



**Banca Popolare  
di Sondrio**

FONDATA NEL 1871



# **Green Bond Framework**

October 2023

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## Introduction

Among the first Italian popular banks, Banca Popolare di Sondrio (hereinafter also "BPS" or "the Bank") has been serving the territories in which it operates since 1871. A long history, based on mutual trust and nourished by a passion for work, constant attention to customers and the evolution of their needs, and firm roots that have enabled the Bank to broaden its horizons.

Over time, BPS has extended its reach throughout the country, maintaining strong ties to its home area and its traditions, fostering sustainable economic development of the community through attentive and personalized support to small entrepreneurs, ordinary citizens, medium-sized and large businesses.

The Bank offers its customers services that meet all their banking, financial and insurance needs.

In addition to its primary activity, the bank promotes cultural initiatives: among these, the organization of events with the presence of eminent personalities and a refined publishing activity stand out for their prestige and resonance.

BPS has over 500 branches and in terms of branch network ranks among the ten largest banking groups in Italy. The Bank has been under direct supervision by the ECB since the launch of the Single Supervisory Mechanism in 2014.

The Banca Popolare di Sondrio Banking Group ("the Group"), with total assets standing at 54 billion euros at the end of the first half of 2023, consists of:

- (i) the parent company Banca Popolare di Sondrio, a joint stock company headquartered in Sondrio. It is listed on the Italian Stock Exchange (BIT: BPSO) and is included in the FTSE Italia Mid Cap index.
- (ii) Its subsidiaries include:
  - Banca Popolare di Sondrio (SUISSE) SA, a banking company under Swiss law;
  - Factorit SpA, operating in advance payment, collecting trade receivables and relative services;
  - Sinergia Seconda Srl, operating in the real estate segment mainly supporting the activities of the Parent Company and the Group;
  - Banca della Nuova Terra SpA - (hereinafter referred to as "BNT"), a company operating in serving and supporting the agricultural and agri-food sectors as well as offering services to families and private individuals, including salary-and-pension-deducted loans;
  - PrestiNuova Srl – Agenzia in Attività Finanziaria, a wholly owned subsidiary of BNT, act as an agency in financial activity to the public;
  - Popso Covered Bond Ltd, a SPV involved in the issue of covered bonds.

## Banca Popolare di Sondrio's commitment to sustainability

Since its foundation, BPS has directed its actions to the satisfaction of the different *stakeholders'* interests, inspiring its actions with the values of mutuality, ethics, and reciprocity, associating the traditional purpose of pursuing profits with the identity one of achieving a shared benefit.

In this perspective, based on scenarios that bring together environment, industry and finance, the Bank move forward, with a holistic approach and a with the desire to be an actor of change, on the path - already undertaken - of identification, implementation and monitoring of sustainability objectives, adopting the most suitable ways to achieve them at group and system level.

The Bank's Code of Ethics, adopted in 2008 and last updated in 2023, outlines the values and principles of conduct, policies and laws governing the Bank's activities to which every recipient, operating or representing the Bank directly or indirectly, must comply, contributing to the implementation of its corporate social responsibility. This document is an effective way to prevent misconduct by those acting in the name and on behalf of the Bank, as it introduces a clear and explicit definition of each operator's responsibilities towards those involved in the business, namely all the Bank's stakeholders.

BPS has always prioritized activities supporting the growth of the communities in which it operates, promoting dialogue and sharing added value, with particular regard to the structure of the territory, made up of families and small and medium-sized enterprises. In line with this vision, sustainability and ethical behaviour are key drivers, in the belief that they should always go hand in hand.

The main pillar of this model is the Sustainability Policy, which identifies the Bank's commitment and approach to maximizing the creation of shared value over the long term through economically, environmentally and socially sustainable development.

Consistent with new European regulations in the "sustainable finance" area and with the current market trends, BPS awareness and commitment to updating strategies and developing new processes are constantly increasing, in order to continuously and progressively integrate sustainability into the company.

In particular, the Group aims to identify a clear strategic direction toward sustainable development that can guide not only its work, but also the totality of actors with whom it interfaces along its value chain.

Specifically, with reference to the United Nations 2030 Agenda and as reported in the Consolidated Statement of Non-Financial Nature (the "DNF"), the Group is inspired in its actions by the Sustainable Development Goals (the "SDGs," i.e. *Sustainable Development Goals*), specifically those deemed relevant in light of its own business activities and those proposed by Global Compact with reference to financial companies.

