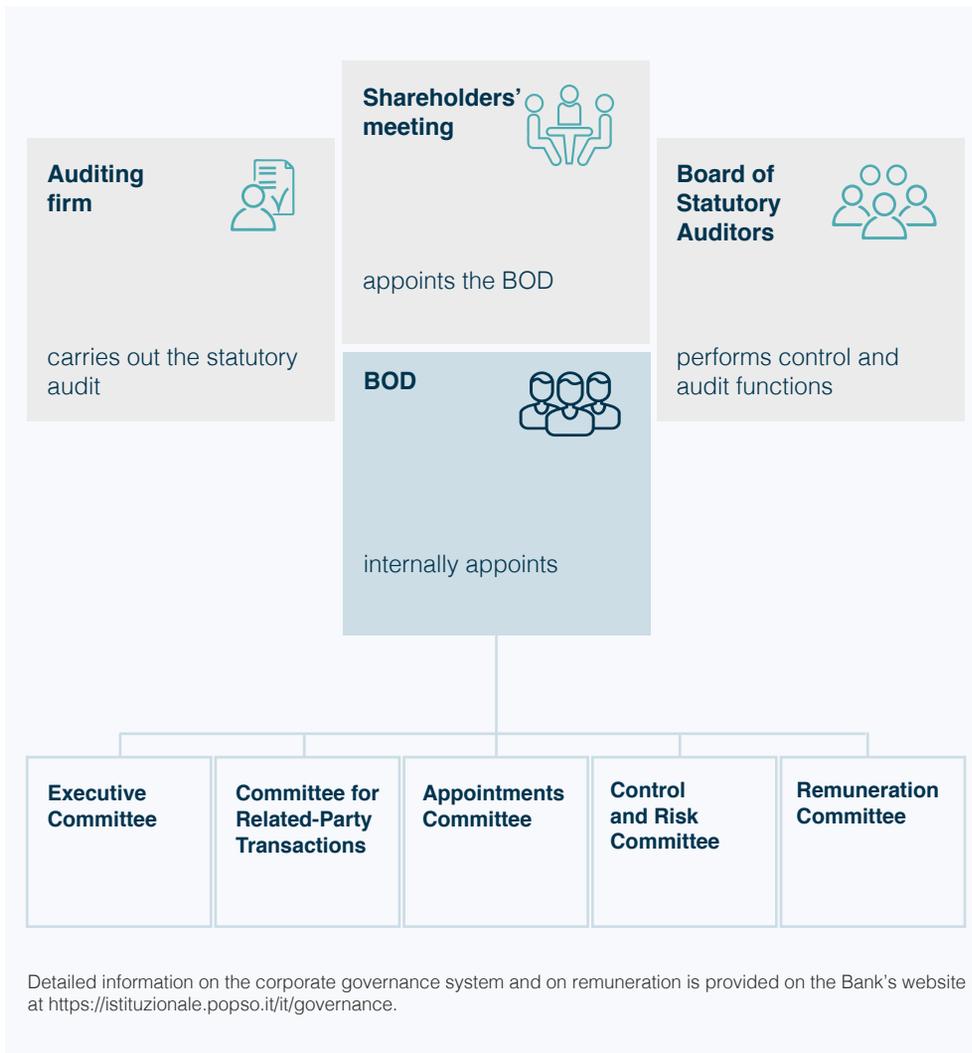
## COMPANIES

- Insurance cover
- Value-added services
- Payments and collections

- Factoring
- Leases
- Payment cards

## Governance

Banca Popolare di Sondrio adopts the traditional administration and control model, in which corporate management is entrusted to the Board of Directors, the supervisory functions are carried out by the Board of Statutory Auditors, and the auditing of the accounts is performed by an external auditing firm.



## 15 members of the BPS BOD, elected by the Ordinary Shareholders' Meeting

The Board of Directors currently in office consists of 15 members elected by the Ordinary Shareholders' Meeting and one third of the Board is reappointed every year, permitting generational turnover and adequate diversity in terms of both age and term of office, thereby helping to ensure a variety of approaches and perspectives.

The Board of Directors undergoes an annual self-assessment to assess its adequate composition and its proper and effective functioning. The process, which involves the Board as a whole and the Committees set up within it, is particularly designed to:

- identify the main weaknesses in the functioning of the body, promote discussion and determine corrective actions;
- promote updating of the internal regulations governing the functioning of the Board of Directors in light of developments in the company's business and operating environment;
- stimulate the active participation of individual directors and foster full awareness of their role and responsibilities;
- ensure compliance with the applicable supervisory provisions on corporate governance;
- strengthen trust and cooperation between individual directors, while respecting individual roles.

The Board of Directors also prepares the document 'Optimal Qualitative and Quantitative Composition of the Board of Directors', which is promptly made available to stakeholders so that they can consider the required professionalism and characteristics when choosing candidates for the reappointment of the Board of Directors.

Supervisory regulations stipulate that the composition of corporate bodies must reflect an appropriate degree of diversification in terms of, among other things, skills, experience, age, gender and international outlook. Decree No. 169 of the Ministry of Economic Affairs and Finance of 23 November 2020, in turn, states in Article 11 that:

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**“the composition of the administration and control bodies must be adequately diversified so as to: encourage debate and dialogue within the bodies; foster the emergence of a variety of approaches and perspectives when analysing issues and making decisions; effectively support the corporate processes of strategy formulation, business and risk management, and control over the work of senior management; take into account the multiple interests that contribute to the sound and prudent management of the bank”.**

## BOD

<b>CHAIRMAN</b> <b>Francesco Venosta</b>		
<b>DEPUTY CHAIRMAN</b> <b>Lino Enrico Stoppani</b>		<b>MANAGING DIRECTOR</b> <b>Mario Alberto Pedranzini</b>
<b>DIRECTOR</b> <b>Paolo Biglioli</b>	<b>DIRECTOR</b> <b>Alessandro Carretta</b>	<b>DIRECTOR</b> <b>Cecilia Corradini</b>
<b>DIRECTOR</b> <b>Loretta Credaro</b>	<b>DIRECTOR</b> <b>Donatella Depperu</b>	<b>DIRECTOR</b> <b>Federico Falck</b>
<b>DIRECTOR</b> <b>Cristina Galbusera</b>	<b>DIRECTOR</b> <b>Pierluigi Molla</b>	<b>DIRECTOR</b> <b>Adriano Propersi</b>
<b>DIRECTOR</b> <b>Annalisa Rainoldi</b>	<b>DIRECTOR</b> <b>Serenella Rossi</b>	<b>DIRECTOR</b> <b>Domenico Triacca</b>

One third of the members of the Board of Directors are reappointed annually

### Diversity in the Group's governing bodies

Composition of the Group's BOD	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total members of the Group's BOD (number)	7	21	28	7	21	28	6	22	28
Total members of the Group's BOD (%)	25%	75%	100%	25%	75%	100%	21%	79%	100%
≤ 29 years old (number)	0	0	0	0	0	0	0	0	0
≤ 29 years old (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
30-50 years old (number)	1	0	1	1	0	1	1	0	1
30-50 years old (%)	4%	0%	4%	4%	0%	4%	4%	0%	4%
≥ 51 years old (number)	6	21	27	6	21	27	5	22	27
≥ 51 years old (%)	21%	75%	96%	21%	75%	96%	18%	79%	96%

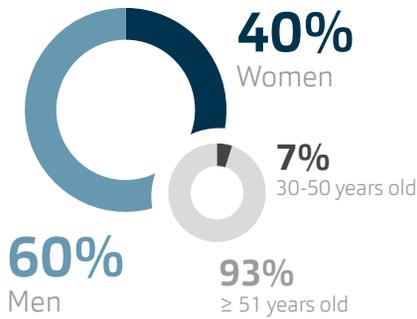
GRI  
405-1



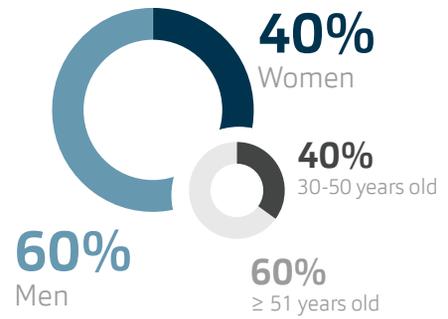
## Composition of the Board, the Committees and the Control Body of BPS



**BOARD OF DIRECTORS**

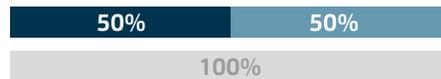


**BOARD OF STATUTORY AUDITORS**



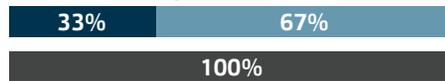
### Executive Committee

Breakdown by gender



### Committee for Related-Party Transactions

Breakdown by gender



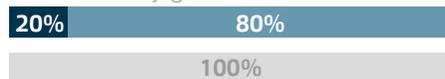
### Appointments Committee

Breakdown by gender



### Control and Risk Committee

Breakdown by gender



### Remuneration Committee

Breakdown by gender



## ESG training for the BOD and the Sustainability Committee

The Sustainability Policy, approved in June 2021, among other things stipulates the roles and responsibilities of the Board of Directors in the context of ESG: “The Board of Directors’ responsibilities include setting Group-wide guidelines, targets and strategies on sustainability issues and approving the NFS and the main policies”.

In order to facilitate the fulfilment of these important steering and control tasks, a training programme was developed for the members of the Sustainability Committee (for more information, please refer to the ‘Sustainability Governance’ section) and the Directors.

October saw the delivery of the first training module, covering the principles of non-financial reporting, the main stages of sustainability integration, with a review of national and international initiatives, and an in-depth discussion of the connections between materiality and the UN Sustainable Development Goals (SDGs).

Further information on ESG training can be found in the ‘Sustainability Governance’ section.



## The internal control system

The internal control system consists of the set of rules, activities, procedures and organisational structures that aim to ensure compliance with company strategies and the achievement of the following goals:

- process **efficiency** and **effectiveness**;
- **preservation** of asset value and protection against losses;
- **reliability** and **integrity** of accounting and management information;
- **compliance** of operations with both the policies established by corporate governance bodies and internal and external regulations;
- **operational** conduct based on fairness and prudence.

The Bank, conscious that the internal control system is a key element in ensuring that its activities are always based on the traditional criteria of 'sound and prudent management', constantly updates and optimises the system in accordance with the principles set out by the Supervisory Authorities, namely:

- **proportional approach** to applying standards according to dimensional and operational characteristics;
- **gradual transition** to progressively more advanced methodologies and processes for measuring risks and the resulting assets available;
- **consistency** in defining the approaches used by the different departments within the Group's organisational system;
- **cost-effectiveness**, i.e. limiting charges for intermediaries.

The Internal Control System involves, with different roles, the Board of Directors, the Board of Statutory Auditors, the Internal Audit Service, the Compliance Function and DPO, any specially designated bodies with specific control functions, management and all staff, representing an indispensable element of the Bank's daily activities.

Specifically, in accordance with the Supervisory Instructions, the following control categories have been identified:

- **First-level controls:** these consist of procedural, IT and behavioural checks to allow operations to run smoothly. The central services, offices and local branches are responsible for the effective implementation of the controls and their adequacy;
- **Second-level controls:** consisting of risk and compliance controls, the aim of which is to ensure, among other things, the proper implementation of the risk management process, consistency of the operations of individual business areas with risk-return objectives and current and prospective capital adequacy. The controls are performed by the Chief Risk Officer, the Compliance Function and DPO, the Financial Reporting Officer and the Anti-Money Laundering Function;
- **Third-level controls:** represented by the internal audit controls, aimed at verifying the regular course of operations and the development of risks, assessing the adequacy and functionality of the organisational structure and the other components of the internal control system.

In detail, the Internal Audit Service aims, on the one hand, to check, through third-level audits and on-site inspections, the regular course of operations and the development of risks, and, on the other hand, to assess the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, bringing possible improvements to the attention of the corporate bodies, with particular reference to the risk management process and the tools for measuring and controlling them.

This autonomous and objective activity also contributes, through internal support and advice, to constructive dissemination of control culture and independent evaluation of the internal control system. This structure supports the Board of Directors, acting as its autonomous information and control tool, both for the purposes of adequate compliance with the provisions of the Supervisory Bodies and for specific risk control and organisational efficiency/effectiveness assessment requirements.

### **Organisation, management and control model pursuant to Legislative Decree 231/2001**

The Group has adopted an Organisation and Management Model, pursuant to Legislative Decree 231/2001 (hereinafter, OMM), concerning the administrative liability of bodies, companies and associations.

The Model, approved by the Board of Directors, was updated on 1 December 2020 and is addressed to the Board of Directors, the Board of Statutory Auditors, the Supervisory Board, employees, contractors and the auditing firm. The purpose of the Model is to set up a structured and organic system of procedures and control activities (preventive and *ex post*) for the prevention and conscious management of the risk of offences being committed through the identification of sensitive processes and their subsequent formalisation.

The adoption of ethical principles relevant to the prevention of offences pursuant to Legislative Decree 231/2001 is an essential element of the preventive control environment, elements defined in the Code of Ethics. This document outlines the Bank's rights, duties and responsibilities towards all

stakeholders (employees, suppliers, Public Administration, shareholders, the financial market, etc.) and is intended to recommend, promote or prohibit certain behaviours, while also providing for penalties proportionate to the seriousness of any breaches committed. To this end, the Bank has prepared a special form to be submitted for acceptance to third parties, requiring them to adopt conduct in line with that adopted by the Bank, stipulating, *inter alia*, that any violations of the Code of Ethics constitute just cause for termination of the contract.

To continuously supervise the suitability and effectiveness of the Model and its compliance, a Supervisory Board (pursuant to Articles 6 and 7 of Legislative Decree No. 231/2001) has been created, endowed with autonomy and independence in the exercise of its duties, as well as adequate competence and professionalism; this body is composed of a Chairman and the *pro-tempore* heads of the Compliance Function and Data Protection Officer, Internal Audit and the Legal Service.

From a Group standpoint, without prejudice to the fact that each company is required to independently carry out the activity of preparing, implementing and revising its own organisational

The purpose of the Model is to set up a system of procedures and control activities for the prevention and conscious management of risk

## Reporting system

## Level 3 controls on the NFS

model, the bank, in its capacity as Parent Company, recommends the adoption and effective implementation by all group companies of their own organisational, management and control models pursuant to Legislative Decree No. 231/2001, which must not be incompatible or conflicting with the received guidelines received.

More information on the Organisation, Management and Control Model

pursuant to Legislative Decree 231/2001 can be found on the Bank's website at <https://istituzionale.popso.it/it/documenti/relazione-sul-governo-societario-e-gli-asseti-proprietari-2021>.

During 2022, the Supervisory Board will update the OMM to incorporate the extension of the catalogue of predicate offences, starting with offences relating to non-cash payment instruments.

### Whistleblowing procedure

In order to strengthen within the entire corporate structure the culture of fairness and compliance with the rules, and in compliance with the Supervisory Provisions, the Bank has implemented a system for reporting violations.

Reports can be made by all employees through a specific and autonomous communication channel designed for their submission and the related management of subsequent steps. Access to this application – which favours clarity, simplicity and intuitive use – via the company's intranet, and therefore after entering login details, highlights the identity of the whistleblower, who is afforded due protection under the relevant legislation.

The report must contain elements that can enable the competent departments to effectively and promptly carry out the related preliminary investigation aimed at assessing the merits of the report and, if it is deemed justified, at identifying with due precision the objective and subjective terms of the breach.

As part of the application of the Regulatory Provisions, a policy on the internal reporting of violations has been prepared, extended to banking group companies operating in Italy, which, in relation to the relevant regulations, must have whistleblowing systems in place.

The individual identified as the Head of the Internal Reporting System valid for all target companies is identified as the pro tempore Head of the Compliance Function.

### The Internal Audit Office's control activities concerning the NFS

In 2021, in accordance with its planning, the Internal Audit Office conducted an audit to verify the NFS drafting process and compliance with regulatory requirements through analysis of the organisational structure and methodological framework.

Furthermore, in order to assess the level of disclosure provided, a comparison was made with the main market competitors.

Based on the analyses carried out during the audit, a 'predominantly favourable' assessment was given on the generally structured Non-Financial Report drafting process.

## The values of BPS

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“The Bank’s corporate and business objectives are pursued by all those operating within it with loyalty, seriousness, honesty, competence and transparency, in full compliance with the laws and regulations currently in force. These are the ethical principles to which the Bank aspires, in the context of its more than 100-year mission as a cooperative bank – and from which derive its models of conduct – in order to compete effectively and fairly in the market, to satisfy the expectations of the communities of the areas in which it operates, to improve customer satisfaction, increase shareholder value and develop the skills and professional growth of its human resources.”

Code of Ethics



Since its foundation, the Banca Popolare di Sondrio Group has geared its operations towards satisfying the multiple interests of its various stakeholders, combining the traditional aim of pursuing profits with the distinctive aim of achieving a common benefit.

The activities of Banca Popolare di Sondrio and the other companies (subsidiaries and associates) are inspired by respect for the values and principles contained in its Code of Ethics, fully aware that fairness, transparency, integrity and professionalism are essential conditions for the sustainable economic development of the Community. The Code of Ethics, among other things, outlines the policies and regulations governing the Bank's activities and applies to each person operating or representing it directly or indirectly, contributing to the implementation of corporate social responsibility.

The creation and dissemination of these values cannot be separated from real respect for fundamental principles such as professional fairness, personal integrity, effective protection of health and safety in the workplace, and transparent competition on the market by all parties.

In this context, the NFS is an integral element of the Bank's strategic, financial and business policies, as well as a necessary tool to convey values such as social responsibility and sustainability.





# Sustainability at BPS

## The context of sustainable finance

The international community has long recognised the need to take action to reconcile economic development with environmental protection and to achieve goals in the interest of society.

The 1987 report produced by the World Commission on Environment and Development (the Brundtland Report - Our Common Future) was followed by a series of initiatives, culminating in the approval in 2015, of the United Nations 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), which are divided into 169 overall targets to be achieved by 2030. In December of the same year, the Paris Climate Conference (COP21) saw 195 countries sign up to the first universal and legally binding agreement on a global action plan to prevent “*dangerous climate change*”. The Paris Agreement regulates mitigation and, for the first time, also adaptation and climate finance: the Agreement’s long-term goal is to keep the temperature increase well below 2°C and to concentrate efforts on limiting the increase to 1.5°C compared to pre-industrial levels.

The European Union launched its Sustainable Development Strategy in 2001 and subsequently revised it in several stages until 2010, when sustainable development was included in the European Strategy 2020, playing a decisive role in shaping the 2030 Agenda. In 2018, the Action Plan for Financing Sustainable Growth, launched by the European Commission, was a key step in implementing the efforts of the capital markets union to connect finance to the specific needs of the European economy, benefiting the planet and our society, and in putting the historic Paris Agreement into practice.

With the Green Deal, launched in 2019, the European Union confirmed its commitment to zero its net greenhouse gas emissions by 2050 and to meet interim targets for 2030 and 2040. To achieve climate neutrality, the European Commission has set itself the goal of raising up to €1 trillion over the next decade. However, the transition process requires more investment than the EU budget and generally available public funds: the additional requirement is estimated at €180 billion per year.

The financial system has a key role to play in overcoming this deficit and facilitating an orderly transition to a low-carbon economy.

Three years on from the Action Plan that is shaping the EU’s regulatory actions, in July 2021 the Commission launched the Renewed Strategy for Sustainable Finance, which identifies four areas that need additional action in order for the financial system to fully accompany the economy’s transition to a sustainable world: financing the transition, inclusiveness, resilience of the financial economic sector and international cooperation. This initiative is aimed at identifying actions and projects to increase private investment in order to achieve the goals of the European Green Deal. The programme known as the Next Generation European Union (NGEU, in response to the pandemic) reaffirms the goals of the green transition, stipulating that 37% of resources must be allocated to climate action and sustainable development and that projects financed by the programme have no negative impact on the environment.

The financial system has a central role in facilitating an orderly transition to a low-carbon economy

### The regulatory landscape three years after the Action Plan for Sustainable Finance

Based on the recommendations of the High-Level Expert Group on Sustainable Finance, the European Commission published the Action Plan for Financing Sustainable Growth in March 2018, a roadmap with specific measures and related deadlines aimed at:

- directing capital flows towards sustainable investments;
- more effectively managing financial risks stemming from climate change, resource consumption, environmental degradation and social inequalities;
- improving transparency and encouraging a long-term approach to financial activities.

An appropriate regulatory framework is necessary to achieve these ambitious goals and to ensure the coherent intervention of the financial sector: in the three years since the adoption of the Plan, extensive legislative and regulatory production at European level has continued unabated. In implementing the provisions, the banking sector is required to carry out a thorough self-analysis and progressive renewal of its business processes.

Below is a summary of the main regulatory initiatives at European level and a timeline of the main future steps for their implementation.

- Regulation 2019/2088 - Sustainable Finance Disclosure Regulation – SFDR: requires financial operators and advisors to disclose how ESG risks are accounted for at the subject and product level. This regulation imposes specific disclosure requirements for products that promote environmental or social characteristics and for products that target sustainable investments. The European supervisory authorities regulate implementation aspects by means of Regulatory Technical Standards (RTS).
- Regulation 2020/852 (Taxonomy) introduced a classification of activities considered sustainable based on their alignment with EU environmental objectives and compliance with certain social clauses. A series of delegated acts detail the technical criteria for determining the conditions under which each economic activity makes a substantial contribution to at least one of the six identified environmental goals, without significantly harming any of the other five (“*Do No Significant Harm*” - DNSH clause).
- Corporate Sustainability Reporting Directive (CSRD): on 21 April 2021, the EU Commission published a legislative proposal updating Directive 2014/95/EU (so-called Non Financial Reporting Directive). One of the goals of the CSRD is to extend the reporting obligation to all European-based companies with more than 250 employees and to all SMEs listed on European markets, with the exception of micro-enterprises. Furthermore, data will have to be reported on the basis of common reporting standards, which will be developed by the European Financial Reporting Advisory Group and adopted by the Commission.
- EU Green Bond Standard: the draft regulation published by the European Commission introduces a strict standard to which all issuers will be able to voluntarily adhere, certifying that the projects to be financed are in line with the Taxonomy and providing investors with greater rigour and transparency.

## 2021

**10/03/2021**  
**SFDR**

Integration of pre-contractual disclosures and websites with ESG risk considerations in investments

**30/06/2021**  
**SFDR**

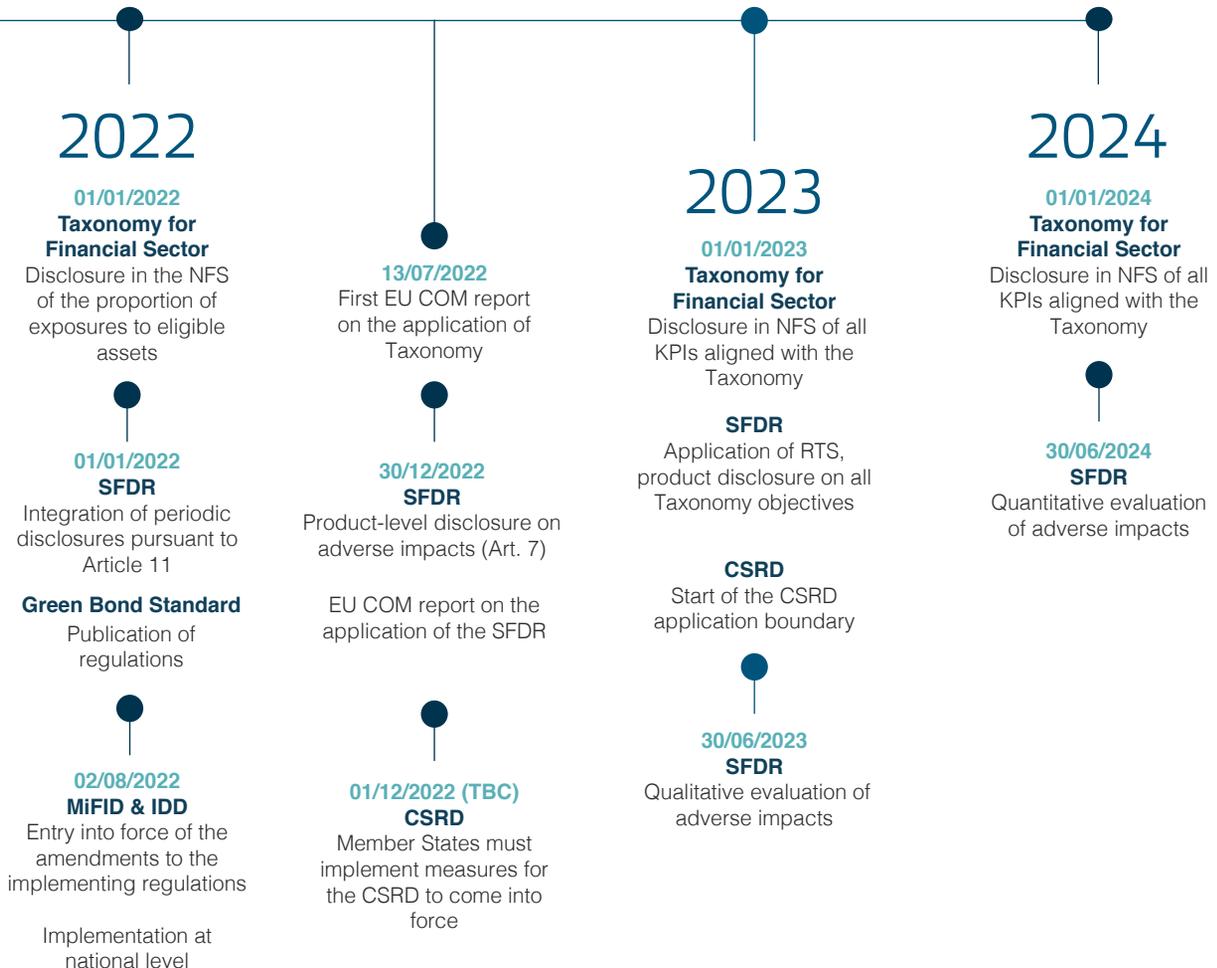
Application of Article 4 with initial considerations on the adverse impacts

**06/07/2021**  
**Green Bond Standard**  
EU Com proposes the regulation



In addition to the above, in 2021 the EU Commission adopted a series of amendments to six Delegated Regulations of the MiFID II, IDD, UCITS, AIFMD and Solvency II aimed at increasing the integration of ESG factors in financial services. In the asset management, insurance, reinsurance and investment sectors, sustainability risk assessments will need to be integrated into the selection and monitoring of investments in order to meet fiduciary duty obligations. Specifically, advisors are required to take customers' sustainability preferences into account during the process of profiling financial and insurance preferences and assessing the suitability of the offer. The amendments to the Regulations for UCITS, AIFM and Solvency II also require financial operators to integrate sustainability issues into product design, target market definition, monitoring, choice of distribution channel and, finally, product review.

In view of the constantly evolving regulatory framework and the frequent changes associated with the adoption of implementing acts, a concise, non-exhaustive timeline has been proposed, which will be subject to updates in due course:



# Sustainability governance



Banca Popolare di Sondrio has implemented an ESG governance system

Sustainability issues and ESG factors are becoming increasingly important in the financial world: these aspects can only be integrated through a solid governance structure.

With a view to increasingly integrating sustainability into its business, Banca Popolare di Sondrio has implemented an ESG governance system that provides for the interaction of different bodies devoted to overseeing and managing these issues.

The distribution of roles and responsibilities in the field of sustainability as set out in the Sustainability Policy is detailed below:

Corporate body	Roles and responsibilities	Composition
 <b>Board of Directors (BOD)</b>	<ul style="list-style-type: none"> <li>• Defines Group-wide guidelines, targets and strategies on sustainability issues;</li> <li>• Ensures that ESG risks are integrated into business strategies, governance, processes, procedures and the control system;</li> <li>• Approves the NFS and the main policies;</li> <li>• Supervises the correct handling of these issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman</li> <li>• Deputy Chairman</li> <li>• Managing Director</li> <li>• Directors</li> </ul>
 <b>Board of Statutory Auditors</b>	<ul style="list-style-type: none"> <li>• Oversees compliance with the legal requirements for drawing up the NFS;</li> <li>• Monitors the adequacy of the procedures and processes governing the drafting of the NFS.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Statutory Auditors</li> <li>• Statutory Auditors</li> <li>• Alternate Auditors</li> </ul>

In 2021, the following were established: the Sustainability Committee and the Sustainability Office

Corporate body	Roles and responsibilities	Composition
 <p>Sustainability Committee</p>	<ul style="list-style-type: none"> <li>Periodically reviews regulatory developments, standards and relevant national and international practices on ESG topics;</li> <li>Supports and makes proposals to the Board of Directors, introducing and amending relevant internal regulations and turning guidelines into concrete initiatives, for which it also defines operational plans and monitors actual implementation;</li> <li>Contributes to the coordination of organisational structures and subsidiaries in order to comply with the sustainability guidelines established by the Board of Directors and outlined in strategic planning at the time;</li> <li>Coordinates activities aimed at identifying potentially relevant sustainability issues and updating the materiality matrix. Also examines the NFS, making comments and suggestions;</li> <li>Oversees transactions with debt instruments whose issuance is related to Group activities in the field of sustainability;</li> <li>Coordinates and monitors interface activities with relevant stakeholders and disclosure actions;</li> <li>Periodically reports to the BOD.</li> </ul>	<ul style="list-style-type: none"> <li>Managing Director</li> <li>General Manager</li> <li>Chief Financial Officer (CFO)</li> <li>Chief Commercial Officer (CCO)</li> <li>Chief Lending Officer (CLO)</li> <li>Chief Risk Officer (CRO)</li> <li>Chief Information and Operations Officer (CIOO)</li> <li>Head of Logistics and Operational Support Service</li> <li>Head of Staff and Organisation Models Service</li> <li>Head of the Planning, Investor Relations and Management Control Service</li> <li>Head of the Sustainability Office</li> </ul>
 <p>Control and Risk Committee</p>	<p>In line with its mandate, it assists the Board with regard to ESG factors and associated risks:</p> <ul style="list-style-type: none"> <li>in determining the guidelines of the internal control and ESG risk management system;</li> <li>in periodically reviewing its adequacy with respect to the Bank's characteristics and risk profile, as well as its effective functioning.</li> </ul>	<ul style="list-style-type: none"> <li>Non-executive and mostly independent directors.</li> </ul>
 <p>Sustainability Office</p>	<ul style="list-style-type: none"> <li>Constantly monitors national and international regulations, standards and practices on sustainability issues;</li> <li>Supports and coordinates the central and peripheral structures, as well as the Subsidiary Companies in understanding and addressing sustainability factors and interfacing with relevant stakeholders;</li> <li>Drafts the NFS and coordinates the related activities;</li> <li>Carries out, to the extent of its competence, liaison activities with the Supervisory Bodies;</li> <li>Manages dialogue with ESG rating agencies, handles questionnaire completion and monitors Group-wide ratings;</li> <li>Supports and coordinates the drafting of Group guidelines, targets and strategies on sustainability issues;</li> <li>Supports the Sustainability Committee in identifying which initiatives to implement and how to implement them, as well as monitoring their progress on a regular basis or when necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Head of the Sustainability Office</li> <li>Resources with diverse skills</li> </ul>



Reflecting the increasing importance attached to ESG-inspired corporate governance, in 2021 the Bank set up a new Sustainability Department, located within the Planning, Investor Relations and Management Control Department (Chief Financial Officer Area).

In addition to the above-mentioned structures, in order in particular to improve understanding and clarification of the relevant sustainability factors with respect to the Bank's activities, 'ESG contact persons' have been appointed for each of the subsidiary companies and, within Banca Popolare di Sondrio, for the 1st, 2nd and 3rd level company areas.

The identification of contact persons with regard to the operational management of ESG-related activities promotes the circulation of information and the coordination and sharing of activities, thereby increasing the effectiveness of the interaction between the functions, reflecting the sustainability guidelines established in the strategic planning in their work, and guiding the Bank's internal operations and the management of customer relations, the product catalogue and risks to sustainability best practices.

The Compliance Function and DPO supports the Sustainability Office in its efforts to monitor the applicable ESG regulations and to manage the associated compliance risks.

In 2021, the focus on managing sustainability issues was also confirmed by the appointment of a Mobility Manager in the Supply Office, which is part of the Logistics and Operations Support Service.

This new figure provides ongoing support for decision-making, planning, scheduling, management and promotion of optimal solutions for sustainable mobility.

## ESG contact persons

## Mobility Manager

## ESG Committee of the Swiss bank

### BPS (SUISSE): ESG Governance

In early 2021, the Swiss bank set up an ESG Committee to specifically deal with sustainable investment issues.

The main tasks of this body are as follows:

- to follow ESG regulation and trends in the asset management industry;
- to formulate proposals for working methodologies, rules, and sustainability parameters that will be integrated into the various stages of the investment process;
- to discuss ESG investment ideas for consideration by the Investment Committee;

- to report to the General Management on the status of the implementation of sustainability policies in investments;
- to draw up a document once a year, called the "ESG Investment Newsletter", which aims to inform people inside and outside the bank about the Bank's positioning regarding sustainable investment.

An ESG team was also set up within the investment department to study every aspect of the subject (products, investment processes, partners, etc.).

## Training and information

### ESG Management Training

Sustainable, conscious and effective management of sustainability cannot be achieved without adequate training and information, which is why a first targeted training module for Board of Directors and Sustainability Committee was organised in the last quarter of 2021.

The first session had a threefold objective:

- To introduce participants to the integration of sustainability in banking
- To provide an overview of the main

regulatory references and standards of non-financial reporting

- To show the path of Banca Popolare di Sondrio with a specific focus on the materiality matrix

Subsequent modules that will be delivered in the course of 2022 will explore the main international initiatives related to the most relevant sustainability topics for the banking sector, including those focused on climate change issues, in preparation for a subsequent in-depth examination of climate risk management issues.

Below more information is provided on the gender and age composition of ESG governance bodies:

	Women	Men	Total
Board Level	7	13	<b>20</b>
Management Level*	1	14	<b>15</b>
Operational Level	7	7	<b>14</b>

	≤ 29 years old	30-50 years old	≥ 51 years old	Total
Board Level	0	3	17	<b>20</b>
Management Level*	0	0	15	<b>15</b>
Operational Level	2	9	3	<b>14</b>

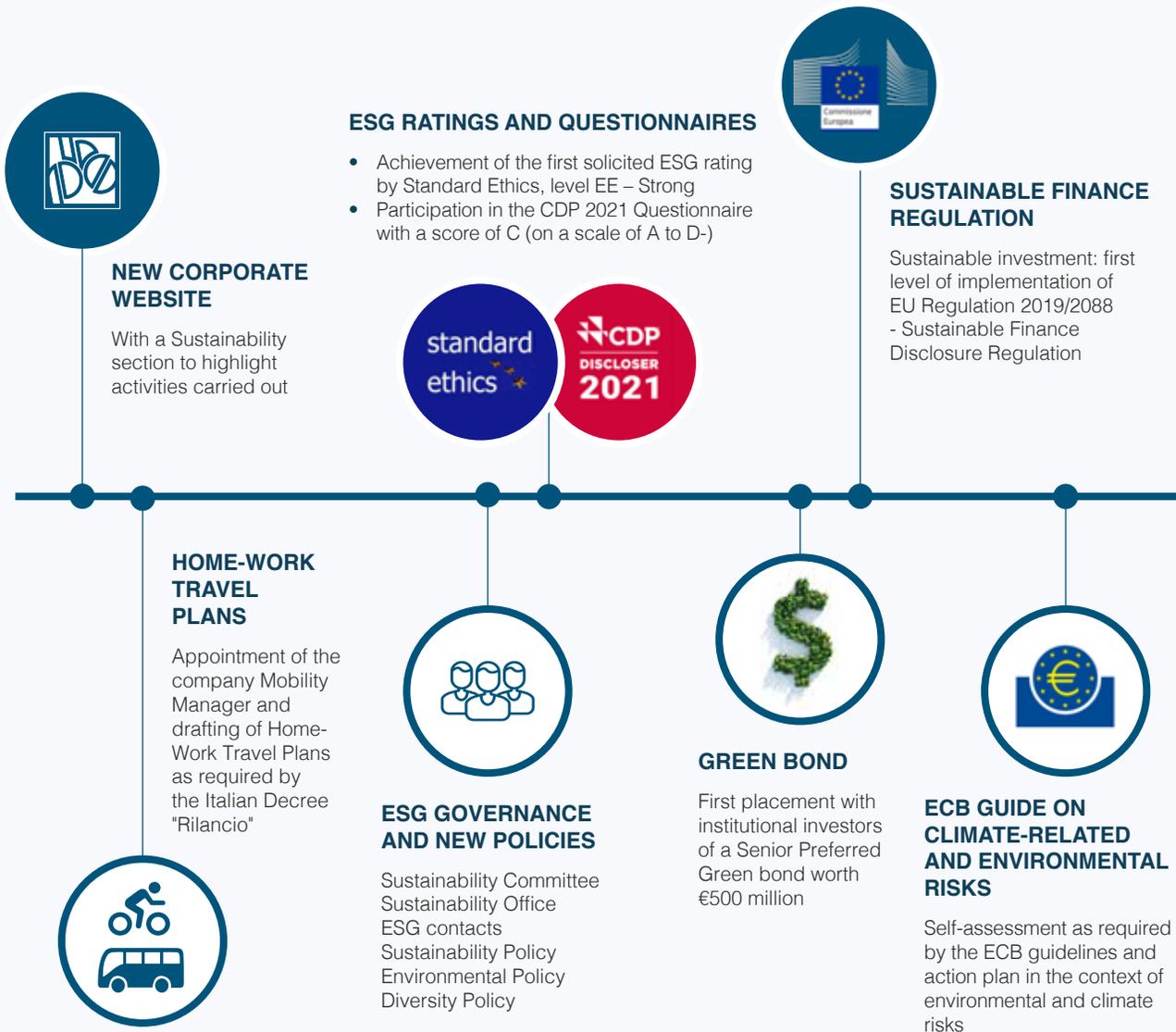
\* Including the Mobility Manager and the Members of the Sustainability and Audit and risk Control Committees



# Integrating ESG factors into the business and operations of BPS

2021 was a crucial year for the integration of sustainability into the Bank's business and operations. The following are the main events that characterised this intense year, which form the foundation for further planned projects and an increasingly comprehensive and structured sustainability path.

## 2021 activities



# Developing the Bank with a SUSTAINABILITY FOCUS

## Ongoing activities



### MATERIALITY MATRIX AND DRAFTING OF THE 2021 NFS

- Definition of reporting topics
- Initiation of data collection
- Content drafting
- Graphic design and summary to highlight the activities carried out



### ESG TRAINING

- Delivery of training modules to the Board of Directors and Sustainability Committee
- Identification of training content for management, employees and customers

### SUSTAINABLE FINANCE REGULATION

- Development of ESG investment products (Article 8, 9 SFDR) and soundness of ESG investment criteria and strategies
- Definition of content for inclusion in the NFS to meet the requirements of the EU Taxonomy of sustainable economic activities



### INCREASED ESG BONDS IN THE PROPRIETARY PORTFOLIO

Target set for medium-term increase of bond investments in the ESG segment to 10% of the Bank's proprietary debt securities portfolio



### ECB GUIDE: THEMATIC REVIEW

Comprehensive supervisory review of banks' practices with respect to the expectations defined in the Guide



### ESG DATA PROVIDER

Collaborative projects for collecting sustainability information:

- Counterparty evaluation
- Evaluation of invested companies



### ESG CREDITS

- Study for ESG product sheets development
- Green Buildings identification activities and related environmental data recovery



## Sustainability Policy

The Sustainability Policy is the cornerstone of the model adopted by the Group, identifying the commitment and the approach followed to maximise the creation of long-term shared value through economically, environmentally and socially sustainable development. The Policy defines the principles, guidelines and relevant sustainability topics that are identified, implemented and monitored to consider the interests of all stakeholders, both internal and external, in a perspective of continuous evolution.

In defining the objective of identifying a clear strategic orientation towards sustainable development that can guide not only the Group's operations, but also the actors with whom it interfaces along its value chain, the Policy identifies the relevant regulations and principles and establishes the SDGs that are endorsed by the Group.

Furthermore, the document sets out the roles and responsibilities at Group level regarding sustainability NFS and the most relevant topics in this area:



## The value of participating



“The new Agenda is a promise made by leaders to everyone in the world. It is an Agenda for the people, for the elimination of poverty in all its forms, an Agenda for the planet that is our home.”

Ban Ki Moon, Secretary-General of the United Nations from 2007 to 2016

The Global Agenda for Sustainable Development (2030 Agenda), approved by the United Nations in September 2015, identified 17 Goals (SDGs) and 169 Targets as a roadmap to sustainability for countries and organisations around the world.

These goals, set to be achieved by 2030, provide a very comprehensive view of how the current development model is unsustainable not only socially and environmentally, but also from an economic standpoint. The implementation of Agenda 2030 is not just a state-level matter, but involves every component of society from businesses to third sector organisations, universities and operators in the world of communications and culture.

At this time, the SDGs seek to provide an impulse to the business world in particular, given its key role in the achieving sustainable development. With this in mind, sustainability reporting by the Group will be configured within this framework, highlighting the close relations that exist between the pursuit of business objectives and the various sustainability goals.



## The commitment of the Banca Popolare di Sondrio Group

Since its foundation, the Group has geared its operations towards satisfying the multiple interests of its various stakeholders, combining the traditional aim of pursuing these interests with the distinctive aim of achieving a common benefit.

In this respect, the Group acts in line with the 2030 Agenda and the SDGs, as stated in the Sustainability Policy.

MUTUALITY

ETHICS

RECIPROCITY



### The most relevant SDGs for the Group’s activities





I invite you, individually with your companies and collectively through your trade associations, to embrace, support and implement a set of key values in the areas of human rights, labour standards and environmental practices.

Kofi Annan, Secretary-General of the United Nations, World Economic Forum, 31 January 1999, Davos

The United Nations Global Compact is the world's largest strategic corporate citizenship initiative, stemming from a desire to promote a sustainable global economy that respects human and labour rights, protects the environment and combats corruption.

It was first proposed in 1999 at the World Economic Forum in Davos by former UN Secretary Kofi Annan, who invited the leaders of the world economy present at the meeting to sign a Global Compact with the United Nations to collaboratively address the most critical aspects of globalisation. The UN Global Compact was thus launched in July 2000. Since then, over 18,000 companies from 160 countries around the world have joined it, creating a new framework for global collaboration.

Banca Popolare di Sondrio has been participating in this initiative since 2004, thereby accepting the UN's invitation to synergistically involve the world of business and non-governmental organisations in the great challenges faced by humanity. In 2018, the Bank also joined the Italian network (Global Compact Network Italia - GCNI) as a founding member.

The Ten Principles of the Global Compact have always been part of Banca Popolare di Sondrio's strategy and corporate culture, as well as of its daily banking and financial activities. Therefore, our Bank, as it does every year, confirmed its support for the UN Global Compact and reaffirmed its commitment to corporate sustainability by publishing the Communication on Progress (COP). The document, annexed to this NFS, can also be consulted online on the Bank's website by accessing the following link: <https://istituzionale.popso.it/it/sostenibilita/le-nostre-iniziative>.

During 2021, members of the Bank took part in webinars and workshops on the topic of sustainability organised by the GCNI.

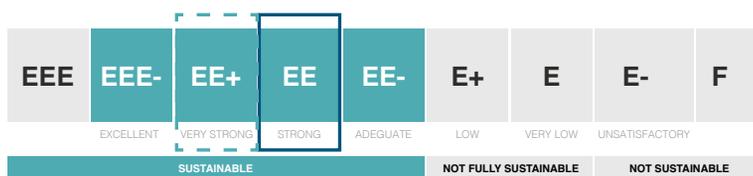
## ESG rating/scoring

Sustainability ratings/scoring are developed by the major players in the industry and are also used to compile and publish various sustainability indices, in a similar way to conventional benchmarks. Some entities started out as financial raters and only later specialised in sustainability performance assessment; others were established to focus on ESG performance assessments.

To illustrate the Group's commitment to sustainability, we report the initiatives (so-called solicited rating) in which Banca Popolare di Sondrio has decided to participate in 2021:

**CDP** is an international non-profit organisation that directs companies and governments to reduce their greenhouse gas emissions, conserve water resources and protect forests. It is considered the leading provider of climate reporting data, working with institutional investors whose total assets amount to approximately \$110 trillion. In 2021, more than 13,000 companies, with over 64% of the global market capitalisation, disclosed their environmental impact through CDP. Banca Popolare di Sondrio has been participating in the initiative since 2020, through the completion of the CDP Climate Change Questionnaire, demonstrating transparency and awareness, indispensable characteristics for steering the transition towards a prosperous and sustainable future. In 2021, it achieved a score of C.

