



Environmental Policy



Document Version: V1

Approval Date: 22 December 2021

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Cover photo by Ph. Roberto Ganassa

This English translation is provided for the reader's convenience; in case of discrepancies, the Italian version shall prevail.

1. Objectives and scope

The present Environmental Policy (the "Policy") identifies the approach of Banca Popolare di Sondrio Group (the "Group") in the environmental themes management, aimed at the gradual reduction of direct and indirect impacts on the environment and climate.

The document outlines in general terms the measures and the interventions the Group intends to take in relation to the environmental issues.

In the context of its Sustainability Policy, the Group considers the environmental impacts as a relevant topic and consequently aims to reduce the effects on the environment generated by the consumption of resources, the generation of waste and other activities with direct impact and also to manage the effects arising from activities with indirect impact, related to products and services for the customers.

With reference to the UN Agenda 2030 and as reported in the Consolidated Non-financial Statement (CNFR) and in the Sustainability Policy, the Group's actions are inspired by the Sustainable Development Goals (SDGs). Specifically, regarding the environmental issues, it refers to those deemed relevant in light of its business activities and to what proposed by the Global Compact for financial companies, as set out below:

- Goal 7: ensure access to affordable, reliable, sustainable and modern energy for all;
- Goal 11: make cities and human settlements inclusive, safe, resilient and sustainable;
- Goal 12: ensure sustainable consumption and production patterns;
- Goal 13: take urgent action to combat climate change and its impacts.



The Parent Company Banca Popolare di Sondrio is responsible for implementing and updating the Policy; the principles expressed therein apply to the companies of the Group, involving, as far as possible, their suppliers, collaborators and commercial partners.

The Parent Company provides the necessary guidelines to ensure compliance with this Policy by each one of the Group companies, supervising its adoption, in proportion with the respective dimensional characteristics, the nature and the kind of business carried out, the individual complexity and the operational specificity, as well as, whether established abroad, according to the constraints imposed by the national jurisdiction.

2. Definitions

Sustainable Development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
ESG themes	Acronym for Environmental, Social and Governance, i.e. issues that take into consideration environmental, social and good governance aspects.
Sustainable Finance	Finance in support of economic growth, which, at the same time, reduces the pressure on the environment by taking into account social and governance aspects, as defined in the homonymous EU Action Plan.
Consolidated Non Financial Report (CNFR)	Reporting document prepared pursuant to Legislative Decree 254/2016 and subsequent amendments and additions regarding the communication of non-financial information at Group level.
United Nations Global Compact (2000)	Initiative launched in 2000 with the aim of synergistically involving the world of business and non-governmental organizations in the great challenges for humankind, in order to give a further boost to the achievement of the Millennium Development Goals. The Global Compact encourages companies around the world to create an economic, social and environmental framework aimed at promoting a healthy and sustainable world economy, which guarantees everyone the opportunity to share its benefits. To this end, the Global Compact requires participating companies and organizations to share, to support and to apply in their sphere of influence a set of fundamental principles relating to human rights, labor standards, environmental protection and fight against corruption.

United Nations Sustainable Development Goals – SDGs (2015)	Global initiative of the UNDP (United Nations Development Programme) which aims to eliminate poverty, protect ecosystem balances, build inclusive societies and promote peace. It consists of 17 objectives (SDGs) and 169 specific targets.
Paris Agreement on climate change (2015)	The Paris Agreement has the long-term goal of avoiding dangerous climate change by limiting global warming to well below 2°C and continuing efforts to limit it to 1.5°C. Furthermore, it aims to strengthen the capacity 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.

3. Legislation and reference principles

The Policy is aligned with the fundamental principles of sustainable finance, outlined at EU and national level by regulations and guidelines, including:

- Legislative Decree 231/2001 (Administrative liability of entities) and subsequent amendments;
- Regulation 761/2001 EMAS (Environmental Management and Audit Scheme), allowing voluntary participation by organisations in a Community eco-management and audit scheme (EMAS);
- Legislative Decree 254/2016, implementing Directive 2014/95 / EU of the European Parliament and of the Council concerning the disclosure of non-financial information of certain large companies and of public interest;
- Regulation EU 852/2020 on the establishment of a framework to facilitate sustainable investments;
- European Central Bank, “Guide on climate-related and environmental risks (2020)”;
- Legislative Decree 34/2020 and subsequent amendments, as concerns the section aimed at relieving the congestion of traffic in urban areas through the reduction of the individual private transport use.

