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Level 1 – General regulation

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# **Policy for the dialogue between Directors and Shareholders**

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## CONTENT

<b>1. INTRODUCTION .....</b>	<b>3</b>
1.1 Definitions .....	3
1.2 Purpose and scope of application .....	5
1.3 Regulatory framework of reference .....	5
1.4 Approval, adoption, update and publication of the Regulation .....	6
<b>2. DIALOGUE AND INTERACTION WITH INTERESTED PARTIES .....</b>	<b>6</b>
2.1 General principles .....	6
2.2 Parties involved in the dialogue: Board of Directors, Senior Directors and Contact Point .....	7
<b>3. METHOD OF HANDLING AND CONTENTS OF THE DIALOGUE .....</b>	<b>9</b>
<b>4. ACCOUNTING POLICIES.....</b>	<b>10</b>
<b>5. TIMING .....</b>	<b>11</b>
<b>6. CHANNELS OF COMMUNICATION.....</b>	<b>11</b>
6.1 Dialogue with the Board of Directors .....	11
6.2 Other channels of communication .....	12

## 1. INTRODUCTION

Banca Popolare di Sondrio (also referred to as the "Bank") is of the opinion that open discussion with the Company's investors and main stakeholders through transparent forms of dialogue can help to ensure greater comprehension of their reciprocal prospects and raise the level of the Bank's governance, with a view to encouraging the creation of value in the medium to long term in compliance with current law and the general principle of parity of treatment of shareholders who are in the same situation.

Legislative Decree no. 49 of 10 May 2019, which transposed EU Directive 2017/828 (the Shareholder Rights Directive II or SRH II) amending Directive 2007/36/EC, introduced new measures to encourage the long-term engagement of shareholders with a view to improving the governance of listed companies.

The Bank of Italy also issued its 35th update of Circular 285 of 17 December 2013, entitled "Instructions for banks on corporate governance", published on 2 July 2021<sup>1</sup>, which informed the larger or more complex banks (including Banca Popolare di Sondrio) that they had to implement a policy to define the principles that they followed in their dialogue with the shareholders, governing the interaction and discussions between them and the members of the Board of Directors.

Given this basic premise, the purpose of this Regulation is to establish the rules adopted by Banca Popolare di Sondrio, in line with the instructions of the Supervisory Authorities and current best practice, to encourage and discipline the dialogue between the Board of Directors and its shareholders on matters that lie within the Board's sphere of competence, defining the rules of implementation, identifying the interlocutors, the topics of discussion and the methods, frequency and channels of communication. This kind of dialogue is understood as being in addition to the normal types of engagement by which the Bank interacts with its shareholders, investors and the financial community through the pertinent corporate functions.

### 1.1 Definitions

- a) "*Directors, Board members*": the members of the Board of Directors of Banca Popolare di Sondrio.
- b) "*Senior Directors*": the directors who are responsible for representing the Company (the Chairman and/or Managing Director) and applying this Regulation by managing the various phases of the dialogue and the related choices to be made, including the possibility of involving other corporate functions or directors (especially the Chairmen of Board Committees) on the basis of the duties assigned to them within the Company on the matters being discussed.
- c) "*General Meeting*": the General Meeting of the Company's Shareholders.

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<sup>1</sup> The banks concerned are expected to comply with these new instructions within six months of the date that they came into effect (30 July 2021).