The Group confirms its support for the SDGs as well as the principles of the Global Compact through the Communication On Progress and details its contents within its DNF.

BPS also adheres to national and international Sustainability initiatives, including, since 2023, supporting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Further insights are available within the DNF and TCFD Report, both of which can be downloaded from the institutional website on the [dedicated page](#).

## BPS's Commitment - The Strategic Plan 22-25

With the approval of the 2022-2025 Business Plan, the ESG factors entered the Bank's business and operations through numerous activities separated into two strategic strands, each divided into five areas of integration.

The first line focuses on interventions that are transversal to the Bank's main business and operations areas regarding the strengthening of governance, the improvement of sustainability rating/scoring, the participation in national/international initiatives on sustainability issues, the update of regulations and practices by adopting specific policies, the assessment of the product and service catalogue, the extension of the Green Bond Framework, the continuous updating of reporting and the definition of a broader ESG communication strategy.

The second line focuses on interventions in specific areas which originate from the Sustainability Policy which the Group has adopted since the summer of 2021, namely: the definition of environmental performance targets and related monitoring KPIs, the strengthening of the Group's activities with positive impact on the local area and the reference community, the implementation of new initiatives pertaining to personnel management, the continuous updating of internal regulations on issues related to the protection of personal data, as well as the anti-corruption sphere, also through voluntary actions.

### Piano Strategico ESG

#### Identificazione degli ambiti di intervento e primi obiettivi

	 <b>ESG Governance</b>	 <b>International initiatives and ESG Ratings</b>	 <b>Business Policies and Strategies</b>	 <b>Products and Services</b>	 <b>Reporting and Communication</b>
 <b>Targets achieved in 2022</b>	Further strengthening of the <b>ESG Governance</b> <b>ESG Training</b> for all personell <b>ESG compliance programme</b> <b>Internal behavioural guidelines</b> for the reduction of <b>environmental impacts</b>	Intensification of the dialogue with the <b>most deserving Providers</b> <b>TCFD support</b> Adhering to <b>Valore D</b>	<b>ESG Credit Policy</b> <b>Integrated Risk Management</b> <b>Climate Strategy</b> definition <b>Counterparties C&amp;E score</b> definition	<b>ESG Financing Products</b> <b>Expansion of ESG asset management lines</b> <b>ESG integration in the MiFID II questionnaire</b>	Improvement of <b>analyses concerning indirect emissions (Scope 3)</b> <b>Strengthening of the ESG communication strategy</b> <b>Integration of the NFS with the TCFD recommendations</b>
 <b>2025 Targets</b>	<b>Introduction of ESG objectives</b> in remuneration policies <b>Sustainable mobility</b> operational plan <b>Operational plan on Diversity and Inclusion</b> <b>Launch of the women leadership programme</b> <b>Level II and III ESG checks</b> formalization	<b>UN PRB</b> <b>Net-Zero Banking Alliance</b> <b>Improvement of ESG rating &amp; scoring</b>	<b>Definition of responsible investment guidelines</b> <b>Increase of the target on the ESG segment of the proprietary portfolio</b> <b>Definition of the giving strategy</b> <b>ESG ratings for suppliers</b> <b>ISO 14001</b> <b>Environmental Management System</b>	<b>New ESG Bond</b> <b>Integration of counterparties' ESG Score with Taxonomy-alignment</b> <b>Development of taxonomy-aligned products</b> <b>Processes digitalisation</b>	<b>Improvement of the analyses of the environmental performance of real estate assets</b> <b>ESG brand identity</b> <b>Evolution of the contents of the NFS as regards the Corporate Sustainability Reporting Directive and the new reporting standard</b>

## BPS's commitment to protecting the environment and combating climate change

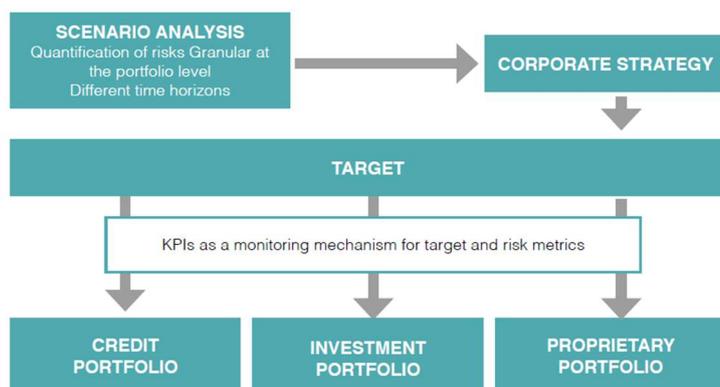
The Bank has defined an ambitious path with respect to the reduction of its environmental and climate impacts, identifying the challenging goal of joining the Net Zero Banking Alliance (hereinafter "NZBA") in 2023. This initiative, promoted by the United Nations, aims to accelerate the sustainable transition of the banking sector through the commitment of member financial institutions to align their loans and investment portfolios with the achievement of net zero emissions by 2050.

