

Sustainability Policy



Document version: V1

Approval Date: 29 June 2021

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1. Objectives and scope

The present Sustainability Policy (the “Policy”) identifies Banca Popolare di Sondrio Group’s (the “Group”) commitment and approach to maximise the creation of shared value over the long term, through sustainable development from an economic, environmental and social perspective.

Since its foundation, the Bank has directed its action to the satisfaction of the different stakeholders’ interests, inspiring its work to good practices, to the values of mutuality, ethics, reciprocity, associating the traditional objective of pursuing profits with the one of achieving a shared benefit.

In line with the new European regulations in the «sustainable finance» field and with the current market trends, the Bank’s awareness and interest in updating its strategies and in implementing new processes are constantly increasing, with the aim to further integrate sustainability into the business.

In this perspective, based on scenarios combining environment, industry and finance, the Group proceeds, with a holistic approach and with the will to be an agent of change, in the path already undertaken to identify, implement and monitor the sustainability objectives, implementing the most appropriate arrangements to achieve them in its own context and within the system where it operates.

The Policy defines the principles, the guidelines and the relevant sustainability topics that the Group identifies, implements and monitors in order to respond to all the stakeholders, both internal and external, through a continuous transformation aimed at ensuring shared value creation.

In particular, the Group aspires to identify a clear strategic direction towards a sustainable development capable to guide not only its business, but also the actions performed by the subjects engaged along its value chain.

Specifically, with reference to the United Nations 2030 Agenda and as reported in the Consolidated Non-Financial Report (CNFR), the Group’s actions are inspired by the Sustainable Development Goals (SDGs), specifically referring to those deemed relevant in light of its business activities and to what is proposed by the Global Compact for financial companies, as set out below:

- Goal 1: end poverty in all its forms everywhere;
- Goal 3: ensure healthy lives and promote well-being for all at all ages
- Goal 4: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
- Goal 5: achieve gender equality and empower all women and girls;
- Goal 7: ensure access to affordable, reliable, sustainable and modern energy for all;
- Goal 8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- Goal 9: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;

- Goal 10: reduce inequality within and among countries;
- 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;
- Goal 16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.



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.
Inclusive	Environment or society in which physical, socio-economic, ethnic and gender differences are valued in a way to give everyone equal opportunities for growth in a fair and cohesive system capable of taking care of all citizens, ensuring their dignity, respect for differences and equal opportunities.
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)	<p>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.</p>
United Nations Sustainable Development Goals – SDGs (2015)	<p>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.</p>
Paris Agreement on climate change (2015)	<p>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.</p>
Task Force on Climate-related Financial Disclosures (TCFD) Recommendations (2017)	<p>11 recommendations published in June 2017 by the TCFD, established in 2015 by the Financial Stability Board (FSB), with the aim of guiding the private sector in reporting the information necessary for investors, credit institutions and insurance companies to assess climate-related financial risks and opportunities.</p>
UNEP FI Principles for Responsible Banking (PRB) (2019)	<p>The program, developed through an innovative partnership between banks around the world and the United Nations (United Nations Environment Programme - Finance Initiative), aims to promote measures to encourage the development of a sustainable banking sector by aligning it to Agenda 2030 of the United Nations and to the 2015 Paris Agreement on climate change.</p>

3. Regulations 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;
- Legislative Decree 81/2008 (Safety in the workplace) and subsequent amendments;
- 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;
- Legislative Decree 179/2017 (Whistleblowing) and subsequent amendments;
- Regulation EU 2088/2019 on sustainability-related disclosures in the financial services sector;
- 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)”.

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);
- Task Force on Climate-related Financial Disclosures (TCFD) Recommendations (2017);
- UNEP FI Principle for Responsible Banking (PRB) (2019).

4. Sustainability Governance

This document establishes the roles and the responsibilities at Group level regarding sustainability topics.