- d) *"Shareholders"*: owners of the shares issued by Banca Popolare di Sondrio.
- e) *"Banca Popolare di Sondrio, Bank or Company"*: Banca Popolare di Sondrio, Società per azioni - Registered office and general management: Piazza Garibaldi 16, Sondrio, enrolled in the Companies Register of Sondrio at no. 00053810149, enrolled in the Official List of Banks at no. 842 and Parent Company of the Banca Popolare di Sondrio Banking Group, enrolled in the Official List of Banking Groups at no. 5696.0.
- f) *"Board of Directors or Board"*: the Board of Directors of Banca Popolare di Sondrio.
- g) *"Committees or Board Committees"*: the committees set up within the Board of Directors with investigatory, propositional and advisory functions.
- h) *"Managing Director"*: the member of the Board of Directors to whom specific executive powers have been delegated in accordance with the articles of association.
- i) *"Contact Point"*: a point of contact that operates under the aegis of the Senior Directors to manage discussions with stakeholders in order to ensure that their proposals and those of the Company are handled in a consistent manner.
- j) *"Dialogue"*: the discussions being held with the Company's shareholders, the owners of other financial instruments issued by it on matters that fall within the Board's sphere of competence relating to corporate governance, social and environmental sustainability, the strategy adopted, financial and non-financial results, the capital structure and risk management.
- k) *"Group"*: the group of companies made up of Banca Popolare di Sondrio and the companies that it controls, directly or indirectly.
- l) *"Inside information"*: as defined by art. 7 of Regulation (EU) no. 596/2014 (Market Abuse Regulation or MAR) and referred to in art. 180b-ter of the Consolidated Finance Act (CFA): *"Information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments"*.
- m) *"Investors"*: the current and potential shareholders of the Company, other possessors of the financial instruments issued by the Company, as well as those who are stakeholders in the relationship formed by holding shares, other financial instruments and the share-based rights in the share capital of Banca Popolare di Sondrio on their own account or on behalf of third parties, such as brokers, asset managers and institutional investors.
- n) *"Corporate Bodies"*: the General Meeting of the Shareholders, the Board of Directors, the Board of Statutory Auditors and the Managing Director.
- o) *"Regulation"*: this Regulation which lays down how the dialogue should be handled.
- p) *"Chairman"*: the Chairman of the Board of Directors.

## 1.2 Purpose and scope of application

The purpose of this Regulation is to lay down rules governing the dialogue and relations between the Board of Directors and investors in general, namely owners of shares and other financial instruments issued by the Bank, including institutional investors, asset managers and other significant stakeholders, identifying the topics and methods used in this dialogue.

The scope does not include all forms of relationship between the Bank and its shareholders, as some of them are handled directly by specific corporate functions according to existing procedures that have already been formalised in other regulations and policies adopted by the Company.

The Regulation also defines the channels used to gather questions, doubts and comments on the part of shareholders and for the Bank to provide suitable replies, clarifications and statements on important topics. As such, the dialogue consists of an exchange of opinions between the Company and the shareholders concerned with a view to increasing the level of reciprocal understanding.

In addition to the exchange of information foreseen in this document, the Bank can also use other channels to gather shareholders' questions, doubts and comments without necessarily conversing with them directly.

To this end the Regulation identifies the methods of dialogue activated on the Bank's initiative as well as those activated at the request of the shareholders, but it will not talk about forms of general communication with the market.

## 1.3 Regulatory framework of reference

This Regulation complies with the provisions introduced by the 35th update of the Bank of Italy's Circular 285 of 17 December 2013 "Instructions for banks on corporate governance". In particular, Section V, Title IV - Chapter 1 entitled "*Functioning of the Corporate Bodies, information flows and the role of the Chairman*" establishes the following rules:

*"[...] The larger and more complex banks, except for those that are wholly-owned, have to adopt a policy, to be formalised in an internal regulation, for handling the dialogue between directors and shareholders (including institutional investors and asset managers) which defines at least the following matters:*

- i) the offices/roles (internal or external to the company) delegated to handle the dialogue;*
- ii) the frequency and methods of circulation within the corporate bodies with the function of strategic supervision, management and control of information on meetings with the shareholders and their outcome;*
- iii) the controls in place to ensure respect for the confidentiality of information and for the rules on inside information;*
- iv) any differences, if appropriate, between the methods of dialogue activated on the bank's initiative and those activated on the shareholders' initiative;*

*v) important matters worth discussing with the shareholders, such as those concerning strategy, financial and non-financial results, risks, the capital structure, social and environmental impacts and corporate governance."*

The update of these Instructions helps to reinforce the efficacy of discussions between the bank and its shareholders and is consistent with the objectives pursued by Directive 2007/36/EC of the European Parliament and Council of 11 July 2007, relating to the exercise of certain rights on the part of shareholders of listed companies, as modified by Directive (EU) 2017/828 of the European Parliament and Council of 17 May 2017 called the Shareholder Rights Directive II (SRD II).

### **1.4 Approval, adoption, update and publication of the Regulation**

This Regulation, including any substantial amendment or integration of it, has been approved by the Board of Directors on the proposal of the Chairman in agreement with the Managing Director. If the adjustments are merely to reflect board resolutions or in the event of further modifications that are purely formal in nature, approval is delegated to the Managing Director.