Specifically, the NZBA requires alliance members to:

- focus on sectors that have the most significant impact on climate, such as those with the largest greenhouse gas emissions;
- set interim targets no later than 2030 or earlier for "key" sectors;
- publish data on emissions and their intensity annually;
- take into account scenarios based on the best available scientific knowledge;
- set the first target to 2050 within 18 months of signing the commitment and provide updates on an annual basis;
- disclose progress with respect to a transition strategy reviewed by the Board of Directors.

Also taking into account the interest of the markets, as well as the requests expressed by the European Authorities to intensify efforts to tackle climate change and thus the need to create specific KPIs to monitor its own climate performance, starting from the proprietary portfolios, BPS has decided to initiate a target setting process aimed at defining specific targets. For this reason, the Bank has entered into a partnership with an external provider, in order to:

- enhance the collection of greenhouse gases (GHG) emissions data, facilitating the preparation of a robust GHG inventory based on increasingly reliable sources;
- develop near-term Scope 1 and Scope 2 targets through the science-based methodology specified for the financial sector;
- develop near-term Scope 3-category 15 targets;



- preliminarily analyse long-term target assumptions in view of adhering to the NZBA, pending the publication of specific guidelines for the financial sector.

In 2023, BPS's strategic planning began to be integrated in order to incorporate an effective and clear vision on the implications of climate change from a management perspective, in the short, medium and long term.

The aim of the integration is to understand climate drivers and integrate them into relevant

strategic asset allocation choices by assessing their impacts on the bank's business profile and on sustainability.

Indeed, the definition of a corporate climate strategy cannot be separated from the study of scenario analysis, that is, the projection of one's portfolios under different climate scenarios.

Using a scientific methodology, emission reduction targets related to different portfolios are set. The achievement and monitoring of these targets are entrusted to specific performance indicators.

## Governance

Governance is the system through which an organization makes and implements the decisions to pursue its goals, as it is the choices and activities put in place that can make a significant contribution to sustainable development.

In the Business Plan, governance and related issues are among the enabling factors to ensure its effective implementation: the maintenance of *corporate identity*, the development of expertise, and thus the strengthening of governance are the foundations for the effective implementation of the Group's ESG and environmental strategy.

With a view to increasingly integrate sustainability into its business, BPS has implemented an ESG governance that involves the interaction of several bodies dedicated to the oversight and management of these issues. In particular, the recent establishment of a Sustainability Board Committee strengthens the oversight of ESG issues within the company's top management.

Below are specific details regarding the Sustainability Board Committee and the Sustainability Management Committee:

- The *Sustainability Board Committee* performs a supporting function to the Board of Directors by exercising an investigative, advisory and proactive role in assessing the sustainability factors considered fundamental to the medium-to-long-term strategy and their translation into the Bank's policies. It is composed of three nonexecutive directors, at least one of whom is independent. With particular reference to the climate-environmental issue, the Committee evaluates, also from a proactive perspective, the integration in the Business Plan of environmental aspects aimed at creating value in the medium-to-long-term; it examines the Bank's commitments in relation to sustainability, particularly with regard to decarbonization ("*net-zero*") targets, and assesses their pursuit, with particular regard to the products offered and the sustainable finance solutions. Moreover, it reviews sustainability disclosures, mainly the Consolidated Non-Financial Statement, but also the TCFD Report and the ESG section of the Public Disclosure in application of "Pillar 3" regulations.
- The *Sustainability Management Committee* has propositional, advisory and coordinating functions for the organizational units responsible for implementing the policies of top management bodies on the environmental, social and governance issues. It is composed of the following permanent members: the Chief Financial Officer (CFO), the Chief Commercial Officer (CCO), the Chief Lending Officer (CLO), the Chief Risk Officer (CRO), the Chief Information and Operations Officer (CIOO), the Head of the Logistics and Operational Support Service, the Head of the Personnel and Organizational Models Service, the Head of Planning, Investor Relations and Management Controls Service, and the Head of the Sustainability Office. The Committee is chaired by the Chief Financial Officer (CFO), and the Managing Director and all ESG contact persons, including the ones from the subsidiaries, are invited to the meetings on a permanent basis. With particular reference to climate-environmental issues, it periodically examines regulatory developments, national and international reference standards and practices overseen by the Sustainability Office and takes care of their dissemination to the relevant organizational units, also evaluating proposals for the introduction or amendment of Policies/Regulations on these issues. It also contributes to the coordination of the Parent Company's organizational structures in line with strategic sustainability planning. In the area of reporting, it coordinates the activities and provides comments and suggestions to the relevant Board Committee. It approves the "ESG Bond Framework," its related reporting and validates the eligible assets of the ESG Bonds.