The sustainability rating assigned by the independent agency **Standard Ethics** is a summary assessment of the level of compliance achieved with international sustainability guidelines set by some of the major international institutions (European Union, United Nations, OECD). On 9 March 2021, Banca Popolare di Sondrio was assigned a solicited rating of EE for the first time, certifying its strong level of compliance. On 14 March 2022, the independent agency Standard Ethics, at the end of its annual rating review process, raised the Bank's long-term sustainability rating to EE+ (from EE stable) while confirming the corporate rating at EE. In its final report, the agency states that "*Banca Popolare di Sondrio has prudently managed the transition from a cooperative joint-stock company to a joint-stock company and will preserve the rich experience gained from the cooperative bank tradition, maintaining strong ties with the local area and stakeholders.*" The agency's analysts also note that during 2021 and early 2022, the Bank implemented several measures that keep it aligned with international sustainability guidelines and the latest social and environmental targets.



Since 2020, the Bank has been using, on a pilot basis, the digital platform provided by the UN Global Compact, named SDG Action Manager, which allows it to measure and develop the impact of its sustainability performance and thus accelerate its organisational progress toward achieving the SDGs.

The SDG Action Manager integrates B-Lab's B Impact assessment, the Ten Principles of the UN Global Compact and the Sustainable Development Goals, enabling companies to take meaningful action through dynamic self-assessment, benchmarking and improvement. It starts by identifying priority SDGs and then moves on to setting corporate strategies aimed at achieving them, in terms of best practices, outputs, risk management and collaboration with other entities.



CDP,  
emissions  
reduction  
organisation



Independent  
rater that applies  
a methodology  
based on the most  
important ESG  
guidelines



### ABI working groups

Banca Popolare di Sondrio actively participates in specific Working Groups promoted by the Italian Banking Association (ABI) dedicated to issues such as Social Sustainability, Bank Environment and Climate Change and

Sustainability. In this area, the Bank, sharing the expertise of its business and governance areas, contributes to defining ABI's position on sustainability issues in the main national and European contexts.

### Questionnaires in which the Banca Popolare di Sondrio Group participated:

**ILO** (International Labour Organization): a survey launched by the ILO office for Italy and San Marino aimed at collecting and disseminating information on Corporate Social Responsibility practices of Italian companies and at developing and disseminating an inventory of promising practices.

The information, published on the ILO website, was disseminated both in Italy and abroad in order to bridge the information gap on CSR practices in Italy compared to other countries.

**ABI "BusinEsSG" 2021:** research carried out by ABI every two years to gather useful information for representing the state of the art on the integration of ESG issues in banking. The survey covered four main areas: Strategy, Governance, Management Methods and Non-Financial Reporting.

**JRC** (Joint Research Center of the EU Commission): a survey organised by the European Commission with the collaboration of the European DataWarehouse (EDW) and the University of Cagliari to gather useful information on policy-making, e.g. in relation to reporting on Sustainable Finance.

### Social Impact Investments Conference

In early December, the Bank took part in a conference organised by Rome's Sapienza University, in partnership with Unitelma and Luiss through Luzzatti,

with the aim of providing guidance at an international level on the multiple impacts of ESG factors. Banca Popolare di Sondrio contributed by illustrating its own path to sustainability.



## ESG risks

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Sustainability risks, connected to the three dimensions of ESG factors, are monitored within the framework of the company's risk management system based on the adoption of well-established models that are continuously refined, aimed at identifying, assessing, measuring, monitoring and mitigating potential risk phenomena and their negative economic, financial, operational and reputational impacts.

With regard to climate and environmental factors, in particular, work is underway in a number of international fora, with the goal of promoting measures to raise awareness in the financial system of the importance of adequately monitoring these risks, assessing the approaches used to measure and manage them, and encouraging the collection of increasingly standardised information on the relative exposure levels.



## Holistic view of the impact of ESG risks on existing risk categories

At European level, in November 2020, the European Central Bank (hereafter, ECB) published its Guide on Climate-Related and Environmental Risks, which set out a number of supervisory requirements regarding the integration of these specific risk factors. For an in-depth analysis of the Bank's activities, see the section on environmental issues. Specifically, as part of the work to align the expectations of the ECB Guide, the Bank started to carry out gap analysis and define action areas with respect to the European Commission's "Guidelines on the disclosure of non-financial information: Integration concerning the disclosure of climate-related information".

Throughout the text, responses to these Guidelines are identified by this logo:



In the overall framework of the expectations and recommendations defined by the sector authorities (in addition to the aforementioned ECB Guide, the Discussion paper on management and supervision of ESG risks for credit institutions and investment firms published by the European Banking Authority in October 2020 is particularly relevant), credit institutions are required, as part of their internal control system, to adopt an organisation-wide ESG risk management framework, i.e. extended to all business divisions and internal units, including control functions. In addition to current material risks, banks are urged to consider all types of risks and all concentrations within those risks that may arise from the pursuit of their strategies or from material changes in the business environment. Intermediaries are therefore required to comprehensively analyse how risks related to ESG factors – and in particular, within these, climate and environmental risks – play a key role in determining the impact of the various risk areas to which they are or may be exposed, including liquidity, credit, operational, market and any other risks relevant to capital, since they tend to manifest themselves in forms that are already known and regulated.

In response to these expectations, institutions should therefore take a holistic and well-documented view of the impact of ESG risks on existing risk categories, implementing regular processes to identify all relevant risks to be classified and assessed through a comprehensive internal inventory.

To support these activities, the Bank has developed internal methodologies for identifying, recognising and analysing the potential impact of risks related to ESG aspects within its business management system. With regard to the management and control practices of these particular risk dimensions, preliminary qualitative risk appetite statements have also been formulated, i.e. based on the definition of internal guidelines and targets to indicate the Group's desired medium-term positioning.

### ESG risks inventory

A first method adopted from 2020, based on a self-assessment approach, draws from internationally advocated best practices that are also supported by the European Banking Authority and the ECB. This method is based on the identification of potentially manifest ESG risks in light of the strategic guidelines pursued and the management policies adopted for conducting the company's business. Risk typologies are classified according to a taxonomic approach inspired by the scheme adopted in the CDP Questionnaire for collecting information on sustainability-related risks (and opportunities), suitably contextualised through the use of specific information attributes, defined within the framework of the Task Force on Climate-related financial Disclosure (TCFD). To ensure that the methodological framework is flexible, the TCFD's taxonomic options are supplemented with additional analytical dimensions for more precise classification of non-



climate environmental, social and governance considerations (topics not covered by the CDP initiative, which only focuses on carbon-related risks).

On a yearly basis, ESG factors are assessed by various company representatives who, through dedicated interviews, are required to identify, within the scope of their competence, possible negative repercussions – current or prospective – of various ESG issues, cataloguing them in a special inventory of ESG risks and supplementing them with additional information (e.g. prevailing financial impact).

Within this additional information, three time ranges were defined with a view to a preliminary tracing of the risk variables to their temporal impact, namely:

- short-term, identifying a time frame between 12 and 18 months
- medium-term, identifying a period between 18 months and 5 years
- long-term, describing events expected beyond five years.

For 2021, the Integrated Risk Office (Chief Risk Officer Area), the coordinator of this self-assessment process together with the Sustainability Office, promoted the updating of the inventory created in pilot mode in 2020; the activity involved a boundary of corporate structures that was further expanded compared to that of the previous financial year in order to involve more organisational units within the Parent Company as well as representatives of the subsidiaries (BPS SUISSE, Factorit and Banca della Nuova Terra). This recognition process was then supplemented by an examination of the interconnections between the sustainability risks resulting from the ESG Inventory and the list of characteristic banking risks in the so-called “Risk Map” system for the definition, identification and assessment of relevant risks used as a reference for the Bank’s main risk governance processes (e.g. Risk Appetite Framework, ICAAP) – through empirical association between the two frameworks.

Moreover, also starting in 2021, following specific linking activities, the qualifying elements of the ESG risk scenarios, identified through the Inventory, have also included the ESG topics reported in this NFS, to which they are conceptually related, where possible, according to a principle of prevalence.

The following is an overview of the potential risks generated or incurred by the Group in relation to the ESG factors identified in the last update of the Inventory; these risks will be categorised under material topics in the following chapters.

It should be noted that, in the following section, a list of the risks associated with the material topics will be provided from the standpoint of potential risk exposure, therefore without considering the level of effectiveness of the measures adopted for their prevention and/or containment.

## Identification of ESG risks in the Bank’s risk governance processes





**“E” dimension - Environmental**

Climate and environmental risks are divided into physical and transition risks.

Physical risk means the possibility of losses caused by climate change, including both the more frequent and/or more intense occurrence of extreme weather or natural events, as well as gradual climate change and environmental degradation (e.g. air, water and soil pollution, water stress, biodiversity loss and deforestation).

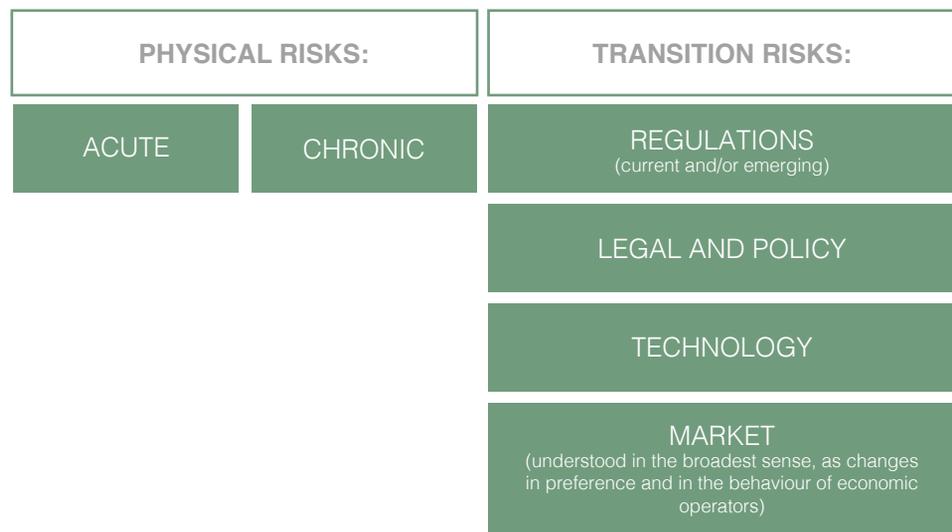
Physical risks may lead directly, for example, to material damage or a drop in productivity or, indirectly, to sequential events such as production chain interruptions. These can be categorised as follows:

- acute risks, if caused by extreme events such as drought, flooding, hurricanes, storms, heat waves and forest fires;
- chronic risks, if caused by gradual changes such as rising temperatures or sea levels, water stress, changes in precipitation levels, biodiversity loss and scarcity of resources.

Transition risks

Transition risk means the financial loss the Bank may incur, directly or indirectly, as a result of the process of moving to a low-carbon and more environmentally sustainable economy. This situation may be brought about, for example, by sudden or unexpected changes in climate and environmental policies, technological progress or changes in market confidence and preferences.

Taking the TCFD recommendations as a starting point for the internal identification of company-related climate and environmental risks, the following risk types were defined:



### “S” dimension - Social

The social risks of a financial institution are defined as risks arising from exposures to counterparties that may be adversely affected by social factors, i.e. as risks to which it is directly exposed due to its own characteristics and operations. These factors relate to protection of the rights, welfare and interests of individuals and society and include elements such as (in)equality, health, inclusion, labour relations, occupational health and safety, human capital and community relations.



RISKS:	
LEGAL AND POLICY	TECHNOLOGY
MARKET	REPUTATION
CREDIT	STRATEGY AND BUSINESS

The same types of risks have been identified within the ‘Social’ and ‘Governance’ risk macro-categories





## “G” dimension - Governance

A bank’s governance risks arise from exposures to counterparties that may be adversely affected by factors related to the governance of its business activities or from similar risks to which it is directly exposed due to its own characteristics and operations. These factors relate to the governance structures/choices of the counterparties or banks themselves, including the incorporation of ESG factors into their corporate governance policies and procedures.

Within the Governance risk macro-category, the same sub-categories have been identified as in the Social area.

RISKS:	
LEGAL AND POLICY	TECHNOLOGY
MARKET	REPUTATION
CREDIT	STRATEGY AND BUSINESS

The expert-based analysis described above enabled the Bank to identify relevant ESG risk factors for the main ‘traditional’ risk categories (e.g. credit, market, operational/reputational, liquidity, strategic). The results of the self-assessment process are preliminary to the activities of integrating these factors – with particular regard to climate and environmental factors – into the taxonomic, mapping and materiality assessment systems of ‘typical’ banking risks, in line with Supervisory expectations.

The number and name of materiality classes correspond to those currently in place for assessing the materiality of ‘traditional’ risks for RAF/ICAAP purposes. This self-assessment process was flanked in the reporting year by the first activities to identify and measure the materiality of ESG risks in quantitative terms; this was achieved by determining prudential risk exposures using classification methods and tools (e.g. at the sector level) described below, which were instrumental in understanding the bank’s degree of vulnerability to climate-environmental, social and governance risks and in measuring the concentration of exposure to higher-risk clusters.



### ESG Opportunities Inventory

In 2021, the Bank renewed its process of identifying and ranking ESG opportunities, i.e. the components of ESG factors that have a positive impact on the Bank's business. Using the same methods in which ESG risks were identified, opportunities linked to Environmental (with sub-categories: resource efficiency, energy sources, products and services, markets, resilience), Social and Governance dimensions were recorded.

The Sustainability Office, the organisational unit responsible for designing and managing the ESG opportunities analysis, processed the data collected during the interviews and constructed a special inventory of ESG opportunities. As part of internal operations, a need emerged to continue acquiring awareness and knowledge of sustainability topics, particularly by developing resilience in the management of new working models. The issue of resource efficiency also proved to be relevant, with the aim of reducing CO<sub>2</sub> emissions associated with work activities. With regard to business, opportunities associated with the definition of new products and services with ESG characteristics, which appropriately respond to the needs of ESG-oriented markets and current legislation, have increased.

The identified elements continue to inform the planning of the corporate sustainability path with the goal of progressively affirming ESG issues for the benefit of the various stakeholder categories.



## ESG Risk Governance



The Bank has made several changes to its organisational structure to better address sustainability themes, as well as the development of related risk profiles.

The Board of Directors, as the body with strategic supervisory functions, is responsible for defining Group guidelines, targets and strategies relating to sustainability issues and for ensuring that ESG risks are integrated into business strategies, governance systems, processes, procedures and the structure of controls, overseeing the proper management of these issues.



Following the extension of its mandate, the Control and Risk Committee, with reference to ESG and related risks, is responsible for assisting the Board of Directors in determining the guidelines of the internal control and management system for these risk factors and in periodically reviewing its adequacy with respect to the Bank's characteristics and risk profile, as well as its effective functioning. In this regard, it should be noted that for the 2021 financial year, the Board of Directors and the Control and Risk Committee were presented, in November, with a number of synthetic findings of the annual review of the ESG Risk Inventory, especially in terms of connection and interaction with traditional risk categories related to the Bank's activities; subsequently, in December, an update on the overall progress of the implementation programmes of the supervisory expectations outlined in the ECB Guide was presented, which followed previous extemporaneous occasions to brief on specific activities.

The Sustainability Office is dedicated, among other things, to overseeing and monitoring various sustainability-related activities, which are also relevant in terms of the Group's strategic positioning and for the organic planning of related activities. To this end, in terms of ESG risk management, a special synergy has been developed with the control functions that make up the so-called "second line of defence" of the internal control system (namely, the compliance and risk management functions). It is also worth noting the establishment of the Sustainability Committee, a body responsible for coordinating, at senior management level, the initiatives and activities carried out by the organisational structures of the Bank and its subsidiaries in compliance with the sustainability guidelines set by the Board of Directors, contributing to a more robust control of the associated risks.

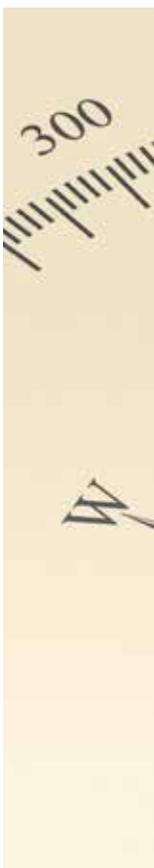
The Risk Control Service (Chief Risk Officer Area), within which the Integrated Risk Office operates, with the task of coordinating and overseeing the issue across the board, is responsible for identifying, assessing, measuring and monitoring exposures to ESG risks and associated risks. To these ends, it ensures their gradual integration into the relevant internal regulations, processes, procedures, support systems, data and senior risk reporting. Specifically, the Service supports and coordinates the gradual integration of climate and environmental risk factors in the corporate and Group risk management and reporting systems; it supervises and, for the aspects within its competence, oversees the performance of internal stress tests and those required by the Supervisory Authorities pertaining to ESG profiles; it supervises the drafting of public disclosure, applying the 'Third Pillar' regulations on ESG.

The Compliance Function and DPO supports the Sustainability Office in its efforts to monitor the applicable ESG regulations and to manage the associated compliance risks.

The Internal Audit Service, which has a third-level control role, is responsible for assessing the adequacy and functionality of the ESG risk management system adopted by the Bank and the Group as a whole.

A more in-depth internal assessment of the organisational impacts related to the management, control and mitigation of ESG risks is underway, with the aim of assessing the available capacity and resources and determining any needs for strengthening structures, supporting the allocation of responsibilities along the three lines of defence of the corporate organisation, and calibrating the appropriate ESG training activities for the impacted functions.

Identifying,  
assessing,  
measuring and  
monitoring ESG  
risk exposures



## The Heat Map of ESG risks

Analysis of the wealth of information obtained from the risk management processes performed makes it possible to identify how the most frequent and/or significant adverse events occur, as well as the areas in which the perception of risk is greatest, in order to guide the corrective and mitigating actions to be implemented.

Specific attention is paid to changes in how the level of risk exposure is quantified, including in prospective terms, and, through direct involvement of the company structures that generate or manage risk phenomena, to monitoring the progress of measures to strengthen the controls that exist for their prevention and mitigation.



In order to quantify and monitor its exposure to ESG risks, during 2021 the Bank adopted a tool to provide sector mapping of its economic activities from the perspective of their vulnerability to these risk factors. The goal of the mapping, carried out in matrix form (so-called ESG sector Heat Map), was to define a taxonomy applicable to the different economic sectors, identified by means of the Italian codification system ATECO coding system, according to their relative exposure to the risk drivers comprising the E, S and G dimensions.

For the sake of completeness, key drivers related to other environmental risks (e.g. quality and efficient use of water, air and soil, biodiversity between species and ecosystems, resource efficiency and preservation, and waste management capacity) were included among the factors taken into account, in addition to climate factors. The mapping, in providing insights into the current and prospective riskiness of the Bank's credit and financial portfolios, serves as a guide to determine which business sectors to engage in, which to disengage from or which to support during the transition process to a more sustainable economy.

The process of ESG sector mapping through the Heat Map sees the UNEP FI (United Nations Environment Programme Finance Initiative) standard as the main source for defining the matrix categorisations to ensure an international best practice methodological approach. UNEP FI is an initiative developed by the partnership between UNEP (United Nations Environment Programme) and the global financial sector aimed at integrating environmental sustainability principles within the financial marketplace.

The key drivers identified by UNEP FI, considered for determining the level of riskiness of economic sectors, are as follows:



**ENVIRONMENTAL  
DIMENSION:**

Water, air and soil quality. Biodiversity & ecosystems. Efficient and safe use of resources. Climate. Waste.

**SOCIAL  
DIMENSION:**

Availability of water, food. Housing, health and public healthcare. Education. Energy. Mobility. Information. Culture. Justice.

**GOVERNANCE  
DIMENSION:**

Employment integrity and security of people. Strong institutions. Peace and stability.

Sector mapping, carried out according to previously defined criteria, led to the examination of 21 economic macro-sectors, which were further divided into 88 sub-sectors.

For each of the three dimensions of analysis, total scores were defined – applying a proprietary methodology – which represent the level of vulnerability of the economic sectors to each identified ESG risk factor.

The following is the classification of the economic macro-sectors that make up the assessment matrix, based on their allocation to specific ESG risk bands attributed aggregating the exposures score referred to the individual key drivers into an overall score.

ATECO Macro-Sector Code	Macro-Sector Description	ESG risk band	
<b>A</b>	Agriculture, forestry and fishing	High risk	★
<b>B</b>	Extraction of minerals from quarries and mines	High risk	★
<b>C</b>	Manufacturing	High risk	★
<b>D</b>	Electricity, gas, steam and air conditioning supply	High risk	★
<b>E</b>	Water supply; sewerage, waste management and sanitation services	Medium risk	★
<b>F</b>	Construction	High risk	★
<b>G</b>	Wholesale and retail trade; repair of motor vehicles and motorbikes	Medium risk	★
<b>H</b>	Transport and storage	Medium risk	★
<b>I</b>	Accommodation and food service activities	Low risk	★
<b>J</b>	Information and communication services	Low risk	★
<b>K</b>	Financial and insurance activities	Low risk	★
<b>L</b>	Real estate activities	Medium risk	★
<b>M</b>	Professional, scientific and technical activities	Low risk	★
<b>N</b>	Rental, travel agencies and business support services	Low risk	★
<b>O</b>	Public administration and defence; compulsory social security	Medium risk	★
<b>P</b>	Education	Low risk	★
<b>Q</b>	Health and social care	Low risk	★
<b>R</b>	Artistic, sports, entertainment and recreational activities	Low risk	★
<b>S</b>	Other service activities	Low risk	★
<b>T</b>	Activities of households as employers of domestic staff; production of undifferentiated goods and services for private use by households	Low risk	★
<b>U</b>	Extraterritorial organisations and bodies	Low risk	★

Following the sector mapping, the Bank embarked on a project to develop a methodology for producing representative ESG risk scores single-name. To fulfil this purpose, and more generally to facilitate proper and complete management of these risks, data mapping activities were carried out to define the necessary information assets, including the distinction between data available internally or through external sources.

Based on the results obtained, external data providers were selected and hired to meet information needs in the following areas:

- monitoring ESG risks that impact the credit risk exposure portfolio;
- monitoring ESG risks associated with the portfolio of investments in financial instruments;
- compliance with regulatory and supervisory sustainability obligations, including the Bank's participation in the Climate Stress Test exercise promoted by the European Central Bank for 2022 (see dedicated box in the Environmental section).

These needs may also be fulfilled by using, when relevant, information gathered directly from customers, supplementing the evidence acquired through info-providers.

With regard to the specific deliveries already initiated, controls are underway to assess the consistency between the different databases made available and to ensure adequate levels of integration.

At the same time, external collaborations are at an advanced stage of definition for the acquisition of tools and information services to ensure the systematic integration of ESG factors in business processes related to the promotion of sustainable investments and sustainable credit, as well as for the assessment of exposure to related risks through metrics and measurement models that can support internal ESG monitoring and reporting systems.



# Note on methodology

## Legal references and reporting principles

The Group's NFS was drafted in accordance with Legislative Decree 254/2016 concerning the disclosure of non-financial information of certain large and public-interest companies and the Global Reporting Initiative Sustainability Reporting Standards, updated in 2018 by the Global Reporting Initiative (GRI), in accordance with the GRI Standards: Core option. Additionally, the Financial Services Sector Disclosures, defined by the GRI in 2013, were also adopted.

The Group's  
NFS was drafted  
in accordance  
with Legislative  
Decree  
254/2016  
and the GRI  
Standards

The GRI is an organisation established with the aim of helping both the public and private sectors to understand, measure and communicate the impact that any activity can have on the various ESG dimensions of sustainability and their various aspects.

The purpose of the NFS is to ensure an understanding of the Group's policies, organisational model, risks and performance indicators and the related results, with particular regard for the social aspects associated with the management of staff, environmental protection, the fight against active and passive corruption and respect for human rights.

The NFS was also prepared taking into account the publications of the European Securities and Markets Authority (ESMA) and Consob, with particular reference to addressing the impacts of the Covid-19 pandemic within it.

Following the acquisition of ESGeo tool for monitoring and reporting on sustainability performance, the Bank has updated the procedure for formalising the NFS preparation process.

This procedure places particular emphasis on certain key aspects:

- the corporate structures involved;
- the scheduling of the data and information collection flow;
- the first-, second- and third-level controls of the qualitative data and information collected;
- the definition of the calculation methodologies used to analyse and present data in the NFS.

This Consolidated Non-Financial Statement was approved by the Board of Directors of Banca Popolare di Sondrio SpA on 21st March 2022 and it is subjected to a limited review by EY SpA.

The results of the audits carried out pursuant to Article 3, paragraph 10, Legislative Decree 254/2016 and Consob Regulation no. 20.267 are contained in the "*Independent Auditor's Report*", which can be found at the end of this document. Audits are carried out on the basis of the "*limited assurance engagement*" procedure in accordance with the criteria set out by the "ISAE 3000 Revised" standard.

With reference to the ESG Risk paragraph and Environment section, the Bank has also taken into account the European Commission's Guidelines on Non-Financial Reporting on climate-related information published in June 2019. The document incorporates the recommendations of the TCFD and provides companies with guidance that is consistent with the non-financial information disclosure directive and the aforementioned recommendations.

In particular, in light of the November 2020 ECB Guide on climate-related and environmental risks, the Bank considered the guidance in Annex I "Supplementary guidance for banks and insurance companies".

Information related to the European Commission's Guidelines on Non-Financial Reporting with respect to the management of the main risks in the field is clearly identifiable within the NFS through a specific infographic.

In defining the content and quality of its reporting, the Bank applies the following Reporting Principles, as defined by GRI 101:

- **Inclusiveness:** the expectations and interests of all parties who in various ways contribute to or are affected by the Group's activities are taken into account.
- **Sustainability context:** the reporting of non-financial results was carried out taking into consideration the socio-economic context in which the Group, in its cooperative role, operates, maintaining a strong link with the local area and the most relevant issues for its sector.
- **Completeness and simplicity:** the issues reported and the scope of the NFS make it easy for stakeholders to make a comprehensive judgement on which elements with social and environmental impacts they consider most significant.
- **Transparency:** the Report presents the Group's non-financial performance by reporting the areas in which the Group has achieved positive results and progression, as well as those for which management has already identified room for further improvement.
- **Comparability:** the indicators are consistent with those previously reported to allow performance to be monitored in a constant and reliable manner.
- **Accuracy and Reliability:** the data reported is collected directly, avoiding recourse to estimates wherever possible and favouring quality of data over volume of information.
- **Balance:** the reported data reflect both the negative and positive aspects of the Group's results so as to allow for a weighted assessment of the overall performance.
- **Clarity:** data are made available both in paper format and on the Bank's website in a way that is easily accessible, usable and understandable to the stakeholders who use them.
- **Timeliness:** the NFS is published annually at the same time as the financial reports and in a timely manner to ensure the reliability of the data, including any revisions of previous disclosures.

Compared to the previous year, this document includes additional information regarding the approach to the Taxonomy, required pursuant to Article 8 of the EU Regulation (852/2020), which is clearly and separately identifiable in a dedicated paragraph integration of the GRI 305-3 reporting, relating to Scope 3 portfolio emissions.

The data and information reported are validated by the managers of the relevant business functions, processed based on documents that evidence their existence, completeness and accuracy, and reviewed by the Executive Management.



## Reporting period and boundary

The reporting boundary corresponds to that of the consolidated financial statements, i.e. it includes the companies consolidated on a line-by-line basis for the financial report and therefore permits an understanding of the Group's activities, performance and results, with the exception of companies with non-material performance and sustainability impacts (in terms of employees and type of business), such as: Popso Covered Bond Srl, Sinergia Seconda Srl, Immobiliare San Paolo Srl, PrestiNuova Srl – Agenzia in Attività Finanziaria, Immobiliare Borgo Palazzo Srl and Servizi Internazionali e Strutture Integrate 2000 Srl.

Any additional boundary limitations on specific indicators have been reported and justified within the document and are due either to lack of relevance in terms of impact on the overall figure or to the unavailability of information for certain Group companies. These limitations do not compromise the representative nature of the Group's results and activities, as required by Legislative Decree 254/2016. In this regard, it should be noted that, with reference to the information required by Article 3, paragraph 2, water consumption, in view of the business sector, was not considered significant for the purpose of ensuring an understanding of the business activity, since it is only equivalent to domestic use.



The reporting year to which this report refers is 2021 and is compared with the two previous years, 2020 and 2019.

This edition of the NFS is also available on the website, at <https://istituzionale.popso.it/it/sostenibilita/dichiarazione-non-finanziaria>.

The table, below, shows the correlation between the areas mentioned in Article 3, paragraph 2 of Legislative Decree 254/2016 and the material topics that form the basis of this report.

Scope of Legislative Decree 254/2016	Material topics
<b>Social</b>	Financial training and education
	Ties with the local area and the community
	Relations with the supply chain
	Solidity and economic performance
	Evolution of the service model and relations with the distribution network
<b>Staff-related</b>	Enhancement of human resources and dialogue with employees
	Health and safety
<b>Respect for human rights</b>	Human rights, diversity and inclusion
	Dialogue with social partners
<b>Fight against active and passive corruption</b>	Data protection
	Integrity and fight against corruption
<b>Environmental</b>	Direct environmental impacts
	Sustainable finance and indirect environmental impacts



## Reporting process

The process of collecting data and information and drafting the NFS, formalised in a specific Procedure approved on 4th November, is coordinated and managed by the Parent Company's Sustainability Office, in collaboration with the contact persons of the Group's structures and companies responsible for the various areas and directly involved in the document drafting process. The main steps involved in drafting the NFS are outlined below.

### **Update and approval of the materiality matrix**

(this step is not always implemented, but only whenever it is decided to update the materiality process)

- Benchmark and contextual analysis: gathering information and understanding the approach of major companies in the sector with regard to the management and communication of non-financial data.
- Materiality analysis: identification of relevant themes, understood as aspects that can generate significant economic, social and environmental impacts on the Group's activities and which, by influencing stakeholders' expectations, decisions and actions, are perceived as relevant by them. The stages of the analysis are as follows:
  - Identification of relevant topics through benchmarking, context analysis and regulatory analysis;
  - Assessment of the relevance of each identified topics for the Group and its stakeholders through internal and external engagement activities;
  - Drafting and validation of the Group's materiality matrix and approval by the Sustainability Committee.



### Definition of NFS contents (indicators and disclosures)

Based on the results obtained in the stage described in the previous point, the Sustainability Office identifies and selects the indicators and disclosures to be included in the NFS in order to meet the requirements of Article 3 of Legislative Decree 254/2016. After the contents of the NFS have been selected, a draft table of contents for the document is prepared.

### Start of the data collection and approval process and NFS drafting

- For each material topic, the relevant approvers and contributors are identified from among the competent offices, who will respectively be responsible for approving and compiling the data collection schedules.
- Contributors, after compiling the schedules, perform a first-level check on the data and information collected within the schedules.
- The approvers carry out controls on the consolidated schedules, ask for clarifications where necessary, make changes where appropriate, and notify the Sustainability Office upon completion of the validation.
- The Sustainability Office collects all the received information and seeks clarification from the approvers where necessary;
- The Sustainability Office prepares the NFS draft.

### Validation and approval of the NFS draft

The Sustainability Office prepares the NFS draft, which is also checked in advance by the auditors to further reduce the possibility of errors. Once the contents have been approved, it forwards the NFS to the administrative body for approval, which is carried out within the same timeframe as the financial budget. The Bank's Directors are responsible for ensuring that the NFS is drafted and published in accordance with applicable regulations. Once the NFS has been approved by the administrative body, within the deadline for submitting the draft financial statements, it is submitted to the Control Bodies (Board of Statutory Auditors and Auditing Firm).

### Independent auditor's attestation

Subsequently, as required by Legislative Decree 254/2016, the NFS is audited for compliance by an independent auditor; for this purpose, the Sustainability Office, in cooperation with contributors and approvers, provides documentary evidence where requested by the auditor.

### Publication

Finally, the NFS is made available to shareholders and the public within the same deadlines and in the same manner as the draft financial statements, notably through publication on the Bank's website, from which the document can be downloaded.



## Dialogue with the stakeholders

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**“Stakeholders represent a wide range of different interests: establishing and maintaining strong and long-lasting relationships is crucial for shared and long-term value creation.”**

Sustainability Policy, Banca Popolare di Sondrio

The Group considers it fundamental to establish a constant and solid relationship with its stakeholders: a relationship based on continuous dialogue and active involvement provides valuable opportunities for mutual growth and enhancement, allows for consensus and trust, and reflects the Group’s responsibility towards the context with which it interacts.



Identifying stakeholders in a timely manner and organising the most effective communication channels, constantly monitoring expectations, needs and opinions, is therefore the starting point for establishing an effective engagement process.

The Bank identifies its stakeholders according to the criteria of Standard AA1000:

- Inclusiveness, by listening to all stakeholders.
- Materiality, meeting their expectations.
- Compliance with legal regulations, standards, codes, principles, policies and other voluntary regulations.

Below is a summary of the main channels and tools for interaction with stakeholders, identified in line with what the Bank has defined in other engagement activities.

**INTERNAL  
STAKEHOLDERS**

- EMPLOYEES
- SHAREHOLDERS
- MANAGEMENT



**EXTERNAL  
STAKEHOLDERS**

- COMMUNITIES AND MARKETS
- CUSTOMERS
- AUTHORITIES AND INSTITUTIONS
- SUPPLIERS AND PARTNERS

INTERACTION CHANNELS AND TOOLS	
	Press conferences
	Shareholders' meeting
	Media news
	Digital channels
	Materiality matrix questionnaire
	Letter to the shareholders
	Web and mobile apps
	Social activities and community work
	Meetings with the Bank and the Networks
	Roundtable discussions with trade unions and workers' representatives
	Social support activities
	Periodic documentation and detailed reports
	Customer satisfaction

Main channels and tools for interaction with Group stakeholders

- Internal stakeholders
- External stakeholders

**99.37%**  
of respondents  
were satisfied  
with the service

### Customer satisfaction

The International Service of Banca Popolare di Sondrio regularly conducts customer satisfaction surveys to assess satisfaction with services provided to retail, corporate and institutional customers, as well as branches.

These activities make it possible to identify possible areas for improvement in the provided services, detecting any critical issues and preparing appropriate remedial measures.

In 2021, the fourth customer satisfaction survey on the services offered by the

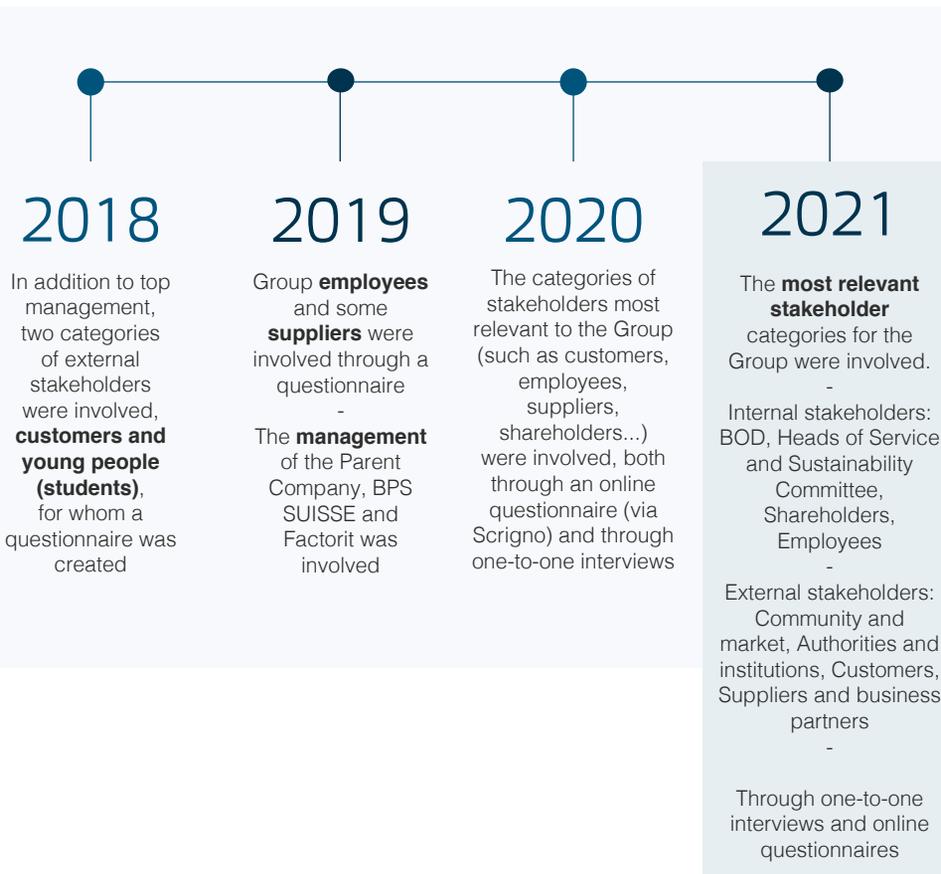
Trade Finance sector was carried out. Out of a sample of around 1,000 customers, there were positive responses in terms of specific operations and no responses with negative elements. At the same time, the thirteenth survey on satisfaction with the Pension Payment service provided on behalf of foreign institutions and social security institutions, a sector in which the Bank maintains significant market shares, was carried out on a sample of over 7,000 beneficiaries. Overall, 99.37% of the respondents were satisfied with the service, highlighting punctuality in making payments and assistance as the most appreciated qualities.



## Stakeholder engagement

The term “*stakeholder engagement*” refers to the process of involving the main stakeholders on material issues, i.e. those most relevant both to the stakeholders and to the Group, applying the so-called ‘dual materiality’ principle as understood by the GRI and from the standpoint of the ‘dual perspective’ on material topics, i.e. financial impact and environmental and social impact.

The evolution of this activity over time is presented below.



## Effects of the Covid-19 pandemic on stakeholders’ daily lives

High relevance	24.83%
Medium relevance	50.29%
Low relevance	21.67%
No relevance	3.21%

## The process and the materiality matrix

**Materiality is a principle according to which companies must prepare their reports by taking into account information on aspects that significantly affect their ability to create value over time, identifying the most significant issues for their stakeholders.**

The materiality analysis, as required by Legislative Decree 254/16, defines the relevant aspects to report (so-called Material Topics). A topic is considered 'material' if it can influence the decisions, actions and performance of an organisation and its stakeholders. Creating constructive dialogue with all actors is therefore essential in order to identify their needs and expectations, so that the most significant topics for the Bank and its stakeholders can be defined and addressed.

During 2021, a new materiality matrix was updated and approved, which was due to changes in the context resulting from the Covid-19 pandemic and relevant updates in the Bank's governance.



In a second stage, relevant issues were identified by examining the BPS values and sustainability reporting of peers and comparing them with international guidelines – including GRI publications.

In a third stage, the engagement phase, the relevance attributed to each topic by the Group and key stakeholders was reviewed, resulting in preliminary data on their expectations.

Specifically, during 2021, the Group, in line with last year but with greater intensity, involved its stakeholders in an engagement activity aimed at updating the relevance attributed to each topic by the Group and its main stakeholders.

In particular:

## 4,381 Stakeholders

took part in an online survey: in November, a questionnaire was published on the **Scigno** internet banking website; through 15 questions, stakeholders' views on the relevance of potentially material issues were collected

## 22 Directors, Sustainability Committee members and Heads of Service

were involved through an **online survey**: in late October, following the first ESG training module, the Bank's directors and management filled in a questionnaire through which everyone could express their opinion on the issues identified as relevant to the materiality analysis;

## 16 One-to-one interviews

in October and November 2021, thanks to the collaboration of branches and offices, some representatives of the main stakeholder categories were involved in a video interview, a useful and fruitful opportunity for interaction that served not only to investigate their perception of the relevance of sustainability issues, but also as an opportunity for discussion, exchange of ideas and mutual growth.

The findings of the three different ways of engagement are presented below:

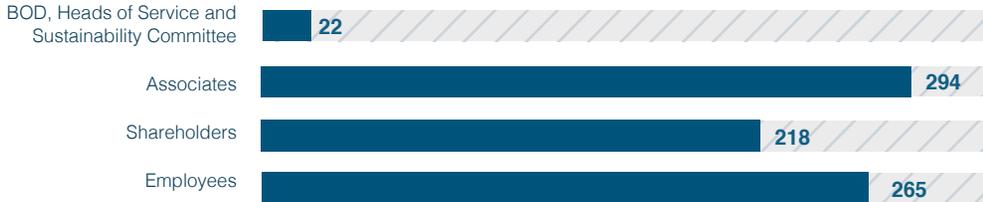
Relevant topics identified and proposed for evaluation	Importance for BPS (management questionnaire)	Importance for stakeholders (online questionnaire)	Importance for stakeholders (one-to-one interviews)
Financial training and education	2.32	2.50	2.58
Ties with the local area and the community	3.00	2.58	2.46
Relations with the supply chain	2.45	2.26	1.30
Solidity and economic performance	2.91	2.61	1.46
Evolution of the service model and relations with the distribution network	2.50	2.39	1.42
Data protection	2.91	2.88	2.12
Integrity and fight against corruption	3.00	2.85	1.61
Human rights and diversity	2.45	2.48	2.61
Enhancement of human resources and dialogue with employees	2.41	2.83	2.37
Health and safety	2.55	2.74	1.98
Dialogue with social partners	2.36	2.43	1.40
Direct environmental impacts	2.23	2.61	1.95
Sustainable finance and indirect environmental impacts	2.32	2.54	2.63



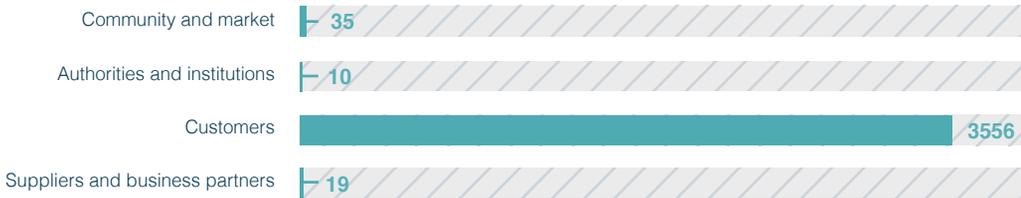
### INTERNAL STAKEHOLDERS



**4,381**  
Stakeholders  
involved



### EXTERNAL STAKEHOLDERS



During the process, participants were also asked for their views on the impact of the Covid-19 pandemic and how it changed the environment and expectations of the Bank’s stakeholders.

Finally, by calculating the weighted average of the scores obtained internally for each material topic and suitably integrated with the results obtained in stakeholder engagement, the new materiality matrix was prepared, approved by the Sustainability Committee at its meeting on 13 December.



**GROUP MATERIALITY**

The materiality matrix represents the most relevant sustainability topics for the Group’s stakeholders and management.

The materiality matrix consists of a graphic representation of the relevance of material topics: the vertical axis represents the evaluations, with weighted scores, resulting from the stakeholder engagement activities conducted in 2021; the horizontal axis summarises the assessments of the Group’s management.

The average of the evaluations makes it possible to identify the precise position of each material topic within the matrix.

Annually, the materiality threshold defines the level beyond which each relevant topic becomes ‘material’.



The materiality matrix is a dynamic tool, aimed at self-analysis and openness towards stakeholders; the Group takes into account the evolutions of this tool, understanding its intrinsic value in guiding the priorities of its ESG strategies.





## The SDGs and their link with company material topics



Contribution to the SDGs	
Solidity and economic performance	8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES
Integrity and fight against corruption	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Enhancement of human resources and dialogue with employees	4 QUALITY EDUCATION
Data protection	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Health and safety	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH
Dialogue with social partners	8 DECENT WORK AND ECONOMIC GROWTH
Ties with the local area and the community	11 SUSTAINABLE CITIES AND COMMUNITIES
Financial training and education	4 QUALITY EDUCATION
Evolution of the service model and relations with the distribution network	8 DECENT WORK AND ECONOMIC GROWTH
Human rights, diversity and inclusion	5 GENDER EQUALITY, 10 REDUCED INEQUALITIES
Relations with the supply chain	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Sustainable finance and indirect environmental impacts	1 NO POVERTY, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Direct environmental impacts	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION



Letter to shareholders and friends, 30 June 2020

“We hope that, with the passage of time, the rediscovery of our vulnerability will make us recognise that we are guests of the Planet, not owners, and part of a common project dedicated at all times to sustainable development”.



# Our response to the health emergency

## Health emergency management

From the outset of the emergency, the Banca Popolare di Sondrio Group tackled the pandemic situation with immediate responses, implementing a series of measures to benefit customers and the local area, both in compliance with government measures introduced mainly by the 'Cura Italia' Decree and the 'Liquidità' Decree, and in adherence to initiatives promoted by the ABI at banking system level, and finally on a voluntary basis to benefit certain categories of individuals and types of contractual relations, which, in most cases, did not qualify for the first two forms of assistance mentioned above.