Board of Directors	<ul style="list-style-type: none"> ○ Defines guidelines, targets and strategies at Group level on sustainability topics; ○ Ensures the integration of ESG risks into business strategies, governance, processes, procedures and the control system; ○ Approves the Consolidated Non-Financial Report (CNFR) and the main policies of competence; ○ Supervises the correct monitoring of sustainability topics.
Board of Auditors	<ul style="list-style-type: none"> ○ Supervises the compliance with the legal provisions regarding the drafting of the CNFR; ○ Monitors the adequacy of the procedures and the processes underpinning the CNFR.
Sustainability Committee	<ul style="list-style-type: none"> ○ Periodically examines regulatory changes, standards and national and international reference practices on ESG topics; ○ Supports and recommends the Board of Directors on sustainability topics, by introducing and amending relevant internal regulations and articulating guidelines into practical initiatives, of which it also defines the operational plans and monitors the effective implementation; ○ Contributes to the coordination of the internal organizational structures and of the subsidiaries' ones in order to comply with the sustainability guidelines established by the Board of Directors and articulated within the strategic planning; ○ Coordinates activities aimed at identifying potentially relevant sustainability topics and updating the materiality matrix. Furthermore, it examines the NFR by formulating any observations and suggestions; ○ Supervises debt instruments transactions whose issuance is connected to Group activities in the sustainability area; ○ Coordinates and monitors engagement activities with relevant stakeholders and disclosure actions; ○ Periodically reports to the Board of Directors.

Control and Risks Committee	<p>In line with its mandate, with reference to ESG risks and those associated with them, it assists the Board of Directors:</p> <ul style="list-style-type: none"> ○ in determining the guidelines for the ESG internal control and risk management system; ○ in the periodic verification of its adequacy with respect to the characteristics of the Bank and its risk profile as well as its effective functioning.
Sustainability Office	<ul style="list-style-type: none"> ○ Constantly monitors national and international legislation, standards and practices on sustainability topics; ○ Supports and coordinates central and peripheral structures, as well as the subsidiaries in understanding and declining the sustainability factors and in engaging the relevant stakeholders; ○ Prepares the NFR and coordinates the related activities; ○ Carries out, for the parts of its competence, the dialogue with the Supervisory Bodies; ○ Manages the dialogue with the ESG rating agencies, the compilation of questionnaires and monitors the ESG assessments at Group level; ○ Supports and coordinates the drafting of the Group's guidelines, targets and strategies on sustainability topics; ○ Supports the Sustainability Committee in identifying the initiatives to be implemented and in their deployment and monitors their progress periodically or whenever is deemed necessary.

Risk Management Department	<ul style="list-style-type: none"> ○ Identifies, evaluates, measures, monitors ESG risks and those associated with them. For these purposes, it progressively integrates them into the relevant internal regulations, processes, procedures, support systems, data and reporting; ○ Supports and coordinates the gradual integration of climate and environmental risk factors into risk management and information systems with peculiar reference to the “ECB Guide on climate and environmental risks”; ○ Supervises and, for the parts of competence, carries out the stress test exercises provided by the Supervisory Authorities on ESG topics; ○ Supervises the drafting of the ESG risk disclosures in line with "Pillar III" regulation.
Compliance and DPO Department	<ul style="list-style-type: none"> ○ Supports the Sustainability Office in monitoring the applicable ESG legislation and managing the compliance risks associated with it.
Internal Audit Department	<ul style="list-style-type: none"> ○ Evaluates the adequacy and functionality of the ESG risk management system adopted by the Bank.

5. Relevant sustainability topics

In consideration of the national and international context relating to sustainable finance, the disclosure requirements expressed by Legislative Decree 254/2016, the periodic dialogue with relevant stakeholders, the strategy defined at Group level and the commitments and responsibilities defined in the Code Ethics of Banca Popolare di Sondrio, 5 significant sustainability areas have been identified.

Starting from such areas, the Group annually updates its materiality matrix published in the Consolidated Non-Financial Report, outlining the topics and the related indicators that can reasonably be considered as relevant, since they reflect the economic, environmental and social impacts of the organization, or they influence the stakeholders’ decisions and therefore potentially deserve to be included in the non-financial reporting.