In addition to what has just been represented, it should be noted that the process of communicating climate-related issues to the governing bodies also takes place through *ad hoc* sessions during which the Chief Risk Officer area exposes the ESG risk reportings with a specific focus on climate and environmental risk factors to the members of the Board of Directors on a quarterly basis.

More information on the Governance system is available in the Sustainability section of the institutional website within the [dedicated page](#), the Sustainability Policy and in the TCFD Report.



## Sustainability assessments

Sustainability ratings/scoring are developed by major industry players and are also used to compile and publish various sustainability indices, similarly to conventional benchmarks.

As evidence of the Group's commitment to sustainability, Banca Popolare di Sondrio participates in a few internationally significant initiatives, specifically requesting ratings (so-called solicited ratings) from:

- **CDP**, an international non-profit organization that directs companies and governments to reduce their greenhouse gas emissions, conserve water resources and protect forests. It is considered the premier provider for climate reporting data, working with institutional investors whose combined assets total about \$110 trillion.
- **Standard Ethics**, an independent agency that issues a summary judgment of the level of compliance achieved against international sustainability guidelines set by some of the major international institutions (European Union, United Nations, OECD).

More information about the Bank's sustainability assessments can be found on the [dedicated page](#) within the Bank's institutional website.

## ESG Credit and Credit Policy

In line with the identification of the main issues detected by the materiality analysis, the Bank has embarked on a path aimed at integrating ESG risks into the strategic mechanisms, in the risk management systems, and neuralgic processes that characterize its business model, including credit granting and monitoring processes.

This path led in 2022 to the adoption of the ESG Credit Policy, a document which identifies the approach and general principles for the formulation of a credit process attentive to sustainability factors, in accordance with the EBA Guidelines on loan origination and monitoring.

Specifically, the Policy identifies the main areas such as the definition of the objectives pursued by the Group and their scope of application by enshrining the general guidelines for the integration of ESG factors into the credit process.

Sensitive sectors and activities were also identified in order to update ESG sectoral and counterparty assessment methods. The document explains the roles and responsibilities, how they are overseen, monitored, shared and disseminated. The drafting process was guided by the guidelines and principles of the most important international and European initiatives and organizations.

More information on the Credit Policy is available on the dedicated page of the institutional website: <https://istituzionale.popso.it/en/esg-credit-tm>

## next: BPS's green financing

In outlining specific courses of action with regard to the Group's sustainability strategy, the Bank has also planned to launch ESG products. The main goal is to support customers who are themselves engaged in the ecological transition, enabling sustainability to become a key value for households and businesses.

The expanded range of ESG-focused credit products was created to meet the needs of consumers, who are increasingly attentive to the environmental and social impact of the products and services they purchase, and to help companies invest in innovative business models, increasing their competitiveness in the market while complying with European environmental protection regulations.

Specifically, the Bank has developed "next - sustainable credit products," a financing package designed to assist individuals, professionals, and businesses who want to invest to reduce their "carbon footprint" through, for example, the installation of renewable energy systems, the purchase of environmentally friendly transportation, or by enhancing the efficiency of their homes or workplaces.

With reference to private individuals, depending on the size of the financing, it includes personal loans, unsecured loans or mortgages,. With regard to businesses, it includes medium/long-term mortgage and/or unsecured loans that can also be disbursed according to the progress of the specific work that needs to be financed. The full ESG product offering is available on the Bank's commercial website at [www.popso.it/next](http://www.popso.it/next).



**next**  
i nostri prodotti sostenibili

Ogni viaggio inizia dalla determinazione e dal coraggio di compiere il primo passo. Con responsabilità abbiamo scelto di intraprendere un percorso di cambiamento, al fianco dei nostri clienti, con l'obiettivo di contribuire a un futuro migliore.