To support awareness of and access to certain provisions and/or support measures, Banca Popolare di Sondrio promptly launched a series of useful actions to cope with the emergency period, implementing on its website the 'Covid-19' section (<https://www.popso.it/Covid-19>), where it is possible to find, supported by useful descriptions and based on different needs, information on the various available solutions, which can be activated without the need to access the bank's branches, through remote techniques using the relevant forms available online.

## Actions to tackle the emergency triggered by Covid-19



### Focus on customers

**Business continuity** ensured by SCRIGNOInternet Banking, SCRIGNOpago facile, the 'SCRIGNOapp' application and ATMs.

**Access to branches** permitted at different times and in different ways depending on the 'colour' of the area in which they are located.

**Raising customer awareness** of the use of online correspondence in order

to contain the Covid-19 contagion and enable timely delivery of correspondence, reducing paper consumption.

**"La Tua Banca pensa a Te"** awareness-raising campaign to encourage the use of payment cards and digital channels: SCRIGNOInternet Banking, SCRIGNOapp and SCRIGNOPago Facile.

**Financing for relaunching the Lombardy economy:** In October 2021, Banca Popolare di Sondrio and Finlombarda, the Lombardy Region's finance company, signed a loan amounting to €150 million with a five-year maturity, which the bank disbursed to the regional finance company to support the relaunch of the Lombardy economy and finance the local production sector during the recovery phase.

**Moratoria/suspensions on loans granted to households and businesses:** from March 2020 and until 31 December 2021, 4,750 million moratoria have been approved, of which Cura Italia accounts for 2,777 million. Specifically, the Bank has approved moratoria and suspensions on 15,606 transactions, for a total exposure of about €3.145 billion; of these, about €2.94 billion relate to statutory moratoria, which are therefore mandatory.

**Adhesion to the agreement to regulate the granting of advances of the sums due by INPS to workers in the**

**Redundancy Fund** following the health emergency.

**Activation**, from April 2020, of all types of financing to benefit enterprises provided for in Article 13 (Central Guarantee Fund for SMEs) and Article 1 (SACE): Liquidity Decree.

**Placement of insurance solutions from Arca Assicurazioni with free cover** which are activated in the event of a Covid-19 positive result, supporting individuals and companies.

**Organisation of the 'Export Food & Wine post Covid-19: entry strategies in the US' webinar** devoted to Italian companies interested in foreign markets with the aim of providing an up-to-date overview of the opportunities offered by the US agri-food market after the pandemic crisis, while also suggesting the best entry and positioning strategies for 'Made in Italy' products.



**Support for society and the economy**

Use, where possible, of flexible/smart working arrangements to protect the employees' safety

Enhanced daily sanification of working environments.

Use of plexiglass screens at all locations (branches and offices).

Supply of surgical masks.

Organisational and operational company regulations, including those implementing governmental and regional regulations, to protect the health of employees and customers.

Training activities provided through virtual classrooms.

The Crisis committee, established immediately to manage the emergency and coordinate responses, periodically sends communications to the entire Group about the steps required to protect health and guarantee business operations. Internal information is also circulated through the weekly publication of a dedicated 'bulletin' on the company intranet.



**Support for employees**

This document considers Consob's Warning Notice no. 1/21 of 16 February 2021 on the disclosure to be provided by companies publishing NFSs regarding the impact of the Covid-19 pandemic.

## Operational risk management - Covid-19 emergency

As described in the Directors' Report on Operations included in the financial statements, in the section dedicated to Risk Management, as a response to the significant impacts on the business arising from the emergence of the Covid-19 pandemic emergency in 2021, the Group continued with the adoption of strengthened security standards and processing capacity of the company's IT infrastructure to mitigate operational risks – primarily relating to ICT security profiles, corporate data management and information systems capacity – arising from more intensive use of telematic banking services by customers and (smart working) methods by central office staff, encouraged by the social distancing measures adopted at national level in order to minimise the risk of contagion in the environments where company operations are carried out.

Applying the analytical methodologies and tools normally used to manage operational risks, targeted work also focused on monitoring the exposure – current and future – to those attributable to the pandemic, whether deriving from the changes made to operational practices (and consequent reputational implications) and technological infrastructure in order to ensure business continuity, or from the heightened occupational health and safety legislation and the extraordinary action taken to support lending.

Although significantly reduced, in overall terms, and in light of the 'new normal' context due to unavoidable coexistence with the virus, the activity of identifying and classifying – including for reporting purposes – operational losses directly or indirectly attributable to the pandemic emergency also continued.



An aerial photograph of a terraced vineyard. The rows of grapevines are arranged in a grid pattern across a hillside. A red, two-story house with a grey roof is situated on one of the terraces. Stone walls separate the different levels of the vineyard. The background shows a dense forest of green trees.

# 02

## ENVIRONMENT: BPS COMMITMENT FOR THE PROTECTION OF THE ENVIRONMENT

“The Group strives to contain its environmental impacts with the aim of reducing the company’s ecological footprint in terms of climate-altering gas emissions and limiting raw material consumption.”



## Introduction to the 'E' factor

The Banca Popolare di Sondrio Group is committed to acting in line with the Sustainable Development Goals (SDGs) and, in particular with regard to environmental topics, is inspired by the most relevant goals in the light of its own business operations and the proposals of the Global Compact.

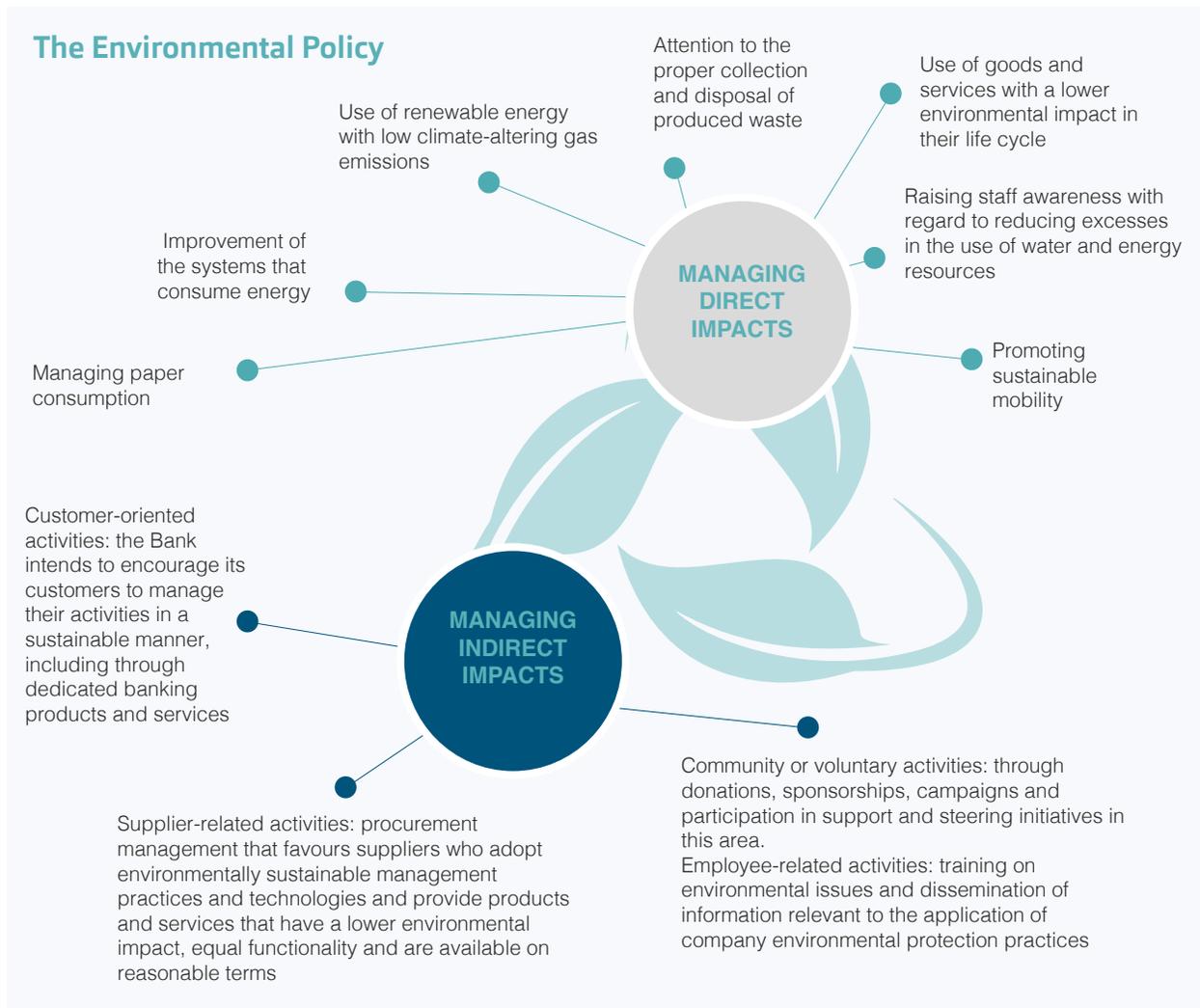
As stated in the Code of Ethics, the Group's values include the protection of the environment and the implementation of practices without negative consequences on the environment as indispensable prerequisites for a long term sustainable development.

The Sustainability Policy is designed to reinforce this precautionary approach: among the five areas identified by the document as relevant, the area relating to environmental impacts ranks first. Specifically, the Policy emphasises that the Group complies with current regulations on the subject and that it makes every effort to monitor the impact of its activities on the environment and climate, both directly and indirectly. Accordingly, it proposes to reduce the effects generated by the consumption of resources, waste generation and other activities considered to have a direct impact, while managing the effects of activities with an indirect impact associated with customer products and services.

In 2021, the Group strengthened its commitment to managing its environmental impacts by drafting a special Environmental Policy: expanding on its policy guidelines, it is particularly concerned that its activities and relations with customers, suppliers, associates and partners, both commercial and non-commercial, are also conducted in light of a cost-benefit balancing assessment, taking environmental impacts into account with the aim of minimising any negative effects that might arise. Furthermore, the Group undertakes to evaluate the possibility of having one or more environmental and climate targets and to report progress towards these targets through specific performance indicators to measure the impact associated with its activities.



The following figure summarises the measures and actions planned to reduce direct and indirect impacts, which are fully disclosed in the Environmental Policy available on the company website (<https://istituzionale.popso.it/it/sostenibilita/il-nostro-impegno>).



In particular, ongoing climate change increasingly poses a global challenge that requires all economic actors, from banks to industries, as well as ordinary citizens, to undertake and support adaptation and mitigation activities in conducting their business in order to seize transition opportunities and mitigate associated risks.

In November 2020, the ECB published its Guide on Climate-Related and Environmental Risks, which sets out a number of supervisory requirements regarding the integration of these specific risk factors in relation to the banks' business and strategic model, governance arrangements and risk appetite, risk management system, and internal and external reporting.

## Common approach to the climate and environmental risks management

The document aims to provide a framework of guidelines and good practices to define a common approach to the governance of climate/environmental risks and to strengthen the preparedness of European intermediaries to deal with possible effects on economic activities. The banking system is required to consider the consequences of climate change and environmental degradation, identifying these areas as being of primary interest in terms of risk definition, management and measurement.

Following a self-assessment with regard to the expectations set out in the Guide, in May 2021 the Bank prepared and submitted to the ECB an action plan to ensure, over a multi-year period, the development and implementation of a series of organisational, procedural and methodological solutions through which to achieve progressive alignment with supervisory expectations.

In particular, these expectations concern the integration of climate and environmental risks into the formulation and implementation of the company's strategies and its governance and risk management systems, aiming to increase the levels of information transparency and reporting on these aspects. The plan was subsequently extended to encompass the main adaptation initiatives in the area of ESG risk management viewed as a whole, for the purpose of comprehensive and coordinated monitoring of the issue.

The following box provides further details on the activities undertaken by the Bank.

### Gap Analysis on the EU Commission Guidelines

The ECB requires credit institutions to report material climate risks in their NFSs, taking into account the European Commission's Guidelines on the disclosure of non-financial information: supplementary information on climate-related disclosures (hereinafter the Guidelines).

This document supplements the recommendations of the TCFD, incorporating, albeit in a non-binding manner, the contents of EU Directive 2014/95 on non-financial reporting.

The Guidelines were developed in line with the five core areas referred to in the Directive:

- business model
- policies and due diligence
- result of policies
- risks and their management
- key performance indicators.

For each area, the Guidelines identify a number of pieces of information that should be communicated within the NFS.

Additionally, the Commission has developed complementary guidelines for banks and insurance companies to facilitate the adoption of recommendations by institutions that are both providers and users of climate-related information.

As part of the process of aligning with the ECB Guide on disclosure (Expectation 13), the Bank has initiated gap analysis and definition of action areas with respect to the above-mentioned European Commission Guidelines, following which information related to the management of the main risks of the area is clearly identifiable within the NFS through a specific infographic.



Moreover, Banca Popolare di Sondrio, as a significant bank, i.e. directly supervised through the ECB's Single Supervisory Mechanism (SSM), carries out the ECB's EU-wide climate risk supervisory stress test exercise, initiated by the ECB in January 2022 (ECB Climate Stress Test).

### The Climate Stress Test launched by the ECB

The 2022 climate stress test aims to assess the preparedness of significant European institutions to deal with economic and financial shocks resulting from climate risk.

The exercise, conducted according to methodological guidelines set out by the Supervisory Authority, forms part of the overall framework of regulatory stress tests with the goal of:

- identifying industry best practices;
- assessing the maturity and adequacy of the stress test framework that banks use to assess their exposure to climate risks;
- being fully aware of the vulnerabilities and main challenges that institutions face in managing climate risk.

The stress test is not intended to promote or fail the participating banks, nor will it have direct implications for their capital requirements.

It consists of three separate modules:

**1)** questionnaire addressed to participant banks on the institutions' ability to cope with the stress exercise and future climate risk challenges;

**2)** peer benchmarking to assess the sustainability of business models and exposure to emissions-intensive companies, based on the calculation of standardised climate risk metrics;

**3)** bottom-up stress analysis using prospective scenarios.

To ensure proportionality in conducting the exercise, smaller banks were not asked to provide bottom-up stress test projections (Form 3).

The climate stress test will continue throughout the first half of 2022, after which the ECB will publish the results in aggregate form. The Supervisory Authority hopes that this activity will improve the availability and quality of data useful for measuring and managing climate risks.

In order to comply with the Supervisory requests, the Bank defined its own methodological framework for integrating climate/environmental risk factors into its internal stress testing system, supported by activities necessary for the collection of information and data used to feed the data collection models proposed by the ECB for the acquisition of evidence for the year.

In addition to the projects aimed at aligning with international best practices and those responding to the requirements of the Supervisory Authority, the Bank is directly committed from an operational standpoint to reducing its consumption of resources and climate-altering gas emissions – as mentioned above with reference to the direct environmental impacts described in the Group's Environmental Policy.

For a geographically distributed company like a bank, with several local branches, employee travel is certainly one of the most significant sources of environmental impact. Consequently, mobility management and the identification of sustainable routes and modes within cities and their surrounding areas are of major importance.

### Sustainable mobility at BPS

In May 2020, the Italian Decree named as "Rilancio", in adopting social policies to support health, work and the economy, supplemented the legislation previously in force with a number of provisions aimed at encouraging the decongestion of traffic in urban areas by reducing the use of private and individual means of transport. To this end, the obligations to establish the figure of the Mobility Manager and the companies' adoption of a Home-Work Travel Plan (HWTP) for their staff have been extended. The measure is aimed at companies with individual local units with more than 100 employees located in a regional capital, metropolitan city, provincial capital or municipality with more than 50,000 inhabitants.

Banca Popolare di Sondrio falls within the application boundary of the regulations for the local units in Sondrio (Head Office) and Milan (BPS headquarters and headquarters of the subsidiary Factorit). In November 2021, the Bank therefore appointed its own company Mobility Manager. Moreover, the Sustainability Office, with the support of the Mobility Manager, the Staff and Organisational Models Service and the Logistics and Operational Support Service, prepared the HWTP for the impacted locations in accordance with national guidelines.

Specifically, the HWTP identifies measures to steer the employees' home-work travel towards sustainable forms of mobility as an alternative to the individual use of private motor vehicles, based on an analysis of the modes that are currently used, mobility needs and the state of the public transport services available in the relevant area. The PSCL also defines the benefits that can be achieved through the implementation of the measures it envisages, assessing the advantages for the employees involved, for the company adopting it and for the community from an environmental, social and economic standpoint.

The HWTP consists of an information and analysis section on home-work travel and a project section outlining possible measures to take and achievable benefits. Drafting the HWTP was preceded by the collection of data and information through a specific research activity, distribution of a questionnaire to employees and involvement of various internal functions.

Ultimately, through its planning for 2022, Banca Popolare di Sondrio aims to foster employees' sustainable mobility through awareness-raising and training measures, campaigns encouraging the use of low-emission vehicles and car-pooling, and the evaluation of flexible working arrangements.

As regards the indirect environmental impacts described in the Group's Environmental Policy, in 2021 the Bank endeavoured to integrate the 'E' component into its business-related activities.

Motivated by a desire to contribute to reducing CO<sub>2</sub> emissions, as part of the growing European vision of marking the financial system 'greener', it worked tenaciously to achieve an important goal midway through the year: the inaugural issue of a green bond. The first Senior Preferred Green Bond was issued in July 2021 as part of the EMTN programme. Collection proceeds from this operation are used to fund 'green' projects.

The integration of ESG factors into the business, and in particular the 'E' factor, undoubtedly requires a strong commitment: the Group, as described in the following pages, has embarked on a path of change to improve the impact of its business on the environment and climate, thereby aiming to generate value for all its stakeholders.

In 2021  
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endeavoured  
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activities.



## Sustainable finance and indirect environmental impacts



A sustainable investment combines economical return objectives with ethical, ecological and social values.

Sustainable investments:

- recognise that corporate responsibility and social values are valid criteria for choosing an investment;
- take into consideration both the investor's need to obtain a return and the impact of these operations on society and the environment;
- encourage businesses to improve their environmental, social and governance performance.

USSIF (The Forum for Sustainable and Responsible Investing)



The evolution of the concept of sustainable finance has not progressed in step with that of sustainable development: the United Nations' 2030 Agenda, although it includes a goal referring to macroeconomic profiles (namely Goal 8: Decent Work and Economic Growth), does not explicitly assign relevance to the financial system, although it identifies investment as a driver for sustainable development.

According to the definition, accepted by Consob in its 'Finance for Sustainable Development' study, the broader notion of sustainable finance refers to strengthening the financial stability of an economy through the integration of ESG factors and a long-term view in decision-making processes. In a narrower sense, it is associated with the reallocation of resources to low-carbon investments.

The application of this approach with regard to all players in the financial system – from companies to investors (both retail and institutional), financial intermediaries and supervisory authorities – entails an evolution of decision-making processes that includes the identification of new sustainability goals, primarily the creation of financial value in the short and long term.

For these reasons, it is necessary to study indirect environmental impacts, i.e., those for which the Group may not have total management control, but for which it is committed to adopting a precautionary approach, with the dual aim of containing the risks associated with business operations and profiting from new business opportunities in all strategic areas.

In order to strengthen the contribution of sustainable finance, the Group recognises a need for detailed information on the sustainability performance of its counterparties and investments: currently, available data are scarce and not always of good quality, while ESG ratings and scoring are based on different methodologies, which are often difficult to compare.

In this context, ongoing regulatory developments and the review of the EU Non-Financial Reporting Directive 2014/95 could lead to significant progress by broadening the range of companies subject to sustainability reporting obligations, establishing common assessment criteria and ensuring an appropriate degree of data granularity.

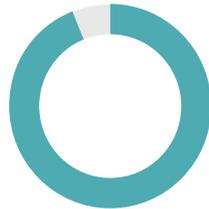
Recent European legislative and regulatory initiatives, first and foremost the EBA Guidelines on granting and monitoring credit (EBA/GL/2020/06, hereinafter EBA LOM Guidelines), demonstrate how the financial sector will increasingly be required to pursue sustainable development goals by integrating its internal processes.

As a result, the banking sector is required to develop new products to bring supply closer to increasingly evolving demand, which requires greater consideration and integration of sustainability issues.

Furthermore, the financial investment sector has also undergone radical and rapid changes: these include the development of the sustainable investment approach, based on the integration of ESG factors into classical purely financial evaluation algorithms.

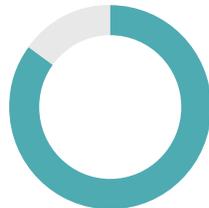
Sustainable  
finance:  
enhancing  
financial  
stability by  
integrating ESG  
factors

## Emerging ESG trends for the banking sector



**94%**

of **European citizens** say that **environmental protection** is important



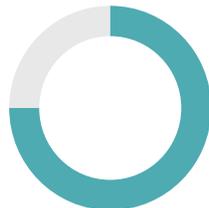
**85%**

of **retailers** report an increase in **sales of sustainable products** over the past five years; sales of sustainable products have grown at a faster rate than total product sales



**67%**

European **companies** that have made investments **to combat the effects of atmospheric phenomena and to reduce carbon dioxide emissions** or are planning to do so



**75%**

**investors** express interest in **sustainable investments**

Source: EU Eurobarometer, March 2020; EU Parliament The EU market for sustainable products, May 2019; ITC and EC BEI, Investment survey, 2020

### Managing indirect environmental impacts

As defined in its Environmental Policy, the Group aims to take a precautionary approach to major environmental issues with the dual purpose of mitigating risks related to commercial operations and seizing new business opportunities in all strategic areas.

Demonstrating its focus in this regard, it is committed to reducing the environmental impacts of its securities portfolio through investments in low-emission financial instruments.

## Planned measures and actions to reduce indirect impacts.



### CUSTOMER-ORIENTED ACTIVITIES

The Group intends to encourage its customers to manage their activities in a sustainable manner, including through dedicated banking products and services. To this end, the Group plans to implement activities aimed at:

- integration of environmental and climate risk factors into credit processes, in line with current regulations;
- integration of environmental and climate risk factors into the governance system, strategy, risk management system and reporting, in line with the expectations of the Supervisory Authority;
- gradual development and placement of investment instruments to promote environmental characteristics;
- development of the bond issue programme aimed at financing and refinancing eco-friendly activities;
- gradual promotion of financing products to support economic activities that contribute to climate change mitigation and adaptation, such as:
  - low-emission production processes;
  - purchase of housing with a reduced environmental impact;
  - energy upgrading of buildings;
  - energy production from renewable sources.
- selection of funding opportunities, with reference to companies in 'sensitive' sectors, through an assessment of regulatory compliance and environmental standards.



### SUPPLIER-ORIENTED ACTIVITIES

The Group plans to conduct procurement management that favours suppliers who adopt environmentally sustainable management practices and technologies and provide products and services that have a lower environmental impact, equal functionality and are available on reasonable terms.



### COMMUNITY-ORIENTED ACTIVITIES

The Group intends to:

- support both personal and institutional environmental volunteering activities;
- support donations, sponsorships and campaigns or initiatives to protect and restore environmental heritage;
- participate in initiatives of national or international bodies and organisations to support and guide business activities.



### EMPLOYEE-ORIENTED ACTIVITIES

The Group plans to organise the following activities:

- training and awareness-building for employees on environmental issues;
- disclosure of information relevant to the application of corporate environmental protection practices.

The Group wants to encourage its customers to run their businesses in a sustainable manner

The following pages summarise the main activities carried out by the Group to develop coherent sustainable finance strategies, with a focus on environmental and climate issues.

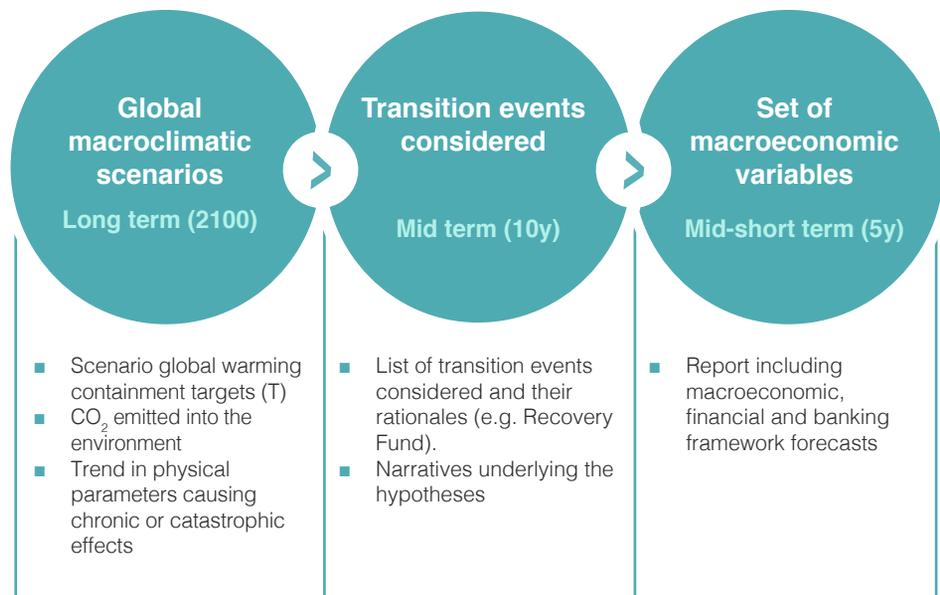
### Sensitivity analysis of climate scenarios

In 2021, the Bank conducted the first sensitivity analysis on climate scenarios in partnership with consulting firm Prometeia. This is an exercise aimed at initiating a process of developing internal functions' awareness of the possible impacts of climate risk events on the Bank's context, as well as assessing possible scenario developments that consider the main economic events underlying climate risk evolutions, including for the purposes of its medium- to long-term simulation

exercises.

Scenario analysis evaluates a range of hypothetical outcomes by considering a variety of plausible alternative future states (albeit with different probabilities of occurrence) based on a given set of assumptions and constraints: in particular, Climate Change Risk scenarios involve three macro-components: 'classical' macroeconomic variables, climate variables and transition events considered inclusive of the underlying narrative.

### Variables considered for the sensitivity analysis



## Green Bonds: a sustainable credit instrument

A Green Bond is a debt instrument associated with financing projects with a positive environmental impact. Activities that can be financed include, for example, energy production from renewable sources, investments to increase the energy efficiency of your home or business, waste rehabilitation, and sustainable land use.

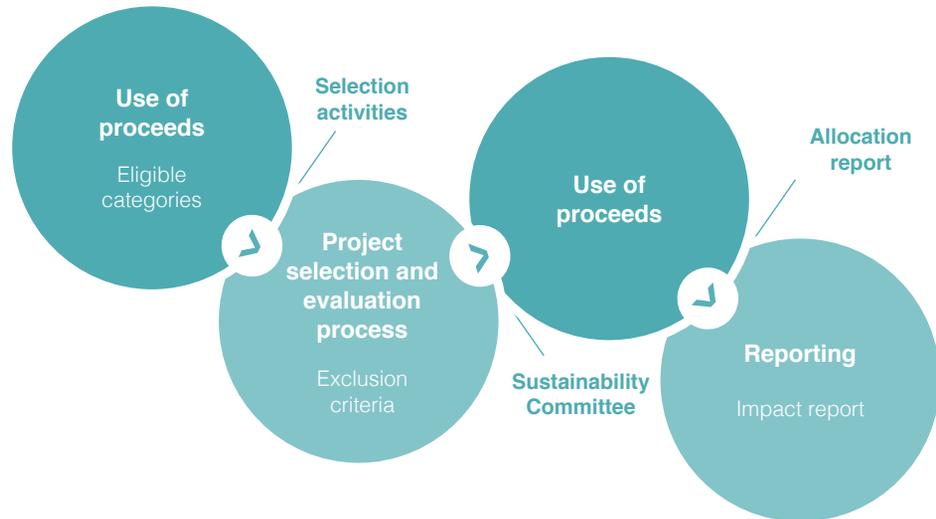
To date, Green Bond issuers mainly follow the guidelines set forth by the ICMA (International Capital Market Association): to align with these principles, a document, the Green Bond Framework, must be made public at the time of issuance, wherein the so-called 4 pillars must be defined:

- how the proceeds will be used and allocated, how the proceeds, which must be linked to green projects or companies, will be used and allocated;
- the process of selecting and evaluating companies or projects, which must meet environmental eligibility requirements;
- proceeds management;
- the reporting which, through the use of defined metrics, provides information on the allocation and environmental impact of the projects for which the revenues are used (to be published at least once a year until the bond expires). By way of example, the amount of CO<sub>2</sub> emissions avoided thanks to the implementation of the financed projects and the production of clean energy from the financed plants may be reported.



Moreover, the following activities are planned:

- a Second Party Opinion (SPO), i.e. an opinion issued by an independent external organisation with expertise in sustainability;
- a subsequent assurance audit carried out by an independent third party.



In July 2021, Banca Popolare di Sondrio too issued its first Senior Green Bond amounting to €500 million, under the EMTN (Euro Medium Term Notes) programme, whose framework is aligned with the ICMA principles updated in 2021.

The decision to undertake this initiative is based not only on the economic/financial opportunity, but also on awareness of having within its customer portfolio numerous virtuous companies that are attentive to the local area and the well-being of the community. These organizations then receive the proceeds of the transaction.



Proceeds are exclusively used to finance or refinance activities that meet the following eligibility criteria:

**Green Building:** loans or assets related to the acquisition, construction and renovation of residential and/or commercial energy-efficient building.

**Renewable Energy:** loans for the acquisition, development and management of infrastructure for the production of energy from renewable sources.

**Clean Transportation:** loans related to low carbon transport assets and the purchase, construction and operation of infrastructure dedicated to low-carbon transport.

**Energy Efficiency:** loans for assets that contribute to a reduction in energy consumption (e.g. energy-saving lighting).

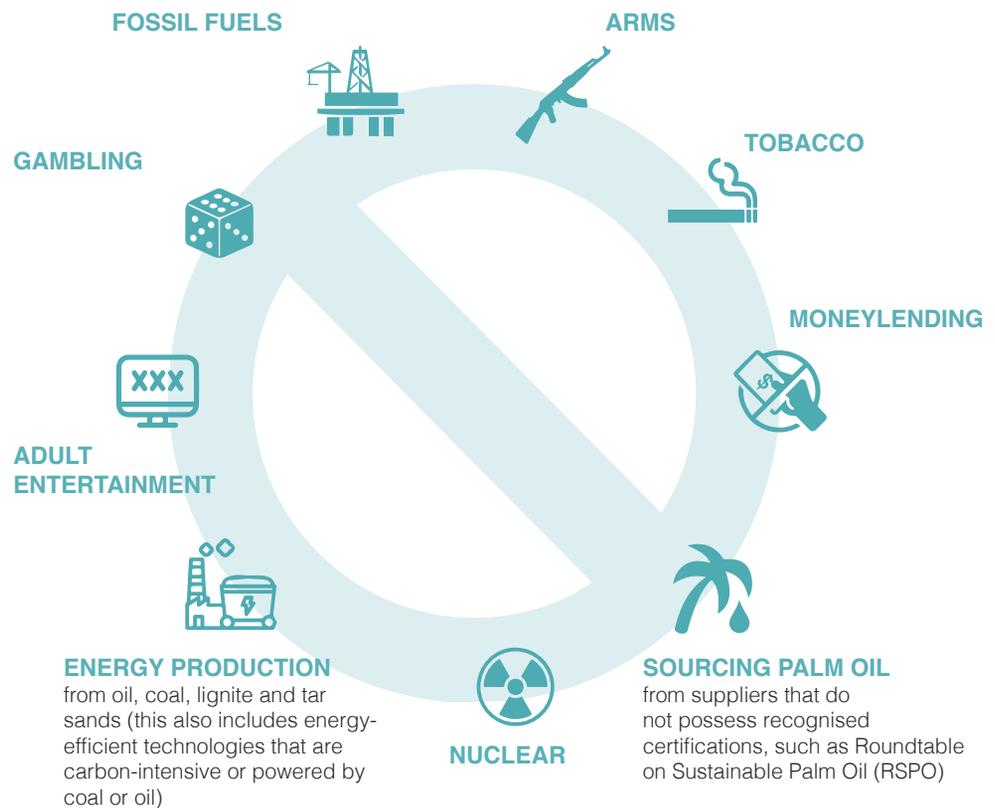
**Environmentally sustainable management of living natural resources and land use:** loans for activities that contribute to the sustainable management of natural resources and land use (e.g. investments in protected areas such as regional nature parks).

**Pollution prevention and control:** loans for activities that contribute to the prevention, collection, disposal and recycling of waste.

**Sustainable Water and Wastewater Management:** loans for activities that improve the quality, efficiency, distribution and conservation of water.



## Sectors excluded from Green Bonds



The assessment and selection of projects (re)financed by the Green Bond is a key process to ensure compliance with the criteria set out in the Framework document. The Bank has established a Sustainability Committee, which, among other duties, is responsible for overseeing Green Bond activities.

In particular, the Sustainability Committee:

- approves the Framework document and any subsequent updates, informing the Board of Directors;
- reviews and evaluates the set of eligible green projects; during the life of the bond, it reviews and evaluates new assets for inclusion in this set;
- oversees the internal tracking of bond issue proceeds and monitors the management of collected and temporarily unallocated funds;
- monitors developments in the market environment and regulations for this type of bond;
- reviews and approves the allocation and impact reporting related to the bond, reporting to the Board of Directors.

## THE PORTFOLIO AT THE TIME OF ISSUANCE

# 406

MILLIONS OF EURO

# 3 years

OF LOOKBACK PERIOD:  
post-2018 disbursements

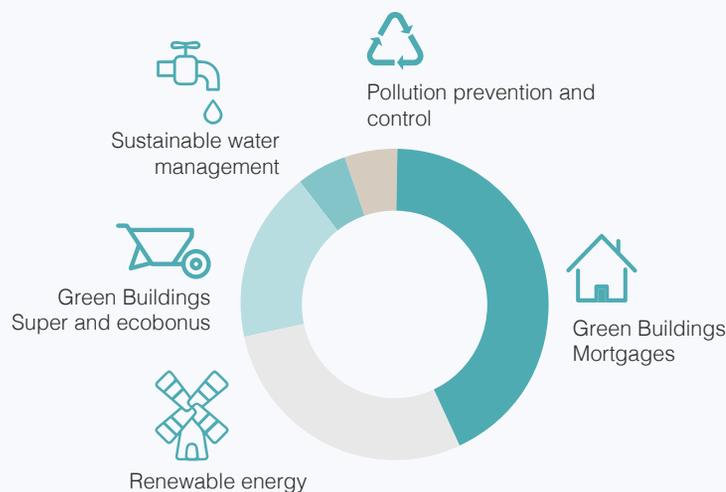
# > 12

YEARS OF MATURITY

# 100%

ASSETS LOCATED IN ITALY

Category	#loans	Average loan amount (mIn €)	Average duration (years)
<b>Green Building (Loans)</b>	1026	0.18	18.5
<b>Green Building (Super/Eco Bonus)</b>	1906 (#ticket)	0.11	6.2
<b>Renewable energy</b>	38	3.09	7.5
<b>Pollution prevention and control</b>	4	3.64	8.4
<b>Sustainable water management</b>	3	5.36	6.9



The Bank has committed to allocating the difference between what it has raised from the market and what it has (re-)financed over a maximum period of 36 months and to allocate excess liquidity temporarily to investments in securities that incorporate ESG factors. Despite the stated three-year term, it managed to allocate the €500 million raised on the market before the end of 2021, thereby increasing the size of its green portfolio.

A further classification of financed or re-financed assets is as follows:

**GREEN PROJECT**

A Green Project is any type of loan granted after the lookback period (2018) whose purpose, indicated in the application and supported by appropriate attached forms, is aligned with one of the eligible categories outlined in the Green Bond Framework. The Green Project segment therefore spans the different eligible categories set out in the Green Bond Framework.

**PURE PLAYER**

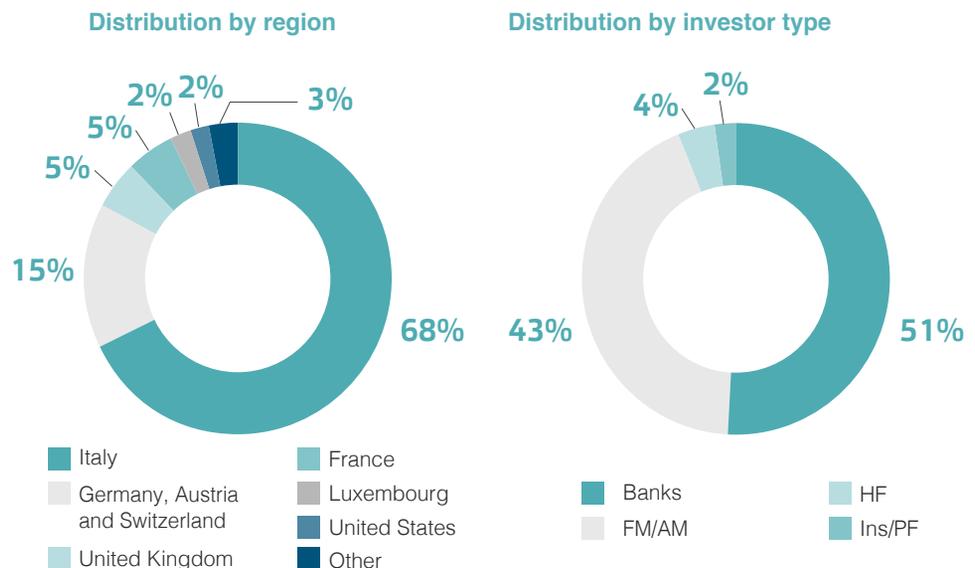
Pure Players are companies that derive more than 90% of their turnover from eligible activities. Once identified, any financing identified and disbursed after the lookback period to these companies can be included in this category. The Pure Player segment therefore spans the different eligible categories set out in the Green Bond Framework.

**GREEN BUILDING - Mortgages**

This segment of the portfolio includes assets related to the purchase of real estate with a high energy class. The precise eligibility criteria are set out in the Green Bond Framework.

**GREEN BUILDING - Super/EcoBonus**

This segment of the portfolio includes all tax credits acquired by the Bank and already present in its tax box related to Super/EcoBonus practices. These assets are included insofar as they relate to work on buildings through which an improvement in their energy efficiency is achieved.



## Superbonus 110%, Ecobonus, Sismabonus

The Italian Parliament, on 17 July 2020, passed a government measure into law – Legislative Decree 34/2020, the so-called Relaunch Decree, which implements new urgent measures to support economic and labour policies.

For more than 20 years, Italy has offered tax incentives to those who renovate buildings and installations in buildings used for residential or similar purposes.

The new system has particularly increased the percentage tax deduction, raising it to 110% of the costs incurred on energy upgrades to existing buildings that reduce climate-related emissions linked to internal heating services, for example by achieving an improvement of two energy classes (classification pursuant to Directive 2010/31/EU).

In these cases, the incentive mechanism enables the contractor, usually on completion of the work, to benefit from a tax credit of up to 110% of the costs incurred. This credit can be offset by those entitled to it in the following five income tax declarations or, alternatively, may be sold in whole or in part to a third party, including financial intermediaries, that in turn may deduct it for tax purposes.

There are two different credit transfer mechanisms:

- direct credit transfer: the customer finances the works and earns the tax credit, which can be offset for tax purposes or transferred to the Bank.
- “Discount in invoice” indirect transfer: the company offers a discount in the invoice, up to 100% of the cost of the work and benefits indirectly from the tax credit, which can be offset for tax purposes or transferred to the Bank.

The Bank has initiated operations that allow the customer to pre-finance the work with a commitment to transfer the related tax credit on completion.

In essence, there are two approaches:

- Suspended credit: the Bank agrees to purchase the tax credit earned by the customer, on completion of the work, without advancing any liquidity (financed by the customer or the business using own funds).
- Committed credit: the Bank pre-finances the customer / business with a loan not exceeding the corresponding offer to purchase the tax credit (e.g. Credit [€] x Price).

In both cases, the government finances the customer in the form of a tax credit that it transfers to the Bank, but only in the second case does the Bank advance an amount that allows the customer / business to finance the work.

The total amount of purchased credits as at 31 December 2021 is €509,777,384, of which €9,070,656 is offset; the net amount after use is therefore €500,706,730.

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## Credit products for environmental protection purposes

The Group offers a wide range of banking products designed to express solidarity and social inclusion for the weaker members of the population, together with investment solutions that can generate yield. They benefit the real economy and reward businesses that adopt virtuous practices respectful of the law, human rights and shared ethical values.

In this regard, the credit policies adopted by the Group, which have always been inspired by principles of financial inclusion and the pursuit of social goals, are particularly important, ensuring positive returns in terms of recognition and perception of the company's reputation.

The subsidiary BNT Banca, which specialises in offering salary/pension assignment and payment delegation products for individuals excluded from traditional credit circuits, plays a major role in this respect.

Special attention is dedicated to analysing the qualitative profile of the loan applicant and the product sector concerned (with particular reference to the destination countries and/or the sources of the funds and counterparties involved), working in full compliance with corporate and community regulatory requirements and the principles enshrined in the Code of Ethics.

Prompted by the new EBA LOM Guidelines in force from June 2021 and conscious of the increasing importance of sustainability issues and potential risks for the financial sector related to climate change, the Group has initiated dedicated planning to include environmental, social and governance factors, as well as associated risks and opportunities, in a more structured manner in its policies and procedures for creditworthiness assessment and credit and insolvency risk management.



### Monetary value of products and services designed to provide an environmental benefit

Calculation of the reported indicator was subject to a methodological update this year: the boundary of environmental loans is developed for the parent company alone and includes data extrapolated from its balance sheet under the accounting item 'amortised cost' to customers for the instalment value.

Given the first placement of a Green Senior Preferred Bond, which was specifically discussed in the previous pages, it was decided to also include the values of the loans underlying the issue of the Green Bond in the figures shown at 31 December 2021.

The methodology for selecting the underlying loans is defined in the Green Bond Framework, available on the company website.

Since the Green Bond includes loans granted as of 2018, the 2020 and 2019 figures have been updated to include the proceeds considered eligible from time to time, discounting the boundary in the previous periods (as of 31 December 2019 and 2020) and checking the balance of the boundary of green projects, so-called pure players and green buildings.

In line with the proceeds of the Green Bond, the figures for loans granted for Ecobonus and Superbonus were excluded from the discount calculation.

GRI  
FS8

	UOM	2021	2020	2019
<b>Total loans to customers (gross balance)</b>	mIn €	19,318,694,925	17,830,748,463	15,091,732,037
<b>Loans for environmental purposes (gross balance)</b>	mIn €	506,000,637	234,207,607	157,730,595
<b>Percentage of total loans granted for environmental purposes with respect to total loans granted</b>	%	2.62%	1.31%	1.05%
<b>Loans for 110% SuperBonus</b>	mIn €	210		
<b>Percentage of total loans granted for the 110% SuperBonus with respect to total loans granted</b>	%	1.1%		

(Data extrapolated from financial statements, selected from retail segment at amortised cost)



## The Group's indirect emissions

Carbon footprint is a calculation of the climate-changing emissions or greenhouse gases climate-changing emissions or greenhouse gases (GHG) emissions attributable to a product, an organisation or an individual.

The most commonly reported emissions are those of carbon dioxide (or CO<sub>2</sub>), which, however, only constitute one type of climate-changing gas emission.

Emissions are classified by Scope, which, in particular, defines whether the emissions were generated by the organisation itself or were produced by related organisations, such as the energy supplier. Scopes 1, 2 and 3 are connected with the GRI indicators as follows:

- Scope 1 = Direct GHG emissions (explored in more detail in the Direct environmental impacts material topic)
- Scope 2 = Indirect GHG emissions from energy consumption
- Scope 3 = Other indirect GHG emissions

An effective corporate strategy to combat climate change requires a detailed understanding of the company's own climate-changing emissions.