The Policy is also inspired by international principles and initiatives, such as:

- United Nations Global Compact (2000);
- United Nations Sustainable Development Goals (2015);
- Paris Agreement on climate change (2015).

4. Governance

As concerns the governance applicable to the present document, reference is made to the Sustainability Policy scheme, in relation to the general roles and responsibilities of the ESG.

It should be noted that, in compliance with the provisions of the Decree "Rilancio" (Legislative Decree 34/2020) and subsequent amendments, the Group has appointed its own Mobility Manager, who is responsible for supporting decision-making activities, planning, programming, management and promotion of sustainable mobility solutions. In particular, he updates periodically the document named as "Piano degli Spostamenti Casa-Lavoro" (PSCL), aimed at reducing the individual private transport use and consequently reducing the climate-altering emissions.

In addition to that, according to the technical peculiarities of the document subject matter, the Logistic and Operational Support Service is in charge of the activities represented below:

- to regularly monitor and to report about the direct environmental impacts generated by the company operating sites (see par. 5.1);
- to manage purchases in order to identify and, as far as possible, to prioritise the suppliers which adopt environmentally sustainable management practices and technologies;
- to contribute in specific aspects to the monitoring of initiatives the Group may join in order to improve its impacts on the environment and climate.

With regard to the indirect environmental impacts, the Group, with the support and the coordination of the Sustainability Office, will systematically benefit from the contribution of additional company areas (mainly the Lending Service, the Finance Service, the Commercial Service) which will structure their products and services offer to the customers in line with the approach defined in this document.

5. Group commitment related to environmental impacts

The Group complies with environmental regulations and is aware of the impact its activities produce on the environment and climate, both directly and indirectly.

Climate change is currently a big challenge which requires identification, monitoring and evaluation of some performance indicators in the field of business operations management.

The Group intends to assess the possibility of adopting one or more climate-related and environmental targets and reporting on the progress towards achieving these objectives through specific indicators, functional for the assessment of its activities' environmental impact.

In addition, the Group is concerned that its activities and relationships with customers, suppliers, collaborators and partners, whether commercial or not, also take into account the environmental impacts with the aim to minimise the negative effects that may affect the quality of the environment.

The environmental impacts, defined by Regulation 761/2001 EMAS as "changes to the environment resulting from the activities, products and services of an organization", are divided in direct - directly related to production processes, distribution, organization - and indirect - over which companies are not able to exercise a complete management control.

5.1 Direct environmental impacts

The direct impacts generated by its operating sites are related to:

- Consumption of water or energy resources;
- Consumption of goods and supplies;
- Generation of waste and similar;
- Emissions of climate-altering gases.

The measures and the interventions envisaged to achieve the reduction of the direct impacts are represented hereafter:

- improvement of the energy use systems through the definition of a Group standard that provides for:
 - the continuous improvement of the energy performance by means of the promotion of new energy efficiency interventions on its real estate portfolio (so-called retrofitting);
 - the use of low-power lighting systems using LED technologies and low-power hardware/IT equipment.
- use of low emissions of climate-altering gases renewable energy, through:
 - the use of electricity generated from renewable sources to the greatest extent possible (it currently stands at 98%);

- the use of district heating, where available, and the progressive replacement of high-emission fuel heating systems.
- management of paper consumption, through:
 - the optimisation of printing processes and the increased use of electronic management for documents and internal processes;
 - increased use of recycled paper.
- attention to proper collection and disposal of waste produced, by means of:
 - maximising the amount of recycled/reused waste;
 - extending the separate collection for all types of waste;
 - constantly verifying the correct disposal of non-recyclable/reusable waste.
- use of goods and services with a lower environmental impact in their life cycle, for example:
 - use of reusable cartridges and toners;
 - use of ecological, recycled paper and/or certified as eco-friendly (FSC);
 - commitment to give priority to the purchase of goods and services at a local level, in order to minimise the environmental impact of transports/displacements.
- raising personnel awareness on the reduction of excesses in the use of water and energy resources.
- fostering sustainable mobility through:
 - the promotion of the use of environmentally friendly collective transport systems for both home-work travels and work trips;
 - the gradual inclusion in the company fleet of low or zero-emission vehicles;
 - drafting and updating of the Home-Work Travel Plan and the appointment of the company's Mobility Manager.