Scopri in filiale i nostri nuovi prodotti sostenibili per i privati e le imprese.

 Banca Popolare di Sondrio

## ESG risk management

The Bank has implemented an action plan aimed at ensuring a proper risk management related to ESG factors, with a particular *focus* on climate and environmental risks.

In particular, the program aims to: i) incorporate the assessment of these risks in the formulation and implementation of strategies, credit, financial, and investment policies, as well as in the provision of services to clients; ii) understand the potential impacts in the short and long term through the identification and integration of ESG factors into routine risk management practices.

Regarding the latter area, the Bank intends to achieve full integration of social and environmental sustainability risks into its *risk management* system. In addition to the introduction of new processes and techniques for identifying, mapping and assessing the materiality of its exposure to climate and environment-related risks, in order to manage these risk profiles BPS adopted a *policy* which governs the guiding principles for the integration of the assessments related to these factors into traditional banking risk control systems and describes the processes for their management.

In addition, a proprietary methodology was developed for *scoring* the climate and environmental risk to which customers belonging to the corporate segment are subject, through the use of calibrated data at the individual counterparty level, including an examination of greenhouse gas emissions produced. The parameter, which is processed automatically using data acquired from external *info providers* or collected directly from counterparties, makes it possible to assess each entrusted company against its level of vulnerability to climate and physical transition risk factors. In addition to being taken on as a tool for monitoring environmental riskiness on an individual and aggregated portfolio basis, the *scoring* is adopted in the key decision-making processes of loans approval and *pricing*: in fact, it is incorporated in the electronic procedures for the analysis of credit files and it increasingly contributes to determine the corporate body empowered to deliberate on credit facilities to companies as well as on the variables that contribute to the definition of the rate conditions applicable to corporate credit operations.

For major counterparties, the Bank established a special *due diligence* process directed at investigating, through a special questionnaire, the strategies and management policies adopted by debtor companies from a climate-environmental perspective; the evidence of this process will complement the risk indication provided by the *score*.

The structure of the metrics in which the Bank's *Risk Appetite Framework* is articulated is gradually being enriched with a range of specific indicators for monitoring the exposures to environmental, climate and social risk factors, which are also functional in supporting the adoption of correct risk-taking policies related to ESG issues.

As part of the capital adequacy assessment process (ICAAP), the Bank produced initial quantification results of ESG impacts on credit risk parameters based on the application of prospective climate transition simulation scenarios and/or assumptions on the severity of the effects of relevant physical risks. The internal stress test, in providing first robust adjustment estimates of PDs and LGDs related to the exposure to risks that depend on climate change and environmental degradation, also provided guidance for incorporating an additional credit cost component to the statistical provisioning models with the aim of taking into account, through experiential adjustments (*overlays*), the potential effects of ESG factors-and, in particular, climate-environmental factors-on the loss projections of the credit portfolio.

## Banca Popolare di Sondrio Green Bond Framework

Banca Popolare di Sondrio has prepared this Green Bond Framework ("the Framework") in line with [ICMA's Green Bond Principles](#) 2021, with the following four key components:

1. Use of proceeds
2. Project evaluation and selection process
3. Income management
4. Reporting



Banca Popolare di Sondrio's Green Bond Framework allows the Bank to issue Green Bonds in different formats, including public or private placements.

Bonds can be issued under BPS's EMTN Programme (Senior Preferred, Senior Non Preferred and Tier 2) or they can be covered bonds (Covered Bank Bonds under BPS's Covered Bond Program) or under retail programme (approved by Consob or other competent national authority) and destined to retail investor. The Bank intends to periodically review its Green Bond Framework for alignment and consistency with evolving market standards in relation to the Green Bond Principles and/or future regulatory developments.

### Use of proceeds

An amount equivalent to the net proceeds of the Banca Popolare di Sondrio Green Bonds will be used exclusively to finance or refinance, in whole or in part, new or existing Eligible Green Assets which include loans (mortgages, term loans and revolving credit facilities), investments, or other financial assets, financing businesses or projects compliant with Banca Popolare di Sondrio Green Bond Framework, as defined below.

BPS will allocate the proceeds of its Green Bonds to Eligible Assets, financing businesses or projects compliant with the following list of Eligible Categories and booked on its own balance-sheet or in the balance-sheet of any of the Group's entities, as the case may be.