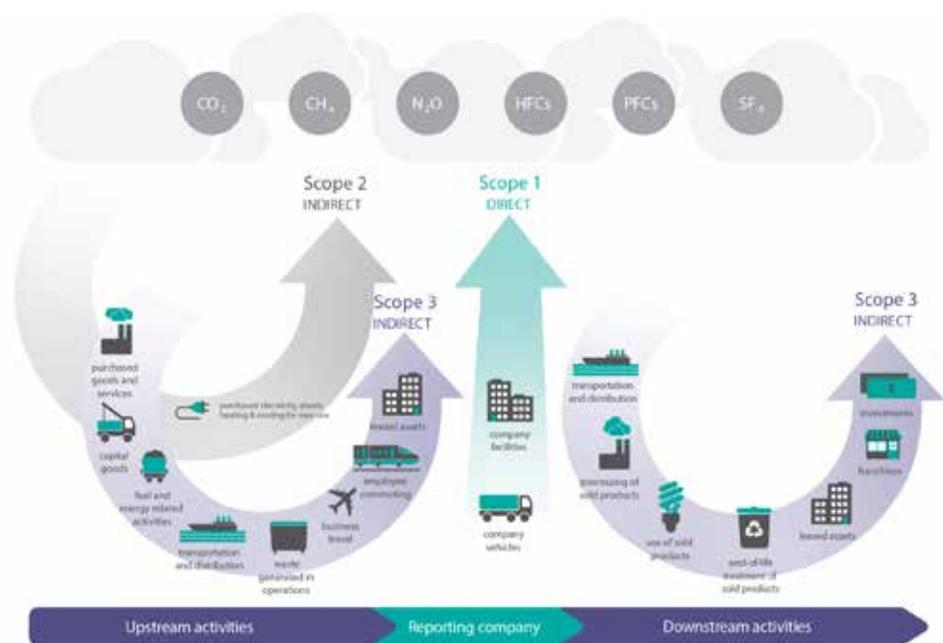


Image source: GHG Protocol - Technical Guidance for Calculating Scope 3 Emissions - Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard, World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).



## Scope 2 emissions

Scope 2 indicates indirect emissions of CO<sub>2</sub> deriving from the consumption of purchased electricity and heat: every six months / yearly, BPS carries out specific analyses in order to BPS carries out specific analyses in order to determine the consumption indices (benchmarks) of the various buildings; generally, these data are compared with the average sector data collected by the ABI Energia Group, as well as with best practices (KPI), with the aim of targeting specific actions or undertaking different energy management measures.

Indirect emissions (Scope 2)	UOM	2021	2020	2019
<b>Total indirect emissions – “Location-based ”</b>	t CO <sub>2</sub> e	5,502	5,809	5,894
<b>Total electricity purchased (renewable and non-renewable) (national grid average emission factor)</b>	t CO <sub>2</sub> e	5,126	5,502	5,595
<b>Total district heating purchased (renewable and non-renewable)</b>	t CO <sub>2</sub> e	376	308	299
<b>Other (specify)</b>	t CO <sub>2</sub> e	0	0	0
<b>Total indirect emissions - “Market based ”</b>	t CO <sub>2</sub> e	406	372	241
<b>Non-renewable electricity purchased</b>	t CO <sub>2</sub> e	216	186	118
<b>Electricity purchased from renewable sources</b>	t CO <sub>2</sub> e	0	0	0
<b>Non-renewable district heating purchased</b>	t CO <sub>2</sub> e	191	186	124
<b>Renewable district heating purchased (zero emission factor)</b>	t CO <sub>2</sub> e	0	0	0
<b>Other (specify)</b>	t CO <sub>2</sub> e	0	0	0

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Scope 3 emissions represent the most significant

## Scope 3 emissions

Scope 3 emissions refer to emissions of climate changing gases (or GHGs) that an organisation emits in the course of its activities, but which arise from sources not owned or controlled by the organisation itself. These emissions include those related to the production of purchased material and fuel used by vehicles not owned by the organisation, as well as the end use of products or services and investments made.

Until recently, companies have focused on calculating emissions within Scope 1 and 2: the "*The time to Green Finance*" report, published by CDP, notes that only a small number of credit institutions report their Scope 3 emissions and states that the ratio of indirect GHG emissions of financial institutions (associated with investment, lending and underwriting activities) to direct GHG emissions is 700 to 1: the direct GHG emissions of financial companies should be considered residual compared to what is generated by the companies they finance or invest in..

The Bank is aware of the need to account for emissions along its value chain in order to comprehensively manage risks related to its carbon footprint: not only to meet the demands of the regulator and the expectations of the market, but above all to embark on a process of self-analysis aimed at defining new environmental and climate targets.

For this reason, starting this year, it intends to undertake a study of its Scope 3 emissions, beginning with an initial exercise to analyse the emissions of a portion of its credit portfolio. In particular, analyses cover the corporate boundary, net of small businesses, for the 22 sectors – identified by their NACE code – that are considered most polluting as defined by the ECB Guidelines. For these 22 sectors, the Bank's top 15 counterparties, by size of exposure were analysed; the directly financed holding companies, with Large Corporate characteristics, were also included, breaking down the groups starting from their subsidiaries and thereby identifying the prevailing sectors in which the operations are held.

The data collection methodology follows two main literature references:

- GHG Protocol - Technical Guidance for Calculating Scope 3 Emissions - Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard, World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).
- PCAF – Partnership for Carbon Accounting Financials (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition.

The following tables represent the Scope 3 emissions of the credit portfolio, relating to counterparties in the five most polluting sectors; the portion relating to the remaining 13 sectors has been considered in the 'Other Sectors' cluster.

The Scope 3 emissions of the selected portfolio are equivalent to the sum of the Scope 1 and 2 emissions of the financed entities, with the exception, as indicated in the PCAF methodology, of the Oil&Gas (NACE C19 and D35 codes) and Mining (NACE B05-09 code) sectors, for which data on the relevant Scope 3 emissions of the financed entities were also added, where available.

### 2021 Scope 3 emissions of a portfolio of credits to the most polluting counterparties

NACE sector	Sector description	The Bank's exposures to counterparties (mln €)	Sum of Scope 1 and Scope 2 emissions (tCO <sub>2</sub> e)	Relevant scope 3 emissions according to PCAF methodology (tCO <sub>2</sub> e)	Total Scope 3 emissions of the PCAF selected credit portfolio (tCO <sub>2</sub> e)
		5,458	53,439,517	3,176,951	56,616,467
<b>C19</b>	Production of coal and refined petroleum products	331	25,352,240	1,946,920	
<b>D35</b>	Electricity, gas, steam and air conditioning supply	609	11,927,025	-	
<b>H50</b>	Water transportation	12	3,371,686		
<b>C23</b>	Manufacture of non-metallic mineral products	60	2,229,373		
<b>C20</b>	Manufacture of chemicals	166	1,616,567		
<b>Other sectors (generic)</b>		4,280	8,942,626		
<b>Other sectors (mining)</b>				1,230,031	

(GHG emissions data provided by CRIF SpA as an ESG data provider for Banca Popolare di Sondrio)

### Other indirect GHG emissions (Scope 3)

Other indirect emissions (Scope 3)	UOM	2021	2020	2019
<b>Purchased goods and services (Paper &amp; Toner)</b>	t CO <sub>2</sub> e	395	407	3,398
<b>Business trips (public transport)</b>	t CO <sub>2</sub> e	263	240	504
<b>Credit portfolio (according to the boundary identified above)*</b>	t CO <sub>2</sub> e	56,616,467		
<b>Total other emissions</b>	<b>t CO<sub>2</sub>e</b>	<b>56,617,125</b>	<b>647</b>	<b>3,901</b>

\* portfolio emissions were calculated for the first time in 2021

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EU Regulation 2019/2088 is a driver for the integration of ESG risks into investments

## Responsible investment

EU Regulation 2019/2088 of 27 November 2019 on sustainability disclosures in the financial services sector, (Reg.(EU)2019/2088) refers to the fact that the European Union increasingly faces the consequences of climate change, resource depletion and other sustainability-related issues and places responsibility on financial market participants and financial advisors to make a strong push for change by mobilising capital towards sustainable investment.

Sustainable investment is defined as an investment in an economic activity that aims to contribute substantially to one or more environmental or social objectives, provided that this investment does not cause significant harm to any of the environmental or social objectives and that the companies benefiting from the sustainable investment comply with good governance practices.

The environmental objective of an investment is aimed at achieving, for example, energy efficiency, use of renewable energies, efficient use of raw materials and water resources, while the social objective of an investment seeks to promote social cohesion and integration, to combat inequality and to improve the conditions of economically or socially disadvantaged communities. The adoption of good governance practices translates into sound management structures, positive employee relations, adequate staff remuneration and compliance with tax obligations.

EU Regulation 2019/2088 require financial market participants and financial advisors to make ongoing disclosures, either through publication on their websites or through pre-contractual documents, with the primary aim of reducing the information gap in relation to end investors regarding the integration of ESG risks, the integration of the adverse impacts of sustainability, the promotion of environmental or social characteristics, and sustainable investments. The definition of "financial market participants" includes credit institutions providing portfolio management services, while financial advisors include credit institutions providing investment advice.

The Bank is therefore required to fulfil these regulatory obligations both as a participant in the financial markets, for which it provides the portfolio management service, and as a financial advisor, since it is a credit institution providing investment advice.

The following paragraphs outline the actions implemented by the Bank to promote sustainable investment and thus, indirectly, to actively contribute to sustainable economic development.

### The search for information on sustainability

In 2021, the Bank conducted a thorough investigation to select one or more ESG data providers in order to obtain information coverage, particularly on ESG risks, regarding financial instruments included in asset management or offered to customers through the advisory service. Moreover, the Bank currently carries out autonomous analyses based on information provided by financial applications, normally used for offering its services.

In particular, the Finance Office constantly analyses developments in the political, economic and financial scenario, examining news and comments published in the press and by info providers, economic and corporate data disseminated through the same channels, information on mutual funds and open-ended investment companies (SICAVs), and studies and research carried out by other intermediaries or specialised companies. This material and publicly available information is used by professionals to reconstruct historical trends or to make comparisons between issuers, undertakings for collective investment (UCIs) or financial instruments.

The acquisition, analysis and processing of this information are key to efficient assessment of the environment and related investment opportunities which, in turn, are essential when building portfolios of financial instruments designed to optimise the risk-yield profile based on the established investment opportunities. In carrying out this activity, both a fundamental analysis approach and technical analysis methodologies are used, without neglecting ESG factor analyses, which are integrated into the decision-making process.

#### Sustainability training for the finance area

The Bank supports training on this topic by promoting the participation of portfolio management and financial advisory service employees in courses aimed at providing the necessary skills to assess the integration of environmental, social and corporate governance information

in financial analyses and investment decisions. In this regard, the Asset Management Office team obtained the European Diploma in Sustainability - CCESGA®.

### The process of integrating sustainability risks and consideration of the main adverse impacts on sustainability factors in the portfolio management service

As a participant in the financial markets, the Bank, following changes in the financial market linked to an increasing focus on sustainability factors, has integrated both sustainability risk and the consideration of major adverse impacts on sustainability factors into its investment decisions, more closely tailoring its products and services to customers' changing needs.

In the portfolio management service, the integration of ESG factors has been implemented in the investment process, considering these factors to a greater extent, especially in seven specific management lines that promote sustainable growth, for which a decision was made to strengthen the ESG assessment when choosing instruments and products for inclusion in the portfolio, mainly adopting both positive and negative selection criteria:

Seven specific asset management lines that favour sustainable growth



- the Obbligazionaria ESG Internazionale, Bilanciata ESG Internazionale 15%, Bilanciata ESG Internazionale 30% and Bilanciata ESG Internazionale 50% asset management funds invest in UCIs that assess sustainability factors in their investment choices. In particular, at least 40% of the portfolio of these lines must be invested in assets whose management policy and strategy considers ESG aspects;
- the Azionaria ESG Internazionale and Azionaria ESG Emergente asset management funds invest in UCIs that assess sustainability factors in their investment choices. In particular, at least 65% of the portfolio of these lines must be invested in assets whose management policy and strategy considers environmental, social and governance aspects;
- the asset management in GPF Dinamica Bilanciata 30% Valori Responsabili funds implements an investment policy characterised by the search for and selection of issuers (states and companies) distinguished by their respect for human rights and environmental protection or whose activities are consistent with the principles of the Catholic religion. This line mainly invests in the mutual fund units of Etica Sgr and Christian Brothers Investment Services (CBIS).

In general, within the framework of the portfolio management service, special attention is also paid to investing in, but not limited to, sectors that contribute to SDGs, and decisions are implemented by relying on data obtained from specialised companies, non-governmental bodies, providers, corporations, media, etc., albeit sometimes not exhaustive, and publicly available information.

To this end, the Portfolio Management Office firstly carries out specific sustainability risk monitoring for all equity portfolio management in securities or funds. In particular, two specific risks are monitored – carbon risk and fossil fuel exposure – the positioning of which below predetermined thresholds gives the line a low-carbon connotation.

The adoption of investment criteria that also take ESG profiles into account covers investments in all the financial instruments within the investable universe of the various asset management lines (bonds, equities, UCIs), while promoting the principles of diversification.

ESG factors are measured by calculating an overall portfolio sustainability score for individual asset management lines and several specific scores for environmental, social, governance and energy transition variables.

ESG factors are monitored on an ongoing basis by the manager, in addition to a monthly updating of internal product sheets.

Looking ahead, the Bank undertakes to continue strengthening the process of integrating sustainability risks and considering the negative effects of investment decisions regarding ESG factors, extending the analyses and assessments outlined above to all products offered as part of its portfolio management service, seizing the opportunities arising from the increasing availability of data and information on sustainability issues, and taking into account the regulatory framework that will gradually become complete and definitive.

ESG factors are measured by calculating an overall portfolio sustainability score for individual asset management lines

### The process of integrating sustainability into the investment advisory service

In the area of advisory services, the Bank also considers the issue of sustainability as a priority that will be integrated into the various stages of the customer service delivery process.

Sustainability factors and associated risks will be structurally integrated first and foremost into the rationale of defining model portfolios offered to customers, while also taking into account the adverse impacts on sustainability factors. In this regard, the Bank has undertaken an analysis aimed at measuring the sustainability risks of the financial instruments in the advisory list for which, to date, such information is available. It also closely monitors the evolution of the regulatory framework, particularly with regard to the national transposition into Italian investment services regulations.

Currently, the advisory list contains UCIs from different management companies characterised by a stated compliance with ESG criteria. More specifically, the Bank places, among others:

- the products of Etica Sgr, the only company on the Italian market to set up and propose exclusively sustainable and responsible mutual funds, thanks to a strict selection of financial instruments issued by companies that are virtuous from an ESG standpoint;
- Arca Sgr's mutual funds featuring portfolios that favour issuers compatible with the sustainability criteria set out in the United Nations Principles for Responsible Investment (UN PRI). To this end, Arca has developed a proprietary ESG rating that allows various equity and bond issuers to be ranked according to their degree of adherence to sustainability principles;
- the SICAVs of BPS Suisse, a member of 'Swiss Sustainable Finance' (an association that aims to strengthen Switzerland's position in the global market for sustainable finance), which integrate sustainability considerations into the investment process;
- CBIS mutual funds, characterised by the pursuit of Catholic-based ethical goals aimed at promoting the social aspect of individual dignity and worth.

In the near future, customer preferences with regard to sustainability factors will be surveyed through the Financial Questionnaire for the purpose of advisory service provision and, in particular, the assessment of adequacy process. Specifically, in addition to investment goals and risk appetite indications, in assessing whether a financial product is suitable for customers' characteristics and needs, the Bank will consider customers' preferences with regard to positive environmental impacts, social needs and good corporate governance.

The process of adapting the advisory service to emerging sustainability requirements is being constantly and progressively updated, in line with the evolution of legislation and the availability of data and information on ESG issues.

Sustainability factors and associated risks will be structurally integrated into the rationale for defining portfolios

Customer preferences regarding sustainability factors will be surveyed through the Financial Questionnaire



### The consolidated collaboration with Etica SGR

Collaboration with Etica Sgr, consisting primarily of the placement of funds belonging to the *Etica - Linea Valori Responsabili e Futuri Responsabili* system.

Etica's uniqueness lies in the fact that it is the only Italian asset manager to establish, promote and manage mutual funds which, without exception, are socially responsible by combining financial analysis with assessments using ESG criteria, which address environmental, social (e.g. gender equality) and good governance (e.g. fight against corruption) matters. Following these principles, Etica Sgr has developed a security selection process aimed initially at excluding governments and companies involved in controversial activities. It then identifies the most virtuous experiences based on analysis of the social, environmental (e.g. commitment to reduce greenhouse gas emissions) and governance aspects of the issuers. Only issuers with a suitable qualitative profile and quantitative score can be considered investable by Etica Sgr.

This responsible investment strategy is implemented through dialogue between Etica Sgr and the management of the businesses in which active shareholders and funds invest and exercise their voting rights.

The ethics committee provides advice and makes recommendations so that Etica Sgr can grow in an ethical and socially-responsible manner.

Etica Sgr offers six mutual funds that make ethical investments:

- Etica Obbligazionario Breve Termine
- Etica Obbligazionario Misto
- Etica Rendita Bilanciata
- Etica Bilanciato
- Etica Azionario
- Etica Impatto Clima

The company also promotes microfinance projects: subscribers to Etica Sgr's Responsible Values funds can choose to donate 0.1% of the subscribed capital (1 euro for every 1,000) to a fund managed by Banca Popolare Etica that guarantees microfinance projects in Italy and which supports crowdfunding initiatives with a high social and environmental impact, again in Italy. Etica Sgr and Banca Popolare di Sondrio offer – including through SCRIGNO Internet Banking – the chance to invest in government bonds and companies that are committed to respecting the environment and human rights by subscribing to the Responsible Values Funds. The securities selected for the Responsible Values Funds are chosen according to social and environmental criteria, not only on the basis of financial valuations.

	2021	2020	2019
<b>Assets on deposit (mln €)</b>	681	558	459
<b>Number of BPS customers who subscribe to Etica Sgr funds</b>	18,813	15,149	13,108



### Percentage of assets subject to environmental or social screening

	UOM	2021	2020	2019
<b>Total assets managed</b>	€	6,724,808,923	5,936,646,990	5,578,016,992
<b>Total assets managed that are subject to environmental or social screening</b>	€	1,529,719,370	975,243,911	731,307,818
<b>Percentage of assets subject to environmental or social screening</b>	€	23%	16%	13%

This figure does not include BPS SUISSE, for which a separate statement is provided. Social and environmental screening is applied based on the sustainability rating issued by Sustainalytics.

	UOM	2021	2020	2019
<b>Total assets managed</b>	€	558,282,274	536,203,336	473,453,753
<b>Total assets managed that are subject to environmental or social screening</b>	€	100,153,648	109,470,557	5,094,685
<b>Percentage of assets subject to environmental or social screening</b>	€	17.94%	20.42%	1.08%

The figure above only refers to BPS SUISSE and in particular to a well-identified line of asset management mandates launched during 2019 and to Popso ESG investment funds.



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FS11

### The ESG investment approach of BPS (SUISSE)

The investment methodology devised by BPS (SUISSE) seeks to combine the best of Swiss and international experience in the area of ESG investments, while recognising the role of the Bank as a mutual fund manager, an asset manager and an investment advisor to both domestic and international retail and private customers.

The Swiss Bank strives to apply the following principles:

- objectivity, with performance as the guiding principle in investment selection at all times
- positive screening, using reliable and experienced data providers to limit and/or exclude from investment portfolios those public or private entities that pay little attention to sustainability matters
- topic orientation, with special attention to the environmental sustainability of investments
- negative screening, with the exclusion of companies active in the production or distribution of controversial armaments or that do not achieve minimum ethical standards
- integration, with incremental use of qualitative ESG research from differing sources within the analyses carried out at each level

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FS7 and FS8

### Monetary value of products with social and environmental value

	UOM	2021	2020	2019
<b>Total monetary value of GPF Dinamica Bilanciata 30% Valori Responsabili - FS7 and FS8</b>	€	43,070,180	38,632,734	42,694,733
<b>Total monetary value of Etica SGR funds with environmental impact (e.g. Fondo Etica Impatto Clima) - FS8</b>	€	167,235,636	45,071,145	0
<b>Total monetary value of Etica funds and Christian Brothers Investment Services with social/environmental impact (e.g. Fondo Etica Bilanciato) - FS7 and FS8</b>	€	130,011,406	90,109,106	0
<b>International ESG equity GPF</b>	€	14,000,468	-	-
<b>Emerging ESG equity GPF</b>	€	3,671,361	-	-
<b>Total monetary value of savings products sold to customers</b>	€	357,989,051	173,812,985	42,694,733

### Policies for the fair design and sale of financial products and services

As stated in the Code of Ethics, each operator strives to safeguard the rights and interests of customers by, in particular, working to reduce any information asymmetries regarding the products and services offered to customers or requested by them. The Bank considers customers' independent choice to be one of its values. Each operator also strives to comply with the internal rules and objectives established by the Bank, in the knowledge that – in all cases – no exceptions are tolerated, even in order to achieve the planned budgets.

When meeting customers, the Bank makes recommendations intended to guide and optimise the composition of their portfolios over the medium-long term, in a manner consistent with the customer's knowledge, experience and investment objectives communicated to the Bank via the Financial Questionnaire. Employees are required to confirm, in the manner established by law, the identity of the persons who contact them. Customers may be requested to collaborate in this regard, both in their own interests and to prevent improper use of the banking and financial system, in compliance with current legislation. Customers are given appropriate assistance in order to improve their use and understanding of the products and services provided or commercialised by the bank, as well as suitable information about the economic conditions applicable to the products and services offered. Transactions are carried out using specific procedures that protect the confidentiality of the data and information requested or received.

In order to ensure that the policies and principles governing the interests of the Bank and its employees are aligned with the interests of customers, the Board of Directors has established a management committee responsible for the governance of financial products, the functioning, composition and duties of which are detailed in a specific regulation. The purpose of the committee is to analyse each financial product against the general criteria defined by the Board and to monitor the choices already made.

Specifically, the committee:

- identifies the reference market for each financial product and, where appropriate, identifies those groups of customers whose needs, characteristics and objectives are not compatible with it (negative target market);
- identifies the reference market for each collection of products that can be recommended when providing portfolio advice or when providing active investment services at the request of customers;
- assesses the proposal of possible changes to the collections of financial products that are already available;
- monitors every six months the effectiveness of the procedures adopted by the Bank to comply with the regulatory requirements governing the financial products offered to customers.

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FS15



### Placement of sustainable products: Arca Fondi Sgr

Since 1983 Banca Popolare di Sondrio has drawn on the experience and professionalism of Arca Fondi SGR Spa to implement the investment solutions most suited to customer needs.

The mutual funds of Arca SGR achieve maximum diversity in terms of investment type, management style, geographical area and business sector.

The ability to purchase fund units in very small amounts (€100) ensures accessibility for small savers, who can also make periodic payments (via accumulation plans), with a view to investing the flow of savings while reducing the overall investment risk.

During 2021, the Bank's offer was enhanced with new instruments available to customers that are compatible with the sustainability criteria set out in the United Nations Principles for Responsible Investment. The Arca Fondi Sgr range now includes Arca Opportunità Green and Arca Oxygen Plus, a new fund centred around investment themes of energy efficiency, biofuels, efficient use of natural resources and pollution. In November 2021, Arca Fondi Sgr and Banca Popolare di Sondrio launched an ambitious and concrete project that envisages, for each new subscriber to the Arca Oxygen Plus fund, the planting of a tree in a large disused area undergoing environmental redevelopment in the municipality of Valdisotto (SO): over 200 trees were planted in just a few weeks.

Notable new additions last year include a new insurance solution named AVI Take Care, which allows people not only to invest their savings, but also to finalise their goal of producing positive effects on the community and the environment, in line with their values, seeking out return opportunities offered by external ESG funds and the thematic investment portfolio: a new way to support the future.

Further information is available on the website of Arca Fondi Sgr, or at all branches of the Bank, where copies of the Prospectus can be obtained without charge.



### Managing conflicts of interest

The Bank operates in compliance with the risk profiles and commercial needs of customers. In this context, the Compliance Unit ensures application of the long-standing policy whereby sales personnel do not benefit from specific incentives to place or broker products or services. This approach significantly reduces the risk of making unsuitable sales to customers or creating conflicts of interest. Periodic checks are carried out to confirm the adequacy of the information provided to customers about the characteristics of the products offered and the commissions applied.

Conflicts of interest with customers essentially concern the provision of investment services, in which the Bank provides the necessary information and applies the specified conflict management procedures, especially with reference to the placement of its own financial instruments.

The annual report prepared by the Compliance Unit pursuant to Article 22 of EU Delegated Regulation 565/2017 declares that the Bank has suitable procedures to ensure effective and correct management of conflicts of interest in the field of investment services. These procedures and measures are indicated in the MiFID information document published on the company website and available to branches via the company intranet. Full and detailed information is provided to customers.

#### ESG integration in the bond portfolio

- €717 million of ESG bonds in the proprietary portfolio
- New goal: 10% of the bond portfolio owned invested in the ESG segment

The Bank's focus on sustainability issues is also reflected in the gradual integration of ESG factors in the construction of its proprietary portfolio, enhancing ESG investments. In particular, starting in 2021, the Bank undertook an analysis of the performance of ESG products during the 2020 sell-off, which saw them behave more defensively than non-green products. Following extensive and thorough discussion, in April 2021 the Asset and Liability Management Committee decided to proceed, subject to possible market issuances by leading issuers, with bond investments in Green Bonds, Social Bonds and Sustainability

Bonds up to a maximum share of 10% of the owned bond portfolio. These investments are mainly allocated to a specific sub-fund of the HTC portfolio, without prejudice to the overall assumption of market risks, in particular interest rate risks.

As of 31 December 2021, €717 million was already allocated to ESG bonds, broken down as follows:

- €272 million in Green Bonds
- €361 million in Social Bonds
- €84 million in Sustainability Bonds

€717 million of ESG bonds

New goal: 10% of the proprietary portfolio invested in the ESG segment

### Risks associated with the topic

The credit policies adopted by the Group ensure positive returns in terms of recognition and perception of the company's reputation. Special attention is dedicated to analysing the qualitative profile of the loan applicant and the product sector concerned (with particular reference to the destination countries and/or the sources of the funds and counterparties involved), working in full compliance with corporate and community regulatory requirements and the principles enshrined in the Code of Ethics.

Conscious of the increasing importance of sustainability issues and potential risks for the financial sector related to climate change, the Group has initiated dedicated planning to include ESG factors, as well as associated risks and opportunities, in a more structured manner in its policies and procedures for creditworthiness assessment and credit and insolvency risk management. With specific reference to ESG risk management, as part of this project there is a plan to introduce instruments for assessing this component from both a portfolio and individual counterparty perspective through a special process that will provide for the assessment of ESG risk at the level of individual sectors making up the Bank's portfolio and the measurement, through specific qualitative questionnaires, of the exposure to this risk of individual entrusted counterparties.

Similarly, commercial policies apply sound principles of professionalism, customer focus and precise identification (and satisfaction) of their needs, ensuring the transparent provision of information about the characteristics of each product and the related economic conditions applied, thus mitigating the potential risks arising from complaints, legal proceedings or penalties levied as a consequence of inadequate disclosures / improper business conduct.



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method		
 <b>Environmental and climate risk (E)</b>	Physical (acute)	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in geographical areas / production sectors (i.e. against guarantees on real estate) exposed to the risk of climate change due to the worsening of extreme atmospheric events	<p>Marketing of financial products/instruments that integrate financial performance profiles with ethical and social considerations in line with the principles, guidelines and relevant sustainability issues identified in the Group's Sustainability Policy</p> <p>Integration of 'green'/ESG assessments into the bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios</p>		
			Physical (acute)	Market/liquidity	<p>Financial risks (market, liquidity and funding) arising from the consequences of extreme environmental events that could affect significant portions of customers or major issuers of financial instruments held by the bank for investment purposes (e.g. reduction in liquidity reserves relating to large withdrawals of funds deposited with the Bank or unforeseen use of credit lines to finance reconstruction/rehabilitation activities, failure to repay/bankruptcy of customers damaged by the event, or loss of market value of financial assets in the portfolio)</p>	<p>Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time), as well as of the product sector concerned, in compliance with internal and external regulatory requirements and the principles set out in the Code of Ethics</p> <p>Business conduct in accordance with the ethical principles of transparency and professionalism in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer</p> <p>Use of the 'salary/pension-backed' and 'delegated payment' products offered by the Banca della Nuova Terra subsidiary as forms of access to credit regulated at a legislative level for the purpose of inclusion of categories of persons who are not otherwise eligible for financing.</p> <p>Continuous monitoring of existing regulations concerning the offer of products/financial instruments with sustainability characteristics</p>
					Physical (Chronic)	Credit and counterparty

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Environmental and climate risk (E)	Transition (Technology)	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in production sectors substantially / technologically affected by the transition to a low-carbon economy	<p>Marketing of financial products/instruments that integrate financial performance profiles with ethical and social considerations in line with the principles, guidelines and relevant sustainability issues identified in the Group's Sustainability Policy</p> <p>Integration of 'green'/ESG assessments into the bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios</p>
	Transition (Legal and Policy)	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in production sectors subjected to regulations governing the transition to a low-carbon economy	<p>Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time), as well as of the product sector concerned, in compliance with internal and external regulatory requirements and the principles set out in the Code of Ethics</p>
	Transition (Market)	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in production sectors perceived by the market as inadequate in terms of support for the transition to a low-carbon economy	<p>Business conduct in accordance with the ethical principles of transparency and professionalism in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer</p> <p>Use of the 'salary/pension-backed' and 'delegated payment' products offered by the Banca della Nuova Terra subsidiary as forms of access to credit regulated at a legislative level for the purpose of inclusion of categories of persons who are not otherwise eligible for financing.</p> <p>Continuous monitoring of existing regulations concerning the offer of products/financial instruments with sustainability characteristics</p>
	Transition (Reputation)	Reputation	Reputational risks associated with investment in companies active in productive sectors not perceived by public opinion and customers to provide adequate support for the transition to a low-carbon economy	<p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinion and External Review, with reporting as per best market practices and international guidelines</p> <p>Identification of ESG contact persons on the three lines of defence so that purposes are fully aligned in the business area and Level II and III controls</p> <p>Drafting an Environmental Policy with a section dedicated to indirect environmental impacts and the Group's commitment to their mitigation</p>



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method		
 <b>Environmental and climate risk (E)</b>	Transition (Market)	Market/liquidity	Financial risks (market, liquidity and funding) deriving from an inability to attract investors / counterparts due to lack of or unrecognised (greenwashing) offer of products / financial instruments capable of combining economic performance with environmental sustainability goals or related to a penalisation of the market value of financial assets (especially those with a high degree of liquidity) held by the bank for investment purposes issued by entities particularly exposed to climate and energy transition risks	<p>Marketing of financial products/instruments that integrate financial performance profiles with ethical and social considerations in line with the principles, guidelines and relevant sustainability issues identified in the Group's Sustainability Policy</p> <p>Integration of 'green'/ESG assessments into the bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios</p> <p>Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time), as well as of the product sector concerned, in compliance with internal and external regulatory requirements and the principles set out in the Code of Ethics</p> <p>Business conduct in accordance with the ethical principles of transparency and professionalism in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer</p>		
			Transition (Market)	Strategic and Business	Strategic and business risks deriving from an inability to attract new investors / customers / counterparties due to lack of or unrecognised (greenwashing) offer of products / financial instruments capable of combining economic performance with environmental sustainability goals	<p>Use of the 'salary/pension-backed' and 'delegated payment' products offered by the Banca della Nuova Terra subsidiary as forms of access to credit regulated at a legislative level for the purpose of inclusion of categories of persons who are not otherwise eligible for financing.</p> <p>Continuous monitoring of existing regulations concerning the offer of products/financial instruments with sustainability characteristics</p>
					Transition (Reputation)	Reputation

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <p>Social risk (S)</p>	Strategy and business	Market/liquidity	Financial risks (market, liquidity and funding) deriving from an inability to maintain investors / counterparts due to the weak or unrecognised offer of products / financial instruments capable of combining economic returns with ethical and social objectives	Marketing of financial products/instruments that integrate financial performance profiles with ethical and social considerations in line with the principles, guidelines and relevant sustainability issues identified in the Group's Sustainability Policy
			Strategic and business risks deriving from an inability to attract new investors / customers / counterparts due to the weak or unrecognised offer of products / financial instruments capable of combining economic returns with ethical and social objectives	Integration of 'green'/ESG assessments into the bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios
	Strategy and business	Strategic and Business	Reputational risks associated with the weak or unrecognised offer of products / financial instruments that combine economic returns with ethical and social goals	Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time), as well as of the product sector concerned, in compliance with internal and external regulatory requirements and the principles set out in the Code of Ethics
			Business conduct in accordance with the ethical principles of transparency and professionalism in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer	
	Reputation	Reputation	Credit-related risks associated with granting loans to disadvantaged/ weaker categories of the population with doubtful creditworthiness or excessive indebtedness	Use of the 'salary/pension-backed' and 'delegated payment' products offered by the Banca della Nuova Terra subsidiary as forms of access to credit regulated at a legislative level for the purpose of inclusion of categories of persons who are not otherwise eligible for financing.
Credit	Credit and counterpart	Credit and counterpart	Credit-related risks associated with loans granted to parties active in countries / sectors that are controversial in terms of their respect for the law and human rights	Continuous monitoring of existing regulations concerning the offer of products/financial instruments with sustainability characteristics
			Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinion and External Review, with reporting as per best market practices and international guidelines	
 <p>Social risk (S)</p>	Credit	Credit and counterpart	Identification of ESG contact persons on the three lines of defence so that purposes are fully aligned in the business area and Level II and III controls	Drafting an Environmental Policy with a section dedicated to indirect environmental impacts and the Group's commitment to their mitigation



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Social risk (S)</b>	Reputation	Reputation	<p>Reputational risks associated with loans granted to parties active in countries / sectors that are controversial in terms of their respect for the law and human rights</p>	<p>Marketing of financial products/instruments that integrate financial performance profiles with ethical and social considerations in line with the principles, guidelines and relevant sustainability issues identified in the Group's Sustainability Policy</p>
			<p>Penalty risks (non-compliance risks) associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Integration of 'green'/ESG assessments into the bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios</p>
 <b>Governance risk (G)</b>	Legal and policy	Non-compliance with standards	<p>Risks of compensation claims (conduct risks) associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time), as well as of the product sector concerned, in compliance with internal and external regulatory requirements and the principles set out in the Code of Ethics</p>
			<p>Risks of compensation claims (conduct risks) associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Business conduct in accordance with the ethical principles of transparency and professionalism in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer</p>
 <b>Governance risk (G)</b>	Legal and policy	Operational (conduct)	<p>Risks of compensation claims (conduct risks) associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Use of the 'salary/pension-backed' and 'delegated payment' products offered by the Banca della Nuova Terra subsidiary as forms of access to credit regulated at a legislative level for the purpose of inclusion of categories of persons who are not otherwise eligible for financing.</p>
			<p>Reputational risks associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Continuous monitoring of existing regulations concerning the offer of products/financial instruments with sustainability characteristics</p>
 <b>Governance risk (G)</b>	Reputation	Reputation	<p>Reputational risks associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinion and External Review, with reporting as per best market practices and international guidelines</p>
			<p>Reputational risks associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Identification of ESG contact persons on the three lines of defence so that purposes are fully aligned in the business area and Level II and III controls</p>
			<p>Reputational risks associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Drafting an Environmental Policy with a section dedicated to indirect environmental impacts and the Group's commitment to their mitigation</p>

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <p>Governance risk (G)</p>	Legal and policy	Operational (legal)	Risks of compensation claims (legal risks) arising from disputed inadequate profitability / product remuneration / services offered to customers	<p>Marketing of financial products/instruments that integrate financial performance profiles with ethical and social considerations in line with the principles, guidelines and relevant sustainability issues identified in the Group's Sustainability Policy</p> <p>Integration of 'green'/ESG assessments into the bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios</p>
	Reputation	Reputation	Reputational risks associated with inadequate profitability / product remuneration / services offered to customers	<p>Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time), as well as of the product sector concerned, in compliance with internal and external regulatory requirements and the principles set out in the Code of Ethics</p> <p>Business conduct in accordance with the ethical principles of transparency and professionalism in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer</p>
	Credit	Credit and counterparty	Credit-related risks associated with the lack of / inadequate integration of ESG factors in credit management processes	<p>Use of the 'salary/pension-backed' and 'delegated payment' products offered by the Banca della Nuova Terra subsidiary as forms of access to credit regulated at a legislative level for the purpose of inclusion of categories of persons who are not otherwise eligible for financing.</p> <p>Continuous monitoring of existing regulations concerning the offer of products/financial instruments with sustainability characteristics</p> <p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinion and External Review, with reporting as per best market practices and international guidelines</p> <p>Identification of ESG contact persons on the three lines of defence so that purposes are fully aligned in the business area and Level II and III controls</p> <p>Drafting an Environmental Policy with a section dedicated to indirect environmental impacts and the Group's commitment to their mitigation</p>



The effect of the pandemic on indirect environmental impacts was very significant: following the Relaunch Decree, the Bank – in addition to the usual support given to customers and businesses – was able to support the area served during the post-emergency phase by purchasing tax credits and contributing to the green requalification of Italian properties.

Stakeholder engagement via the questionnaire published on the Internet banking platform (Scigno) and the one-on-one interviews conducted indicates that the pandemic did not change stakeholder perception of this topic, proving that there is still a lack of awareness on the topic.

## Impacts of Covid-19



The Bank has set up round tables to ensure the implementation of the Taxonomy

**Taxonomy:**  
**disclosure of eligibility pursuant to Article 8 of EU Regulation 2020/852**

EU Regulation 2020/852 defines the criteria for determining whether an economic activity can be considered environmentally sustainable, i.e. aligned with the Taxonomy, starting with the identification of six environmental objectives:

- climate change mitigation
- adapting to climate change
- sustainable use and protection of water and marine resources
- transition to a circular economy
- pollution prevention and reduction
- protection and restoration of biodiversity and ecosystems

The Delegated Acts to the Taxonomy, issued by the European Commission, set out how to determine whether an economic activity is environmentally sustainable or not. To date, only the Delegated Act 2021/2139 (Climate Delegated Act), which contains the technical screening criteria for the first two climate targets, has been adopted.

On 10 December 2021, Delegated Regulation 2021/2178 was published setting out how to meet Taxonomy obligations, clarifying the distinctions between eligibility and alignment disclosures: these provisions were – partially – clarified by two sets of frequently asked questions (FAQs) published on the European Commission's website.

In particular, the following categories of activities are outlined:

**Eligible activities:** activities described in the Delegated Regulations, adopted to indicate the criteria for technical screening, regardless of whether such activities meet one or all of the criteria.

**Enabling activities:** activities that do not themselves contribute to environmental goals, but enable other economic activities to substantially contribute to them.

**Transition activities:** activities for which no technologically and economically feasible low-carbon alternatives currently exist, but which support the transition to a climate-neutral economy (climate change mitigation only).

**Aligned activities:** eligible economic activities that meet the conditions of eco-sustainability set by the Climate Delegated Act and specified by the technical screening criteria.

**Ineligible activities:** economic activities that are not described in the Delegated Regulations.

Taking these definitions into account, the eligibility disclosure is now subject to the following limitations:

- Since numerator and denominator consider different portfolios, it is not possible to achieve an eligibility analysis of 100% of the total assets. In particular, the numerator covers the exposure net of non-eligible sectors, which are included in the denominator;
- the Taxonomy does not currently cover all activities carried out by companies or financed by banks. Therefore, non-covered activities (e.g. activities under one of the four non-covered environmental objectives) will only be included in the denominator of the ratio. Furthermore, it should be noted that activities not currently included in the Taxonomy are not necessarily considered harmful to the environment. Eligibility constitutes a snapshot of the activities that fall within the scope of the Taxonomy: the actual sustainability of these activities will be assessed, at a later stage, through the application of the three-level test, as indicated by the European legislator.

The Bank has therefore chosen to prepare a **'mixed'** disclosure that includes, in the following pages:



**1. Eligibility disclosure** in compliance with the Taxonomy, for the minority of exposure on **"actual" data**, already available in the financial statement



**2. Voluntary** eligibility disclosure as defined in the Guidelines published by the **Platform for Sustainable Finance** based on **estimates**

The exercise carried out by the Bank is a useful testing ground to prepare the future alignment disclosure: in accordance with the new regulations available at the time, a project will be developed to leverage the information that the Taxonomy requires collect, either by its counterparts or through data provided by external providers.

The data presented below have the same boundary as the NFS and therefore correspond to the data in the harmonised FINREP supervisory reporting, as at 31 December 2021.

The information shared below represents the most comprehensive interpretation to date of the information made available by the European authorities and is intended to meet, in the best possible way, the requirements of the Delegated Regulations and the European Commission's FAQs.

The Group understands the relevance of this exercise in developing new sustainable strategies and products, both in loans and investments strategies, credit and investment, and it is committed to recognising the Taxonomy and future related regulatory provisions as an essential reference in defining its sustainability targets.

The disclosure will be updated in due course, both in light of developments in the regulatory framework and as counterparties' data become available: as at the date of publication of this NFS, no public information on the percentage of eligibility exposures is accessible.



### Disclosure of eligibility in compliance with the Taxonomy (so-called Regulatory)

Below, the Bank presents the disclosure of certain actual data on *a priori* eligible economic activities, which therefore do not require an eligibility assessment by means of the NACE code (i.e. economic activities included within Annex I of the Climate Delegated Act).

	FINREP data (mIn €)	% of Total Asset	% of Total Covered Asset
<b>Total Assets</b>	<b>52,363</b>		
of which Trading portfolio - excluding derivatives	300	1%	
of which Public exposures to central banks, central governments and supranational issuers	11,163	21%	
<b>Total Covered Assets</b>	<b>40,900</b>	<b>78%</b>	
Denominator for eligibility calculations - Total Assets, excluding public exposures and trading portfolio			
of which Derivatives	2,088	19%	
of which Interbank loans	5,526	11%	14%
of which exposures to companies not subject to the obligation to publish non-financial information pursuant to Article 19a or 29a of EU Directive 2013/34 (NFRD)	17,399	33%	43%
of which exposures to companies subject to the obligation to publish non-financial information pursuant to Article 19a or 29a of EU Directive 2013/34 (NFRD)	3,563	7%	9%
<b>Total Taxonomy-eligible exposures - in compliance</b>	<b>7,714</b>	<b>15%</b>	<b>19%</b>
<b>Total exposures not eligible for Taxonomy - in compliance</b>	<b>33,185</b>	<b>63%</b>	<b>81%</b>

As stated in Article 7 of Regulation 2021/2178, the value of Total Covered Assets corresponds to the gross book value of total assets minus exposures to central governments, central banks and supranational issuers; the trading portfolio; interbank loans; and exposures to companies not subject to NFRD requirements.

The percentage values shown are calculated by comparing the gross book value of the eligible and non-eligible exposures, respectively, to the gross book value of the assets on the balance sheet, as required by Article 10 of Regulation 2021/2178.

Interbank loans correspond to the value of cash credit exposures to banks on demand.

Public exposures correspond to the value extracted from Finrep reporting, including loans, advances and debt securities, to central banks, central governments, supranational issuers and local authorities.

For the calculation of exposures to companies subject to the obligation to publish non-financial information pursuant to the EU Non-Financial Reporting Directive 2013/34 (NFRD), the size proxy was developed based on the criteria for non-financial reporting. In particular, the following criteria were considered: Country of domicile belonging to the 27 EU member states, more than 500 employees and at least €40 million in revenue.



Par. Annex I Climate Delegated Act	GAR entry from Disclosure Delegated Act	Activity Annex 1 Climate Delegated Act	FINREP data (mln €)
7.3		Renovation of existing buildings	304
7.6	Loans and advances to households secured by residential property	Installation, maintenance and repair of renewable energy technologies	0.2
7.7		Purchase and ownership of buildings	2,374
	Other loans and advances to households secured by property	Secured by property	4,488
7.3		Renovation of existing buildings	91
7.6	Unsecured loans and advances to households	Installation, maintenance and repair of renewable energy technologies	1.1
7.7		Purchase and ownership of buildings	405
6.5	Consumer credit for the purchase of passenger cars belonging to the indicated categories	Purchase of vehicles belonging to the category	51
7.7	Other specialised financing for public authorities	Purchase and ownership of buildings	0.9
<b>TOTAL</b>			<b>7,714</b>

Values extracted from FINREP reporting as at 31/12/2021, filtering the financial destination by instalment management.

Activities are identified based on analysis of paragraphs 1.2.1.3 and 1.2.1.4 of Regulation 2021/2178.





### Voluntary eligibility disclosure

The following disclosure is based on information shared by the Platform for Sustainable Finance in which the Eligibility Disclosure Guidelines are set out, in particular the Bank has chosen to:

- voluntarily use the templates proposed by Annexes V and VI of Article 8 of the Delegated Regulation to facilitate the comparability between eligibility and the future alignment reporting;
- publish eligibility indicators on a voluntary basis, estimated according to the target market and NACE/sector codes, in line with the classification provided by the Platform and on the basis of the NACE code that identifies the activity primarily carried out by the counterparty (so-called Option 3 of the Platform).