5.2 Indirect environmental impacts

Banca Popolare di Sondrio Group aims to take a precautionary approach towards the most relevant environmental issues, with the dual objective of containing the risks

associated with the commercial operations and also seizing new business opportunities in all the strategic areas.

As a demonstration of the focus on this topic, it is committed to reduce the environmental impacts associated with the own securities portfolio through investments in low-emission financial instruments.

The measures and the interventions envisaged to achieve the reduction of indirect impacts are represented in the following sections.

5.2.1 Activities towards the customers

The Group intends to encourage its customers to manage their activities in a sustainable manner also by offering dedicated banking products and services.

To this end, the Group plans to implement activities related to:

- the integration of environmental and climate risk factors into credit processes, in line with the current legislation;
- the integration of environmental and climate risk factors into the governance system, strategy, risk management framework and reporting, in line with the expectations of the Supervisory Authority;
- the progressive development and placement of investment instruments to promote environmental characteristics;
- the development of the programme of green/sustainable bonds issuance, aimed at financing and refinancing eco-sustainable assets;
- the progressive promotion of products financing economic activities contributing to climate change mitigation and adaptation, such as:
 - low-emission production processes;
 - purchase of low environmental impact buildings;
 - buildings' energy efficiency upgrading;
 - energy production from renewable sources.
- selection of financing opportunities, with reference to enterprises part of "sensitive" sectors, through an assessment of regulatory compliance and environmental standards;
- valorisation and progressive development of digital communications and services dedicated to customers.

5.2.2 Activities towards the suppliers

The Group plans to pursue a procurement management approach aimed at enabling the accountable functions to favour suppliers which prioritise eco-sustainable management practices and technologies and which provide products and services with a lower environmental impact *ceteris paribus*.

5.2.3 Activities towards the community

The Group intends:

- to support activities of environmental volunteering, both individual and institutional ones;
- to support charitable donations, sponsorships, campaigns or initiatives to protect and recover the environmental heritage;
- to participate in national or international initiatives created to support and orientate the business activities.

5.2.4 Activities towards the employees

The Group intends to plan the following activities:

- trainings and empowerment of the employees on environmental topics;
- disclosure of the relevant information in order to apply environmental protection-driven business practices.

5.3 Monitoring, reporting and review

The Group intends to detect and report periodically its own environmental impacts with the aim to update the measures and interventions system consequently, as mentioned below:

- monitoring of energy, water and paper consumption, climate-altering gas emissions, waste generation and mobility;
- annual reporting of the company environmental profile, in accordance with the Global Reporting Initiative (GRI Standards 2018) standard, within the Consolidated Non-financial Statement of Character (DNF);
- public presentation of the environmental profile through the available information and communication channels (website);
- relevant stakeholders engagement activities, to understand their expectations in terms of management of the environmental topics.

6. Supervisory Body ex Legislative Decree 231/2001

The Supervisory Body of each Group Company, where constituted, promptly communicates to the corporate bodies any critical issues identified during the performance of its activities that could be potentially related to any crime listed in the Legislative Decree 231/2001, among which the environmental crimes are relevant.

7. Monitoring and supervision

The Sustainability Committee plays a coordinating and monitoring role in order to oversee the effective implementation of the principles as set out in this document, reporting directly to the Board of Directors on the subject matter. With reference to such activities, the Sustainability Committee is supported by the Sustainability Office, which liaises with the internal functions assigned to each activity (mainly Logistic and Operational Support Service, Lending Service, Finance Service).

8. Policy sharing and distribution and related internal documentation

The present Policy is shared with the main stakeholders through internal and external channels (the intranet and the institutional website, respectively).

The Policy is applied in a transversal way to all the Group operational areas considering also any further related internal documentation, among which:

- Code of Ethics;
- Organization and Management Model (MOG) pursuant to Legislative Decree 231/2001;
- Sustainability Policy;
- Sustainability Committee internal Regulation;
- Policies and procedures belonging to the Bank's Risk Management System.