An enterprise will be considered eligible for financing through a Green Bond from Banca Popolare di Sondrio only if it derives 90 percent or more of its revenues from activities falling within the list of Eligible Categories below.

## Eligibility criteria

Eligible categories	Description	EU environmental goals / Environmental benefits.	Development goals sustainable
<p><b>Green Buildings</b></p>	<p>Loans or assets related to the acquisition, construction and renovation of residential and/or commercial energy-efficient buildings that comply with one of the following criteria</p> <p>Construction or acquisition of buildings:</p> <ul style="list-style-type: none"> <li>• Buildings belonging to the top 15% of the most energy efficient buildings (in Italy, an Energy Performance Certificate (EPC) class A, B); or</li> <li>• Buildings that have obtained LEED certification of at least Gold, BREEAM certification of at least Excellent or Minergie certification</li> </ul> <p>Assets related to the financing of the renovation of existing building or individual renovation measures that comply with one of the following criteria:</p> <ul style="list-style-type: none"> <li>• Renovation leads to a reduction of primary energy demand (PED) of at least 30%</li> <li>• Individual renovations measures such as installation, repair or maintenance of energy efficient equipment (e.g., insulation to existing building envelope, new energy efficient windows, heating, ventilation and air conditioning as well as water heating systems), charging station, devices for measuring and regulation energy performance of the buildings and renewable energy technologies.</li> </ul>	<p>Climate change mitigation --- Energy saving</p>	 

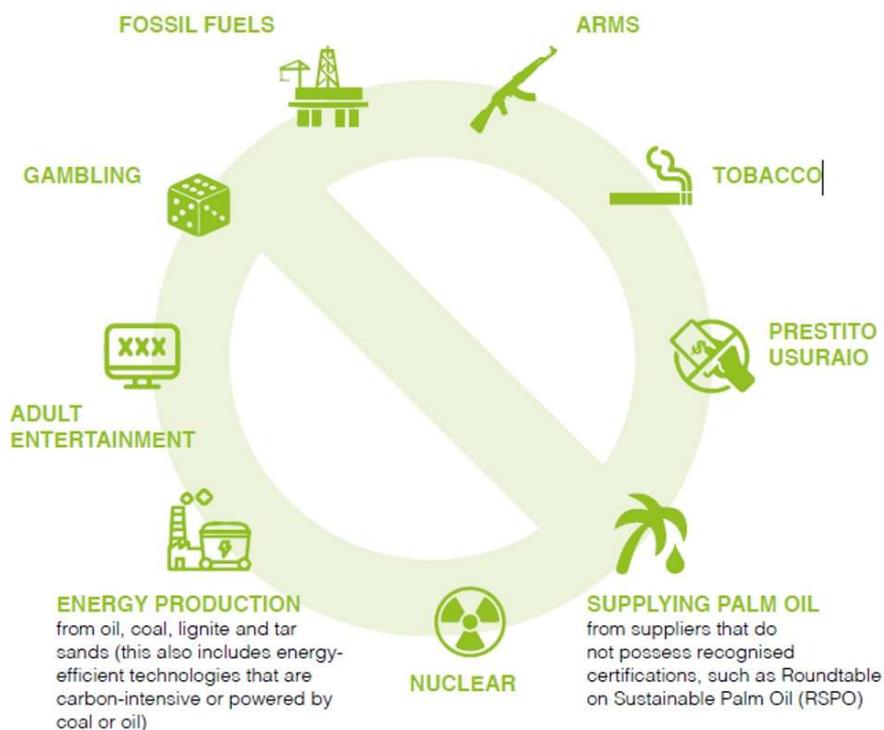
<p><b>Renewable energy</b></p>	<p>Loans related to the acquisition, development and operation of renewable energies such as:</p> <ul style="list-style-type: none"> <li>• Offshore and Onshore Wind</li> <li>• Concentrated Solar Power (“CSP”) / Solar Photovoltaic (“Solar PV”)</li> <li>• Small scale Hydropower (&lt;25MW)</li> <li>• Geothermal facilities with direct emissions lower than 100gCO<sub>2</sub>e/kWh</li> <li>• Waste biomass with feedstock not derived from sources that compete with food sources nor deplete carbon pool</li> </ul>	<p>Climate change mitigation --- Reducing greenhouse gas emissions</p>	  
<p><b>Clean Transportation</b></p>	<p><b>Loans related to low carbon transport assets and the purchase, construction and operation of infrastructure dedicated to low-carbon transport such as:</b></p> <p><b>Private Transport (passenger cars and light commercial vehicles):</b></p> <ul style="list-style-type: none"> <li>• Electric vehicles / Hybrid vehicles with CO<sub>2</sub> emission lower than 50g CO<sub>2</sub>/km</li> </ul> <p><b>Urban, suburban and road passenger transport (motor bus, tramway, streetcar, trolley bus, underground and elevated railways)</b></p> <ul style="list-style-type: none"> <li>• The direct (tailpipe) CO<sub>2</sub> emissions of the vehicles are zero</li> </ul> <p><b>Rail Transport (Passenger or Freight):</b></p> <ul style="list-style-type: none"> <li>• Zero direct (tailpipe) CO<sub>2</sub> emissions trains and passenger coaches</li> <li>• For Freight: the trains and wagons are not dedicated to the transport of fossil fuels</li> </ul> <p><b>Infrastructure for personal mobility:</b></p> <p>The infrastructure that is constructed and operated is dedicated to personal mobility: pavements, bike lanes and pedestrian zones, electrical charging stations</p>	<p>Climate change mitigation --- Reducing greenhouse gas emissions</p>	  