As at 31 December 2021	FINREP data (mln €)	% of Total Covered Assets
Taxonomy-eligible exposures to obligors pursuant to the NFRD	948	2%
Taxonomy-eligible exposures to corporate customers Small Business entities not obligated under the NFRD	5,841	15%
Taxonomy-eligible exposures to corporate customers - parties not obligated under the NFRD	2,563	7%
<b>Total eligible exposures for 2022</b>	<b>9,352</b>	<b>24%</b>
<b>Total ineligible exposures for 2022</b>	<b>37,864</b>	<b>76%</b>

In line with the disclosure of eligibility in compliance, as stipulated in Article 7 of Reg. 2021/2178, the value of Total Covered Assets corresponds to the gross book value of total assets minus exposures to central governments, central banks and supranational issuers; derivatives, the trading portfolio; interbank loans; and exposures to companies not subject to NFRD requirements.

Taxonomy-eligible exposures to obligated entities under the NFRD: exposures to businesses subject to the obligation to publish non-financial information under EU Directive 2013/34 (NFRD) that engage in an activity falling within those identified by specific NACE codes identified by Platform (Option 3).

Exposures not eligible for Taxonomy: exposures to (i) companies not subject to the obligation to publish non-financial information under EU Directive 2013/34 (NFRD) and (ii) exposures to companies subject to the obligation to publish non-financial information under the NFRD that are engaged in an activity outside those covered by specific NACE codes identified by the Platform.

Taxonomy-eligible exposures to Corporate Small Business customers: exposures to Corporate Small Business customers performing an activity falling within those identified by specific NACE codes identified by the Platform (Option 3).

Taxonomy-eligible exposures to non-NFRD corporate customers: exposures to corporate customers not subject to the obligation to publish non-financial information under EU Directive 2013/34 (NFRD) that engage in an activity falling within those identified by specific NACE codes identified by Platform (Option 3).



### I. Companies subject to the NFRD that engage in eligible activities

Proxy according to the NACE codes included in the Excel distributed by the Platform

Sector	Exposure (mln €)	% of total
Transportation and storage	417	44.0%
Electricity, gas, steam and air conditioning supply	239	25.3%
Information and communication	138	14.6%
Manufacturing	110	11.6%
Construction	33	3.5%
Water supply; sewerage, waste management and remediation activities	11	1.2%
<b>TOTAL</b>	<b>948</b>	<b>100%</b>



## II. Corporations - Small Businesses - carrying out eligible activities

Proxy according to the NACE codes included in the Excel distributed by the Platform

Sector	Exposure (mln €)	% of total
Real estate activities	1,983	33.9%
Manufacturing	1,351	23.1%
Construction	1,254	21.5%
Electricity, gas, steam and air conditioning supply	268	4.6%
Transportation and storage	257	4.4%
Accommodation and food service activities	254	4.4%
Information and communication	124	2.1%
Water supply; sewerage, waste management and remediation activities	112	1.9%
Professional, scientific and technical activities	94	1.6%
Administrative and support service activities	86	1.5%
Human health and social work activities	28	0.5%
Education	17	0.3%
Arts, entertainment and recreation	7	0.1%
Other service activities	4	0.1%
Agriculture, forestry and fishing	3	0.1%
<b>TOTAL</b>	<b>5,841</b>	<b>100%</b>



### III. Non-NFRD corporations conducting eligible activities

Proxy according to the NACE codes included in the Excel distributed by the Platform

Sector	Exposure (mln €)	% of total
Manufacturing	1,158	45.2%
Construction	531	20.7%
Real estate activities	502	19.6%
Professional, scientific and technical activities	77	3.0%
Transportation and storage	73	2.8%
Accommodation and food service activities	68	2.7%
Information and communication	49	1.9%
Water supply; sewerage, waste management and remediation activities	43	1.7%
Human health and social work activities	27	1.0%
Electricity, gas, steam and air conditioning supply	15	0.6%
Administrative and support service activities	12	0.5%
Education	8	0.3%
Arts, entertainment and recreation	1	0.0%
Agriculture, forestry and fishing	0.2	0.0%
Other service activities	0.1	0.0%
<b>TOTAL</b>	<b>2,563</b>	<b>100%</b>



## Direct environmental impacts



The Group complies with environmental regulations and is aware of the impact of its activities both directly and indirectly on the environment and climate. Specifically, ongoing climate change is a current issue and challenge that requires the identification, monitoring and evaluation of certain performance indicators in the management of business operations.

### Environmental policy

The Group intends to assess the possibility of having one or more climate-related and environmental targets and to report on progress towards these targets through specific indicators to assess the environmental impact associated with its activities.

Moreover, the Group ensures that its activities and relations with customers, suppliers, associates and partners, both commercial and non-commercial, also take environmental impacts into account in order to minimise any negative effects on the quality of the environment.



Direct environmental impacts, defined by EMAS Regulation 761/2001, are those directly related to production, distribution, and organisational processes, such as:

- Consumption of water or energy resources;
- Consumption of goods and supplies;
- Production of waste and similar;
- Climate-altering gas emissions.

With regard to managing these impacts, Banca Popolare di Sondrio has envisaged, within its Environmental Policy, a series of measures and actions aimed at reducing them; specifically:

- improvement of energy utilisation systems through the definition of a Group standard that includes:
  - continuous improvement of energy performance through the promotion of new energy efficiency measures in its real estate assets (so-called retrofitting);
  - use of low-consumption lighting systems through the use of LED technology and low-consumption hardware and IT equipment.
- use of renewable energy with low climate-altering gas emissions, through:
  - supply of as much electricity as possible from renewable sources (currently 98%);
  - use of district heating, where available, and the gradual replacement of heating systems powered by high-emission fuels.
- management of paper consumption, through:
  - optimisation of printing processes and increased use of electronic management for documentation and internal processes;
  - increased use of recycled paper.
- attention to the proper collection and disposal of produced waste, by:
  - maximising the share of waste that can be sent for recycling and re-use;
  - extending separate waste collection to all types of produced waste;
  - continuously monitoring the correct disposal of waste that cannot be recycled and reused.
- using goods and services with a lower environmental impact in their life cycle, e.g.:
  - use of reusable cartridges and toner;
  - use of environmentally friendly or recycled paper, or paper from certified eco-friendly production processes (e.g. Forest Stewardship Council - FSC certification);
  - commitment to prioritise the purchase of goods and services locally to minimise the environmental impact of transport and travel.
- raising staff awareness with regard to reducing excesses in the use of water and energy resources.
- promotion of sustainable mobility, through:
  - incentivising the use of collective transport systems with a lower environmental impact when travelling between home and work and for work missions;
  - progressive inclusion in the company fleet of vehicles using low- or zero-emission propulsion systems;
  - drafting and updating the Home-Work Travel Plan and appointment of the company Mobility Manager.

The Group Environmental Policy includes a series of actions to reduce environmental impact

GRI  
302-1**Energy consumption****Energy consumption within the organization****Direct energy consumption**

	UOM	2021	2020	2019
Heating	GJ	64,476	65,163	60,655
Natural gas	GJ	46,964	48,381	42,831
Diesel	GJ	17,404	16,687	17,732
LPG (liquid propane gas)	GJ	109	95	93
Electricity consumed (withdrawn + self-produced)	GJ	66,999	67,327	64,259
Electricity purchased	GJ	64,972	66,474	63,439
of which from renewable sources (purchased)	GJ	63,810	65,102	62,488
Electricity from renewable sources produced and consumed	GJ	2,028	852	820
District heating	GJ	12,845	5,302	5,021
Non-renewable district heating purchased	GJ	5,804	2,942	1,949
Renewable district heating purchased	GJ	4,500	2,360	3,073
Non-renewable air cooling purchased	GJ	1,374	0	0
Renewable air cooling purchased	GJ	1,168	0	0
Total energy consumption	GJ	144,321	137,791	129,935
Renewable energy	GJ	71,505	68,314	66,381
% renewable of the total		50%	50%	51%
Non-renewable fuel consumption - Diesel	GJ	2,556	1,909	2,261
Non-renewable fuel consumption - Petrol	GJ	537	666	768
<b>Total non-renewable fuels (including car park)</b>	<b>GJ</b>	<b>67,569</b>	<b>67,738</b>	<b>63,684</b>

Energy consumption in 2021, which includes BPS (SUISSE) data from the previous year, remained broadly stable compared to 2020, with the exception of non-renewable district heating, to which direct consumption related to condominium users was added in 2021.



## Direct atmospheric emissions

Scope 1 shows the CO<sub>2</sub> equivalent emissions directly generated by the Group, resulting from the consumption of fuel used for heating, fuel for the vehicle fleet and refrigerant gas leakage. In particular, direct greenhouse gas emissions from combustion heat generators are periodically inspected and combustion-tested in accordance with Presidential Decree 74/2013. Each intervention report is filed in our Ordinary Routine Maintenance procedure.

### Emissions

Direct emissions (Scope 1)	UOM	2021	2020	2019
Total direct emissions	t CO <sub>2</sub> e	4,368	6,933	4,433
Heating oil	t CO <sub>2</sub> e	1,293	1,240	1,317
Diesel for motor vehicles	t CO <sub>2</sub> e	196	142	168
Petrol	t CO <sub>2</sub> e	30	49	57
LPG (liquid propane gas)	t CO <sub>2</sub> e	0	6	6
Natural gas	t CO <sub>2</sub> e	2,736	2,799	2,465
Fluorinated greenhouse gases (F-gas)	t CO <sub>2</sub> e	113	2,698	419
Electricity from renewable sources produced and consumed	t CO <sub>2</sub> e	0	0	0

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## Materials used and waste produced

The Group seeks to minimise the impact of waste disposal by maximising the proportion of waste that can be sent for recycling and reuse, by extending separate waste collection for all types of produced waste and by constantly checking the correct disposal of waste that cannot be sent for recycling and reuse. With regard to paper management, the Bank is continuing the process of optimising printing by seeking to use electronic documentation management where possible and using recycled paper in other cases.

GRI  
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### Materials used by weight or volume

	UOM	2021	2020	2019
Total weight of materials used	kg	469,487	481,288	494,202
Total FSC-certified paper	kg	149,863	148,188	139,165
Total paper used (non-certified)	kg	305,338	318,956	339,705
Toner and cartridges	kg	14,286	14,145	15,332
Consumption of paper per employee	kg	135.19	141.47	162.77
Toner consumption per employee	kg	4.24	4.28	5.21

The amount of paper used by BPS was calculated on the basis of the quantities of material ordered by our central warehouse, as well as on the basis of the quantity of material (e.g. envelopes, sheets) reported by the company to which we outsourced the printing and delivery of periodic bank statements to customers.

Compared to previous years, the figures show a slight decrease due to both the reduction in consumption caused by the pandemic and the dematerialisation actions implemented by the Bank, including:

- digitalisation of account statements and all customer communications using the Scigno InternetBanking service;
- graphometric signature of almost all receipts of transactions carried out at the counter;
- graphometric signature of contracts, underwriting and sale of financial instruments. This activity will hopefully be extended to all types of contracts signed with customers, resulting in paper and toner savings.



### Waste generation and significant waste-related impacts

Waste produced by the Group's activities mainly consists of used paper, cardboard and toner, as well as, to a lesser extent, hazardous or bulky waste (such as batteries and neon tubes), as residues from structural work carried out at its sites.

Disposal of the waste produced by the Bank is entrusted to the company Alfa Maceri Spa, a company operating throughout the country with the following certifications:

- ISO 9001 - Quality Management Systems certification since 2010
- ISO 14001 - Environmental Management System certification since 2014
- ISO 45001 - Occupational Health and Safety Management Systems certification since 2014.

Collected and managed waste is subjected to the recovery operations provided for by national and European regulations in force and classified according to Legislative Decree 152/2006 (Consolidated Environmental Act) as recovery operations R1 to R13.

In total, the amount of waste produced during 2021 was about 251,000 kilograms, an increase of about 14,000 kilograms compared to the previous year; this upward trend is due to the waste collection operations at the branches that were not carried out during 2020, due to the health emergency. The hazardous waste delivered during 2021 amounted to approximately 3,000 kilograms.

Management of waste produced by Pirovano Stelvio SpA is instead entrusted to the municipality of Bormio, which uses the company SECAM Spa. Specifically, the Municipality of Bormio initially covers the payment for the service provided by the disposal company and then distributes the costs among all the facilities operating at the Stelvio Pass, including Pirovano Stelvio SpA. Distribution is proportionate to the volumes of the various facilities and is defined in June of the year following the reporting year. In this regard, the value for 2021 is an estimate, based on data from 2020. The waste generated by Pirovano Stelvio is typical for activities in the hotel sector; specifically, almost 14,000 kilograms of waste were produced, of which almost 6,000 kilograms were recyclable (paper, plastic, glass) and 80 kilograms of hazardous waste (used cooking oil).

### Management of significant waste-related impacts

For some years now, the Banca Popolare di Sondrio Group has undertaken several initiatives aimed at reducing the use of paper and toner, including:

- the Online Printouts service, which can be accessed by customers via Scigno Internet Banking, enabling customers to view and download in digital format all the documentation relating to their dealings with the Bank (account statements, information sheets, etc.);
- the Graphometric Signature, an initiative that makes it possible to dematerialise part of the bills relating to cash transactions, as well as other forms relating to transactions signed by customers (investment funds, subscription and redemption of securities, current account contracts, etc.).

GRI  
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GRI  
306-2

Both of the above-mentioned initiatives in 2021 recorded an increase in user membership of 10.7% and 20.3% respectively.

With regard to Factorit SpA, the progressive dematerialisation of documents continued in 2021, as did the disposal of paper waste generated in past years and reaching the legal deadline required for its storage in archives.

In the course of 2022, all branches and treasury offices will be equipped with a document shredding machine, thanks to which paper waste can be handled directly with the municipal waste collection, thereby limiting the amount of waste collected, which will save money.

The suppliers of waste disposal services provide the Group with an annual report summarising their collection and disposal activities: this shows that the waste produced has been correctly subjected to the recovery actions required by the regulations in force (understood as both material recovery and energy recovery - Code R1 to R13 of the Consolidated Environmental Act).

### GRI 306-3: Waste generated

	UOM	2021*	2020	2019
<b>Total waste produced</b>	<b>kg</b>	<b>300,976</b>	<b>286,358</b>	<b>461,407</b>
Of which hazardous	kg	2,946	260	1,095
of which neon bulbs	kg	780		
of which spent batteries	kg	1,966		
other (Subsidiaries)	kg	200		
Of which non-hazardous	kg	298,030	286,098	460,312
of which spent printer toner and cartridges	kg	10,188		
of which paper and cardboard	kg	232,695		
of which corrugated fibreboard	kg	850		
of which plastic packaging	kg	100		
of which wood packaging	kg	155		
of which mixed-material packaging	kg	1,750		
of which electrical/electronic equipment	kg	1,120		
of which bulky waste	kg	1,250		
of which iron and steel	kg	0		
of which non-hazardous equipment components	kg	0		
other (Subsidiaries)	kg	49,922		

\*The 2021 data, in line with the evolution of the GRI Standard, reflect a greater degree of detail regarding the type of waste, unlike previous years in which this detailed information was not available. The breakdown by type of waste is for the Parent Company only.



## Risks associated with the topic

The Banca Popolare di Sondrio Group is committed to adopting an approach aimed at containing and, where possible, reducing the environmental impacts directly generated by its business activities, with the aim of limiting its ecological footprint (carbon footprint) in terms of greenhouse gas emissions and containing the consumption of raw materials.

Specifically, in line with the current Environmental Policy, the Group is committed to continuous improvement and progressive reduction of direct environmental impacts.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Environmental and climate risk (E)	Transition (Technology)	Operational (Organisational)	Operational risks (organisational risks) associated with inefficiencies or inadequacies in the infrastructure and technological resources employed by the business, in terms of energy dispersion and/or carbon emissions	Reduction of ecological footprint by adopting company-wide practices and initiatives in line with the principles set out in the Group's Environmental Policy (continuous improvement of energy performance, use of renewable energy with low climate-altering gas emissions, prudent management of paper consumption, careful and correct collection and disposal of produced waste, use of goods, services and technologies with a lower environmental impact, raising staff awareness with regard to reducing excessive water and energy resource use)
 Environmental and climate risk (E)	Transition (Legal and Policy)	Non-compliance with standards	Non-compliance risks attributable to non-conformities/improper management – including by external suppliers – of infrastructure, technological resources and general support services, with impacts in the form of penalties for failure to comply with environmental laws and regulations	<p>Participation of staff involved in ABI discussions on equipment efficiency and sustainability</p> <p>Provision of business continuity and disaster recovery plans, both internally and by external providers, with a regulatory obligation of periodic review of their adequacy, also taking into account environmental threats attributable to the geographic location of the sites where the technological infrastructure is located and/or work is carried out</p>
 Environmental and climate risk (E)	Transition (Reputation)	Reputation	Reputational risks associated with business use of infrastructure and technological resources perceived as inefficient or obsolete, in terms of energy dispersion and/or carbon emissions	Appointment of the company Mobility Manager and drafting and adoption of the 'Home-Work Travel Plan' (HWTP) for the local units of Sondrio (Headquarters) and Milan (BPS and Factorit offices), aimed at encouraging reduced use of individual private vehicles

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Environmental and climate risk (E)	Transition (Reputation)	Reputation	Reputational risks associated with the adoption of organisation models for employees' workplaces that are insufficiently oriented towards favouring sustainable forms of mobility as an alternative to the individual use of private motor vehicles	Reduction of ecological footprint by adopting company-wide practices and initiatives in line with the principles set out in the Group's Environmental Policy (continuous improvement of energy performance, use of renewable energy with low climate-altering gas emissions, prudent management of paper consumption, careful and correct collection and disposal of produced waste, use of goods, services and technologies with a lower environmental impact, raising staff awareness with regard to reducing excessive water and energy resource use)
	Physical (acute)	Operational (Organisational)	Operational risks (organisational risks) associated with the occurrence of extreme weather events affecting business continuity	Participation of staff involved in ABI discussions on equipment efficiency and sustainability  Provision of business continuity and disaster recovery plans, both internally and by external providers, with a regulatory obligation of periodic review of their adequacy, also taking into account environmental threats attributable to the geographic location of the sites where the technological infrastructure is located and/or work is carried out  Appointment of the company Mobility Manager and drafting and adoption of the 'Home-Work Travel Plan' (HWTP) for the local units of Sondrio (Headquarters) and Milan (BPS and Factorit offices), aimed at encouraging reduced use of individual private vehicles

Impacts of Covid-19

In 2021, the pandemic continued to have a significant impact on the Group's environmental figures: the reduction in travel, lower diesel and petrol consumption, reduced office and branch opening, continued smart working and a consequent lower use of paper and toner led to a substantial reduction in figures compared to 2019, although a slight increase compared to 2020.

According to the findings of the stakeholder engagement activity, Covid-19 does not seem to have particularly affected the perception of the topic, whose importance, however, is growing, especially at the regulatory level: this result, however, testifies to most of our stakeholders' lack of awareness of the topic.







# 03

## SOCIAL: COMMITMENT TO A SOCIAL AND INCLUSIVE ECONOMY

“This emergency made us rethink the delicate balances between people, people and businesses, people and the State, people and nature.”



## Introduction to the 'S' factor

The 'S' factor frames the Bank's proximity to the social context: we have always maintained a close relationship with our stakeholders

Although the original idea of sustainable development placed equal emphasis on social and environmental issues, over time the climate emergency and the practical difficulties of measuring and comparing 'S' factor profiles have led to priority being given to 'E' factor aspects.

Reflecting the increasing focus on the 'S' component, however, the European Commission started work in 2021 to extend the Taxonomy to also include social aspects: the legislative proposal, which is unlikely to be finalised before 2023, aims to clearly establish what constitutes a social investment and which economic activities can be considered socially sustainable, just as has been done with environmental investments. Furthermore, it aims to define the so-called "minimum safeguards" for companies to comply with the "OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights".

The social component has seen further confirmation of its urgency in company policies due to the health emergency caused by the Covid-19 pandemic, which triggered a change in how investors perceive social factors, now widely seen as having a positive and critical impact on long-term value creation. The pandemic also highlighted the connection between how companies address social issues, such as the treatment of workers or the fight against inequality, and their long-term sustainability strategy.

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**"Building on our strong founding values, we are confidently looking to the future, strongly committed to continuing to effectively conduct our business to benefit our customers and all stakeholders."**

Francesco Venosta, Chairman of Banca Popolare di Sondrio.

Integration of the 'S' factor at BPS has deep roots, both in business – through attentive and customised support to small entrepreneurs, ordinary citizens and medium and large enterprises – and in operations, e.g. in the constant development of human resources.

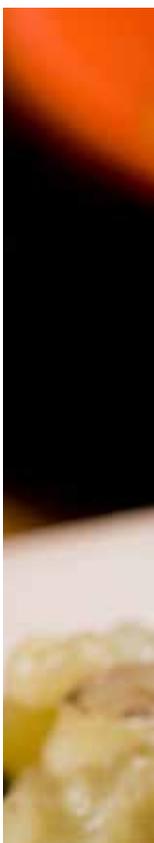
The Extraordinary Shareholders' Meeting of Banca Popolare di Sondrio held last 29 December resolved to transform the bank from a cooperative company limited by shares into a joint-stock company, with the consequent adoption of new Articles of Association in which it was reaffirmed that the bank, in pursuing the goal of value creation, continues to pay particular attention to the needs of households, small and medium-sized enterprises, cooperatives, and public and private entities, maintaining the tradition of cooperative credit, with a special focus on the communities served.

As a local bank, BPS makes its contribution to enhancing and making stakeholders aware of the characteristics and traditions of the places where it was founded and of those in which it has extended its operations, as part of a renewed 'cultural circulation', which has always taken the form of specific initiatives such as the publication of the 'Newsletter' magazine, the opening to the public of the Luigi Credaro library and the many cultural events, such as the 'DantediValtellina'. Full details of these and other initiatives are given on the following pages.

Valuing diversity and inclusion is also a value and a priority commitment for the Group in order to sustain a working environment that respects all forms of individual uniqueness and participation, inspired by principles of freedom, fairness and dignity in professional relations, and free of any collective or individual discriminatory behaviour. With the aim of developing these issues, in the last months of 2021, work began that led to the approval in late January 2022 of two important documents that testify to the Group's commitment to greater inclusiveness: the Regulation on Diversity in the Composition of the Board of Directors and Board of Statutory Auditors of Banca Popolare di Sondrio and the Guidelines on Diversity and Inclusion.

Small steps which, added together, lead us towards a more equitable and sustainable society.

The new Articles of Association strongly uphold the values of cooperative credit, pursuing the goal of value creation



## Ties with the local area and the community



The Bank, identifying new needs in the areas where it operates, has cooperated and is continuing to cooperate in the country's recovery, supporting businesses and households with credit at competitive rates, and facilitating customers, recipients of state subsidies, to take advantage of them as soon as possible. The progressive, efficient use of computerised means for carrying out normal banking transactions has avoided and continues to avoid queues at counters, saving customers time.

Letter to shareholders and friends, 1 January 2022



The Group is committed to fostering the economic and social development of the local communities and areas where it operates, with particular attention to households and SMEs.

The Bank has always worked with prudence, professionalism and commitment to support local areas, with the people and for the people. This has enabled it and will continue to enable it to deliver profits, even when the economic conditions are particularly challenging.

Despite the critical situation at a global level mainly due to the Covid-19 pandemic, the Group has continued to support the local economic fabric with rigour and prudence, carefully selecting counterparts by assessing the personal and entrepreneurial situations of loan applicants, carrying out examinations on the sustainability and profitability of submitted projects, considering both the indications received from internal rating systems and the evidence emerging from available data, and analysing companies' organisational and financial structure.

Customers have been able to diversify their investments based on their expectations, their financial culture and their risk appetite: such is the case with so-called managed savings and the many financial and insurance products we offer.

Working with  
prudence,  
professionalism  
and  
commitment to  
support local  
areas, with the  
people and for  
the people

### BPS online

To coincide with the historic 150th anniversary of its foundation, the Bank's new corporate website was created (accessible at: <https://istituzionale.popso.it/en>): a new, broad and direct way of communicating with stakeholders that reflects the Group's values and identity.

The website offers an intuitive and pleasant browsing experience and is also easily accessible from smartphones and tablets. From the home page, the user can access five thematic sections with a wealth of information: Profile, Governance, Investor relations, Sustainability, Press releases and Events. The website also offers an e-mail alerting service to all interested parties, which, after registration, allows them to be notified in good time when the Bank's press releases are published.

This new proposal, aimed at institutional and financial communication, complements the already extensive

network presence of Banca Popolare di Sondrio, started in 1995 with [www.popso.it](http://www.popso.it), now mainly used for commercial promotion.

Over the years, BPS has developed a number of publicly available online initiatives. Among the most significant are the Art Gallery

([www.popsoarte.it](http://www.popsoarte.it)), which enhances and promotes the Bank's artistic heritage, and the [nonsolobanca.popso.it](http://nonsolobanca.popso.it) website, which brings together leisure proposals (trekking itineraries, cycling tourism), cultural and editorial activities (including the "Newsletter" a four-monthly magazine on culture, economics and current affairs, which can also be viewed on tablets). Finally, the [www.popsoimmobili.it](http://www.popsoimmobili.it) website was set up to facilitate the marketing of both Bank-owned and third-party real estate. The internet presence is completed by the many and increasingly popular digital banking services that allow customers to operate independently and at any time.

GRI  
FS13**Access points in low-populated areas**

	2021	2020	2019
Total Group access points (treasury offices, branches, etc.)	506	484	484
Number of municipalities with less than 5,000 inhabitants served	130	130	130
Number of access points in municipalities with less than 5,000 inhabitants	135	135	135
<b>Percentage</b>	<b>26.68%</b>	<b>27.89%</b>	<b>27.89%</b>
Number of access points in municipalities with less than 5,000 inhabitants closed during the year	0	0	0
Number of access points in municipalities with less than 5,000 inhabitants opened during the year	0	0	0

GRI  
FS6**Percentage of the portfolio for 'Business Lines' by region, size and sector**

	2021	2020	2019
<b>Territorial distribution of the portfolio</b>			
North	68.79%	68.53%	69.95%
Centre	19.26%	20.68%	18.36%
Switzerland	11.92%	10.79%	11.69%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Distribution of the portfolio by size and type of customers</b>			
Micro-enterprises	13.77%	13.20%	13.74%
SMEs	21.92%	21.56%	20.51%
Large enterprises	6.87%	8.36%	7.36%
Individuals	37.35%	35.65%	37.10%
Bodies and institutions	20.09%	21.23%	21.29%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



## Customer support initiatives

### Suspensions and moratoria linked to the pandemic (Households and Businesses)

To counteract the effects of the economic crisis caused by the Covid-19 emergency, since early 2020 the Italian Government has intervened with regulatory provisions issued to freeze payment obligations on bank loan relationships belonging to debtors adversely affected by the spread of the epidemic.

In particular, with reference to Small and Medium-sized Enterprises (SMEs) – also including self-employed workers and freelancers – which suffered temporary liquidity shortages as a result of the pandemic, the ‘Cura Italia’ Decree Law, in Article 56, provided for the possibility of requesting the extension of revocable credit lines, document advances and non-accrual loans falling due, as well as the suspension of the payment of instalments – for the principal or the entire instalment – on instalment loans disbursed before the entry into force of the Decree (17 March 2020).

As regards instalment credits, the measure was subject to automatic extensions that are therefore mandatory for the Bank, unless the beneficiaries waive their right to repayment for maturities up to 30 June 2021, and a further extension, this time at the specific request of the customer and for the suspension of the principal portion only, until 31 December 2021.

On the other hand, in relation to households and consumers, the Solidarity Fund for Mortgages for the Purchase of a First Home (so-called ‘Gasparri Fund’) continued to operate through 2021. This facility, upon the occurrence of the events envisaged by the measure as a result of the health emergency (e.g. loss of job, redundancy pay, reduction in turnover of self-employed/freelance workers), provides for the total suspension, which can also be requested in several instalments, of the mortgage payment for a maximum period of 18 months and with a reimbursement by the Fund of 50% of the interest accrued during the suspension.

With regard to the non-governmental measures for SMEs (later extended to Large Enterprises), until 31 March 2021, access to the facilities provided for by the ABI and trade associations with the 2019 Credit Agreement - Addendum called Imprese in Ripresa 2.0 remained in force for the suspension of loan payments or the extension of their duration, in relation to transactions outstanding as at 31 January 2020, with regard only to companies that did not have credit exposures that were impaired and/or damaged by the epidemic.

Similarly, for households and consumers, until 31 March 2021, it remained possible to access the measures envisaged by the agreements reached between the ABI and the 17 Consumer Associations (the so-called ABI Families Agreement) for the suspension for up to 12 months of the payment of instalments on mortgages secured by real estate and other loans repayable in instalments finalised before 31 January 2020.

Various measures to support customers in coping with the health emergency

In 2021, in respect of the measures listed above, the Bank approved moratoria and suspensions on 15,606 transactions, for a total exposure of about €3.145 billion; of these, about €2.94 billion relate to statutory moratoria, which are therefore mandatory.

In detail, the following were granted:

- 9,297 suspensions totalling €1.650 billion under the Cura Italia Decree (full instalment) – with suspension effects until 30 June 2021;
- 5,259 suspensions totalling €1.251 billion under the Cura Italia Decree (capital share only) – applications closed on 30 June 2021 with suspension effects until 31 December 2021;
- 16 suspensions totalling €12.4 million under the ABI-Imprese Credit Agreement – (full instalment) – application deadline 31 March 2021;
- 14 suspensions totalling €10.91m under the ABI-Imprese Credit Agreement; (principal only) – application deadline 31 March 2021;
- 32 moratoria totalling €3.76m on the Gasparrini Fund – application deadline 31 December 2021 (later extended to 31 December 2022);
- 29 moratoria totalling €1.6m on ABI measures for households (full instalment) – application deadline 31 March 2021;
- no. 123 moratoria totalling €10.829m on ABI measures for households (principal only) – application deadline 31 March 2021;
- no. 836 suspensions/moratoria totalling €205 million on applications not covered by ABI agreements/ Government legislation, of which 585 files for €90 million suspended related to Households and Consumers.

### 2019 Birth Support Fund (formerly New Borns Fund)

The Birth Support Fund, an instrument to guarantee loans granted to families with new children born or adopted after 1 January 2017 (as provided for by the Budget Law for the year 2017), is intended to support families with loans at reduced terms, as a guarantee for which a surety is issued, as a rule for no more than 50% of the amount financed, by the special governmental Guarantee Fund.

### Agorà

Banca Popolare di Sondrio has always promoted personal relations with its counterparties, with a particular focus on the area served in order to satisfy the specific needs of individuals and businesses.

Agorà is a virtual space on our website available to all those seeking a special relationship with Banca Popolare di Sondrio, enabling them to access specific content that may be useful in the daily lives of professionals and businesses. The initial content made available by the Bank was provided by the International Service for businesses that operate abroad.

### BPS (SUISSE) - YOUR BANK, YOUR VALUES

A wide range of products and services is offered, ranging from forms of lending (including mortgages, Lombard loans, commercial loans) to asset and investment management and administration (asset management, advisory services, financial planning, pension and insurance products), as well as transnational operations (payments, debit/credit cards and FX).

A key characteristic, greatly appreciated by customers, is the stability of the relations established: the same contact person, as a member of a small team, works with individual customers to address all their needs, coordinating activities if specialist contributions are required in specific fields. The Bank's Management is also accessible, representing a simple structure that is easy to engage with.

### TRADE FACILITATION PROGRAMME

For over 20 years, Banca Popolare di Sondrio has been active in the Trade Facilitation Programme promoted by the Multilateral Development Banks (MDBs). The main mandate of the MDBs, supranational institutions created by the sovereign states that are their shareholders, is to reduce poverty and promote economic development. The Multilateral Banks with which BPS cooperates to hedge risk on specific countries are IFC (International Finance Corporation), EBRD (European Bank for Reconstruction and Development), ADB (Asian Development Bank) and IADB (Inter-American Development Bank).

The Trade Facilitation Programme (TFP) aims to promote international trade from, to and between different 'countries of operations'. Through this programme, the MDBs provide guarantees to international confirming banks, thereby assuming the political and commercial risks of the issuing banks in the "countries of operations".

Guarantees issued by the MDBs may be used to secure the following financial instruments issued or guaranteed by the participating banks:

- Documentary credits and standby letters of credit;
- Documentary credits with deferred payment and "red-clause" Letter of credits;
- Advance payment guarantees and other "payment guarantees";
- Bills of exchange and "trade-related promissory notes";
- Bid guarantees, performance guarantees and other contractual guarantees;

In addition to promoting international trade, the TFP aims to support operations at an early stage to enable the confirming banks to understand the modus operandi of the issuing bank and to assess the granting of direct lines.

## NON SOLO BANCA - NOT JUST A BANK

The cultural activities of Banca Popolare di Sondrio have always sought to 'listen' to the area where the bank has its "*head, heart and feet*", with a view to promoting and enhancing the many naturalistic and other resources available to the community in which it operates, reflecting its strong ties with the local area and the community.

The Group's cultural activities were once again severely limited this year by the Covid-19 pandemic: the usual conferences and conventions were not organised, nor were events at Stelvio Pass – including the Re Stelvio Mapei, which brought several thousand athletes and sports enthusiasts to the valley every year – however, unlike last year, the Bank eventually managed to organise 'DantediValtellina', a very significant cultural event.

The Bank, which is famously sensitive to culture and everything connected to it, decided to join the many Italian celebrations in honour of Dante Alighieri on the 700th anniversary of his death. With this goal, on 1 October 2021, 'DantediValtellina' was organised to coincide, among other things, with the 150th anniversary of the Bank's foundation (4 March 1871). The event was jointly organised with the Luigi Credaro Library, owned by the Bank, in partnership with the Sondrio Territorial School Office and sponsored by the Treccani Italian Encyclopaedia Institute and the Accademia della Crusca.

The morning was dedicated to a meeting with students and their teachers, on the theme 'Dante: why we cannot do without him', while an afternoon conference was held on 'Dante's universes'. For the occasion it was also set up under the name 'DanteQui'. Testimony of the Supreme Poet in the cultural places of Sondrio", a bibliographic, artistic and documentary exhibition at Palazzo Lambertenghi in Sondrio by the Luigi Credaro Library, in partnership with the Sondrio Municipality, the Valtellinese Museum of History and Art (MVSA) and the Pio Rajna Civic Library.



With this highly significant initiative, Banca Popolare di Sondrio, in keeping with tradition, sought to strengthen its role as a cultural operator, promoting culture in the area and for the area.

As has been the tradition for several years now, on the initiative of the ABI, the project coordinator, on the first Saturday in October, the bank buildings welcome all those who wish to learn about Italy's cultural and civil history.

Our institute joined the initiative from the very first editions, opening the doors of the unique building in Stelvio that houses the Carlo Donegani Museum, focusing on the White War and the sporting events linked to the history of the Stelvio Pass, as well as on the environmental and naturalistic features of the Stelvio National Park. This was joined by the head office located in Sondrio and the Luigi Credaro Library. Thanks to this initiative, the public could therefore admire the interior and the collection of paintings, most of which can also be viewed at [www.popsoarte.it](http://www.popsoarte.it).

The Luigi Credaro Library, opened on 6 October 2007 by the then Minister of Education Giuseppe Fioroni, is an important attraction due to its special character and the wealth and uniqueness of its library collection.

With regard to cultural aspects, mention must also be made of the 'Notizario', a magazine published four times a year by the Bank that is particularly notable for the famous authors of the published articles, the diversity of the topics it covers and its popularity with its many readers.

The Newsletter contains a section, 'The Changing Planet', devoted to environmental issues.

BPS (SUISSE): due to the pandemic, in-person customer events were limited, but this did not bring promotional activities to a halt. The marketing strategy was promptly adapted to the difficult context, focusing on digital projects to bridge the distance between the Bank and its customers.

## PIROVANO

The inclusion of Pirovano Stelvio SpA in the Group – which took place in 1985 – is fully in line with its vocation as a local Bank whose function is also to support the economic and social development of its components, enhancing its natural resources, on the one hand, and the creativity and entrepreneurial spirit of its business people, on the other.

In addition to supporting the practice of summer skiing as a hotelier, Pirovano also promotes all aspects of mountain-related education, seeking, via various activities, to spread awareness about the inherent beauty of the Stelvio National Park. In this regard, a Virtual Reality Information Point about the Park has been opened at the Stelvio Pass branch, the 'highest' in Europe.

Following the lockdown, Pirovano opened again to provide hospitality to summer skiing enthusiasts and those wishing to recharge their mind and body surrounded by the natural beauty of the mountains.

## Impacts of Covid-19



## Sponsors and charity

In 2021, BPS once again made contributions in several areas for various needs, particularly taking into account the complicated situation caused by the pandemic and related issues. The Group's donations are always intended to generate further added value, amplifying the benefit obtained by their recipients via small virtuous spirals that self-perpetuate.

The approach to these requests is to listen to multiple requests rather than focusing on high-profile initiatives, an act that is inconsistent with the value of the Group, which does not work on the budget, but listens to the demand from the network, while monitoring the ceiling so as to collect as many deserving applications as possible.

Multiple appeals were therefore assisted from nursing homes, social support, humanitarian and voluntary bodies, recreation centres and religious institutions; from schools of all levels; from cultural, artistic and musical associations; and so on. Charitable actions also include encouragement of fundraising for hospitals and third sector organisations, which, among other things, carry out research in the medical, scientific and other fields.

When approving the distribution of the year's profit, the Bank allocates a sum to be used for charitable donations, which are assessed by a specific Charity Commission that meets, except in special cases, on a weekly basis.



## Solidarity account

Since 1996, Banca Popolare di Sondrio has offered its customers the option to open ethical accounts, reflecting its vocation for solidarity.

In particular, through the Conto Corrente Solidarietà (Solidarity Current Account), the Bank undertakes, every year, to donate an amount proportionate to average annual deposits with the aim of increasing donations to important charitable institutions.

## Association

	UOM	2021	2020	2019
AIRC	€	31,000	30,000	30,000
UNICEF	€	20,700	17,500	15,000
AVIS	€	3,200	3,000	3,000
AISLA	€	3,200	2,000	3,000
ADMO	€	2,400	3,000	3,500
<b>Total</b>	<b>€</b>	<b>60,500</b>	<b>55,500</b>	<b>54,500</b>

## Donations\*

	UOM	2021	2020	2019
Welfare organisations	€	46,750	163,319	49,950
Humanitarian and voluntary organisations	€	24,803	24,306	30,194
Cultural and artistic associations	€	4,153	4,185	12,360
Recreational organisations	€	10,046	6,972	18,143
Musical associations	€	9,049	6,170	16,188
School	€	3,985	2,600	6,850
Public bodies	€	3,165	5,833	1,249
Religious bodies	€	12,720	26,172	27,347
Trade associations	€	2,727	7,081	13,841
Various other associations	€	41,304	39,250	36,476
<b>Total</b>	<b>€</b>	<b>158,702</b>	<b>285,888</b>	<b>212,598</b>

\* the figure for donations also includes the amounts donated through the Solidarity Account

The amounts disbursed during the year decreased significantly compared to last year due to a lower number of applications received. The Bank responded positively to 52 requests out of a total of 58 received; only 6 requests were processed negatively since they were not part of the institution's typical charitable contribution activity.

## Sponsorships

	UOM	2021	2020	2019
Cultural and recreational associations	€	37,346	33,951	34,757
Trade associations	€	2,200	4,000	17,793
Religious schools and associations	€	13,481	9,253	14,343
Sports and various other associations	€	114,633	132,330	146,432
<b>Total</b>	<b>€</b>	<b>167,660</b>	<b>179,534</b>	<b>213,325</b>

The data reflects an overall contraction in the support provided as a consequence of the pandemic that also affected 2021, preventing many initiatives and events from taking place.

The initiatives supported by Banca Popolare di Sondrio also include the Sondrio Festival: this is an international exhibition of documentaries about parks that the bank sponsors every year due to its social and environmental value.

The Covid-19 pandemic also significantly influenced the activities of Banca Popolare di Sondrio (SUISSE), reducing many of its planned initiatives. The Swiss bank normally limits sponsorships to municipal & regional associations/foundations on a periodic basis. The goal is to avoid requests for ends in themselves, seeking to collaborate on community-related support projects (e.g. sports, culture, and artistic activities such as high-quality music). The Bank supports a number of youth-related areas, such as scholarships at the Lugano Conservatory.





The Bank's financing activities pay particular attention to the provision of credit to weaker categories of customers, seeking to assist them with specially designed products. In particular, solutions are offered to young people to help them finance their studies, often promoted in collaboration with universities or local authorities. The lifetime mortgage (PIV), on the other hand, was designed to provide senior citizens with a form of financing that would allow them to supplement their income, improve their living standards and meet their liquidity needs by disinvesting the value of their property assets.

In particular, during 2021, the offer of the Multiplus current account was extended to minors from the age of 10, with limited operations to allow for better risk management. In parallel with the launch of this product, a web account for young people between the ages of 14 and 18 (not yet turned 18), called Primo Conto Popsoweb, was also released.

## NEXI INITIATIVES TO TACKLE COVID-19



In April 2020, Banca Popolare di Sondrio joined the Digital Solidarity Programme, in collaboration with Nexi, to support business recovery.

Several initiatives were activated with regard to Acquiring, in order to simplify and facilitate the receipt of digital payments:

### **Pay by link**

Service enabling merchants to accept remote payments without having an ecommerce site: extension of the zero cost per transaction to 30 June 2022.

### **Reimbursement of micropayments**

Initiative to support merchants by reimbursing fees for small-value digital payments until 31 December 2022.

### **Welcome Offer**

Proposal aimed at new POS customers, offering zero-fee mobile POS with a one-off 1.49% commission on PagoBancomat, Visa and Mastercard circuits.

### **Start Offer**

Proposal also dedicated to new customers, offering cordless POS or GSM/GPRS POS for €15 per month, €1,000 transacted each month included in the fee, single commission of 1.40% on PagoBancomat, Visa and Mastercard circuits.

### **Worry-free collection for the catering industry**

A solution identified by Nexi to support the recovery of the catering sector through its 'Worry-Free Collection' functionality that ensures that merchants in the sector receive a secure, non-contestable payment upon confirmation of their table/order reservation for home delivery.

### **Virtual POS with boost functionality**

A product that combines a number of features, including the implementation of TRA (Transaction Risk Analysis), enabling finalisation of the payment transaction without the need for the customer to provide a second authentication factor (minimising the risk of shopping cart abandonment and maximising revenues for merchants).



FINANCING FOR SOCIAL PURPOSES	UOM	2021	2020	2019
SoPOP loan: interest-free loan linked to the online SoPOP account, for students studying for three-year and/or master's degrees	Equivalent value (€)	25,000	24,000	-
Loans for students at the University of Parma to study for a master's degree in engineering management (MEM)	Equivalent value (€)	289,690	325,000	325,000
Loans for students studying for the IULM master's degree	Equivalent value (€)	167,057	125,100	162,452
Short-term personal loan for students enrolled in the first year of the IULM degree course	Equivalent value (€)	71,957	70,195	67,822
Loan to students as a "graduation prize"	Equivalent value (€)	29,725	22,714	22,088
Loans to students of the University of Brescia on short degree courses	Equivalent value (€)	736	2,066	6,128
Loans to students of the University of Brescia on other degree or specialisation courses	Equivalent value (€)	14,505	35,395	56,104
Loans to students of the Alta Valtellina Mountain Community	Equivalent value (€)	157,505	175,875	168,680
Loans to children and young people to take English courses	Equivalent value of loans as at 31/12 (€)	6,656	6,755	8,977
Loans to students of the University of Pavia (from 2020)	Equivalent value of loans as at 31/12 (€)	6,613	8,079	-
Online loans to young people registered with INARCASSA	Equivalent value (mln €)	0.12	0.33	0.1
Online loans to young people registered with Cassa Forense	Equivalent value (mln €)	1.76	2.14	1.73
Lifetime mortgage	Equivalent value (mln €)	0.89	0.59	3

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Monetary value of products and services designed to deliver a specific social benefit

The following data only relate to the Parent Company, since the offer of the Subsidiaries differs by type of business.