Once a year, the Board of Directors assesses the efficacy and adequacy of the Regulation, taking into account the results of the dialogue that took place, making and implementing any updates as necessary.

The Report on Corporate Governance and the Ownership Structure includes an explanation of the contents of this Regulation and an assessment of its adequacy on the part of the Board of Directors.

It is up to the Planning, Investor Relations and Management Controls Department to keep this Regulation up-to-date.

The Regulation takes effect from the date it is approved by the Board of Directors and is published in the Investor Relations section of the Bank's institutional website.

## **2. DIALOGUE AND INTERACTION WITH INTERESTED PARTIES**

### **2.1 General principles**

Dialogue with investors that is constructive, open and transparent in accordance with current rules and regulations and corporate best practice is considered of fundamental importance by the Bank in order to ensure maximum transparency in its information, raise the level of involvement in strategic decisions and improve the Group's financial and non-financial results, while taking all social, environmental and corporate governance factors into consideration. And lastly, more in general, to encourage sustainable success and the creation of value in the medium to long term.

Aiming for that objective, the Bank acts in compliance with current rules and regulations that are applicable to it, guaranteeing transparency in a way that is impartial and not selective, to ensure parity of treatment of shareholders and investors who are in the same situation.

Any disclosure to investors complies with the principles and limits established by law, also with reference to parity of treatment of holders of listed financial instruments as per article 92 of the CFA, and generally with the rules on market abuse and inside information. In order to comply with these principles, limits, bans and rules, the Bank can perform any activity that it considers necessary or opportune, including for example:

- (i) it can ask any investor to sign a confidentiality commitment before initiating any dialogue;
- (ii) it can publish press releases.

Interested parties have to observe maximum confidentiality for any matters that they may get to know of during conversations with the Bank and they are responsible for any use of the information received from the Bank that constitutes a violation of a legal obligation or that damages the interests of the Group or of third parties.

Any disclosure given by the Bank should always be suitable and proportionate to the investor's request, as well as strictly pertinent to the matters for which the dialogue was requested, taking account of the Bank's interests.

The Board of Directors is the body charged with promoting the Bank's dialogue with its shareholders and investors and with the public. This general duty encompasses the Board's sphere of competence to establish guidelines for the dialogue and to monitor its efficacy over time, ensuring correct conduct of the interaction with investors and adequate feedback to all members of the Board about investors' opinions and expectations.

In carrying out these activities, the Board operates in compliance with the following general principles:

- transparency of the information provided in the context of the dialogue, according to which the information provided must be clear, complete, correct, truthful and not misleading;
- equal treatment of all holders of financial instruments issued by the Bank;
- compliance with all current legal and regulatory provisions and with the internal rules of governance, ensuring in any case that the principles of collaboration and transparency are applied when dealing with the Supervisory Authorities and competent administrations.

These principles apply to all information disseminated by the Company within the scope of application of this Regulation.

## **2.2 Parties involved in the dialogue: Board of Directors, Senior Directors and Contact Point**

The Board of Directors has the role of guiding, supervising and monitoring that this Regulation is applied and that the dialogue generally progresses as it should. The authority and duty to ensure effective handling of the dialogue are entrusted to the Managing Director and the Chairman of the Board (in this capacity also referred to as the "Senior Directors"), each according to their own powers and sphere of competence in relation to the matters being discussed.

The Planning and Investor Relations Department has the role of Contact Point, which means that it acts as the first point of contact for all shareholders' requests for dialogue with the Company, reporting to the Senior Directors. In particular, and unless indicated otherwise in specific cases or by law:

- it receives all shareholders' requests for dialogue with the Bank, including requests addressed to the Board, specific Board Committees or individual directors;
- it fulfils shareholders' requests according to the rules laid down in this Regulation, taking into account any information already provided by the Company;
- it asks the competent corporate functions for support if the topics under discussion require it.

If an individual director, Board Committee or the Board receives a request from a shareholder, they should forward it to the Contact Point.

The Contact Point therefore supports the Senior Directors in handling the dialogue with the task of fulfilling shareholders' requests and can be entrusted with handling specific parts of the dialogue.

Depending on the topics under discussion and/or the requests received from investors, the Senior Directors will coordinate the dialogue also with the participation of other members of the Board on the basis of their competence in the matter (e.g. as Chairmen or members of a Committee).