<p><b>Energy Efficiency</b></p>	<p><b>Loans related to assets that contribute to a reduction of energy consumption such as:</b></p> <ul style="list-style-type: none"> <li>• Energy Storage Systems</li> <li>• Energy Efficient Lighting (LED lighting)</li> <li>• District Heating and Cooling</li> <li>• Energy Efficient smart grid / smart meters</li> </ul>	<p>Climate change mitigation --- Reduction of greenhouse gas emissions</p>	
<p><b>Environmentally sustainable management of natural living resources and land use</b></p>	<p><b>Loans related to activities that contribute to the sustainable management of living natural resources and land use, such as:</b></p> <ul style="list-style-type: none"> <li>• Environmentally sustainable agriculture certified by recognized third-party bodies, such as EU Organic, Demeter or Bio Suisse</li> <li>• Reforestation, conservation or restoration of protected areas such as regional natural parks</li> </ul>	<p>Mitigation of climatic change</p>	
<p><b>Pollution prevention and control</b></p>	<p><b>Loans related to activities that contribute to waste prevention and collection, waste reduction and waste recycling such as:</b></p> <ul style="list-style-type: none"> <li>• Development, operation and upgrade of recycling (metals, plastic and paper) plants</li> <li>• Facilities, systems and equipment<sup>1</sup> that are used to divert waste from landfills</li> </ul>	<p>Mitigation of climatic change</p>	
<p><b>Sustainable water and wastewater management</b></p>	<p><b>Loans related to activities that improve water quality, distribution efficiency and conservation such as:</b></p> <ul style="list-style-type: none"> <li>• Water treatment infrastructure, including wastewater treatment systems and sewer systems</li> <li>• Water distribution systems with improved efficiency</li> <li>• Water capture and storage infrastructure, including storm water management systems, water distribution systems and aquifer storage</li> <li>• Water storage facilities</li> </ul>	<p>Mitigation of climatic change</p>	

<sup>1</sup> Collection vehicles considered have as emission threshold equal or lower than 50 gCO<sub>2</sub>/km.

## Exclusion criteria

Banca Popolare di Sondrio has developed a list of exclusionary criteria for the proceeds of its Green Bonds. The Bank commits itself to not knowingly be involved in financing any of the following projects or activities through the proceeds of its Green Bonds:



## Project evaluation and selection process

Project evaluation and selection is a key process to ensure that eligible green projects financed by Green Bonds meet the criteria of the Banca Popolare di Sondrio Green Bond Framework.

Banca Popolare di Sondrio has established a Sustainability Committee that, among other tasks, oversees the governance of this Green Bond Framework.

In relation to Green Bond Governance, it is requested to fulfil the following responsibilities

- i. Approval of the so-called "Green Bond Framework," and, from time to time, any updates to the document;
- ii. review and validation of the set of eligible assets, i.e., that can be financed or refinanced through the proceeds of the issue; over the life of the bond, review and validate new assets to be included in that set;
- iii. oversees the internal tracking of bond issue proceeds and monitors the management of raised and temporarily unallocated funds;
- iv. monitors developments in the market environment and regulations related to ESG bonds;
- v. reviews and approves the allocation and impact reporting related to the bond ("Green Bond Report") produced time to time.