COMPARISON OF ALL RELATIONS	UOM	2021	2020	2019
Active +MA cards	€	80,042	73,018	60,249
Active Ateneo+	€	154,783	158,924	149,158
Current accounts (Individual and Joint Accounts)	€	407,415	387,210	377,969
Savings account books (Individual and Joint Accounts)	€	31,028	33,804	34,630
<b>Total relations</b>		<b>673,268</b>	<b>652,956</b>	<b>622,006</b>

RELATIONS WITH WEAKER GROUPS	UOM	2021	2020	2019
Active +MA cards <25	€	18,814	20,850	17,846
Active Ateneo+	€	154,783	158,924	149,158
Current accounts (Individual and Joint Accounts)	€	21,740	15,795	15,693
Savings account books (Individual and Joint Accounts)	€	13,393	13,462	13,365
<b>Total relations</b>		<b>208,730</b>	<b>209,031</b>	<b>196,062</b>

<b>% comparison</b>	<b>31.00%</b>	<b>32.01%</b>	<b>31.52%</b>
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The figure represents the percentage of relations with weaker groups, out of the Parent Company's total relations.



### **FACTORIT SpA, a leading player in the Italian factoring market**

Factorit SpA has always sought to retain the loyalty of banking customers by providing a range of synergistic services that complement the traditional products offered by shareholder institutions. Maximum attention is dedicated to the requests received from customers: this involves constant technological innovation, sourced and managed internally (web factoring, digitisation of both internal and customer documentation), as well as streamlined, rapid and flexible operations in order to create new products in various economic sectors that meet customer needs in terms of funding, guarantees and management of trade receivables.

### **BANCA DELLA NUOVA TERRA: SALARY AND PENSION-BACKED LOANS**

The assignment of a fifth of salary/pension is a form of lending, initially reserved for government and public-sector employees (Presidential Decree 180/1950), which was subsequently extended to pensioners by Law 80/2005 and to private-sector employees. It is a fixed-rate loan that is directly repaid by the employer or pension agency, which charges the monthly instalment against the pay/pension slip. The instalment payment cannot exceed one-fifth of the net monthly salary or pension amount.

Further information can be found at <https://www.bntbanca.it/>.



### Monetary value of products and services designed to deliver a specific social benefit

For an accurate representation of the indicator, a number of SAE (Bank of Italy Economic Activity Subgroup) and NOGA (General Nomenclature of Economic Activities, Swiss Version of the European Classification of Economic Activities NACE) codes, as well as specific counterparts, were identified, listed below:

- SAE
  - Producers of support, recreational and cultural services
  - Producers of healthcare services
  - Other producers of healthcare services
  - Social security and welfare institutions
  - Ecclesiastical and religious institutions and bodies
  - Institutions and bodies formed for support, charitable, educational, cultural, union, political, sporting, recreational and similar purposes
- NOGA
  - Parishes and religious organisations
  - Healthcare organisations
  - Youth associations
  - Other activities by unclassified associations

Information concerning this indicator is reported in two tables, due to the different calculation methods: the first refers to the consolidation contributions of BPS and BPS SUISSE on the assets side of the balance sheet for the of which instalment loans, while the second refers to the consolidation contribution of the Factorit SpA subsidiary for the of which amortised cost on the assets side of the balance sheet.

In the current year, the method of calculating total loans to customers was changed by excluding certain non-instalment technical forms; for the purpose of a correct representation of the figure, the figures for 2020 and 2019 were also updated.

	UOM	2021	2020	2019
<b>Total loans to customers</b>	€	<b>19,318,694,925</b>	<b>17,830,748,463</b>	<b>15,091,732,037</b>
Loans for social purposes	€	208,281,931	187,486,742	198,076,279
Percentage of total loans granted for social purposes with respect to total loans granted	€	1.08%	1.05%	1.31%

The above figures refer to the Parent Company and BPS SUISSE

	UOM	2021	2020	2019
<b>Total loans to customers</b>	€	<b>2,936,025,972</b>	<b>2,563,541,624</b>	<b>2,355,644,095</b>
Loans for social purposes	€	15,737,871	15,141,936	14,171,433
Percentage of total loans granted for environmental purposes with respect to total loans granted	€	0.54%	0.59%	0.60%

The above data relates solely to Factorit SpA.

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Total value of loans granted for social purposes with respect to total loans granted in the reporting period



### Risks associated with the topic

The Bank’s approach to fostering the economic and social development of its local communities and areas of choice is distinguished by a special commitment to households and small and medium-sized economic operators, always in line with the risk propensity objectives defined at Group level, and is implemented through prudent lending policies, inspired by principles of mutuality and subsidiarity, with benefits in terms of promoting the company’s image and preventing potential detrimental factors.

Protection of the Group’s reputation is also implicitly guaranteed by the pursuit of a corporate culture that is strongly rooted in the local area and participation in charitable and solidarity activities, as well as by the adoption of measures to promote the naturalistic, cultural and artistic heritage of the communities that it serves.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Social risk (S)</b>	Credit	Credit and counterparty	Credit-related risks associated with the financial support provided to local businesses faced with economic difficulties/crises	Structured process for the granting and monitoring of credit based on timely analysis of the creditworthiness and solvency of the loan applicant and constant verification of the maintenance of these requirements over time  Definition of debt restructuring plans and activation of suspensions / extensions of loan periods (e.g. moratoria) in support of local businesses (and to safeguard employment levels), including in connection with the Covid-19 pandemic
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with the adoption of lending policies not properly designed to provide economic support to local communities and to promote the local area	Adoption of economic support policies for local businesses, as well as promotion of environmental and social activities (cultural, sporting, religious, charitable) in the local communities



Confirming the Bank's traditional vocation and in line with the previous year, in 2021 the Bank once again made every effort to provide credit relief measures to cope with the continuation of the Covid-19 pandemic emergency (e.g. moratoria, loans secured by public guarantees), as well as in terms of financing solidarity initiatives aimed at supporting health and welfare institutions in the local areas.

## Impacts of Covid-19

### Dialogue with social partners



Relations with trade union organisations, as defined in the Code of Ethics, are characterised by the utmost transparency, fairness, integrity, impartiality and independence, respecting the roles and prerogatives of each subject, in a climate of mutual respect and willingness to dialogue and participate, while guaranteeing the widest possible freedom and representation.

The Code of Ethics, therefore, prohibits any conduct that has produced or is objectively likely to produce harm to trade union freedom.



The Group is committed to conducting discussions with trade union organisations with a view to maintaining strong relations, inspired by respect and loyalty, aimed at the common interest of protecting employees. Dialogue is developed without any discrimination or difference of treatment so as to foster a climate of mutual trust and solid exchange, with a view to seeking a proper system of trade union relations that is as cooperative as possible.

Participation, in a personal capacity, by employees and directors in political organisations takes place outside working hours and without any connection with the role held. The Group also avoids any direct or indirect pressure on political figures and does not allow direct or indirect contributions, in cash, in kind, or in any other form to political parties, movements, committees and political and trade union organisations, or to their representatives. There were no hours of strikes related to labour disputes in the past year.

In 2021, relations with trade union representatives were maintained on a mutually respectful basis; during the year, the meetings envisaged by company bargaining between representatives of the Bank and the trade unions took place. Meetings are also organised on request to discuss the most interesting current topics.

Once again for 2022, the Bank has extended the validity of the company contract, which expired on 31 December 2017.

#### STAKEHOLDER ENGAGEMENT

As already described in the first part of the document, dialogue with stakeholders is considered extremely important in order to provide a disclosure that corresponds as closely as possible not only to the Bank's perspective but also to that of its stakeholders.

During 2021, as well as in 2020, the stakeholders involved in stakeholder engagement included trade unions: the

interview led to a constructive discussion, providing important insights for the NFS.

The topics that emerged as most relevant from the standpoint of the trade union involved, in addition to Dialogue with social partners, were Human resources enhancement and employee dialogue, and also Health and safety. All trade union organisations will be involved in the coming years, covering a different trade union each year.

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#### Minimum notice period for operational changes

The period of notice to trade unions for organisational changes is 50 days for Group reorganisations and 45 days for company reorganisations in accordance with the national labour contract.

### Collective bargaining agreements

With regard to Banca Popolare di Sondrio and Factorit SpA, all employees are currently covered by collective agreements, in line with previous years, while BPS (SUISSE) does not apply collective agreements under Italian law, but operates in compliance with the Swiss law regulations applicable to the sector.

The Staff Regulations form an integral part of all employment contracts with Banca Popolare di Sondrio (SUISSE) and are valid for all employees and associates employed in Switzerland.

The employee's rights and obligations are governed by the following rules and with the following hierarchy:

- Individual employment contract
- Regulation
- Convention on the Working Conditions of Bank Employees (CCBE)
- Code of Obligations (CO) and the Federal Labour Law

- Federal Law on Banks and Savings Banks

The CCBE applies to all employment relationships stipulated for a period of more than three months.

The working relationships of the members of management are not subject to the Convention, except as provided for in the Agreement on waiving the registration of working hours, which they are asked to sign.

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees covered by collective contracts	650	2370	3020	616	2346	2962	588	2354	2942
Number of employees not covered by collective contracts	146	201	347	150	190	340	150	187	337
Percentage of employees covered by collective contracts	81.7%	92.2%	89.7%	80.4%	92.5%	89.7%	79.7%	92.6%	89.7%

The data also include employees of BPS (Suisse), although the different legal system does not require the application of the national labour contract.

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### Risks associated with the topic

The Group manages relations with trade unions and, more generally, with social partners by pursuing principles of collaboration and constructive comparison, with the goal of identifying organisational solutions that are shared as much as possible and can reconcile the legitimate rights of workers with company needs.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Legal and policy	Operational (legal)	Compensation risks (legal risks) due to non-compliance / inadequate compliance with agreements made with trade unions (e.g. on working hours, wages, holidays, strikes)	Timely respect for the rights to exercise trade union freedoms and activities
 Social risk (S)	Reputation	Reputation	Reputational risks due to non-compliance / inadequate compliance with agreements made with trade unions (e.g. on working hours, wages, holidays, strikes)	Maintaining smooth and cooperative relations with trade unions

### Impacts of Covid-19

From the outset of the pandemic, the evolution of the health situation related to the spread of Covid-19 and the consequent measures adopted by the competent Authorities have been constantly monitored and discussed between the Bank and the trade unions, allowing for reconciliation of the company's operational and organisational needs and those of the workers' representatives, in line with the needs of each party.



## Financial training and education

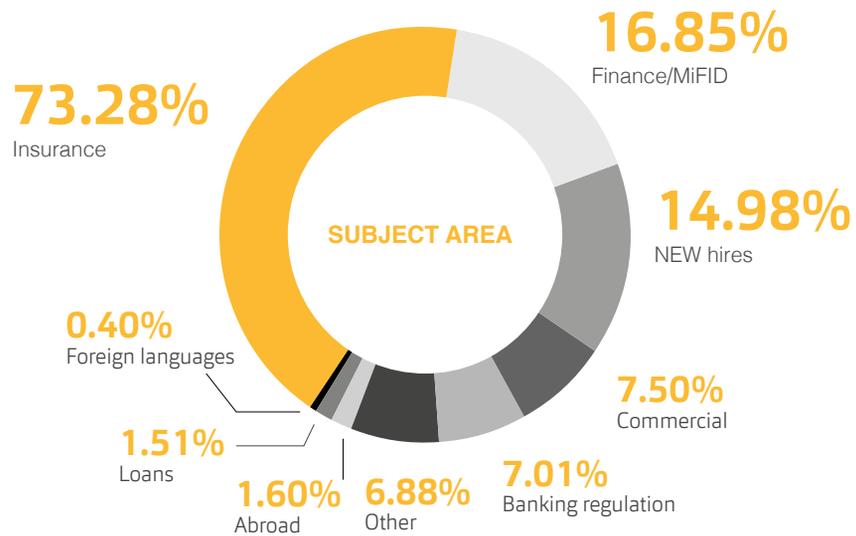


Professional development and financial education are supported by a comprehensive training system that includes projects targeting specific segments of the corporate population and the development of all major banking business topics. Training programmes do not overlook the cross-cutting aspects of the various professions existing within the Bank, with the aim of strengthening certain skills such as interpersonal, negotiation and team management skills.



In support of the model of growth along internal lines, great attention is paid to induction training: a structured training programme is dedicated to new recruits which, integrating various methods (classroom, multimedia, targeted shadowing in the field), covers, in addition to the specific regulatory and process issues of front and back office branch roles, notions concerning the Bank's organisation, employment regulations, corporate security and the main business areas (commercial offer, introduction to loans, securities markets and foreign operations). Some modules are also dedicated to behaviour and the development of personal skills.

There is a wide range of training on offer in the banking sector. In this regard, the Personnel Service supports the central organisations in the scheduling of training on various subjects including, but not limited to, IVASS, portfolio advice, MiFID2, compliance, loans / management of NPLs, banking transparency, privacy, occupational health and safety, the administrative responsibility of banks, market abuse, cash handling, money laundering and cybersecurity.



The training plan is drawn up in accordance with the principles of diversity and inclusion to ensure equal treatment in access to company training and, consequently, to enable fair professional development of employees

In addition to the traditional classroom courses, there are various training proposals available through e-learning tools.

The training plan is drawn up in accordance with the principles of diversity and inclusion to ensure equal treatment in access to company training and, consequently, to enable fair professional development of employees.

The training programmes also deal with the issues of quality certification processes in accordance with the ISO 9001 and ISO 27001 standards. These processes are an integral part of the company strategy, in a constant search for customer satisfaction and ever-increasing efficiency, with the aim of bringing benefits to the organisation and work processes, together with the involvement (training and information) of the staff.



By way of example, the following training courses were organised:

<p><b>Anti-Money Laundering</b> Insights into reporting, suspicious transactions and the Covid-19 emergency</p> <p>Main regulatory changes and internal processes</p>	<p><b>Cybersecurity</b> Awareness and information</p> <p><b>Functioning of the bank's IT system</b> and digital innovation trends</p>
<p><b>New Definition of Default</b> (new D.O.D.) and implications for Concessionary Measures (Forborne)</p> <p><b>DAC6 directive</b> Reporting obligations to the tax authorities</p>	<p><b>Occupational Health and Safety</b></p> <p><b>First aid</b> theory and practice</p> <p><b>Firefighting course</b></p>
<p><b>BPS anti-money laundering handbook</b> Insights into the new patterns of abnormal behaviour in relation to tax-related operations</p> <p><b>Liability of Entities</b> pursuant to Legislative Decree 231/01</p>	<p><b>The BPS data quality and governance model</b></p> <p><b>EBA Guidelines</b> on the granting and review of loans</p> <p><b>The processing register and supplier management</b> with regard to data protection</p> <p><b>The liquidity trap:</b> tools for proper financial planning</p>

The fundamental purpose of training at BPS (SUISSE) is to constantly develop and update all employees, since this is key to the Bank's competitiveness and success. BPS (SUISSE) supports and encourages continuing professional education, as well as the maintenance of employability in the jobs market, regardless of length of service, level and hierarchical position, age, nationality and gender. The Bank organises, supports and assists participation in internal and external training courses dedicated to professional and personal development, both financially (by agreement with the HR Office) and by making the necessary time available.

The employees of BPS (SUISSE) and, in particular, the client advisors, must have adequate knowledge of the rules of conduct and the specific, technical and specialised knowledge required to perform their activity and profession, in accordance with the Federal Financial Services Act (FSA) and its ordinance of 1 January 2020. Training for the Bank's staff therefore includes all those initiatives aimed at providing, maintaining up-to-date and developing the skills, knowledge, expertise and behaviours necessary for the optimal performance of their duties in their current and/or future roles. Customer Advisors grow and develop by participating in training designed to obtain Federal SAQ certification and, above all, to maintain that certification by attending at least 8 hours of training every year; specialist technical courses are organised for all other staff. BPS (SUISSE) offers staff the possibility of taking long-term courses in order to obtain certificates and diplomas recognised at national and international level; additionally, it organises coaching for leadership development.

The training offered by BPS (SUISSE)

July saw the start of a training course for the Logistics Division's staff aimed at laying the foundations to be able to face the next challenges, develop the potential of the people involved, identify and enhance future-oriented skills, create an identity, motivate and retain interested employees, maintain a high level of staff involvement and commitment to the Bank, harness the knowledge network and collective intelligence, and enhance people and talents, regardless of age and gender.

The main themes/objectives of the course were:

■ **ANTICIPATING**

- Learning to anticipate problems
- Increasing objective judgement capacity
- Managing critical issues
- Having a clear direction

■ **DIRECTING (leading, guiding)**

- Motivating
- Conveying passion
- Contributing to a positive working environment

■ **ACCELERATING**

- Finding creative and innovative solutions
- Implementing ideas
- Entrepreneurial culture

■ **PARTNERSHIPS**

- Exploiting the knowledge network
- Fostering and promoting Collaboration
- Making a contribution to harnessing cross-cutting synergies

■ **CONVEYING TRUST**

- Managing diversity within the group
- Include

## BPS (SUISSE) ACADEMY

The Academy is the training platform devised by the Bank, currently used for training customer advisors and all those who work in that area, enabling them to develop the necessary skills to meet and successfully address current and future market challenges. The Bank organised various internal and/or external training events in the context of BPS Academy, which all those who

manage a portfolio of customers were required to attend.

These courses are strictly operational, covering Legal&Compliance (FATCA, LSerFi, money laundering etc.), Sales, Loans, IT, Leadership and other topics considered useful on a daily basis.

In 2021, despite the health emergency, internship activities at the Group's branches continued, albeit in a reduced form.

Banca Popolare di Sondrio has for years been the point of reference for commercial and technical schools in Lombardy and collaborates with the main universities in the area for orientation activities, internships and placement of students, undergraduates and graduates.

Collaboration with the universities aims at encouraging orientation in the world of work and career choices, offering young people a chance to acquire the

first contact tools in their search for a job that responds to their personal aptitudes, while allowing the Bank to search for resources with skills that match its recruitment needs as closely as possible. This consists of orientation meetings and company presentations, participation in career days and the organisation of internships. Some of the students who do their internship at the Group's branches are subsequently incorporated into the company's workforce.

Over the past 10 years, internships have been organised for more than 2,000 students.

Implementation of internships through collaboration with the academic world

### Average hours of training per year per employee

The values are calculated by comparing the total number of training hours provided with the number of employees.

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	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Training hours provided	25,538.17	111,602.87	137,141.04	23,816.99	96,887.19	120,704.18	24,283.75	115,334.15	139,617.90
Senior managers	0.00	1,248.75	1,248.75	0.00	763.80	763.80	0.00	855.00	855.00
Middle managers	2,283.00	30,064.25	32,347.25	1,917.05	23,681.87	25,598.92	1,986.95	37,760.65	39,747.60
Office workers	23,255.17	80,289.87	103,545.04	21,899.94	72,441.52	94,341.46	22,296.80	76,718.50	99,015.30
Average training hours per employee	32.08	43.41	40.73	31.09	38.20	36.55	32.90	45.39	42.58
Senior managers	0.00	36.73	36.73	0.00	20.64	20.64	0.00	21.92	21.92
Middle managers	30.04	43.83	42.45	26.63	34.32	33.59	29.22	55.45	53.07
Office workers	32.30	43.38	40.27	31.56	40.05	37.69	33.28	42.13	39.75





2021 Activities	No. of participants	Brexit: what does it change for Italian SMEs?	
Brexit: what does it change for Italian SMEs?	140 (of which 77% customers)	Positive	★
The fashion and accessories sector in Switzerland: outlet opportunities for Italian products	86 (of which 33% customers)	Positive	★
E-commerce business development in Singapore	24 (of which 75% customers)	Positive	★
International contracting	103 (of which 69% customers)	Positive	★
International payments: settlement, risk mitigation or financing?	129 (of which 58% customers)	Positive	★
Documentary collection: instructions for use	129 (of which 54% customers)	Positive	★
Documentary credits and their operational management	123 (of which 54% customers)	Positive	★
International bank guarantees and standby letters of credit	114 (of which 58% customers)	Positive	★
Internal training on international service products	346	Positive	★
Post-Covid food & wine export: US entry strategies	36 (of which 8% customers)	Positive	★
How to select the most interesting markets for Italian exports	27 (of which 78% customers)	Positive	★
Exporting Italian products to Japan	37 (of which 78% customers)	Positive	★
New European Programming: 2021—2027	73 (of which 73% customers)	Positive	★
Italian food & wine in Thailand and Vietnam	19 (of which 74% customers)	Positive	★
Azerbaijan, Kazakhstan, Kyrgyzstan and Uzbekistan: what opportunities for Italian SMES?	59 (of which 34% customers)	Positive	★
International taxation aspects of e-commerce	39 (of which 72% customers)	Positive	★
Italian companies in the Russian market: how to operate successfully?	42 (of which 55% customers)	Positive	★
Selling in China today: economic, commercial, social and legal aspects	41 (of which 51% customers)	Positive	★
Online Food & Wine B2B meetings	93	Positive	★
Internal training on the bank-business relationship in foreign operations	386	Positive	★
The new African Free Trade Area – opportunities for Italian companies	56 (of which 52% customers)	Positive	★
Brazil's economy in the post-pandemic era: opportunities for Italian companies	34 (of which 35% customers)	Positive	★

The contents of certain courses organised by the International Office

### **The new African Free Trade Area – opportunities for Italian companies**

The seminar included a series of talks to fully understand the characteristics of the new African Free Trade Area. The speakers covered different topics on the prospects and developments in the area, also offering a current overview of the political/economic situation of certain African states and the opportunities offered to Italian companies in the import/export sector.

### **International payments: settlement, risk mitigation or financing?**

The webinar provided a comprehensive overview of the different forms of payment available to Italian companies doing business with foreign counterparties. The speaker then provided useful pointers for correctly choosing the most appropriate financial means to cover the different needs associated with international trade transactions: simple payment of the purchase, risk mitigation, short-term or long-term advance financing.



**Coopération Bancaire pour l'Europe - Groupement Européen d'Intérêt Economique** has played a leading role in EU funding and European projects for many years now.

The Brussels-based company, in which our bank holds a 52% stake, is a valuable support for all those interested in obtaining grants from the European Commission in the areas of EU intervention, including innovation, research, culture, the environment and digitalisation, in association with other European companies from at least three different countries.

In particular, the Horizon Europe 2021-2027 programme was made official on 1 January 2021 with a duration of seven years – a period corresponding to the EU's long-term budget – and a total budget of €95.5 billion (at current prices), a figure that includes the €5.4 billion earmarked for the Next Generation EU recovery plan: this is the world's largest transnational research and innovation programme.

The overall goal of Horizon Europe is to achieve a scientific, technological, economic and social return from EU investment in research and innovation, so as to strengthen the competitiveness of all member states and implement the Union's strategic priorities, contributing to the implementation of European policies and helping to address the global challenges of our time, set out in the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda and the Paris Climate Agreement.

In this context, it is strategic to have a contact point in Brussels where customers can scout for available funding and find a team of professionals experienced in European policies and EU projects.

During 2021, several of the Bank's clients were able to obtain financing thanks to assistance provided by the ECB. In this regard, it should be noted that through the Erasmus Plus call for tenders, the Bank's customers obtained non-repayable grants totalling €257,904.00, actively participating in transnational projects that covered various topics: enhancement of cultural heritage, technological innovation and blockchain, cyber risk management, circular economy, energy efficiency, financial education and social inclusion.



### Risks associated with the topic

The Group pays particular attention to ensuring that the characteristics and economic conditions of the products and services offered are fully understandable, especially to customers who do not have specialised knowledge of economic and financial matters, through the timely fulfilment of information requirements (both prior to and following the establishment of the relationship) and the provision of information material on basic banking/financial concepts.

Through the sales network, a support and advisory service is provided to customers, with the aim of ensuring that they are guided through complex and innovative products and that they are adequately aware of the associated potential risks, so as to guarantee that they are adequately served with respect to the needs, profile, degree of financial literacy and risk appetite expressed by the specific customer.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Reputation	Non-compliance with standards	Penalty risks (non-compliance risks) associated with failure to deliver or make available to customers basic information documents / manuals aimed at facilitating understanding of the products / services offered	Timely fulfilment of transparency requirements aimed at ensuring the adequate comprehensibility of the products / services on offer, taking into account the level of financial literacy, characteristics and risk profile of the customer
 Social risk (S)	Reputation	Reputation	Reputational risks due to failure to deliver or make available to customers basic information documents / manuals aimed at facilitating understanding of the products / services offered	Structured company process of product governance and control, based on the prior identification of the target market of the products / services on offer and identification of the degree of complexity and level of potential risk for the consumers to whom they are addressed
 Social risk (S)	Reputation	Reputation	Reputational risks due to lack of / inadequate promotion of training initiatives in the economic-financial field for customers	Expansion of the company sustainability culture: initiation of dedicated training cycles at all levels, starting with top management and extending later to all employees and customers



The Covid pandemic greatly influenced the training activities provided by the Bank: the courses for new recruits, as well as the training sessions for employees in general, took place mainly online, and the training provided to the various stakeholders also took place via the web, both to limit contacts and to allow a greater number of users to benefit freely and without restrictions from the provision of training.

## Impacts of Covid-19

## Human rights and diversity



The Bank complies with regulations aimed at respecting the principle of non-discrimination in access to employment, training, professional growth and working conditions. The Group recognises respect for Human Rights as a fundamental requirement, protecting and promoting them in the conduct of all its activities.



The Group's Sustainability Policy recalls the commitment to promote and respect human rights.

The Group recognises the value of the principles of responsibility and ethics, respect for human rights and protection of the environment, as outlined internationally and nationally by regulations and guidelines, including, first and foremost, the Constitution of the Italian Republic and the United Nations Universal Declaration of Human Rights. It has also adhered to the UN Global Compact since 2004, drawing inspiration for its strategy and corporate culture from the Ten Principles set out therein.

The Code of Ethics confirms that the Bank undertakes to guarantee working conditions that respect people's dignity and that forms of discrimination contrary to the law are not admitted or tolerated. To this end, it requires that acts of psychological violence or attitudes or behaviour that discriminate or harm people, their beliefs or preferences in internal or external work relationships are not allowed.

The Bank insists that there be no mobbing or harassment of any kind in internal or external work relationships and has zero tolerance for reprisals against employees who complain about discrimination or harassment, or those who provide information in this regard.

In agreement with trade union representatives, a specific Committee for Equal Opportunities has been set up with the purpose of:

- identifying appropriate measures to achieve equal opportunities;
- promoting measures to facilitate the reintegration of women workers after maternity leave and to safeguard their professionalism;
- promoting initiatives aimed at eliminating any behaviour harmful to personal freedoms, including sexual harassment;
- evaluating any reports about direct or indirect discrimination at a work or professional level and making proposals on this matter.

In compliance with the contract, without prejudice to the company's organisational requirements, the Bank grants flexibility or work hour reductions to allow a better balance between personal and family needs and those of the company. Special attention is also paid to staff with severe disabilities. The HR Manager offers constant attention and support, even when staff members return to work, allowing flexible working hours.

The Group's remuneration policies are designed to comply with current legislation and the contractual provisions applicable to the banking sector including, in particular, the national collective employment contract and supplementary negotiations, as well as various agreements at company level.

The Group's Sustainability Policy, drafted in the first half of 2021, expressly recalls the commitment to promote and respect human rights, as also set out in the UN Global Compact, of which we have been a member since 2004. This Policy was approved by the BOD on 29 June 2021.

During the past year, BPS (SUISSE), which distinguishes itself in the Swiss financial sector as a fair and diversity-conscious employer, was once again awarded the Fair-ON-Pay+ federal certificate. This certification highlights the Bank's constant commitment to the equal treatment and remuneration of men and women, thereby overcoming a cultural challenge that politicians and employers have been addressing for many years.



**BPS (SUISSE):**  
**“Diversity is an integral part of our company policy”**

The principles of conduct and behaviour, guiding values, entrepreneurial spirit, ambitions and goals all evidence the drive to maintain and disseminate a business culture in which the ‘individual’ is the centre of attention.

BPS (SUISSE) has a Staff Policy with a strong focus on diversity:

- training and further education programmes, as far as possible, integrate awareness-raising modules on equal opportunities and gender equality;
- special attention is paid to transparency in all human resources processes, such as recruitment, selection, hiring, acceptance, development and promotion of staff, performance appraisal and definition

of remuneration, with a view to ensuring equal opportunities for women and men;

- a fair and inclusive company culture is promoted;
- the HR Office regularly monitors compliance with equal pay between women and men through a dedicated tool;
- the Staff Regulations recall the measures taken to prevent harassment, violence and abuse of power in the workplace.

There are no barriers to career advancement, equal opportunities or inclusion. With regard to the recruitment process, language bias is minimised from the job announcements forward and the recruitment and selection processes are addressed in a manner that is as free from prejudice as possible.

The Bank, in its relations with the majority of persons with whom it does business, undertakes to promote equal treatment of all individuals, avoiding any discrimination on grounds of gender, gender identity and/or expression, affective/sexual orientation, marital status and family situation, age, ethnicity, religious belief, political and trade union membership, socioeconomic status, nationality, language, cultural background, physical and mental condition and any other characteristic.

To this end, in the final months of 2021, the Bank embarked on a process to identify internal Diversity and Inclusion guidelines. At the start of 2022, a document was approved that defines the general principles and essential implementation guidelines on Diversity and Inclusion to promote, disseminate and implement a policy to foster the inclusion of various forms of diversity.



## Remuneration

Remuneration is a fundamental tool for attracting and retaining staff with the professionalism needed to ensure the growth of Group companies and their ability to compete in target markets. It is therefore essential to develop staff by assigning them to roles with an increasing level of responsibility and complexity.

In this regard, the remuneration policies of the Parent Company have evolved alongside and in support of the general expansion of business activities. This expansion has also revealed the need for increasingly qualified professional resources to work in both the central and branch offices, partly because of the new areas that have been opened and partly because of the higher level of competition within the banking system. It is therefore essential to motivate employees, fostering their inherent potential and supporting their growth in terms of skills and work roles.

In keeping with the general trends of the market, and with the aim of attracting, retaining and motivating the best human resources, the Bank has held firm to a number of basic principles: attention to the medium- and long-term sustainability of remuneration policies, general balance, meritocracy, a gradual approach and the desire to establish lasting relationships over time.

The gradual progression of professional career paths is accompanied by a balanced remuneration policy designed to motivate and retain the best resources who, consistent with our values, support the growth of the business. This vision is shared by the other members of the banking group, while recognising the special circumstances of Banca Popolare di Sondrio (SUISSE) SA and the characteristics of the jobs market in the factoring sector.

The remuneration policies are designed to comply with current legislation and the contractual provisions, such as the national collective employment contract and supplementary negotiations, as well as various agreements at company level. In general, there are no discretionary pension benefits or agreed compensation in the event of early termination of employment other than those provided for in national contracts or for early departure from office.



### Management remuneration

In line with the consolidated prudential approach to management, the remuneration for the Board of Directors and the members of the Board of Statutory Auditors is exclusively of a fixed nature.

By contrast, the remuneration structure of the General Manager and other key managers consists of a fixed component and a variable component (the latter may not exceed 35% of the fixed remuneration).

Specifically:

- the fixed component, which is the largest, remunerates the skills and responsibilities associated with the role held, rewarding professional skills and experience, as well as commitment;

- the variable component is aimed at rewarding significant and outstanding professional performance for the achievement of lasting and prestigious company results.

In particular, variable remuneration consists of a part linked to the attainment of individual qualitative objectives and a part linked to the attainment of specific company objectives, and is approved subject to verification of the total or partial attainment of the objectives, on the basis of the established parameters. Moreover, the payment of variable remuneration is subject to compliance with access thresholds identified in line with the minimum parameters set annually by the Supervisory Authority and incorporated in the Risk Appetite Framework.

The BPS (SUISSE) remuneration system is a flexible, structured and segmented system for the different levels of the workforce (young trainees and recent graduates, employees, middle managers / key positions and senior management), designed to increase professional motivation, improve performance, create sustainable value for the Bank over time and retain the resources.

The General Management ensures the implementation of this system in order to align it with the practices of the target market and to increase the clarity and transparency of the adopted criteria. The remuneration policy, which is oriented towards the long term, pays particular attention to the issue of diversity: BPS (SUISSE) is committed to respecting the principle of equal treatment in the workplace and to maintaining equal pay for men and women. Pension benefits are in line with the market and are based on sound financial foundations.

Fair On Pay  
certification and  
SP-PSSB (Social  
Partnership  
Service for  
Equal Pay in the  
Banking Sector)

GRI  
405-2**Ratio of average basic salary for men and women by category and by job title\* \*\***

It should be noted that:

- basic salary refers to the minimum and fixed amount paid to the employee for their work, excluding any additional recognition such as overtime or bonuses;
- remuneration refers to the basic salary plus any additional payment to the employee;
- the average basic salary is the ratio of basic salary to the number of middle managers or office workers, depending on gender, in that particular year, minus those working part-time (note that the figure for 2019 also includes part-time workers);
- the percentage is the ratio of the average female to male basic salary.

MIDDLE MANAGERS	2021	2020	2019
Average basic salary	96%	96%	98%
Average remuneration	84%	83%	82%
OFFICE WORKERS	2021	2020	2019
Average basic salary	79%	75%	75%
Average remuneration	73%	70%	68%

\* In accordance with the privacy protection laws and related jurisprudence, BPS (SUISSE) does not report any remuneration-related data.

\*\* The % of managers is not reported due to the absence of female managers.

The results for 2021 show a slight improvement, especially for office workers. In addition to the above-mentioned reasons, salary and remuneration differences are also due to seniority: since male staff have been employed longer than female staff, they have been able to take advantage of a greater number of advancements. With reference to GRI 102-8, we can observe that over the years the number of female hires is greater than that of men, indicating a positive shift towards greater equity.

GRI  
406-1**Incidents of discrimination and actions taken**

In order to promote the development of a legality culture and ensure a working environment where employees can confidently report violations of external regulations and thus prevent discriminatory attitudes, the Group has set up an internal system for reporting violations, implementing Article 52-bis of the TUB, which transposes into Italian law the provisions of EU Directive 2013/36 (so-called CRD IV) on whistleblowing.

Consistent with regulatory requirements and best practices in the sector, the bank has defined an internal system for the reporting of deeds, facts and omissions that might represent infringements of the law and internal procedures governing the activities of the Parent Company and its Subsidiaries, while at the same time ensuring the confidentiality of the personal data of the reporter and the alleged perpetrator. The reporting system is governed by the Group Policy on whistleblowing, which is an integral part of the OMM adopted by Group companies.

Reports may address any action or omission that does not comply with the regulations governing Group activities and that may or does damage or adversely affect the Banca Popolare di Sondrio Group.

### Risks associated with the topic

The Group operates in full formal and substantive compliance with the employment regulations and pursues HR selection and management policies that promote diversity, including the safeguarding of union freedoms. This approach minimises the possibility of legal and reputational risks and penalties arising from disputes about the application of discriminatory practices or unequal conditions

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Social risk (S)</b>	Legal and policy	Non-compliance with standards	Penalty risks (non-compliance risks) associated with: - adoption of discriminatory practices (e.g. non-compliance with inclusion principles) - anti-union conduct, application of unequal conditions	Full compliance with employment regulations
	Legal and policy	Operational (Legal)	Risks of compensation claims (legal risks) associated with: - adoption of discriminatory practices (e.g. non-compliance with inclusion principles) - anti-union conduct, application of unequal conditions	Adoption of non-discriminatory practices, both when recruiting and in the context of existing relations  Internal system for reporting violations (whistleblowing)
	Reputation	Reputation	Reputational risks associated with: - adoption of discriminatory practices (e.g. non-compliance with inclusion principles) - anti-union practices application of unequal conditions	

The 'Human rights and diversity' topic does not appear to have been impacted by the pandemic, neither in negative nor in positive terms, since it is already considered to be among the most relevant and highly monitored issues.

Impacts of Covid-19



## Enhancement of human resources and dialogue with employees



The development and success of a company cannot disregard the quality of the relationship with its staff: in customer relations and in the offer of products and services, this constitutes a distinctive factor that is recognised and appreciated by the market.

Over time, Banca Popolare di Sondrio has remained true to the principle of internal growth based on developing staff skills with a special focus on school leavers and new graduates entering employment for the first time.



The recruitment of professionals from outside, without upsetting internal balances, is limited to individual cases and mainly concerns skills required by central structures that cannot readily be sourced internally.

Staff administration is underpinned by a robust and consolidated system of personnel management and training, which harmonises personal development paths with corporate objectives for building skills to achieve the necessary levels of professionalism.

Insertion of new recruits is an essential process for the organic growth plan. This takes place mainly at branches and in compliance with defined learning objectives, in line with the Bank's development plan. The needs of professionalism are primarily satisfied, on the one hand, by the insertion of new recruits, and on the other by means of staff rotation in different professional roles of increasing complexity; rotation that is supported by intense training.

Consequently, an evaluation system has been introduced to support the development and professional improvement of each individual, to encourage their skill in interpreting organisational and behavioural models in the performance of their duties and roles. The system refers to two different types of assessments: performance appraisal and skills assessment.

Performance appraisals consider the actual behaviours of staff and measure the gap between expectations and the results achieved over the year, consistent with the provisions of the current national employment contract and trade union agreements.

The skills assessment aims to map the professional skills that exist within the Bank, to plan targeted actions for staff management and development, and to implement training plans. This assessment concerns the acquired level of mastery of the processes in question and possession of the knowledge and skills needed for the role held.

To further enhance the effectiveness of the instrument – at the same time encouraging the processes of empowering people, self-diagnosis and promoting self-development skills – the assessment carried out by the heads of the operating units is accompanied by a self-assessment carried out by each employee; this is also in order to directly acquire from the source their level of autonomy in the work that they perform and the technical knowledge that they have developed.

The performance assessment and the skills survey ends with an individual feedback interview with the employee's direct supervisor, during which they analyse the evidence that emerged from the findings and discuss their expectations of professional growth, motivations, interests and aspirations.

The process of identifying new resources is the first step to show care for the staff

## Corporate welfare

The main forms of corporate welfare available to BPS employees are as follows:

- Corporate productivity bonus: the current national labour contract (which leaves it to the company contract to define the criteria for awarding bonuses) for managerial staff and personnel of the professional areas envisages the adoption of a corporate productivity bonus (governed by specific second-level company agreements) linked to the company's results in terms of a real increase in productivity and/or profitability that can be objectively verified on the basis of the financial statements.
- Long-service bonus: employees who work at Banca Popolare di Sondrio for an effective period of 30 years are paid a 'long-service bonus' of €2,300 gross.
- Graduation bonus: non-graduate workers who, after two years of employment, complete a three-year degree course included among those that used to qualify for contractual seniority under the labour contract, are awarded a one-off bonus of €1,800 gross.
- Scholarships: children and/or household members receive study grants, the amount of which depends on the educational level reached.
- Meal contribution: the company gives meal vouchers to non-residents (€7.00) and residents (€4.50), as stipulated in the current national labour contract.
- Contribution for out-of-town accommodation: if an employee has to spend the night out of town due to work requirements, the Company makes a monthly contribution towards their evening meal of €132 gross.
- Commuting contribution: employees who live more than 60 km away from work (i.e. who have a 120 km round-trip) receive a monthly contribution of €132 gross towards their travelling expenses.
- Disabled contribution: an annual contribution of €2,300 gross is paid to employees for each child with a serious physical or mental handicap that affects their learning ability, assessed pursuant to Law 104/92.
- Supplementary pension plan: with specific regard to employees hired since 1993, the Bank offers a supplementary pension plan, for which, among other things, it offers a contribution, which provides the option of allocating the severance indemnity to a pension fund managed by Arca Fondi SGR. Among other things, since 2020 Arca has planned to apply ESG criteria in the investment process in order to assess sustainability risks alongside financial risks. Moreover, with regard to three of the four plans offered to employees, Arca pursues a strict approach whereby 90% of the assets held must have the highest ESG rating.

In addition to the above-mentioned initiatives, every employee and their family members are guaranteed healthcare through an internal welfare fund, inspired by the principle of mutuality.

The purpose of the Support Fund, whose term is set to be up to 31 December 2050 (unless extended), is to help pay for hospital and health care in general – to supplement the Italian National Health Service – as well as for other reasons, according to the procedures established by the Regulation.

The Cassa's activities are carried out through the following means:

- a. the contributions to be paid by the members of the Fund;
- b. the equivalent amounts to be contributed by the Bank;
- c. the contribution to be paid by the Bank towards the cost of medical check-ups;
- d. income generated by the Fund's assets;
- e. any offerings or contributions from bodies and individuals;
- f. any cash surpluses, after the ordinary prescription period, in accordance with the national labour contract.

Another important element that contributes to the welfare of employees and their families is undoubtedly the presence of a Recreation Club – CRAL.

The "Recreation Club of the Banca Popolare di Sondrio Group" is an apolitical, non-trade union and non-profit association, which aims to promote and organise for its members and their families cultural, recreational, sporting and any other activities that involve economic and/or welfare benefits for its members. Our Recreation Club has a board of eleven members, elected every three years from the Group's employees and retirees in the form of voluntary work outside of working hours.

Participation in Club events is normally subject to payment of a membership fee; the fee is differentiated between:

- the fee for non-members, which is equal to the cost of the event with the usual discount for Group fees. The Recreation Club does not apply any extra charges;
- the fee for members and their families is determined by applying a reduction to the full fee (for non-members) that is covered by the contribution paid by the Club.

In the area of corporate welfare, the focus of BPS (SUISSE), especially in this pandemic period, has been on the work-life balance of employees; to this end, an awareness-raising initiative has been launched for sector managers, including through participation in courses and exchange sessions on the subject of listening, proximity and remote leadership.

The main actions undertaken by BPS (SUISSE) with regard to corporate welfare are as follows:

- encouraging employees' physical activity (agreements with gyms and participation in sporting events);
- focus on healthy and organic food (distribution of citrus fruits and FELFEL in the break room);
- care of employees in the case of health problems;
- opening an account for the birth of a son/daughter;
- occupational accident coverage;
- granting of the leave time needed to accompany and care for children and parents in the event of accidents and illness (in 2021 the leave period is increased);
- company loyalty award;
- meal contribution;
- contribution to transport costs;
- benefits aimed at improving mobility.

The 'Group's Recreation Club' promotes and organises activities to benefit its members and their families

We embrace  
the culture of  
sharing

GRI  
102-8

### BPS (SUISSE): placing people first

The Staff Policy of the Swiss subsidiary not only defines the rules governing fair relations within the Bank, but also creates a dynamic, performance and team-oriented corporate culture and an environment that respects people and diversity.

The principles of conduct and behaviour, guiding values, entrepreneurial spirit, ambitions and goals all evidence the drive to maintain and disseminate a business culture in which the individual is the centre of attention.

BPS (SUISSE) recognises, maintains and develops the skills of its employees, paying particular attention to the needs and family problems of each individual in the event that they are unable to work due to illness, accident, disability or death.

Great importance is attached to communication in the working relationship: information is provided transparently, clearly and comprehensively, both internally and externally; the intention is to ensure that everyone understands and accepts the company's choices and decisions, to meet information needs and to develop a sense of belonging. The exchange of information within the Bank is extremely important and is based on the principle of cooperation and complementarity.

### Information on employees

**Total employees by gender:** the workforce is steadily increasing, bucking the industry trend.

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
	796	2,571	3,367	766	2,536	3,302	738	2,541	3,279
of which Switzerland	146	201	347	150	190	340	150	187	337
of which Italy	650	2,370	3,020	616	2,346	2,962	588	2,354	2,942

**Total employees by job category:** organic growth involves the recruitment of mainly high school leavers or recent graduates with little or no work experience. The growth trend of female employees is greater to progressively compensate for the current imbalance in the composition of the workforce.

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Senior managers	0	34	34	0	37	37	0	39	39
Middle managers	76	686	762	72	690	762	68	681	749
Office workers	720	1,851	2,571	694	1,809	2,503	670	1,821	2,491



**Total employees by age**

Total	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
≥ 29 years old	195	328	523	178	304	482	166	310	476
30 - 50 years old	455	1,514	1,969	448	1,572	2,020	440	1,601	2,041
≥ 51 years old	146	729	875	138	662	800	127	635	762

**Breakdown by contract type:** the Group's growth in size favours the inclusion of employees with permanent contracts. The use of fixed-term contracts is limited to extemporary needs.

Type of contract	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of permanent contracts	780	2,547	3,327	758	2,516	3,274	722	2,520	3,242
of which Switzerland	146	201	347	150	190	340	150	187	337
of which Italy	634	2,346	2,980	608	2,326	2,934	572	2,333	2,905
Total number of fixed-term or temporary contracts	16	24	40	8	20	28	16	21	37
of which Switzerland	0	0	0	0	0	0	0	0	0
of which Italy	16	24	40	8	20	28	16	21	37

**Composition by type of employment:** we highlight an upward trend in the use of part-time work, particularly by female staff in order to ensure a proper balance between personal and family needs and business needs.