In the event that the Senior Directors are unable to perform these functions, due to impediment or absence, or to remedy possible conflicts of interest, these activities will be taken on by the Deputy Chairman, or by another Director specifically nominated by the Board.

The Senior Directors therefore carry out the following activities with the support of the competent corporate function(s):

- they decide if and how to follow up shareholders' requests;
- they identify the timing and methods for the dialogue;
- they involve individual Directors, including independent Directors, in the dialogue, where appropriate, taking into account the specific responsibilities entrusted to them by the Board;
- they promptly inform the Board of Directors of any significant shareholder concerns with regard to the dialogue.

The Senior Directors can also delegate the handling of the dialogue, or part of it, to the heads of the competent internal functions of the Bank.

With the support of the Managing Director and the other competent corporate functions involved in the dialogue, the Chairman ensures that the strategic supervisory, management and control bodies are promptly informed about the start, development and significant contents of any dialogue that has taken place and its outcome.

### 3. METHOD OF HANDLING AND CONTENTS OF THE DIALOGUE

Dialogue activities can be activated on the initiative of the Bank or at the request of an investor. They are carried out - depending on the situation case by case and after assessment by the Senior Directors with the support of the competent internal functions of the Company - through various methods depending on:

- The type of interaction:
  - "One-way mode", where it is only the investors who disclose their views on specific issues to the Directors;
  - "Two-way mode", where there is an exchange of information between the investors and Directors.
  
- Participation of the Interested Parties:
  - "Bilateral participation", in which the dialogue takes place with the participation of just one investor on each occasion;
  - "Collective participation", in which the dialogue takes place with the simultaneous participation of several investors.

The issues and topics discussed during the dialogue with investors concern matters falling within the competence of the Board and/or its Committees. More specifically, these arguments concern issues relating to:

- the trend in operations, financial statements and periodic results;
- corporate strategy (business plan, investments announced, targets);
- capital structure;
- dividend policy;
- share buy-backs planned;
- performance of the stock and other financial instruments issued by the Bank;
- transactions announced or carried out by the Bank or its subsidiaries that are of considerable importance from a strategic, economic, capital or financial point of view;
- competitive and regulatory context;
- corporate governance system;
- appointment and composition of the corporate bodies (including Board Committees), also with regard to their size, skills, integrity, independence and/or diversity;
- issues of an environmental, social and sustainability nature;
- remuneration policy for Directors and Managers with strategic responsibilities;
- transparency and corporate communication towards the market;
- internal control and risk management system, also with reference to financial reporting;
- extraordinary and/or particularly important events that have taken place and which could significantly affect the Bank's prospects and/or its reputation.

#### **4. ACCOUNTING POLICIES**

The Senior Directors, with the support of the Contact Point and any other competent functions, decide whether to accept or reject the request for dialogue, or to activate the dialogue by the Bank, also establishing how (one-way or two-way, bilateral or collective) and under what conditions the dialogue should take place. To this end, the Senior Directors carry out a case-by-case assessment in the best interests of the Bank, taking into consideration, for example, the following factors:

- compliance with any relevant legal, regulatory and/or self-regulatory limits;
- the relevance of the issues with the matters indicated in paragraph 3, the degree of seriousness of the request and the importance of the topics;
- the potential interest of the matter to be discussed for a large number of investors, for important types of investors and/or for the market;
- the real importance of the request for dialogue and its foreseeable usefulness, also with a view to creating long-term value, taking into account previous dialogue experiences;
- the size, characteristics and type of investor making the request or receiving the dialogue and their nature and investment strategy;
- the foreseeable approach of the investor making the request with respect to the matters to be discussed, also taking into account the commitment policies adopted by institutional investors and asset managers, especially as regards investments and corporate governance;
- the characteristics of the positions previously expressed and/or activism initiatives implemented by the investor versus the Bank or other issuers, including the types and contents of any forms of activism previously adopted, as well as the presence of any situations of conflict of interest, real or potential.