The process of asset valuation is the following:

- The relevant departments within the Group perform a pre-selection of potential eligible green projects.
- These potential eligible green projects are presented by the relevant departments to the Sustainability Committee.
- The Sustainability Committee checks whether potential projects are in line with the Bank's eligibility criteria.
- If yes, eligible green projects are identified in the Bank's internal information system.

## Management of proceeds

Banca Popolare di Sondrio's CFO Area (Funding and Collateral Operations) is in charge of monitoring the allocation of the proceeds to the Eligible Green Projects on a nominal equivalence basis, as well as managing the Eligible Green Asset Portfolio.

The net proceeds from Banca Popolare di Sondrio's Green Bonds will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Asset Portfolio.

The balance of the tracked proceeds should be adjusted on a quarterly basis, in order to match the allocation to Eligible Green Projects re/financed during this period.

The net proceeds can be attributed to Eligible Green Assets originated or refinanced after January 1, 2018.

The BPS Group has set up an internal information system for recording and tracking eligible Green Assets.

Banca Popolare di Sondrio will do its best to replace eligible Green Assets that are no longer eligible as soon as an appropriate replacement option is identified.

The payment of principal and interest on the Green Bonds issued by Banca Popolare di Sondrio under the Green Bond Framework will be made from its general funds and will not be linked to the performance of any Eligible Green Projects.

## Unallocated income

The Banks undertakes to do everything in its power to allocate the proceeds to Eligible Green Projects within a maximum of 36 months. Pending the allocation or reallocation, as the case may be, of the net proceeds, Banca Popolare di Sondrio will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalents and/or other liquid marketable instruments, consistent with the Bank's liquidity management activities and, to the extent possible, invest in Green, Social and Sustainability Bonds.

## Reporting

Banca Popolare di Sondrio commits to publish an allocation and impact report one year after issuance of the Green Bond and annually thereafter until full allocation of the net proceeds, and as necessary in the event of material development.

All reports will be available to the public on the Banca Popolare di Sondrio website in the [financial operations](#) section of the institutional website, EMTN program section, as well as on the Sustainability page.

### Allocation reporting

The allocation report will provide information such as:

- Total allocations of Eligible Green Projects
- Share of financing versus refinancing
- Amount of unallocated proceeds at reporting end-period (if any)
- Breakdown of total amount of Eligible Green Projects per Eligible Category
- Geographical breakdown of Eligible Green Projects

### Reporting on impact

Banca Popolare di Sondrio also reports on relevant environmental impact metrics where feasible, and it will disclose measurement methodology for quantitative indicators. Below are examples of impact indicators that may be reported:

The table below displays the potential quantitative environmental performance metrics as indicated in the Framework. The list is not to be considered exhaustive: this document highlights some additional and more significant metrics for the characteristics of the Green Portfolio taken into consideration

ELIGIBLE CATEGORIES	POTENTIAL QUANTITATIVE PERFORMANCE MEASURES
Renewable energy	GHG emissions avoided (tCO <sub>2</sub> e)
	Total installed capacity (MW)
Energy efficiency	GHG emissions avoided (tCO <sub>2</sub> e)
	Expected energy savings per year (MWh)
Clean transportation	GHG emissions avoided (tCO <sub>2</sub> e)
	New clean transportation infrastructure built (Km)
Green Building	GHG emissions avoided (tCO <sub>2</sub> e)
	Floor space of green real estate (m <sup>2</sup> )
	Expected energy savings per year (MWh)
	Number of residential buildings belonging to the top 15% of the most carbon efficient buildings
Environmentally sustainable management of living natural resources and land use	Total surface financed (hectares)
	Numbers of agricultural business financed
	Volume of farming input avoided (t/year)
Pollution prevention and control	GHG emissions avoided (tCO <sub>2</sub> e)
	Waste diverted from landfill (tonnes)
Sustainable water and wastewater management	Volume of water saved/reduced/treated (m <sup>3</sup> )
	Total population served by the water system



## External review

### **Second-party opinion:**

Banca Popolare di Sondrio has obtained a Second-Party Opinion from Sustainalytics on this Green Bond Framework. The SPO is publicly available on Banca Popolare di Sondrio's website: (<https://istituzionale.popso.it/en/investorrelations/financial-operations>).

### **External post-assessment verification:**

On an annual basis, an external auditor will carry out an independent review of the use of proceeds associated with the selected Eligible Categories, conformance with the Framework of the selected Eligible Green Projects and Allocation Reporting metrics.

## Disclaimer statement

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