Type of contract	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time employment as defined by national laws	679	2,552	3,231	648	2,517	3,165	635	2,524	3,159
Part-time employment as defined by national laws	117	19	136	118	19	137	103	17	120

#### Breakdown by areas of employment/task

Type of contract	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total ABI categories</b>	<b>796</b>	<b>2,571</b>	<b>3,367</b>	<b>766</b>	<b>2,536</b>	<b>3,302</b>	<b>738</b>	<b>2,541</b>	<b>3,279</b>
distribution	396	1,767	2,163	375	1,767	2,142	364	1,771	2,135
business unit	101	206	307	100	221	321	72	191	263
staff	197	282	479	167	216	383	171	248	419
operational services	102	316	418	124	332	456	131	331	462

#### Employees broken down by area of operations

Type of contract	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
North	614	2,118	2,732	582	2,092	2,674	553	2,106	2,659
Centre	36	252	288	34	254	288	35	248	283
Abroad	146	201	347	150	190	340	150	187	337



**Composition by educational qualification:** there is a greater upward trend in graduate staff driven by new entrants who are increasingly qualified in terms of educational background.

Educational qualification	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
University degree	388	926	1,314	368	897	1,265	338	867	1,205
of which Switzerland	28	68	96	31	63	94	27	58	85
of which Italy	360	858	1,218	337	834	1,171	311	809	1,120
High school diploma	400	1,603	2,003	388	1,595	1,983	390	1,626	2,016
of which Switzerland	118	131	249	117	126	243	122	128	250
of which Italy	282	1,472	1,754	271	1,469	1,740	268	1,498	1,766
Middle school diploma	8	42	50	10	44	54	10	48	58
of which Switzerland	0	2	2	2	1	3	1	1	2
of which Italy	8	40	48	8	43	51	9	47	56

#### Total number and turnover rate by age group, gender and region

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>New recruits</b>	<b>71</b>	<b>129</b>	<b>200</b>	<b>62</b>	<b>86</b>	<b>148</b>	<b>84</b>	<b>130</b>	<b>214</b>
of which Switzerland	13	15	28	10	16	26	14	19	33
of which Italy	58	114	172	52	70	122	70	111	181
≤ 29 years old	55	98	153	50	61	111	65	96	161
30 - 50 years old	14	21	35	10	18	28	15	19	34
≥ 51 years old	2	10	12	2	7	9	4	15	19
Incoming staff turnover – ratio between new recruits and total employees	9%	5%	6%	8%	3%	4%	11%	5%	7%

GRI  
401-1



	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Outgoing staff</b>	<b>36</b>	<b>99</b>	<b>135</b>	<b>35</b>	<b>89</b>	<b>124</b>	<b>55</b>	<b>120</b>	<b>175</b>
of which Switzerland	12	9	21	11	11	22	13	13	26
of which Italy	24	90	114	24	78	102	42	107	149
≤ 29 years old	16	34	50	19	26	45	33	47	80
30 - 50 years old	13	30	43	9	22	31	14	32	46
≥ 51 years old	7	35	42	7	41	48	8	41	49
Reason for leaving	-	-	-	-	-	-	-	-	-
Voluntary leavers (excluding retirement)	21	50	71	16	29	45	20	54	74
Retirement	5	25	30	4	36	40	4	32	36
Dismissal	1	3	4	2	9	11	5	6	11
Other (i.e. end of a fixed-term contract)	9	21	30	12	16	28	26	28	54
Outgoing staff turnover – ratio between new recruits and total employees	4.52%	3.85%	4.01%	4.57%	3.51%	3.76%	7.45%	4.72%	5.34%

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Maternity/paternity leave covers the mandatory period, as well as optional leave taken as days or as hours.

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees who have taken parental leave	114	25	139	162	67	229	121	15	136
Number of resignations after returning from parental leave during the year	0	1	0	1	0	1	0	0	0
Number of resignations compared to returning from parental leave in the prior year	1	0	1	0	0	0	1	0	1
Rate of return to work after taking parental leave	100%	100%	100%	99.38%	100%	99.56%	100%	100%	100%
Job retention rate after taking parental leave	98.76%	100%	99.12%	100%	100%	100%	98%	100%	98%



## Risks associated with the topic

The Group promotes staff enhancement by implementing effective professional development and training programmes and adopting suitable incentive policies / mechanisms (including corporate welfare measures), with the goal of ensuring that staff can express themselves and realise their full potential in the performance of their assigned tasks and to promote the reconciliation of private and professional life, with positive returns in terms of improvement and enhanced productivity.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Legal and policy	Non-compliance with standards	Penalty risks (non-compliance risks) associated with: - violation of contractual / regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, straining)	
 Social risk (S)	Legal and policy	Operational (Legal)	Risks of compensation claims (legal risks) associated with: - violation of contractual / regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, straining)	Full compliance with employment regulations  Adoption of suitable incentive mechanisms / policies
 Social risk (S)	Reputation	Reputation	Reputational risks associated with: - violation of contractual / regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, straining)	Training and professional development programmes  Adoption of corporate welfare measures designed to promote employee well-being
 Social risk (S)	Strategy and business	Operational (organisational)	Operational risks (organisational risks) associated with: - shortage of properly trained and experienced staff - staff dissatisfaction with adverse effects on productivity levels - inability to attract new 'talents' or retain already hired staff	Access to flexible forms of working (part-time, smart working, delocalisation)
 Social risk (S)	Reputation	Reputation	Reputational risks associated with inadequate / poor corporate welfare system for internal staff	

## Impacts of Covid-19

The topics most affected by the pandemic have been those associated with staff management: in particular, the dialogue with employees has intensified greatly, with periodic e-mail communications to highlight protocols to follow (governmental and other), together with weekly communications about the Covid-19 situation within the Bank.

During the pandemic emergency, in line with the derogations introduced at the level of labour relations regulations, remote working arrangements (smart working) and other forms of flexibility in working hours were also adopted in 2021 – especially for staff working in headquarters offices – which helped to facilitate the management of family commitments even after the closure of kindergartens and schools, while guaranteeing business continuity.



## Health and safety



The Bank strives to disseminate a culture of occupational health and safety, developing awareness about possible risks and promoting responsible conduct by all staff, while also providing suitable working conditions that safeguard the psychophysical well-being of workers and respect their human rights and morals.

In particular, the Bank interacts with its employees and collaborators in full compliance with the provisions of Article 2087 of the Italian Civil Code and the Consolidated Law on occupational health and safety (Legislative Decree 81 dated 9 April 2008), as well as with the other applicable laws and regulations, including local laws abroad, and the requirements of any other regulations that may apply, on a case-by-case basis, given the type and location (in Italy or abroad) of the activities carried out.



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### Occupational health and safety management system

Although the Bank does not have a certified management system, it follows the provisions of the former Article 30 of Legislative Decree 81/2008: this consists of operating instructions and procedures relating to the various workplace safety areas, the line control of which is the responsibility of each Bank Management Entity, while Level II control is carried out by the Bank's Internal Audit Office. In particular, some of the areas subject to monitoring are those related to compliance with technical-structural standards (e.g. equipment, systems, physical agents, etc.), risk assessment and prevention and protection measures, organisational activities (e.g. emergencies, first aid), health surveillance and information and training for workers.

In accordance with the provisions of the Decree, which defines the safety organisation chart and related responsibilities, the manager, the prevention and protection service manager (RSPP), the prevention and protection service officers (ASPP), the supervisors, the fire-fighting and first aid officers, and the company doctor were appointed. The workers' safety representatives (RLS) are elected by the workers by means of a vote and are trained through specific courses.

As regards the BPS (SUISSE) subsidiary, the control protocol and the MSSL Federal Directive (concerning the use of company doctors and other safety specialists) guide the company's management methods and the methodology adopted. In fact, they are equipped with safety guidelines on how to organise it, for the protection of health. The guidelines regulate, among other things, ventilation and air quality, ergonomics, control of stress factors, duration of work, special protections, such as those for new mothers, environmental protection, lighting and noise checks.

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### Occupational health services

The Bank appointed a company doctor who collaborates with the Bank and the prevention and protection office on the assessment of risks, not only for planning and medical monitoring purposes, but also for the preparation and implementation of measures that protect the health and psychophysical well-being of workers, for the delivery of training and information to workers and for the organisation of first-aid services. The health of all employees at BPS (SUISSE) who work at video-terminals for more than 20 hours each week is monitored.

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### Hazard identification, risk assessment, and incident investigation

The Risk Assessment Document (DVR) specifies the criteria adopted for the assessment of health and safety risks at work through the provision of periodic and specific inspection and reconnaissance activities to check the status of safety measures/identify any risks; the documentation is also subject to annual review, but further reviews may be issued in the event of extraordinary maintenance work being carried out, as well as in the event of regulatory changes relating to occupational health and safety.



### **Worker participation, consultation, and communication on occupational health and safety**

A meeting is scheduled periodically (ex Article 35 of Legislative Decree 81/2008) in which the RLSs representing the workers participate, with the option for workers to also make timely reports by e-mail or telephone. The Prevention Service sends a summary of criminal events at branches to the RLSs, as well as company DVRs. The Bank provides copious information to staff on workplace safety matters via internal circulars, service orders and e-mails, including the notification of emergency plans and fire prevention registers to branch employees, together with the schedules for evacuation drills. All communications are accessible in a specific section of the corporate intranet, together with the general and specific DVRs for each branch, the emergency plans, the most important regulations and the trade union communications sent by e-mail to staff. Workers can request technical support via an internal procedure and access records of maintenance work carried out by external suppliers.

With regard to the subsidiary Factorit SpA in particular, a notice board on the company intranet on safety issues is being implemented, where employees can read up on the subject and leave their comments.

### **Worker training on occupational health and safety**

The health and safety courses require the participant to complete a satisfaction questionnaire at the end of the training activity and a certificate of attendance is issued.

A number of 8-hour courses were delivered in 2019 to train operators in the implementation of prevention and fire containment measures, while the 8-hour refresher course held in 2020 for RLS was delivered in a virtual classroom.

Training activities in 2021 mainly consisted of:

- basic training module for new recruits;
- 8-hour theoretical training for new first aid emergency management staff;
- 4-hour practical training for new first aid emergency management staff;
- 8-hour training for new emergency management staff;
- 8-hour refresher training for workers' safety representatives (RLS);
- 24-hour training for new RLS;
- 20-hour training for Prevention and Protection Service staff.

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All employees of BPS (SUISSE) have received general training in this area (updates are provided in accordance with the latest instructions derived from the State-Regions Agreements dated 21 December 2011 and 7 July 2016).

Training at Factorit is managed through dedicated software and is entirely entrusted to external companies specialised in health and safety, with trainers who possess the qualifications required by the standards. Depending on the different courses selected, training can be classroom-based or use innovative learning methodologies, including synchronous FAD (distance learning) and multimedia languages that allow the use of IT tools as channels for disseminating training content. Depending on the company role, training may also include specific instruction.

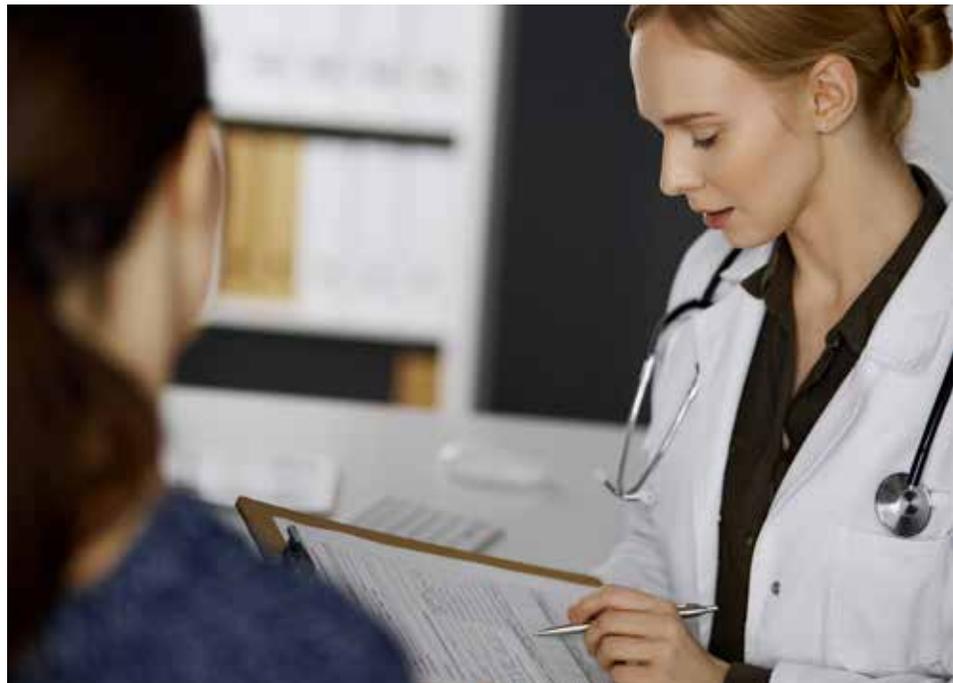
#### Promotion of worker health

All employees and their family members are guaranteed healthcare support via an internal Support Fund, which also arranges for check-ups at affiliated facilities.

The purpose of the Support Fund is to help pay for hospital and health care in general – to supplement the National Health Service – as well as for other reasons, according to the procedures established by the Regulation.

For BNT SpA and Factorit SpA, employee healthcare is covered by health insurance arranged by the company, while employees of BPS (SUISSE) are covered against workplace injuries.

Corporate welfare is described in more detail in a separate section of this document.



### Prevention and mitigation of occupational health and safety impacts within business relationships

To avoid and mitigate the significant negative impacts on occupational health and safety associated with its operational activities, offers of products or services through commercial relationships, and the related dangers and risks, the Bank prepared the DUVRI interference risk analysis document and specific safety protocols for external service providers, consultants and contractors.

In the context of their specific duties, all recipients of the Code of Ethics participate in the process of preventing risks and safeguarding their own health and safety, as well as that of their colleagues and third parties, including by making comments and proposals.

In particular, all persons who work in or with the Bank:

- must comply with the guidance and instructions provided by the Bank;
- must properly use the machines and equipment used to carry out work;
- must use their personal protection devices appropriately;
- must report to the competent functions, without delay, any faults and/or breakdowns in the protection equipment and devices that come to their attention;
- must not remove or modify, without authorisation, any safety, warning or control devices;
- must not carry out hazardous manoeuvres or operations on their own initiative if these do not fall within the scope of their work;
- must attend scheduled medical health check-ups. Lastly, the Bank undertakes, in the event of assignment of services to third parties under contract, or in any case within ordinary commercial relationships, to require its partners to respect adequate safety standards for workers.

Risk detection and monitoring activities are summarised in the company's risk assessment document according to a standardised procedure. In particular, the aspects monitored include compliance with technical/structural standards (e.g. installations, equipment, physical and biological agents, Covid-19, etc.), ergonomics in the workplace, prevention and protection measures, organisational activities (e.g. response to fire, first aid, management of hydrogeological and seismic risk) and healthcare monitoring, provision of information and training for employees. With regard to psychosocial problems, especially work-related stress, each year the Staff Service collects and processes information on this topic and the specific risks are reviewed every two years. The Bank strives at all times to guarantee working conditions that respect the dignity of the person, ensuring that all forms of discrimination contrary to the law, including harassment and unfair treatment of any kind, are not allowed or tolerated. To this end, it requires that acts of psychological violence or attitudes or behaviour that discriminate or harm people, their beliefs or preferences in internal or external work relationships are not allowed. For this reason, no form of retaliation is tolerated against employees who complain about discrimination or harassment, nor against other workers who report such situations.

Lastly, the Bank undertakes, in the event of assignment of works or services to third parties under contract, or in any case within ordinary commercial relationships, to require its partners to respect adequate safety standards for workers of external companies.

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403-9**Types of injury, lost days and rates of injury**

	2021	2020	2019
Injuries at work	22	24	33
Recordable injuries during working hours	6	3	11
Percentage of total	27%	13%	33%
Injuries with serious consequences (excluding death)	0	0	0
Percentage of total	0	0	0
Deaths following injuries at work	0	0	0
Injuries while commuting	16	21	22
Percentage of total	73%	88%	67%
Workdays lost due to injuries	361	375	409
Days of absence in the reporting period	17,441	21,377	15,301
Hours actually worked	5,402,813	4,614,543	4,747,782
Workable days	828,911	820,336	810,623
Injury rate (frequency)*	4	5	7
Rate of serious injuries	0	0	0
Rate of deaths resulting from injuries	0	0	0
Severity rate**	0	0	0
Absenteeism rate***	2	3	2

\* The injury rate is calculated by multiplying the number of injuries by one million and then dividing by the number of hours worked.

\*\* The severity rate is calculated by multiplying by 1,000 the total number of days lost through injury divided by the number of hours worked.

\*\*\* The absenteeism rate is the ratio between days of absence and workable days multiplied by 100

The data in the table only refer to employees; in 2021, there were no deaths due to injuries at work, nor any serious, recordable injuries at work.



## Risks associated with the topic

The Group protects the health of its employees in full compliance with the provisions on health and safety at work, making all staff aware of the risks involved and the adoption of responsible behaviour, as well as preparing appropriate prevention measures (including the arrangement of appropriate insurance).

With specific reference to management of the Covid-19 pandemic, action to minimise contagion risks and guarantee business continuity included:

- intensive work to raise employee awareness (and that of branch customers) about the need to comply precisely, at all times, with the instructions given to contain the pandemic;
- extraordinary recourse to forms of smart working, consistent with the various business priorities;
- supply of adequate PPE, such as face masks and sanitising gel, to those not working from home;
- increased sanification and adaptation of workplaces, including the identification of new premises and the installation of protective plexiglass screens at existing workstations;
- recourse to quick messaging systems and video-conferencing, consistent with the adopted corporate security policies in order to exchange business communications and plan meetings.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Legal and policy	Non-compliance with standards	Risks of compensation (non-conformity) attributable to non-compliance / inadequate compliance with workplace health and safety regulations	Installation / maintenance of suitable physical controls and equipment compliant with current regulations governing occupational health and safety (Legislative Decree 81/2008) Arrangements of specific insurance cover for professional injuries (and more) Provision of business continuity plans for pandemic events with activation of precautionary measures and flexible working methods (e.g. smart working) that can combine health and safety with operational continuity needs
 Social risk (S)	Legal and policy	Operational (Legal)	Risks of compensation (legal risks) attributable to non-compliance / inadequate compliance with workplace health and safety regulations	
 Social risk (S)	Reputation	Reputation	Reputational risks associated with non-compliance / inadequate compliance with workplace health and safety regulations	
 Social risk (S)	Strategy and business	Operational (organisational)	Operational risks (organisational risks) associated with the occurrence of epidemiological / pandemic events affecting business continuity	

## Impacts of Covid-19

During the pandemic, as a bank integrated with the local economy, the BPS Group had to revolutionise its internal organisation in order to maintain continuity at all levels within the various business processes while, at the same time, introducing the measures needed to protect the health of customers and staff.

The principal measures taken included:

- shift work for staff with holidays and paid leave;
- use of flexible working arrangements where possible to ensure health, safety and business continuity;
- enhanced daily sanitisation of work spaces;
- sharing of information connected to pandemic management and related rules of conduct;
- restrictions on access for customers and suppliers;
- afternoon closure of branches;
- suspension of classroom training;
- limitation of meetings, travel and movements between offices to those strictly necessary;



## Relations with the supply chain



Relations with suppliers are the subject of provisions both in the Code of Ethics, which includes commitments to guarantee transparent and fair relations, and in the Regulation on Outsourcing, which contains general clauses concerning the eligibility requirements of suppliers to guarantee compliance with regulations (e.g. on human rights, environmental protection, adequate working conditions, etc.).

In general, therefore, preference is given to suppliers who adopt high standards and good environmental practices.



As a complex organisation comprising numerous operational units at central and branch level – spread across wide area – the Bank has a constant need for supplies of diversified goods and services from third parties in order to carry out its activities effectively. These supplies therefore contribute to operational efficiency, commercial competitiveness, regulatory compliance in multiple areas and the safety of persons, working environments and installations. Accordingly, it is necessary to precisely define and govern the management of purchasing, in terms of the related authorisations and administrative activities, with the goal of achieving both optimal supply levels, benefiting the requesting company structures and therefore their operations, and the best economic value for the Bank in the quality/price ratio of the supplies.

The Bank has implemented an OMM, which is updated to reflect any changes in operating conditions. The objective of this model is to mitigate and, where possible, prevent commitment of the environmental and other offences identified in the legislation, pursuant to the provisions of Legislative Decree 121/2011, as amended and supplemented. Bank suppliers are informed about the organisational model adopted in a clause contained in their contract forms; they are also requested to comply with the instructions contained in the corporate Code of Ethics.

The supply chain is managed by selecting each supplier based on the ability to perform the required services over time: each is identified by specific mandatory administrative data, as well as optional data considered useful for qualification purposes. Suppliers that make individual or total annual supplies in excess of €100,000 are qualified by the Supply Office for transparency purposes. Their structure, references and historical record are then assessed and a reasoned summary judgement is made. These quantitative and qualitative assessments are reviewed whenever problems are identified.

With regard to the Group's different member companies, various considerations were made as to which suppliers could be considered local, taking into account the location and distribution of each company's activities. For Banca Popolare di Sondrio, the Lombardy Region is identified as the local boundary, for Factorit it consists of Milan and its province, for Pirovano SpA it covers the provinces of Sondrio and Trento/Bolzano, while the concept of local service provider does not apply to Banca della Nuova Terra due to its widespread operations involving a broad range of banking services.

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#### Percentage of expenditure on local suppliers

	2021	2020	2019
Procurement expenditure in €	276,936,436	266,006,936	208,445,628
of which on local suppliers	185,785,832	178,702,309	130,190,869
% of total	67.09%	67.18%	62.46%

## Risks associated with the topic

The Group adopts a structured process to monitor the risks associated with the outsourcing of corporate services and functions, adjusted on the basis of the strategic and critical nature of the service being outsourced.

In this regard, particular attention is paid to preliminary analysis of the supplier's profile in terms of technical, commercial and financial reliability and the degree of cost-effectiveness, sustainability and replaceability of the proposed solution, favouring – where possible – use of local operators. There is a specific focus on verifying the possession of the necessary legal authorisations and quality certifications with reference to the adopted company systems, placing emphasis on the implementation of operating practices that comply with social and environmental responsibility principles.

The rights and obligations of the parties are specifically regulated in the contractual agreement and precise service levels and security and business continuity safeguards are agreed upon to ensure adequate provision and to clarify responsibilities in the event of non-compliance or failure to comply with the signed agreements.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Environmental and climate risk (E)	Transition (Reputation)	Reputation	Reputational risks due to reliance on suppliers of goods/services perceived as inadequate by the public and customers to support the transition to a low-carbon economy	Process of prior assessment and periodic monitoring of risks associated with the outsourcing of corporate services and activities through in-depth analyses – especially in the case of essential or important departments – with the involvement of various specialist and control structures
 Social risk (S)	Legal and policy	Operational (legal)	Penalty risks (non-compliance risks) associated with joint and several liability for failure of suppliers of goods / services to comply with legal obligations concerning the employment relationship and inadequate application of health and safety standards for the protection of staff	Analysis of the reliability of the main suppliers, in terms of soundness of the company structure and capital and economic structure, as well as in terms of professional skills and availability of resources (human and technological) in order to identify potential negative elements affecting the (expected or agreed) levels of performance and operational continuity of the outsourced department/service  Definition of contractual agreements regulating suppliers' actions based on the principles set out in the Codes of Ethics and, more generally, in line with the organisation, management and control models adopted by the parties pursuant to Legislative Decree 231/2001
 Social risk (S)	Reputation	Reputation	Reputational risks associated with the use of non-compliant suppliers of goods / services with regard to compliance with legal obligations concerning labour relations and inadequate application of health and safety standards for the protection of the relevant staff	
 Social risk (S)	Reputation	Reputation	Reputational risks associated with insufficient use of local suppliers in the areas where the company operates	

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Strategy and business	Operational (organisational)	Operational risks (organisational risks) associated with the use of suppliers of goods / services that are unsuitable in terms of technical, commercial and financial reliability or do not comply with environmental, social or governance sustainability principles	Process of prior assessment and periodic monitoring of risks associated with the outsourcing of corporate services and activities through in-depth analyses – especially in the case of essential or important departments – with the involvement of various specialist and control structures
	Legal and policy	Operational (legal)	Compensation risks (legal risks) due to disputes with suppliers of goods / services for non-performance / shortcomings in the performance of operations with respect to contractually defined terms and conditions	Analysis of the reliability of the main suppliers, in terms of soundness of the company structure and capital and economic structure, as well as in terms of professional skills and availability of resources (human and technological) in order to identify potential negative elements affecting the (expected or agreed) levels of performance and operational continuity of the outsourced department/service  Definition of contractual agreements regulating suppliers' actions based on the principles set out in the Codes of Ethics and, more generally, in line with the organisation, management and control models adopted by the parties pursuant to Legislative Decree 231/2001

Impacts of Covid-19

As identified by the one-to-one interviews and the questionnaire published on Scigno, this topic has not been especially affected by the emergency, above all if considered in relation to banking activities.







# 04

## GOVERNANCE: A SUSTAINABLE ADMINISTRATION

“Humanity has an opportunity to make development sustainable, i.e. to ensure that it meets the needs of the present generation, without compromising the ability of future generations to meet their needs.”



## Introduction to the 'G' factor

The acronym ESG encompasses the three elements which, according to the latest economic theories, enable companies to conduct corporate policies aimed at sustainable development. In particular, one of these factors concerns the first and fundamental aspect that a company should use as a basis for responsible strategies: governance.

Governance is among the sustainability areas that are receiving increasing attention from investors, customers, regulators and stakeholders in general, who are increasingly required to influence organisations' performance. At the same time, awareness of corporate social responsibility is growing and the market is showing increasing expectations of their performance.

Governance is the system through which an organisation makes and implements decisions to pursue its goals and it is the implemented choices and activities that can make a significant contribution to sustainable development.

The corporate structure therefore constitutes the company's institutional framework and, according to a sustainability-based approach, in order for the company to effectively adopt strategies that respect and enhance the other two factors (Environmental and Social), governance must also be guided by ethical principles in line with ESG parameters.

These guidelines are particularly reflected in the Bank's Code of Ethics, a document that sets out commitments and ethical responsibilities in conducting the Bank's business and activities, while also defining the set of values and principles, as well as the conduct, that must be adopted by Directors and Statutory Auditors, by all persons connected to the Bank by employment relationships (employees), and, in general, by all those who work with the Bank, regardless of the relationship that connects them (associates and third parties).

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The provisions contained in the Code of Ethics are aimed at indicating a number of important corporate values and rules of conduct in compliance with the fundamental principles set to safeguard the reputation and image of Banca Popolare di Sondrio, such as professional fairness, personal integrity, the protection of health and safety in the workplace, as well as transparent competition on the market by all those involved.

The Code expressly states that it is forbidden to engage in or instigate others to engage in corrupt practices of any kind in dealings with external authorities (e.g. Supervisory Authorities, Financial Administration, Authorities in charge of checking the correctness of social security and welfare obligations, and judicial authorities). Furthermore, in business dealings with customers, suppliers and consultants, donations, benefits (both direct and indirect), gifts, acts of courtesy and hospitality are prohibited, unless they are of a nature and value such as not to compromise the Bank's image and not to be interpreted as aimed at obtaining favourable treatment that is not determined by market rules.

The Bank promotes knowledge of and compliance with the Code of Ethics, as a priority, among all Directors, Statutory Auditors, employees and collaborators of every kind; where appropriate, this is also extended to commercial and financial partners, consultants and suppliers under specific contractual agreements that envisage, in the event of infringement, suitable contractual or disciplinary penalties.

Governance that preserves personal integrity and operates with fairness and transparency, valuing both economic soundness and accessibility of information, is the basis for a corporate identity that can be positively perceived by both internal (employees) and external parties (investors, shareholders, ESG rating agencies, etc.). Protecting the confidentiality and security of customers' and employees' data and information is one of the fundamental elements of the activities of Banca Popolare di Sondrio, which is committed to ensuring that personal data are collected and processed in compliance with the provisions of the law and the applicable regulations on the subject.

Responsible investment, environmental protection and the improvement of social conditions play a central role in corporate strategies now more than ever. It is clear, however, that these goals can only be satisfactorily achieved within a reasonable timeframe if they are pursued through governance based on principles of environmental respect, transparency and equality.

Corporate values and conduct rules in compliance with fundamental principles





## Data protection

Protecting the confidentiality and security of information on individuals is a key factor in the activities of Banca Popolare di Sondrio, which is committed to ensuring that the collection and further processing of personal data is carried out in compliance with applicable legislation.

Accordingly, as a fundamental part of its assets, the Bank protects this information by applying appropriate technical and organisational measures to contain the risks associated with its processing, as well as by employing specialised resources to oversee the matter, who handle the operational and regulatory aspects in cooperation with other figures inside and outside the company.

The principles  
of personal data  
protection



In light of the entry into force of EU Regulation 2016/679 (GDPR), the Bank has progressively adapted its internal organisation and information systems to a specific Personal Data Protection Operating Model, formalised in its Regulation on the Protection of Personal Data.

A Data Protection Officer (DPO) was appointed, within the pre-existing Compliance Function, and an Operational Data Protection Officer was introduced within the Data Management and Protection Office in the Organisation Service, tasked with defining policies and overseeing the issue in line with corporate strategic guidelines.

The aforementioned company Regulation, together with detailed annexes, defines the essential principles for the legal compliance of processing activities, including the protection of the rights of data subjects, also prescribing proactive conduct aimed at cooperation between the various company structures and compliance with the additional rules applicable on each occasion.

The most significant data protection measures include:

- the introduction of Registers of processing activities, aimed at identifying and recording the processing operations carried out with or without the help of external providers appointed as Data Processors, together with those carried out by the Bank on behalf of third parties;
- the implementation of specific training courses for employees, such as “The European regulation on personal data”, “Security of personal data within the Bank”, “Protection of privacy in the promotion and sale of products and services within the Bank”, and “Management of employee data within the Bank”;
- management of data breaches which, working together with the ICT Security and ICT Governance Office, were included in the existing process for managing serious incidents;
- the integration of the privacy / data protection area within the Bank's Integrated ICT Risk Framework, defining the risk scenarios related to the issue and obtaining ISO/IEC 27701:2019 certification specifically on data protection issues;
- the introduction, during 2021, of the ICT Risk Technical Committee, which, in addition to the DPO, as an additional member with data protection expertise, receives reports on IT incidents classified as ‘Major - potentially serious’.

### Specific training courses on data processing for employees

<sup>1</sup> Last updated in December 2021 following the publication by the Bank of Italy of new reporting criteria and forms. Effective from 01/01/2022.

**ISO 27001 safety certification**

Since 2006, Banca Popolare di Sondrio's Information Security Management System (ISMS) has been certified ISO/IEC 27001:2013 (ISO 27001) by the DNV certification body and is constantly evolving.

In December this year, the verification of the requirements for certification was also extended to the area of personal data protection, resulting in further ISO 27701 certification.

On this occasion, the scope covered by the Bank's Information Security Management System (ISMS) was also revised and is now as follows: Information Security Management System related to the design, development and maintenance of online banking services, tools and services to support application design and development and the management of IT systems and networks located in the Server Farm.

The Regulation is applied to all Group Companies, including Banca Popolare di Sondrio (SUISSE), insofar as they process personal data. The Parent Company provides the necessary guidelines to ensure that the decisions taken by the subsidiaries are consistent and coordinates the process of managing and monitoring risks of this kind, verifying compliance with the relevant regulations and the implementation of the provisions contained in the Regulation.

The Group policies are mainly aimed at:

- defining the organisational model and business processes for the protection of personal data;
- effectively implementing the principles of data protection, identifying the actors involved and their roles in the related processing activities;
- identifying appropriate technical and organisational measures to contain the risks related to the processing of personal data, reviewing and updating them where necessary;
- identifying the documentary support for the protection of personal data;
- establishing roles and control activities that ensure proper application of the data protection regulations.

## Data protection and IT security

Cyber security is the responsibility of the Security Officer and is managed through a framework of controls (annual, monthly and continuous audits). Any IT or security incidents follow a notification process that immediately involves the Security Officer, who then manages any escalation to pre-defined organisational levels. Through the Risk Committee and a special chapter in the monthly safety report, company management is regularly informed of any incidents that occur. Annually, the entire control framework is evaluated by means of a security assessment addressed to the company's General Management; in addition, the entire process is aligned with FINMA (Swiss Financial Market Supervisory Authority) regulations and regularly audited.

### Update of the Rules for the Use of Workstations and IT Services

Continuous regulatory and technological developments, together with the related impacts on the business processes involved, have necessitated a revision of the Rules for the Use of Workstations and IT Services, issued in November 2015, which govern the use of IT tools and services in the workplace, so as to encourage even more prudent and careful management of company data.

The document was updated taking into account the current regulations on data management and protection, together with the specific provisions adopted by the Personal Data Protection Authority,

the Workers' Statute (Law no. 300 of 20 May 1970), and the practices and rules already in place and currently applied within the company. In particular, two important new subject areas were included in 2021: the management and cataloguing of so-called EUDAs (End User Developed Applications) and the 'smart working' regulation.

The regulation is founded on compliance with the principles of responsibility and confidentiality and seeks to increase awareness of the need to ensure the confidentiality of information and the security of the IT equipment used to process it.

Correct and effective data protection cannot be separated from equally fruitful customer awareness on these issues. To this end, in accordance with the EBA's Guidelines on managing risks relating to Information and Communication Technology (ICT) and security, the Bank defined and implemented processes to increase payment service users' knowledge of the security risks associated with these services.

Processes to increase user knowledge

GRI  
418-1**Substantiated complaints concerning breaches of customer privacy and losses of customer data**

	2021	2020	2019
Total number of complaints about breaches of customer privacy	2	7	3
of which from external parties	2	7	3
of which from regulators	0	0	0

Data breaches are not included in the reporting for confidentiality reasons. Any incidents are appropriately handled in accordance with internal policies.

During 2021, two complaints relating to the issue of personal data were received, which were handled appropriately in accordance with internal policies. In the same year, there was an increase in 'requests to exercise rights' (46 requests: cancellation, rectification, opposition, etc.) mostly relating to requests for cancellation and / or opposition to commercial communications. The handling of complaints regarding privacy and loss of customer data follows what is described in the chapter 'Complaint management' within the material topic 'Evolution of the service model and relations with the distribution network'.



## Risks associated with the topic

To protect the confidentiality and integrity of company and customer data, as well as the associated risks of misappropriation / disclosure (data breach), the Group adopts suitable management and security measures, mainly relating to IT, broadly aimed at ensuring that data processing and protection methods comply with the relevant regulatory requirements (e.g. as regards the Parent Company, maintenance of ISO/IEC 27001:2013 and ISO/IEC 27701:2019 certifications).

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Legal and policy	Non-compliance with standards	Penalty risks (non-compliance risks) associated with the processing of personal data in ways not compliant with the privacy regulations or resulting in the theft / disclosure of personal data ( <i>data breaches</i> )	Certified structured controls are implemented in relation to IT security and the protection of personal data (e.g. with regard to the Parent Company, the maintenance of ISO/IEC 27001:2013 certification and the acquisition of ISO/IEC 27701:2019 certification)
 Governance risk (G)	Legal and policy	Operational (conduct)	Compensation risks (conduct risks) associated with the processing of personal data in ways not compliant with the privacy regulations or resulting in the theft / disclosure of personal / company data ( <i>data breaches</i> )	
 Governance risk (G)	Reputation	Reputation	Reputational risks associated with the processing of personal data in ways not compliant with the privacy regulations or resulting in the theft / disclosure of personal data ( <i>data breaches</i> )	

## Impacts of Covid-19

**The need to contain Covid-19 contagions led to the implementation of specific measures to ensure the safe performance of work activities.**

Among these measures, according to the findings of stakeholder engagement, and despite the fact that the subject was already adequately covered, the creation of a significant number of 'smart working' positions nevertheless had a

considerable impact on the necessary data protection operations.

In any case, in the course of 2021 the Compliance Function found the set of data protection measures implemented by the competent structures, made necessary by the entry into force of the emergency regulations to contain the spread of Covid-19, to be satisfactory.



## Integrity and fight against corruption



Over the years, Banca Popolare di Sondrio has acquired and consolidated an excellent reputation, both nationally and internationally, as a bank characterised by sound and prudent management, which conducts business in compliance with the ethical principles of fairness, transparency, integrity and professionalism, as well as the rules of conduct set by Article 21 of the Consolidated Law on financial intermediation.

The Group conducts its activities with the aim of providing products and services to its customers in accordance with the value of integrity, which in turn is reflected in the principles of loyalty, seriousness, honesty, competence and transparency.

In this context, the Group actively adopts the principles of the UN Global Compact, which call for the development of policies to fight corruption, protect human and workers' rights and safeguard the environment.



## Respect for rules and fairness

With regard to the specific case of BPS (SUISSE), which is subject to strict supervision by the Swiss supervisory authority, it has maintained and continues to maintain ethical behaviour through an appropriate organisation and its own clear and transparent corporate policy, in accordance with that of the Parent Company. The bank thus ensures prudent and healthy management of the business and transactions conducted with all stakeholders (customers, suppliers, etc.).

Compliance with the internal and external regulations and codes of conduct is also significant from a strategic standpoint; accordingly, the Group operates in the conviction that respect for rules and fair dealing are fundamental elements in conducting banking business, which by its very nature is based on trust and transparency.

With regard to reporting, anyone within the Bank who is subjected to coercion or instigation to violate laws must promptly report the matter to their immediate superior or, if this is not possible, due to the absence of the latter or because they are instigated or coerced by them, must promptly report the coercion and instigation to a member of the Supervisory Board (SB).

In this respect, the Bank shall establish appropriate communication channels through which reports of possible violations of the Code may be submitted.

The reporting methods provide, for Bank employees, access to the 'Legislative Decree 231/2001' section on the corporate intranet, and for all other parties, use of a specific e-mail address (odv231@popso.it).

With reference, on the other hand, to the internal reports of unlawful conduct referred to in Law no. 179 of 30 November 2017 (so-called whistleblowing), the Bank's employees may report violations concerning the issues referred to in Legislative Decree 231/2001 by means of the appropriate IT application adopted, in compliance with the provisions of the Policy on internal reporting of violations.

In both cases, the SB shall promptly assess the report on the basis of its own responsibilities and competences, including by questioning the sender, the person responsible for the alleged violation and any person potentially involved.

The SB protects whistleblowers from any kind of retaliation or act that could give rise even to the mere suspicion of constituting a form of discrimination or penalisation, undertaking, in particular, to ensure the confidentiality of the whistleblower's identity, without prejudice to legal obligations.

### Information and Training

The organisational model established at the Parent Company and at the Factorit subsidiary, aimed, inter alia, at preventing the crime of corruption, explicitly stipulates that the body carries out information and training activities for all staff covered by the Code of

Ethics. Information is provided through publication on the company intranet, in a dedicated section, of circulars and all internal regulations. Training is provided through classroom courses and compulsory courses accessible via the multimedia platform.

### Communication and training on anti-corruption policies and procedures

In 2021, the percentage of employees who received anti-corruption training was 80.72%, in line with 79.47% in 2020 and 76.15% in 2019. The figure differs from that published in the 2020 NFS because the employees located in Switzerland do not cover the topic of 'corruption' in specific training courses. All members of the governing bodies, for the three-year period under review, were informed about the Company's anti-corruption policies and procedures, although no specific training courses were provided to them in 2021.

With reference to BPS (SUISSE), the corporate bodies of the Company and the independent control functions are aware of the risks associated with corruption; however, the Swiss laws in force do not require that the bank carries out specific training on anti-corruption policies or procedures. The situation in Switzerland does not currently represent a material risk, so much so that in international statistics it is in the bottom ranks of the most corrupt states. The Supervisory Authority requires the Bank to provide adequate training on Compliance, Anti-Money Laundering and Rules of Conduct in the market, which takes place regularly.

All members of the governing bodies of BPS (SUISSE), employees and also business partners were informed about the anti-corruption policies and procedures adopted, in line with previous years.

In addition to the specific issue of corruption envisaged under OMM 231, training of the Bank's staff also covers anti-money laundering and counterterrorism. The multimedia platform on the company intranet contains training modules that address all staff, as well as information modules for new employees (issued every six months) specifically dedicated to these important topics.

No cases of corruption were found in any of the Group companies.

GRI  
205-2

### Confirmed incidents of corruption and actions taken

No cases of corruption were identified during the year, in line with previous years.

GRI  
205-3

### Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

No legal actions were brought on this matter during the year, in line with previous years.

GRI  
206-1



Business  
conduct in  
accordance with  
the fairness and  
integrity

### Risks associated with the topic

The conduct of business in accordance with the fairness and integrity required by ethical standards and precise compliance with codes of conduct, regulations and laws is a fundamental safeguard against the risks connected with illegal behaviour by employees, as well as the consequent impacts on corporate reputation. Among them, specific attention is paid to overseeing the risks of fraudulent behaviour aimed at corruption and personal gain through constant monitoring of operations aimed at identifying illicit conduct and improper business practices in a timely manner.

The Group is also committed to meticulous compliance with the regulations on money laundering and terrorist financing, with particular attention to transactions with entities resident in countries subject to sanctions, tax havens and those active in controversial sectors, and to the adverse impact this could have, especially on the corporate image.

Management of these risks is implicitly guaranteed by the adoption of an organisational model based on the principles of independence and transparency, within which specific functions and control systems are envisaged to monitor / report on operating behaviour and practices that do not comply with internal and external regulations.



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Legal and policy	Non-compliance with standards	Penalty risks (non-compliance risks) associated with failure to comply / inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	Business conduct in accordance with the fairness and integrity required by ethical standards and precise compliance with codes of conduct, regulations and laws
 Governance risk (G)	Legal and policy	Operational (conduct)	Compensation risks (conduct risks) associated with failure to comply / inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	System of internal controls Adoption of an "Organisation, management and control model" and a Code of Ethics pursuant to Legislative Decree 231/2001
 Governance risk (G)	Reputation	Reputation	Reputational risks associated with non-compliance / inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	Internal system for reporting violations (whistleblowing)

This topic is highly significant in the Italian context, albeit already well-regulated; according to the stakeholders, the pandemic has not had any effect on the importance of the topic.

Impacts of  
Covid-19



## Solidity and economic performance

Solid and positive economic performance underpins the organisation's sustainability and ensures the stability and financial security for customers and members. It is no accident that the Group and its stakeholders consider solidity and economic performance to be a material topic of primary importance.

Despite an environment affected by the repercussions of the still ongoing pandemic, the Group managed to achieve important results that confirm the strength of its business model. Net profit for the period amounted to €268.6 million, more than double the previous year's figure.

Relations with the Financial Administration and all related control Authorities (e.g. Guardia di Finanza), as well as the management of tax obligations, continued in 2021 with the usual fairness, truthfulness and cooperation, as also defined in the Bank's Code of Ethics.

**268.6**  
MLN €  
Net profit



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“The 2021 results, approved today by the Board of Directors, mark another important milestone for Banca Popolare di Sondrio, with a consolidated net profit of €268.6 million, more than doubled compared to the previous year. In the year – I would like to remind you – of the 150th anniversary of its foundation, the bank is making the most of its growth journey that led to its recent transformation into a joint stock company at the end of 2021.

Since joining the Single European Supervisory Mechanism in 2014, we have achieved total net profits of more than €1 billion with an average ROE of more than 5%, demonstrating that we are able to navigate safely in an extremely challenging environment characterised in the last two years by the severe pandemic situation.

We faced the challenge of derisking, improving the quality of our assets as witnessed by a gross NPL ratio that fell from 14.2% to 5.8%; we contributed to numerous initiatives to stabilise the banking system that became necessary, particularly in our country, with a total outlay of almost €300 million. Above all, we have never failed to support the real economy, taking every measure to enable families and businesses in the areas where we operate to cope with the economic fallout of the pandemic, particularly in recent years.

Mario Alberto Pedranzini,  
Managing Director and  
General Manager of Banca  
Popolare di Sondrio

GRI  
201-1

## Direct economic value generated and distributed

	UOM	2021	2020	2019
<b>Directly generated economic value</b>	<b>K €</b>	<b>990,937</b>	<b>761,124</b>	<b>789,191</b>
a) Revenues (net sales plus income from financial investments and sales of goods)	K €	990,937	761,124	789,191
<b>Economic value distributed</b>	<b>K €</b>	<b>751,382</b>	<b>604,392</b>	<b>581,195</b>
b) Operating costs (payments to suppliers, non-strategic investments, royalties and facilitating payments with a clear commercial objective)	K €	230,528	221,732	215,804
c) Wages and employee benefits [total expenses for employees (current payments, not future commitments)]	K €	269,900	250,883	253,689
d) Payments to lenders (all financial payments made to lenders of the organisation's capital)	K €	90,677	27,203	0
e) Payments to the Public Administration (gross taxes), the tax charges deducted from operating costs must be added to this item, which does not include deferred taxes	K €	160,109	104,395	111,489
f) Investments in the community (voluntary contributions and fund investments in the community)	K €	168	179	213
<b>Economic value obtained: Economic value generated less Economic value distributed</b>	<b>K €</b>	<b>239,555</b>	<b>156,732</b>	<b>207,996</b>

The Group produces wealth, contributing to the economic growth of the social and environmental context in which it operates and measures this wealth in terms of Value Added produced and distributed to its stakeholders. The reported representation is based on the standard drawn up by the Study Group for the Social Report and the guiding principles of the GRI. The values shown here on a consistent basis over the years refer to continuing operations.