In particular, the Senior Directors, with the support of the Contact Point and any other competent functions, assess whether:

- i. to accept the request and start a dialogue, carrying out any consequent activities deemed necessary or appropriate, including the activities indicated in paragraph 6 below;
- ii. to accept a request for dialogue but, on the basis of the assessment criteria explained above and/or for other reasons of expediency, to establish that the dialogue should take place in different ways than those requested by the investor, also regarding the method of carrying on the dialogue (one-way rather than two-way);
- iii. to reject the request for dialogue taking into account the best interests of the Bank and any other relevant circumstance, including cases in which the request for dialogue concerns Sensitive Information and/or if the dialogue ought to take place in two-way mode during the course of any so-called blackout periods, as defined in paragraph 5.

The Senior Directors have to inform the Board, at the earliest possible opportunity, of any decision to reject a request for dialogue and may also involve the Board in such a decision.

In any case, it should be noted that this Regulation does not apply to requests for dialogue received from parties (such as customers, suppliers or other stakeholders) who, even if they qualify as investors, are motivated by interests other than those linked to their own investment, current or potential, in the Bank's capital.

## **5. TIMING**

Dialogue with investors, whether activated at the investors' request or on the Bank's initiative, can take place throughout the year except during blackout periods, in other words:

- the 30 days prior to public communication of the Company's annual or half-yearly results, to be disclosed in accordance with current legislation;
- the 30 days prior to public communication of periodic reports.

However, even during the blackout period, dialogue initiatives with investors and their advisors are allowed, providing the matters being discussed relate to non-financial trends or to issues related to the General Meeting.

## **6. CHANNELS OF COMMUNICATION**

### **6.1 Dialogue with the Board of Directors**

As already mentioned, communications between investors and members of the Board of Directors can take place in various ways and can be initiated:

- i. at the investors' request in writing;
- ii. on the Bank's initiative.

In the first case, the request by shareholders, investors or other parties must be addressed to the Contact Point. The request must specify at least the following matters:

- the topic or topics to be discussed as part of the dialogue;
- the reasons why the investor wants to start a dialogue with the Board of Directors;
- the methods that the investor proposes to use for the dialogue (one-way or two-way mode and bilaterally or collectively);
- the representatives of the investor who intend to participate in the dialogue, specifying the roles they play within the investor's organisation and their contact details;
- indicative timing of the dialogue.

In the second case, the interaction between the Bank and the investors takes place, also at the request and/or on the initiative of the Board of Directors, through the organisation of meetings, one-way or two-way and in collective or bilateral form, which may be attended by one or more Directors and/or managers of the Company, with the support of the competent corporate functions. Requests for dialogue initiated by the Bank will be sent by the Contact

Point, in coordination with the Senior Directors, to the competent structures of the investor(s) to whom the request is addressed.

The organisation and handling of the dialogue is coordinated by the Senior Directors with the support of the Contact Point and, if needed, also with the support of the competent internal functions or external consultants.

The Contact Point prepares a written summary of each dialogue. The Contact Point subsequently transmits adequate and timely reports to the Chairman so that he can inform the Directors at the next Board meeting about the development and significant contents of any dialogue activities that have taken place.

All requests for dialogue will be considered and assessed, taking into account the information provided in the request, the assessment criteria referred to in paragraph 4 above and the Bank's primary interest in holding the dialogue.

In situations that require it, the Bank reserves the right to ask for additional information that may be needed from the investors making the request.

## **6.2 Other channels of communication**

In addition to the methods of communication and dialogue explained in the previous section, dialogue between the Bank, investors and the market in general can also be promoted through other channels and forms of communication, which are listed below:

- Direct communications with the financial community
  - publication of the annual report and consolidated financial statements, quarterly and half-yearly financial information, communications to the public;
  - press releases on the key figures of the quarterly, half-yearly and annual results;
  - meetings with analysts, journalists and press conferences, as well as other conferences in Italy or abroad;
  - announcements to the market through the Regulated Information Dissemination System (or SDIR) chosen by the Bank (E-Market Storage).
  
- Digital communication
  - the Company's institutional website, where information for investors is made available in an up-to-date, accurate, timely and complete manner;
  - webcasts, namely presentations of quarterly results and other important moments of communication to the financial community;
  - social media.
  
- Investor Day: events organised periodically on strategic issues and on the results achieved.

	Regulation governing the dialogue between Directors and Shareholders	 Banca Popolare di Sondrio
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- Relations with internal functions deemed to be of particular importance at the time.
- Other communication channels used from time to time, such as specific events for the banking and financial sector.