5.1 Environmental Impacts

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

Consistently, it aims to reduce the effects on the environment generated by the consumption of resources, the production of waste and other directly impactful activities and to manage the effects deriving from indirect impact activities, related to products and services provided to its customers.

Specifically, in terms of environmental impact, the ongoing climate change constitutes a challenging matter that requires identifying, monitoring and evaluating certain performance indicators in the context of business operations.

The Group intends to have one or more specific targets relating to climate change (climate-related), in particular aimed at reducing greenhouse gas emissions, and to report the progress made in achieving these objectives through specific indicators functional to assessing the impact associated with its activities.

Furthermore, the Group takes care to the fact that its activities and relationships with customers, suppliers, collaborators and partners, commercial and otherwise, are also conducted in the light of a cost-benefit balance assessment which takes into account the environmental impacts, in order to minimize negative effects capable to affect the environmental quality.

5.2 Social themes

Since its origins, the Group has been committed to promoting the economic and social development of the communities belonging to the reference territories.

It takes constant action to promote the dialogue with such communities, in particular with regard to their constituent structures, made up of families and small and medium-sized enterprises.

Consistently, it develops supporting initiatives which positively impact the communities, the quality of life, employment, investments, skills development and personal and social relationship.

5.3 Human resources development

The professionalism of its human resources is a core value for the Group and consequently the process of staff selection and the employee's skills development gain a central role.

Employees are offered the opportunity to grow professionally through trainings and performance evaluation, in order to promote a stimulating working environment in the perspective of continuous development.

The professional growth of the staff is supported by an articulated training system which includes projects designed for specific groups of employees, such as for the new hires, and the knowledge development within all the main areas of banking business. The training programmes do not neglect transversal contents among the different professions

within the Group, with the aim of strengthening specific skills such as relational, negotiating and team-working management skills.

The Group is committed to spreading culture of health and safety in the workplace and in the relations with partners and suppliers, complying with the regulations in force and the established practices.

It promotes an inclusive work environment, aimed at guaranteeing equal opportunities and ensuring that there is no discrimination, vexations or harassment of any kind.

5.4 Protection of human rights

The Group orients its action towards the respect for human rights as an essential requirement, protecting and promoting such rights in the daily execution of its activities.

Acts of psychological violence or discrimination or harmful attitudes towards the single person, his/her opinions, beliefs or preferences are not allowed in any internal and external work relationship.

In the context of the ordinary commercial relations, respect for human rights gains further importance also when extended to partners and suppliers, also by means of providing the inclusion of specific contractual clauses.

5.5 Fight against corruption

Business activities are based on the compliance with the criteria of loyalty, seriousness, honesty, competence and transparency. For these purposes, full compliance with the laws and regulations in force and the adoption of appropriate organisational safeguards aimed at minimising the risk of corruption are promoted. These controls require that individual and collective behaviours comply with the Code of Ethics and the Model of Organization and Management (MOG) pursuant to Legislative Decree 231/2001 and that any violations may be promptly reported by all staff pursuant to art. 52-bis of the Consolidated Law on Banking (TUB, on whistleblowing).

Moreover, to ensure adequate mitigation of the legal, reputational and non-compliance risks associated with fraud and misconduct - especially aimed at corruption -, the Group adopts a structured fraud risk management framework for the management and supervision of fraud risks, coherent with the broader operational risk management framework, ensuring continuous monitoring and promoting the adoption of the most appropriate risk prevention or reduction measures.

6. Monitoring and supervision

The Sustainability Committee plays a coordinating and monitoring role in order to oversee the effective implementation of the principles 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.

7. 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;
- MOG 231;
- Internal Guidelines related to energy efficiency improvement and to other environmental impacts limitation;
- Sustainability Committee internal Regulation;
- Policies and procedures belonging to the Bank's Risk Management System;
- Documents supporting the health and safety system, according to the legal requirements.