The Added Value produced in the year amounted to €991 million, an increase of €230 million compared with 2020.

**With regard to the main reference stakeholders, the Added Value was distributed as follows:**



**27.2%**

Employees

Through direct remuneration in the form of salaries and leaving indemnities and indirect remuneration, such as social security contributions and the cost of personnel-related services (canteen, reimbursement of travel expenses)



**16.2%**

Public administration

Through direct and indirect tax payments



**9.2%**

Shareholders

Through dividend payments



**23.3%**

Suppliers

Through payment for services received from professionals or other services

The Added Value produced was also reinvested in the Group in the form of depreciation and amortisation of the tangible and intangible assets used in the production process, as well as in the form of self-financing for the development and supply of new services to the areas and markets served.

An amount of around €300,000 has also been allocated to local and national communities through donations and sponsorships. The amount to arrive at the total Added Value equals the economic value obtained (24.1%).

**991 MLN €**  
Added Value  
produced in the  
year

## Broad ownership

**€ 1,360,157,331.00**  
share capital of  
**Banca Popolare di Sondrio**

**453,385,777**  
Shares issued

**154,383**  
Shareholders  
as at 31 December 2021

Banca Popolare di Sondrio believes that discussion with general investors and the Company's main stakeholders, pursued through clear forms of dialogue, can help ensure a better understanding of each other's prospects and raise the Bank's level of governance.

Indeed, a constructive, open and frank exchange, in compliance with current regulations and company best practices, is considered to be fundamentally important by the Bank, with a view to ensuring maximum transparency of information, increasing the level of involvement in strategic decisions, improving the Group's financial and non-financial results, taking into account environmental, social and corporate governance factors; last but not least, to foster, more generally, sustainable success and value creation in the medium to long term.

Aiming at this goal, the Bank acts in compliance with applicable laws and regulations, ensuring transparency in a fair and non-selective manner to guarantee equal treatment of shareholders and investors in the same situation.

The Board of Directors is the body responsible for promoting the Bank's dialogue with shareholders, investors and the public. This general duty encompasses the Board's competence to set the guidelines for the dialogue and to monitor its effectiveness over time, ensuring proper interaction with investors and adequate information to all Board members about their views and expectations.

At the end of the year, a process was begun to define the Board of Directors' Shareholders' Dialogue Regulations, approved in January 2022, which set out the rules adopted by the Bank to promote and regulate dialogue between the Board of Directors and its shareholders in general on issues within the Board's remit, defining the procedures for its implementation, identifying parties involved, topics to be discussed, methods, timing and interaction channels.

The Planning and Investor Relations Office acts as the Contact Point and serves as the first point of contact for all shareholder dialogue requests with the Company, reporting to the Appointed Directors.

The Bank's website (<https://istituzionale.popso.it/it>) contains a specific section dedicated to corporate information, in which important news items are made available to shareholders.

## Equal treatment of shareholders and investors

## The Group's tax approach

Taxes are one of the most important sources of government revenue for investing in the development of society and communities, and therefore play a vital role in long-term value creation.

Through its key tax mechanism, the Banca Popolare di Sondrio Group actively contributes to the sustainability and development of the economy of the areas in which it operates.

Directive no. 2018/822 (DAC6), transposed into national law by Legislative Decree no. 100 of 30 July 2020, imposes new reporting obligations on intermediaries to the competent tax authorities, in particular in relation to potentially aggressive tax planning schemes, expanding the scope of the mechanism for the automatic exchange of information between the tax administrations of the Member States. In order to comply with the obligations imposed by the DAC6 Directive, Banca Popolare di Sondrio set up a specialised unit over the past year responsible for analysing possible cases falling within this scope.



GRI  
207-1

#### Approach to tax

As defined in the Bank's Code of Ethics, the Group's tax approach, based on principles of truthfulness and fairness, is centred around full formal and substantive compliance with tax regulations.

The head of the Tax Office, in agreement with the head of the Administration & Financial Accounting Office, reports to the corporate management bodies on the most important tax issues and the resulting risks.

In particular, the approach to regulatory compliance in tax matters is governed by a specific service agreement between the Tax Office, in its capacity as a specialist supervisor, and the Bank's Compliance Function.

GRI  
207-2

#### Tax governance, control and risk management

To ensure adequate risk management, the Bank has set up a versatile model aimed at controlling and minimising the risk of tax disputes.

A dedicated monitoring and intervention structure is the basis for the measures implemented in the development and fine-tuning of tax risk reduction policies. Specifically:

- The tax compliance model is the specialised control set up to constantly monitor the compliance of the Bank's tax processes with current regulations and consequently prevent the risk of non-compliance with tax regulations in order to preserve the company's reputation and limit, as far as possible, economic effects arising from the risk of penalties and compensation.
- As part of the monitoring of tax-related operational risks, a diagnosis mechanism is in place with a possible subsequent revision of deficient processes.
- The processes, described in the Operational Manual for Tax Compliance, were designed to suit the organisational structure and consequently minimise risks.

The Bank's Risk Control Service, in addition to monitoring and identifying risks of a fiscal nature, is entrusted with reviewing the specific control model. Moreover, the Bank's Compliance Office and Internal Audit Office periodically review the Bank's adherence to tax regulations and related operational processes.

GRI  
207-3

#### Stakeholder engagement and management concerns related to tax

The Group maintains a collaborative and transparent relationship with the tax authorities and all related control authorities and prohibits the use of corrupt practices, avoidance schemes and aggressive tax planning.

It should be noted that Banca Popolare di Sondrio is not among the companies eligible in Italy for the cooperative compliance regime established in Italy by Legislative Decree No. 128 of 5 August 2015.

In the materiality analysis, in order to fully identify the most relevant aspects, tax issues were also submitted to the stakeholders.

### Risks associated with the topic

The Group, with a view to continuity, attaches due importance to risk management and control activities as an essential condition for safeguarding its capital solidity and reputational credibility, in line with the principles of sound and prudent management and in compliance with prudential supervisory provisions.

Business conduct is also geared towards ensuring reliable and sustainable value generation for all the Group's various stakeholders (shareholders, customers, employees, local communities, suppliers, authorities), while guaranteeing a transparent representation of the assumed risk to avoid legal/reputational impacts resulting from disputed/inadequate profitability/capital returns.



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Environmental and climate risk (E)</b>	Transition (Market)	Strategic and Business	Strategic and business risks associated with holding stakes in companies operating in production sectors perceived as inadequate by markets to support the transition to a low-carbon economy	Conduct of business founded on sound and prudent management principles, in compliance with prudential supervisory provisions
 <b>Environmental and climate risk (E)</b>	Transition (Reputation)	Reputation	Reputational risks associated with investment in companies active in production sectors not perceived by public opinion and customers to provide adequate support for the transition to a low-carbon economy	<p>Business conduct aimed at reliable value generation for all stakeholders, in accordance with economic, social and environmental sustainability principles</p> <p>Participation in international initiatives inspired by the principles of compliance with environmental, social and governance criteria, such as the United Nations Global Compact</p>
 <b>Social risk (S)</b>	Strategy and business	Strategic and Business	Strategic and business risks associated with investment in companies that operate in controversial countries / sectors, in terms of their respect for laws and human rights and, as such, are subject to embargoes or other international trade restrictions	<p>Periodically undergoing assessments by third-party agencies for the purpose of assigning solvency/reliability ratings and, from 2021 onwards, the level of compliance achieved in relation to international sustainability guidelines (Standard Ethics Rating) or carbon reporting (CDP)</p> <p>Subjecting proposals for new corporate holdings to in-depth scrutiny to assess their risk elements, including from the standpoint of compatibility with the principles of economic, social and environmental sustainability</p>
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with investment in companies that operate in controversial countries / sectors, in terms of their respect for laws and human rights and, as such, subject to embargoes or other international trade restrictions	



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Strategy and business	Strategic and Business	Strategic and business risks deriving from the pursuit of strategic approaches not inspired or only seemingly inspired by sustainability issues	Conduct of business founded on sound and prudent management principles, in compliance with prudential supervisory provisions
 Governance risk (G)	Reputation	Reputation	Reputational risks deriving from the pursuit of strategic approaches not inspired or only seemingly inspired by sustainability issues	Business conduct aimed at reliable value generation for all stakeholders, in accordance with economic, social and environmental sustainability principles  Participation in international initiatives inspired by the principles of compliance with environmental, social and governance criteria, such as the United Nations Global Compact
 Governance risk (G)	Strategy and business	Strategic and Business	Risks of deficiencies in capital strength or imbalances at the economic / financial level resulting from the adoption of financial management policies that are not inspired or only apparently inspired by sustainability requirements	Periodically undergoing assessments by third-party agencies for the purpose of assigning solvency/reliability ratings and, from 2021 onwards, the level of compliance achieved in relation to international sustainability guidelines (Standard Ethics Rating) or carbon reporting (CDP)
 Governance risk (G)	Reputation	Reputation	Reputational risks deriving from weakened financial strength or economic / financial imbalances, with consequences in terms of inadequate profitability / remuneration of capital	Subjecting proposals for new corporate holdings to in-depth scrutiny to assess their risk elements, including from the standpoint of compatibility with the principles of economic, social and environmental sustainability

Against this background of serious recession, the Group overcame the complex initial phase and reacted with strength, prudence and good sense in tackling the persistent adversities in the best possible way.

Despite a context affected by the repercussions of the pandemic that is still ongoing, the Bank has continued to support the real economy, taking every measure to enable households and businesses in the areas where it operates to cope with the economic fallout of the pandemic, particularly in recent years.

Against the backdrop of these dynamics, the Banca Popolare di Sondrio Group managed to achieve important results that confirm the resilience of its business model, delivering an ROE of 8.9%.

More in-depth information on the pandemic's impact on economic performance can be found in the financial statements.

## Impacts of Covid-19



## Evolution of the service model and relations with the distribution chain



Development of a service model consistent with market trends and customer needs.

Ability to develop innovative policies and cutting-edge services that benefit stakeholders, adapt to new needs and social and cultural changes, and harness technology to ensure greater accessibility.

The network plays a key role in promoting and distributing the commercial offer and can provide important feedback for the development of the products themselves, as well as for the improvement of services.

Strengthening the relationship with the sales networks through dialogue, training and involvement in the company's strategies is therefore essential, also helping to increase the level of satisfaction and to build loyalty.



The adoption of new channels for the distribution of banking services is increasingly topical, as a way to reduce fraud and violence.

On the one hand, there has been a proliferation in our network of so-called advanced ATMs, which allow money and cheques to be acquired in a secure environment by simply and immediately depositing them into one's account. On the other hand, we are witnessing the virtualisation of our payment cards in the main digital payment services (Apple Pay, Samsung Pay, Google Pay, Garmin Pay, Fitbit Pay, Swatch Pay, Xiaomi pay), a trend that protects users who can travel around without carrying cash and, physically, payment cards.

As a good example, the contactless cards issued by Mastercard can be used to pay for travel on the Milan underground system, making a clear contribution to environmental sustainability (production and disposal of tickets).

## An accessible bank

The concept of accessibility means that persons with impaired or absent motor or sensory functions can obtain information from the Internet without discrimination and in a fully autonomous manner.

The availability of a wide range of banking services, both for obtaining information and giving instructions, allows a high degree of financial inclusion, breaking down barriers related to the need for 'physical' access to the Bank during opening hours. The services made available include instantaneous bank transfers with immediate settlement for the counterparty, current account statements in Braille, recharging of prepaid cards, F24 payments needed to pay taxes, IMU, Tari, Tasi and excise duties, and payments to the public administration via the 'pagoPA' application, which also allows car tax bills to be paid.

**SCRIGNO Internet Banking**, a component of the SCRIGNObps website, which brings together all the applications, opportunities and products/services that characterise our virtual banking offer, hosts a number of initiatives relating to social issues in the broadest sense, to the values of solidarity, and to the advancement of science, the local area and culture.

Customers can thus learn about existing projects and, if necessary, support their work. Since December 2021, the **European Institute of Oncology (IEO) Monzino** has been included to support the Priority Project on acute lymphoblastic leukaemia (ALL), the most frequent paediatric cancer with a peak incidence between 2 and 5 years of age. Donations help support the work of the IEO's young researchers.



Accessibility is a prerequisite for fair use of the Bank's services to be closer aligned with its stakeholders

Another tool that is not only accessible, but also useful for reducing consumption, is the electronic signature, a means of signing banking documents in digital format, eliminating the use of paper. This method of signing documents involves the use of a graphometric signature applied by means of an electronic device (signature pad) with a manual gesture that is entirely comparable to a handwritten signature on paper and which meets the technical, IT and legal requirements necessary to qualify as an 'advanced electronic signature' in accordance with the law. These requirements are contained in Legislative Decree No. 82/2005 (Digital Administration Code) and in Prime Ministerial Decree of 22/2/2013. Use of the graphometric signature is enabled for signing current account contracts, SCRIGNO Internet Banking, the main products that can be purchased at the counter, and accounting and forms relating to the purchase and sale of the main financial instruments.

Available tools include SCRIGNOPagoFacile, the portal that allows users to pay – simply, quickly and securely – for utilities, fees, taxes and dues to counterparties (public and private bodies, companies, etc.) that participate in the initiative; the service is also available to those who are not customers of the Bank.

To facilitate language-neutral use, the web banking service is offered not only in Italian, but also in English, French and German; SCRIGNOapp, which enables the use of mobile banking services, is also available in English.



A strategic and very important service, especially for the current context, is the 'Communications' service, which allows Digital Bank customers to communicate easily and securely with the branch to request information and receive feedback, including on products and services offered by the Bank. This opportunity was stimulated by the start of the pandemic to facilitate the customer's relationship with the branch, avoiding physical meetings.

A noteworthy new development is the recent opportunity to use a Telemedicine service to take advantage of telephone and video medical advice, new technologies that can improve accessibility to care and create healthcare that is more tailored to users' needs, as well as the possibility of obtaining discounted medical, physiotherapy and care services.

#### Work in progress

Although the Bank has always effectively worked to ensure that its services are accessible to people with disabilities, the conversion into law of Decree-Law no. 76 of 16 July 2020 (Simplification Decree) required the Bank to make improvements to comply with the new, more stringent standards in this area.

An adaptation programme involving all of the Bank's digital contact points is underway to pay even greater attention to people with disabilities, enabling them to use the services more easily and efficiently.

In order to promote a simple payment method among its customers, the Bank has joined the **MyBank** initiative, the European current account-based payment service that allows online purchases of goods and services to be made through the Internet Banking service of the providers affiliated with this circuit, recognisable through the special brand; a simple method that facilitates access to the vast e-commerce market through the familiarity and security of digital banking.

The online services are constantly updated for security purposes, in compliance with the European PSD2 Directive.

The Bank also makes 'navigosereno' available to users and customers. This service provides information and news about IT security and can check for the most common vulnerabilities affecting computers, smartphones and tablets. It also provides timely and simple guidance on how to solve any detected critical issues.



"Navigosereno"  
information  
and news on IT  
security

#### Innovation at Banca Popolare di Sondrio (SUISSE)

- Upgrade of the e-banking platform for a better user experience on mobile devices
- Credit cards equipped with wallet functions (Apple Pay/Samsung Pay)
- Development of a platform for digital and centralised management of credit agreements and related flows and controls
- Development of a platform for automatic management of stock exchange order compliance requirements
- Introduction of IVR (Interactive Voice Response) at the Call Centre to improve routing
- Branch network development
- Direct Banking development

### Complaint management

Complaints are dealt with in the Bank in compliance with applicable regulations and organised as follows:

- **banking and insurance services**, entrusted to the Legal Office; the department also handles complaints for which customers have lodged a complaint with the Arbitro Bancario Finanziario (ABF) with regard to banking services or with IVASS with regard to insurance services. In particular, with regard to the BNT subsidiary, it should be noted that the Complaints Office has been identified within the Secretariat, Legal and General Affairs Service; the new unit handles complaints and appeals to the ABF independently of the company departments responsible for marketing banking services and products, in accordance with specific and consolidated internal procedures that correctly identify the activities, roles, functions, different levels of responsibility, and conduct to adopt, as well as the information flows necessary for handling complaints and participating in the proceedings before the ABF;
- **investment services**, entrusted to the Compliance Function and DPO, assisted where necessary by the Legal Service and the office/branch to which the complaint relates and, where appropriate, with input from the Central and Branch Inspectors Office. This also relates to any customer appeals addressed to the Arbitro delle Controversie Finanziarie (ACF).



Complaints by customers and the Bank's reply can be sent by both ordinary mail and e-mail. Complaints are handled free of charge. The procedures by which customers can submit complaints to the Bank, the ABF, the ACF and IVASS are available on the bank's website, in the 'transparency' section.

The staff in charge of handling complaints have adequate knowledge of regulations, constantly monitoring their development; they interact with the Compliance Office and benefit, to the extent necessary for the analysis of certain positions, from the cooperation of other Bank departments. Complaints are examined and acknowledged, if possible, on the same day they are received or, if further investigation is necessary, within a few days, in any case within the time limits set out in the regulations.

The progress of complaints received by the Bank is reported to the Company Bodies and the Supervisory Authorities through periodic reports as required by the regulations.

#### **Complaint management at BPS SUISSE**

The philosophy of BPS (SUISSE) – which prioritises customers – is to offer services that reflect customer needs. If, however, this is not the case, customers may address their comments and complaints in writing directly to the relevant adviser, specifying the subject matter and providing their contact details and account number in order to find a solution. In the event that no agreement is reached, however, customers have the option of appealing to the Swiss Banking Ombudsman, a neutral and cost-free mediation body.

In general, complaints are handled through internal procedures based on the relevant circulars. In particular, the Bank's Risk Control Service is responsible for recording all complaints centrally and, where necessary, carrying out specific analyses in the event of inherent weaknesses in the internal control system.

On a quarterly basis, the status of complaints (open, closed, ongoing), with their causes listed systematically on the basis of the cases identified by the Parent Company, is presented to the Risk Committee and to the Executive Board.

Widespread compliance is also achieved through collaboration with different professions

## Compliance in the Group

The Parent Company's Compliance Function and DPO controls and assesses – with respect to the matters within its remit as set out in the Office's Operations Manual, therefore excluding the regulatory areas covered by the other second-level corporate control departments – effective monitoring of the risk of non-compliance with regulations, defined as the risk of incurring judicial or administrative penalties, significant financial losses or reputational damage as a result of violations of external (laws) and/or self-regulatory rules.

The Office's operational mandate is specified in the General Non-Compliance Risk Regulation (level I), the Compliance Office Regulation (level II) and the Non-Compliance Risk Management Process Operations Manual. The latter defines the operating procedures set out in the non-compliance risk management model described in the aforementioned General Regulation.

The Office collaborates with the Specialised Units in the following areas: business continuity, tax, labour and social security, occupational health and safety, collateral funding, supervisory reporting, labour law, corporate governance and issuer discipline. In addition, regulatory compliance is supported by the Compliance Contacts for ICT, mortgage loans, conflicts of interest, related parties and the prevention of interlocking.

The adopted operating model is that of widespread compliance, which is implemented both through the direct activity of the Function in relation to core matters (especially concerning consumer protection, i.e. investment services, transparency, usury, privacy, consumer code, etc.) and through collaboration with certain professionals from the Specialised Controllers and the Compliance Contacts in the aforementioned areas of their respective competences. One of the main goals is to benefit from their support and strengthen these internal specialist teams and professional profiles, on a continuous basis, when monitoring and controlling specific business risks.

To support its activities, the Compliance Function and DPO uses the ABICS (ABI Compliance System) online application, maintained by ABI. In short, the procedure provides regulatory updates via daily email alerting messages, thereby offering access to a legal inventory for compliance activities. Furthermore, as of 2021, the Function has been equipped with the ABICS Anticipation service aimed at anticipating the deliberate entry into force and operational implementation of EU and national reform projects in the banking / financial sector.

Compliance activities were also carried out with the support of further specific application procedures, in short:

- Compliance Tracking Tool for tracking and monitoring improvement measures related to the resolution of anomalies found during the conducted audits and assessments;
- Internal Governance, Risk and Compliance (GRC) system to enable the involvement and support of the different levels of management and operational managers in the different phases of compliance analysis;
- Work tool to organise and classify activities, in particular for the purposes of monitoring the Compliance Plan, in a structured and detailed manner in order to achieve better management of the activities assigned to each employee and the relative time to conduct them.

With regard to the BNT subsidiary, its Compliance management operating model is characterised by outsourcing to the corresponding Function of the Parent Company, whose manager is also responsible for the subsidiary's outsourced Compliance Function. Scaled to the activities of BNT, the operational compliance model essentially replicates that of the Parent Company, both with regard to the regulatory areas monitored and with reference to the criteria and methodologies adopted for the analysis of non-compliance risks.

#### Swiss compliance

The Compliance Office is a unit of the Legal & Compliance Office (L&C), which aims to identify and prevent risks that could damage the Bank's reputation and to ensure irreproachable, diligent and compliant banking activities both in Switzerland and abroad.

In the Swiss banking sector, the figure of the Compliance Officer has been present in the vast majority of banking institutions since at least the late 1990s. However, it was only institutionalised in 2006 with the entry into force of the then Federal Banking Commission's Circular on Supervision and Internal Control. As for the tasks assigned to the Compliance Officer, there has been a steady expansion over time: from a mere service mainly active in the fight against money laundering, it has become a central and essential element in the management of operational, legal and reputational risks.

Today, the Legal & Compliance Service has become an indispensable contact point for both the Board of Directors and the operational management to outline and implement conscientious business management and effective risk management.

The objectives of the Compliance Officer are therefore to transpose, formulate and then implement within the institution, subject to management approval, rules of conduct in areas such as money laundering, due diligence agreement, PEP (Politically Exposed Person), bribery / gift-taking, data protection, confidentiality, internal and external communication, HR operations, complaints, insider information, conflicts of interest, internal training, performance of investment services, and client/consumer protection discipline.

#### Incidents of non-compliance concerning product and service information and labelling

There have been no reports of non-compliance with marketing regulations or voluntary codes of conduct (including advertising, promotion and sponsorships), in line with previous years.

#### Incidents of non-compliance concerning marketing communications

There have been no reports of non-compliance with regulations or voluntary codes of conduct regarding the information and labelling of products or services, nor related to marketing activities (including advertising, promotion and sponsorship).

GRI  
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### Risks associated with the topic

Operating in a sector undergoing rapid digitalisation, the commercial actions of the Group focus on the constant expansion and modernisation of the range of products / services offered to customers (and the related distribution channels), drawing on technological innovation to achieve ever greater accessibility and multi-channel coverage.

These situations are controlled by appropriate prior analysis of the possible issues (especially in the IT area), involving various technical and control functions, as well as by the provision of advance training to internal staff so they can provide informed assistance and support to customers.

Special emphasis is placed on the control of IT risks and, in particular, cyber risk, understood as the risk of violations of computer security perpetrated mainly through the theft of access credentials and aimed, in most cases, at executing fraudulent payment instructions. In this regard, the Group implements targeted investments and is constantly engaged in upgrading security systems and awareness campaigns for users to combat criminal attacks, protecting customers and the Bank itself.

In terms of cyber risk training, in addition to the full-scale training dedicated to raising awareness on security issues, for all employees and carried out through multimedia courses, shared at system level with ABI and already started in the last few months of 2019, and classroom training aimed at new recruits, this year saw the organisation of a training course expressly dedicated to management, which involved the participation of the entire company management.



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Legal and policy	Non-compliance with standards	Penalty risks (non-compliance risks) associated with the failure to apply / inadequate application of principles and techniques for the design, building, maintenance and update of digital systems (websites and mobile applications) aimed at ensuring accessibility, inclusiveness and usability for people with disabilities	
 Social risk (S)	Reputation	Reputation	Reputational risks associated with the failure to apply / inadequate application of principles and techniques for the design, building, maintenance and update of digital systems (websites and mobile applications) aimed at ensuring accessibility, inclusiveness and usability for people with disabilities	Adoption of a specific operational model to control IT risks (including cyber risks) Existence of 'accessible versions' of websites and online services
 Governance risk (G)	Technology	Operational (IT)	IT risks (indemnities, restoration costs) associated with vulnerabilities / dysfunctions in computer systems and the technological infrastructure that supports the distribution of products / services to customers	Structured process for the advance approval of operational innovations Adequate prior training of staff with regard to operational innovations
 Governance risk (G)	Strategy and business	Operational (organisational)	Operational risks (organisational risks) associated with the start of new areas of operation / adoption of new distribution channels, partly attributable to the shortage of adequately trained and experienced staff	
 Governance risk (G)	Reputation	Reputation	Reputational risks (IT risks) associated with vulnerabilities / dysfunctions in computer systems and the technological infrastructure that supports the distribution of products / services to customers	

## Impacts of Covid-19

The use of electronic banking services, to obtain information and give instructions without visiting a branch, increased considerably during the pandemic, enabling customers to effectively satisfy their needs without physical contact.

The survey carried out on the Scigno Internet Banking website and the one-on-one interviews determined that the pandemic has not affected this topic, even though – as stated by one stakeholder – it is clear that a suitable and up-to-date distribution model is both fundamental and strategic for the business.



# Glossary

## ACRONYMS

Non-exhaustive list of acronyms mentioned in the NFS

TERM	DEFINITION
COP	Annual meeting of the Conference of the Parties to the Climate Change Convention. Among the COPs, COP 21 held in Paris in December 2015 was particularly notable. It was attended by 195 states along with many international organisations and led to the approval of the Paris Agreement, a key document for defining strategies to tackle climate change.
CSR	Corporate Social Responsibility - the set of behaviours that businesses should adopt to conduct their activities in a responsible manner towards society as a whole, contributing to Sustainable Development.
CSRD	Corporate Sustainability Reporting Directive - a legislative proposal to update EU Directive 2014/95 (so-called Non-Financial Reporting Directive). Published on 21 April 2021 by the EU Commission, one of its goals is to extend the reporting obligation to all European-based companies with more than 250 employees and all SMEs listed on European markets, except micro-enterprises.
NFS	Consolidated Non-Financial Report - a reporting document prepared pursuant to Legislative Decree 254/2016 concerning the disclosure of non-financial information at Group level.
EFFRAG	European Financial Reporting Advisory Group - the body responsible for developing standards for sustainability reporting.
ESG	Environmental, Social and Governance: pillars of Sustainability Integration "Environmental" refers to the environmental impact of a company's activities "Social" relates to respect for human rights, gender policies, labour standards and relations with the civil community "Governance" refers to corporate governance practices, from control procedures to the composition of the Board of Directors and the remuneration policy for managers.
GCNI	Global Compact Network Italia, a foundation established with the primary purpose of contributing to the development in Italy of the United Nations Global Compact, an initiative to promote the culture of corporate citizenship promoted and managed on a global scale by the United Nations.
GRI	Global Reporting Initiative, an international non-profit body established with the aim of defining standards for reporting the sustainable performance of organisations of all sizes, belonging to any sector and country in the world.
KPIs	Key Performance Indicators - measurable values that demonstrate how effectively a company is achieving its core business objectives.
OMM	Organisation, management and control model adopted pursuant to Legislative Decree 231/2001 to prevent the offences defined therein.
NFRD	Non-Financial Reporting Directive 2014/95/EU - Directive of the European Parliament and of the Council on 22 October 2014 amending Directive 2013/34/EU as regards the disclosure of non-financial and diversity information by certain large companies and groups.

Disclosure		ACRONYMS	
		Non-exhaustive list of acronyms mentioned in the NFS	
TERM	DEFINITION		
HWTP	Home-Work Travel Plan - a planning document aimed at reducing private vehicle traffic, it identifies measures to steer the employees' home-work travel towards sustainable forms of mobility as an alternative to the individual use of private motor vehicles, based on an analysis of the employees' home-work journeys, their mobility needs and the state of the transport services available in the relevant area.		
SB	Supervisory Board - body set up pursuant to Legislative Decree no. 231/2001 with autonomous powers of initiative and control, entrusted with the task of supervising the operation of and compliance with the Model and ensuring that it is updated.		
SDGs	Sustainable Development Goals - 17 goals launched as part of the UN's 2030 Agenda; they are also divided into 169 sub-targets, which aim to end poverty, fight inequality and to social and economic development.		
SFDR	Sustainable Finance Disclosure Regulation – EU Regulation 2019/2088 on Transparency of Sustainability Reporting in the Financial Services Sector; it requires, inter alia, financial actors and financial advisors to disclose how ESG risks are considered at the subject and product level.		
TCFD	Task Force on Climate-Related Financial Disclosures - an initiative set up in December 2015 by the Financial Stability Board. It aims to make the information provided by companies on the financial impact of climate change on their activities and strategies complete and comparable. In June 2017, it published 11 recommendations to companies (particularly financial companies) concerning transparency of climate risk information, dividing them into four broad subject areas: governance, strategy, risk management, metrics and targets.		
UN PRI	United Nations Principles for Responsible Investment - An initiative launched by the United Nations in 2006 with the aim of fostering the spread of sustainable and responsible investment among institutional investors and industry players.		
UNEP FI	United Nations Environment Programme Finance Initiative - a partnership between the United Nations Environment Programme and the finance world, aimed at mobilising the private financial sector for sustainable development.		
UNEP FI PRB	Principles for Responsible Banking - a programme developed through an innovative partnership between banks around the world and UNEP FI, which aims to promote actions to foster the development of a sustainable banking sector by aligning it with the goals of the UN 2030 Agenda and the 2015 Paris Climate Agreement.		
UNEPFI PSI	Principles for Sustainable Insurance - a programme developed through an innovative partnership between insurance companies from around the world and UNEP FI, which aims to promote actions to foster the development of a sustainable insurance sector.		



## DEFINITIONS

Non-exhaustive list of certain sustainability-related terms in the NFS

TERM	DEFINITION
Paris Agreement on Climate Change (2015)	An international agreement with the long-term goal of averting dangerous climate change by limiting global warming to well below 2°C and continuing efforts to limit it to 1.5°C. It also aims to strengthen the ability of signatory countries (195) to address the impacts of climate change and to support them in their efforts. The Paris Agreement is the first universal and legally binding agreement on climate change, adopted at the Paris Climate Conference (COP21) in December 2015.
Materiality analysis	A process that consists of determining the significance of a set of thematic areas of economic, social and environmental sustainability for the company and its stakeholders.
Delegated Act on Climate	EU Delegated Regulation 2021/2139 of 4 June 2021, supplementing EU Regulation 2020/852 - so-called Taxonomy - establishing the technical screening criteria for determining the conditions under which an economic activity can contribute substantially to climate change mitigation or adaptation and for determining whether that economic activity causes significant harm to any of the other environmental objectives.
Delegated Act on Disclosure	EU Delegated Regulation 2021/2178 of 06 July 2021, supplementing EU Regulation 2020/852 - so-called Taxonomy - specifying the content and presentation of information to be disclosed by companies pursuant to Articles 19a or 29a of Directive 2013/34/EU on environmentally sustainable economic activities, and specifying the methodology for complying with this reporting obligation.
Benchmark	A methodology based on systematic comparison that allows companies applying it to compare themselves with the best and above all to learn from them in order to improve.
Biodiversity	A concept defined by the United Nations Convention on Biological Diversity as the variety and variability of living organisms and the ecological systems in which they live, emphasising that it includes diversity at the genetic, species and ecosystem levels.
Climate change	Any alteration of the global atmosphere that is directly or indirectly attributable to human action, as defined by the United Nations.
Code of Ethics	A document that defines the ethical commitments and responsibilities in conducting the Bank's business and corporate activities, the set of values and principles that must be assumed by Directors, Statutory Auditors, Employees and, in general, by all those who work with the Bank, regardless of the relationship that connects them to it, as well as by those who have business relations with the Bank.
Corporate Governance	A set of instruments, rules and mechanisms at all levels governing the management of the company in the interest of the different stakeholder categories. Corporate governance also includes the relations between the various stakeholders and the company's objectives.
Diversity	A concept that refers to all the differences between groups and individuals and frames people as identities that are distinct from each other. In this sense, the definition of diversity encompasses everything that makes people unique and incomparable, including ethnicity, age, style, gender, personality, religious and political convictions, experiences, sexual and affective orientation, psychological, cognitive, physical and social differences specific to each individual, and much more.
Sustainable finance.	Finance that supports economic growth while reducing pressures on the environment by taking into account social and governance aspects, as defined in the European action plan of the same name.
FINREP	A reporting template with supervisory statistical content prepared by investment companies, banks and financial groups subject to the Capital Requirements Directive IV (CRD IV) and using IFRS or national accounting standards.
European Green Deal	A set of policy initiatives adopted by the European Commission on 11 December 2019 with the overall goal of achieving climate neutrality in Europe by 2050 (at least 50% reduction of EU greenhouse gas emissions by 2030). The intention is to review every existing climate law and, in addition, to introduce new laws on the circular economy, building renovation, biodiversity, agriculture and innovation.
Greenwashing	A practice used as a marketing and communication strategy by some companies to demonstrate their commitment to the environment, but without any real, concrete results; the aim is to enhance the company's reputation and obtain benefits in terms of turnover, to the detriment of a concrete environmental commitment.
GRI Standards	Global Reporting Initiative Standards - global best practices for sustainability reporting that provide information on an organisation's positive or negative contribution to sustainable development and allow it to report on its economic, environmental and social impacts.

## DEFINITIONS

Non-exhaustive list of certain sustainability-related terms in the NFS

TERM	DEFINITION
Inclusive	An environment or company in which physical, socioeconomic, ethnic and gender differences are valued so as to give everyone an equal chance to grow in a fair and cohesive system that cares for all citizens, ensuring their dignity, respect for differences and equal opportunities.
Letter of Assurance	A declaration of compliance drawn up by the auditing company appointed to certify the Consolidated Non-Financial Report. The assurance process is based on the ISAE 3000 standard, issued in 2004 by the International Auditing and Assurance Standards Board (IAASB), the same body responsible for issuing auditing standards.
Materiality matrix	The materiality analysis allows the organisation to clearly identify the relationships between the company's interests and those of its stakeholders, highlighting the areas of sustainability of mutual interest on which the content of reporting and strategic actions should focus.
Corporate mission	A statement of intent of an organisation or business, i.e. its ultimate goal that distinguishes it from its competitors and enables it to achieve predetermined results.
Sustainable mobility	All activities and initiatives that aim to ensure that transport systems meet society's economic, social and environmental needs, while minimising their negative impact on the economy, society and the environment.
Company mobility manager	A professional figure in charge of managing a company's sustainable mobility, with ongoing support tasks in decision-making, planning, programming, management and promotion of optimal solutions. Introduced by the so-called Ronchi Decree (Interministerial Decree of 27 March 1998), it was relaunched by the Relaunch Decree (Decree-Law no. 34 of 19 May 2020).
Action Plan for Sustainable Finance	Plan launched in March 2018 by the European Commission, outlining the strategy and measures to be taken for the establishment of a financial system capable of promoting economically, socially and environmentally sustainable development, contributing to the implementation of the Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development.
Stakeholders	Individuals or groups that have an interest in the company and, in particular, in the company's activities or in a specific project: <ul style="list-style-type: none"> <li>- could be affected positively or negatively;</li> <li>- have or could have some influence on them;</li> <li>- are interested in the results and possible consequences.</li> </ul> Some stakeholder categories may be: shareholders, employees, customers, suppliers, public institutions, local communities, etc.
Stakeholder engagement	A process for involving stakeholders which, through the identification, analysis, planning and implementation of certain actions and/or projects, aims to create a constructive dialogue for both parties, enabling a better understanding of the needs, viewpoints and vision that 'the outside world' has about the company (e.g. one-to-one interviews, online questionnaires, etc.).
Renewed strategy for sustainable finance	A package of measures adopted in July 2021 by the European Commission to help improve the flow of money for financing the transition to a sustainable economy. The goal is to enable investors to redirect their investments towards more sustainable technologies and companies.
Sustainable development	Development that ensures that the needs of the present generation are met without compromising the ability of future generations to meet their own needs. The definition was first reported in the Brundtland Report, published by the World Commission on Environment and Development (WCED, 1987).
EU taxonomy	EU Regulation 2020/852 (Taxonomy) introduced a classification of activities considered sustainable based on their alignment with EU environmental objectives and compliance with certain social clauses.
United Nations Global Compact	An initiative launched in 2000 with the intention of synergistically involving the world of business and non-governmental organisations in the major challenges facing humanity in order to provide further impetus towards achieving the Millennium Development Goals. The Global Compact encourages companies around the world to create an economic, social and environmental framework to promote a healthy and sustainable world economy that guarantees everyone the opportunity to share the benefits. To this end, the Global Compact requests member firms and organisations to adopt, support and apply, within their spheres of influence, a set of fundamental principles relating to human rights, working standards, environmental protection and the fight against corruption.
Whistleblowing	Rules on protecting employees who have reported wrongdoing of which they have become aware in the course of their work from discrimination or retaliation.

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Disclosure	Description of indicator	Material topic	Number of pages	Notes on omissions
<b>GRI 404: TRAINING AND EDUCATION</b>				
103-1	Explanation of the material topic and its boundary	Financial training and education	57 - p. 164 to p. 173	
103-2	The management approach and its components		p. 164 to p. 173	
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404-1	Average hours of training per year per employee, by gender and category		168	
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103-2	The management approach and its components		p. 174 to p. 180	
103-3	Evaluation of the management approach		p. 174 to p. 180	
405-1	Composition of governing bodies and breakdown of employees by gender, age, protected category status and other diversity indicators		18	
405-2	Ratio of basic salary and remuneration of women to men		179	*b - confidentiality limits
<b>GRI 417: MARKETING AND LABELLING</b>				
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417-2	Type of information on products and services required by the procedures and percentage of significant products and services subject to these information requirements		238	
417-3	Incidents of non-compliance concerning marketing communications		238	
<b>GRI 406: NON-DISCRIMINATION</b>				
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103-2	The management approach and its components		p. 174 to p. 180	
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406-1	Incidents of discrimination and corrective actions taken		179	

Disclosure	Description of indicator	Material topic	Number of pages	Notes on omissions
<b>GRI 418: CUSTOMER PRIVACY</b>				
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103-3	Evaluation of the management approach		p. 143 to p. 159	
FS6	Percentage of the portfolio for 'Business Lines' by region, size and sector		145	
FS13	Access points in low-populated areas		145	
103-1	Explanation of the material topic and its boundary	Ties with the local area and the community	57 - p. 143 to p. 159	
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FS7	Monetary value of products and services designed to deliver a specific social benefit		158	
103-1	Explanation of the material topic and its boundary	Sustainable finance and indirect environmental impacts	57 - p. 85 to p. 102	
103-2	The management approach and its components		p. 85 to p. 102	
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FS11	Percentage of assets subject to environmental or social screening		108	
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FS8	Monetary value of products and services designed to deliver a specific environmental benefit		98 - 109	

Disclosure	Description of indicator	Material topic	Number of pages	Notes on omissions
<b>NON-GRI KEY PERFORMANCE INDICATORS</b>				
Donations	Total economic value of the Group's charitable donations, broken down by type of event/activity	Ties with the local area and the community	152	
Sponsorships	Economic value of the Group's investments in advertising sponsorship of events/activities to financially support the community	Ties with the local area and the community	153	



# UN Global Compact - Communication on Progress



## Banca Popolare di Sondrio

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SEDE CENTRALE

Sondrio, 16<sup>th</sup> September 2021

### TO WHOM IT MAY CONCERN

#### **Subject: Statement of continuous support to the UN Global Compact**

Banca Popolare di Sondrio has been taking an active part in the UN Global Compact community since 2004, by regularly communicating through the annual Communication On Progress its achievements in the corporate sustainability field. Moreover, in 2018 the Bank welcomed the invitation of the United Nations by signing up also to the Italian network (Global Compact Network Italy - GCNI) as a founder member.

With this letter Banca Popolare di Sondrio hereby confirms its willingness to renew the ongoing commitment to the Global Compact project by continuing the journey towards the alignment to the best practices about sustainability, such as environmental protection, human rights, working standards, and the fight against corruption.

The Bank has always paid attention to the ethical themes of social responsibility, which developed into the current definition of sustainability (covering Environmental, Social and Governance factors), with reference not only to business strategy and culture, but also to day-by-day banking and financial activities.

The commitment to uphold ESG themes is inherent in the very nature of a "Cooperative bank" and it is constantly demonstrated by the remarkable relationship with territories, stakeholders, suppliers, customers and institutions.

Since the last Communication On Progress, the Bank has adopted an articulated sustainability governance structure with the direct involvement of the Board of Directors, which defines the strategies at Group level and supervises the correct monitoring of these issues, also with the support of the Sustainability Management Committee, which is responsible for coordinating the related activities. At an operational level, a dedicated organisational unit (Sustainability Office) monitors regulatory developments and manages specific initiatives in the ESG field, assisting the various corporate functions involved.

The Bank's Code of Ethics, adopted in 2008, outlines the values and principles of conduct, policies and regulations governing the Bank's activities and applies to each person operating or representing the Bank directly or indirectly, contributing to the implementation of corporate social responsibility.

Iscritta al Registro delle Imprese di Sondrio al n. 0053810149 - Iscritta all'Albo delle Banche al n. 842  
Capogruppo del Gruppo bancario Banca Popolare di Sondrio - Iscritto all'Albo dei Gruppi bancari al n. 5696.0  
Aderente al Fondo Interbancario di Tutela dei Depositi - Codice Fiscale / Partita IVA: 00053810149  
Capitale sociale € 1.360.157.331 - Riserve € 1.253.386.214 (dati approvati dall'Assemblea dei soci del 11/05/2021)





The new Sustainability Policy is the cornerstone of the model adopted by the Bank, identifying the commitment and approach followed to maximise the creation of shared value over the long term through economically, environmentally and socially sustainable development. The Policy defines the principles, guidelines and relevant sustainability issues that are identified, implemented and monitored in order to take into account the interests of all stakeholders, both internal and external, with a view to continuous evolution.

Please find attached the Bank Non-Financial Report 2020, a document which shows the commitment towards the Sustainable Development Goals (SDGs) of the 2030 Agenda (p.40-45), the importance given to the UN Global Compact membership (p.70), the sustainable economic performances (p.74-154) and the environmental impacts management system (p.155-167).

We remain at your disposal for any further information with regards to this subject.

Best regards.

Francesco Venosta  
Chairman



# Independent auditor's Report



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267/2018  
(Translation from the original Italian text)

To the Board of Directors of  
Banca Popolare di Sondrio S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Banca Popolare di Sondrio S.p.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group" or "Banca Popolare di Sondrio Group") for the year ended 31<sup>st</sup> December 2021 in accordance with article 4 of the Decree approved by the Board of Directors on 21<sup>st</sup> March 2022 (hereinafter "NFS").

Our limited assurance engagement does not cover the information included in the paragraph "Taxonomy: disclosure of eligibility pursuant to Article 8 of EU Regulation 2020/852".

## Responsibilities of Directors and Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with the requirements of article 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI- Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as reporting standards.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the NFS that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the NFS within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the NFS, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

## Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

#### **Auditors' responsibility**

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the NFS with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the NFS is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgment and included inquiries, primarily with Bank's personnel responsible for the preparation of the information included in the NFS, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the NFS, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the NFS with those included in the Group's financial statements;
4. understanding of the following aspects:
  - Group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
  - policies adopted by the Bank related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
  - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the NFS and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the NFS.

In particular, we have conducted interviews and discussions with the management of the Bank, with its personnel as well as with that of Factorit S.p.A. and of Banca Popolare di Sondrio (SUISSE) SA and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the function responsible for the preparation of the NFS.



Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level:
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidences;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct consolidation of data.
- We have selected Banca Popolare di Sondrio S.p.A., Factorit S.p.A. and Banca Popolare di Sondrio (SUISSE) SA based on their activity and relevance to the consolidated performance indicators; we have carried out verifications during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

#### Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that NFS of Banca Popolare di Sondrio Group for the year ended 31<sup>st</sup> December 2021 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Our conclusions on the NFS of the Group do not refer to the information included in the paragraph "Taxonomy: disclosure of eligibility pursuant to Article 8 of EU Regulation 2020/852".

Milan, 8 April 2022

EY S.p.A.  
Davide Lisi  
(Auditor)

*This report has been translated into the English language solely for the convenience of international readers.*



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